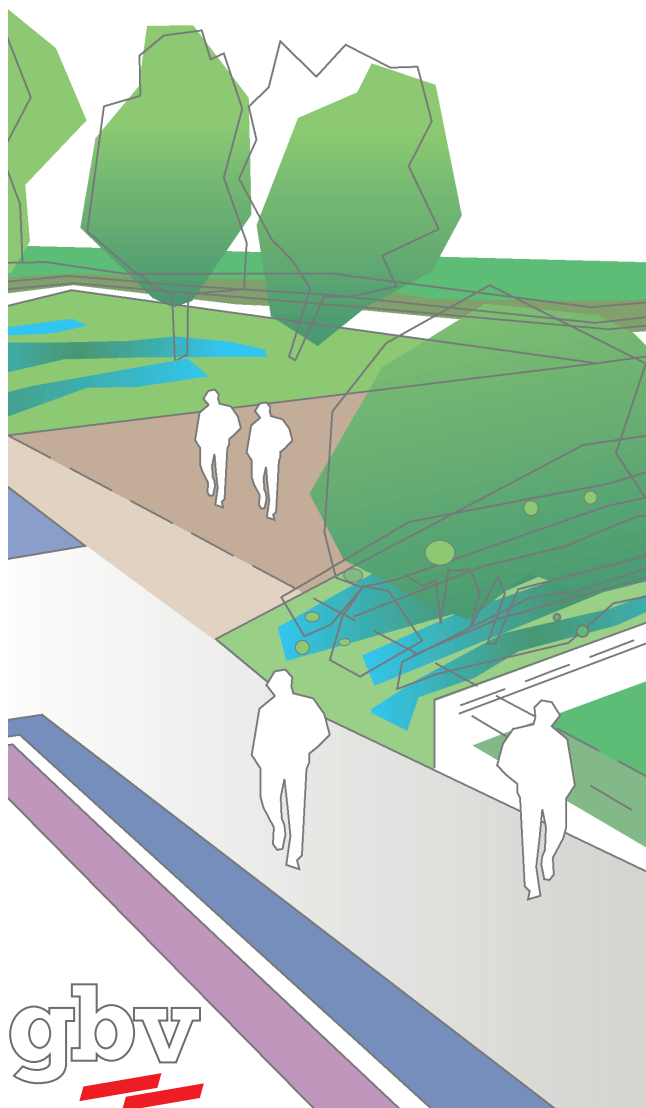


Limited-Profit Housing Associations in Austria

Herbert Ludl



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Introductory remark

With 489 dwellings per 1,000 inhabitants, living space of 38 m² per person and a housing cost share of domestic expenditure of 19 percent, Austria has a level of housing supply that need not shy from any international comparison. With a share of roughly 30 percent of the annual volume of newly built dwellings and a real estate management portfolio of 775,000 dwellings, the limited-profit housing associations – organised as co-operatives, limited liability companies and stock corporations – have contributed substantially to making the entitlement of the people to contemporary and affordable housing a reality.

Today, the fact that every sixth inhabitant of Austria lives in an apartment built and/or managed by a limited-profit housing association indicates not only a high degree of trust on the part of the respective tenants and owners in the limited-profit housing associations, but also in the state in general in this sector.

Organised independently and on a private-sector basis, these enterprises rely on the principles of limited-profit housing in order to fulfil their task of building and managing housing at their own responsibility in competition with other players in the housing construction segment, such as commercial property developers. Their offer is geared towards a broad group of the population and is not understood to be an element of social assistance aimed solely at benefitting low-income groups.

The fundamental principles of limited-profit housing, such as covering the costs as a counter-model to the primarily profit-focused development of real estate and the appraisal of dwellings as a long-term asset that can repeatedly be made available over multiple generations with a socially oriented objective, obviously represent the justification of a specific partnership between the limited-profit housing associations and the state.

However, this partnership is likewise constituent on the state expressing its responsibility for the provisioning of housing with a corresponding material basis. The promotion of housing, for which the government spends EUR 1.78 billion each year, transferring these funds to the federal states for their use, has proven to be a powerful driving force for the affordability of living space and the implementation of social, ecological, residential and regional planning policy concepts. These funds are usually earmarked for the direct promotion of real-estate, i.e. as low-interest financing components for the construction of the proper-

ties. However, their use in this context is not focused exclusively on limited-profit projects. Indeed, more than 70 percent is distributed to municipalities, builders of private residential properties and commercial real-estate developers.

With a share of just over 20 percent of the overall housing stock and more than 40 percent in urban multi-storey buildings, the limited-profit housing associations dispose over a housing segment characterised by inexpensive rents and professional management and provide the tenants with security through unlimited rental contracts.

The following presentation, written by Professor Herbert Ludl, who expertly unites the theory and practice of this specialist field as managing director of limited-profit housing associations, functionary of the governing body of the limited-profit housing associations and long-standing experience as a lecturer at Vienna University of Economics, is intended to illustrate the specifics of the limited-profit housing associations and their functional integration with the housing policy system of our country, particularly also for foreign experts. A cooperative venture that – as the “Austrian approach” – represents an extremely fundamental pre-requisite for the achievement and safeguarding of a high standard in the quantitative and qualitative provisioning of housing.

Mag. Karl Wurm MBA

Chairman of the Federation of Limited-Profit Housing Associations

1.0. The housing policy system in Austria

In addition to the legal instruments of housing policy — which are understood to mean all directly effective housing policy measures of the legislature, such as security of tenure or legally governed upper rental limits — the financial instrument of housing funding and the organisational instrument of limited-profit housing are also of particular importance. One special feature of the Austrian system lies in the interaction of housing funding and limited-profit housing, which must be regarded as mutually complementary and reciprocally supportive systems.

The provisioning of housing for the population requires constant state intervention. Indeed, this is also called for in light of the existential significance of quality housing. Even households with higher than average incomes are incapable of purchasing a dwelling that fulfils our social, cultural and ecological standards on their own. When distributing the building costs over the entire duration of employment, repayment of the requisite third-party funds in the case of free financing would take longer than the average dwelling seeker has available to work in their lifetime. A constant market unbalance therefore arises that can be characterised by a lack of demand. The activity of building residential property can thus only be secured for an average family and to any noteworthy extent through state intervention.

Depending on the course of action chosen, this state intervention in the economic process yields additional effects. If the funds are used in such a way that the public authorities themselves become the developer and manager of residential properties, the question of efficiency must be raised, irrespective of the fact that “official” provisioning of housing is not a contemporary provisioning instrument. If, on the other hand, the funds are used in the form of financial incentives for commercial investors, arbitrage effects must be anticipated and the usual transformation of public subventions into private capital takes place. The formation of capital that remains in the social loop and can be used in the long-term under state supervision has proven to be a convincing solution and is only ensured in the case of limited-profit housing associations who have to operate with the funding in an efficient and customer-oriented manner, as they are organised on a purely private-sector basis.

2.0. The beginnings

The distressing housing conditions in the cities as of the middle of the 19th century caused by the tremendous growth in population set the stage for the appearance of housing reformers, whose ideas in turn paved the way for the birth of housing associations and limited-profit housing. The foundation of the first “Bauvereine” (housing associations) is thus closely linked both to the “issue of housing” and the “social issue”.

The unbelievably squalid living conditions of broad segments of the population, which for the most part had not been evident to date, led to a growing interest among social reformers in matters concerning housing. In many instances, they propagated cooperative ideas, patterned both after those in England and in Germany. The ideas of Robert OWEN and Victor Aimé HUBER, as well as the activities of SCHULZE-DELITZSCH who was significantly influenced by HUBER, thus found fertile ground here in Austria.

Memories of the burning of outlying city districts during the revolution of 1848 and the fear of the increasing workforce organisation also motivated the predominantly civic-liberal housing reformers.

2.1. The birth of limited-profit housing

Historically, the idea of limited-profit housing in Austria was based on the cooperative movement and the housing reform. Some fundamental principles of limited-profit housing, such as cost coverage, tying up of assets and auditing, are of an undeniably cooperative origin.

Foreign models for building residential housing and housing estates for workers in the private sector could be found in France (in the “Cité ouvrière” by Mühlhausen and in the “Familistère” by Guise), in England (in the “Harmony” by Hampshire) and in Germany (in the “Bremerhöhe” by Berliner gemeinnützigen Baugesellschaft and in the “Colonie” by Hamburg-Steinwärder). The building of housing for workers by workers thus arose in Austria — as in other European countries — beyond the major cities, where neither profit-oriented private nor municipal housing development existed.

The oldest limited-profit housing association still active today is the “Obersteirische Wohnstätten-Genossenschaft”, founded in 1895. The

first limited-profit housing development company in Austria that is likewise still active today is “Erste gemeinnützige Wohnungsgesellschaft Heimstätte” (established in 1907). Its building activities and other enterprises organised on a private-sector basis resulted in the original, rather programmatic term of “limited-profit” becoming established in the housing development sector and thus transforming into a “trademark” of companies that saw themselves as an instrument of housing assistance, or at least wished to present themselves as such.

The public jubilee fund “Kaiser Franz Joseph I. Regierungsjubiläumsfonds” established in 1908 by way of imperial sanction linked the approval of housing loans to the distribution of limited profit shares, reasonable rents, the tie-up of assets and government auditing. The term “of benefit to the public” was first defined on the legislative level with these conditions for the granting of funding. Limited-profit housing then became governed in several laws; limited-profit associations and companies then required approval by the authorities as of the year 1912.

The codification of limited-profit housing on the new basis finally came about in 1938 after the occupation of Austria by the National Socialists and the German Limited-Profit Decree and — later — the German Limited-Profit Housing Act also gained validity in Austria. The Limited-Profit Housing Act was then adopted by the Austrian legal system with the “Rechtsüberleitungsgesetz” (RüG), a transitory law of 1945, cleansed of any provisions containing “typical National Socialist thought”.

3.0. Limited-profit housing

The legal definition of the Limited-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz — WGG) describes limited-profit housing associations as enterprises whose activities are directly geared towards the fulfilment of the common good in the field of housing and residential matters, whose assets are dedicated to the fulfilment of such tasks and whose business operations can be regularly reviewed and monitored. These basic provisions already cover all primary principles of limited-profit housing: serving the common good, limitation of the scope of activities, limitation of the distribution of profit shares and the cost-covering principle, as well as the obligatory supervision and checks and balances.

Limited-profit housing associations involve the integration of private-sector economic activities for the fulfilment of tasks of existential provi-

sioning in the public interest. However, regardless of this orientation towards the common good, limited-profit housing associations are nevertheless part of the private sector.

3.1. The legal basis

The Limited-Profit Housing Act bases its competence on “Volkswohnwesen” as defined in the Federal Constitution, and therefore falls under the jurisdiction of the Federal Government with regards to legislation, with the provincial governments responsible for its execution. However, those provisions of the Limited-profit housing Act pertaining to the legal relationship between the housing association and those entitled to accommodation in matters related to housing, are based on “Zivilrechtswesen” — or civil law — and are therefore issues of provincial jurisdiction as concerns both their legislation and execution.

In detail, the decrees issued concerning the Limited-Profit Housing Act are as follows:

- The Prüfungsrichtlinienverordnung, a decree on the auditing guidelines to be applied to limited-profit housing associations,
- The Entgeltsrichtlinienverordnung, a decree that governs the prices for the provisioning of accommodation and real estate by limited-profit housing associations,
- The Gebahrungsrichtlinienverordnung, a decree on business conduct guidelines containing rules for the proper business conduct of limited-profit housing associations and
- The Bilanzgliederungsverordnung, a decree on balance-sheet guidelines, containing more detailed provisions on how the balance sheet and income statement of limited-profit housing associations should be written up.

3.2. The head organisation

The “Austrian Federation of Limited-Profit Housing Associations — Audit Association” was founded in 1946 and is organised on a single tier as the head organisation of the limited-profit housing associations. Absolutely all of the limited-profit housing associations (housing associations and companies) are direct members of the federation. The existing organisational structure consists of a provincial group for each Austrian province with an advisory function. The smallest of these provincial

groups is in Burgenland and comprises five housing associations, while the largest is in Vienna and consists of 69 housing associations.

The federation is headed by an executive board that governs the day-to-day business of the federation and comprises a chairman, a vice-chairman and two additional members. The director of the federation is responsible for the execution of the decisions and business administration and for heading the federation office. The supervisory board consists of 12 members, with each provincial group being represented by one member.

The conference of delegates with 53 representatives from throughout the whole of Austria convenes regularly and is responsible for opinion forming and for financial resolutions. The supreme body of the federation is the federal convention, which convenes annually.

4.0. Special features of limited-profit housing

4.1. The cost-coverage principle

The cost-coverage principle of the Limited-Profit Housing Act stipulates that a limited-profit housing association may only charge an appropriate amount for the use of dwellings etc. that is fixed at a level neither higher nor lower than necessary to cover the costs for managing the building, taking into account a justified amount to cover the costs of managing the housing association and to form reserves, in keeping with the principles of proper business conduct. The price fixing of a limited-profit housing association is thus based on (1) expenses, (2) the costs of management and (3) the requisite formation of reserves, irrespective of the demand on the housing market, and on relinquishment of any opportunities for making profits, which result from the shortage of the commodity.

However, this does not mean that limited-profit housing associations are generally excluded from making profits, which are indeed indispensable for the formation of reserves, but only that the profits it makes and the dividends it pays out are limited by law. With respect to its building and administration activities, a limited-profit housing association thus may only charge the actual and justifiable costs which are incurred, in addition to the standard amounts laid down by law for its own services, and any additional costs it needs to cover the risks taken in the rental transaction.

The principle of efficiency also has to be considered in connection with the coverage of costs, as a consequence of which management and administration in a limited-profit housing association must allow themselves to be guided by the principle of efficiency, i.e. by profitability, economy and practicality. If in doubt, the tenants and buyers of accommodation built by a limited-profit housing association can have the cost ascertainment provided to them reviewed by a court of law.

4.2. Tie-up of assets

The special handling of the assets of members of limited-profit housing associations and the shareholders of joint stock companies under the aspects of asset management law when dividends are to be paid out in the event that they withdraw as members, or in the case of the liquidation of the housing association, and the general profitability obligation are in place to ensure that the assets of a limited-profit housing association remain tied up to be appropriated for the purpose of housing.

In this context, the principle of nominal value, according to which a withdrawing shareholder or member would only be reimbursed the amount of the nominal value of his capital contribution at that time, is a fundamental element of securing assets.

The profits, which are always an indicator of the efficient employment of resources when prices are fixed, predominantly flow into the reserves of a limited-profit housing association, thus making it an enterprise which turns its profits into capital.

The tie-up of assets makes an unequivocal distinction between limited-profit housing associations and commercial developers, whose assets formed with the assistance of public subsidies are kept from the community over the long-term.

Only one amount may be distributed from the profit for the year of a limited-profit housing association. This may not exceed the permissible interest rate for shareholders' equity (currently 3.5%) in terms of the shares paid in. This principle also applies to the treatment of the shareholders and members under asset management law in the event of withdrawal or liquidation of the housing association.

The Limited-Profit Housing Act also standardises a mandatory usage for

the shareholders' equity. In this context, the shareholders' equity is generally to be dedicated to housing-related tasks and used primarily for the main business activities.

Income from that shareholders' equity that is not used to cover long-term asset portfolios or for the providential cover of day-to-day business operations and the resultant financing requirements must always be subject to income taxation if it is not verifiably utilised within five years for the primary or secondary business activities of the housing association.

4.3. Limited business activities

Limited-profit housing associations are extremely limited in their sphere of permissible business activities and may only conduct primary business activities, secondary business activities and so-called "connective" supplementary business activities.

Primary business activities include the construction and management of accommodation, private homes and homes in their own name, as well as the large-scale renovation and management of other limited-profit housing associations within the framework of their primary business activities. Preferably, it is this type of business that is to be undertaken and the shareholders' equity is appropriated toward these activities.

Secondary business activities may also be conducted in addition to the primary business activities and are individually specified under law. However, the scope of these activities must always remain in such a relationship to the primary business that they can still be qualified as secondary activities. They may not become the sole nor the predominant part of the business activities of a limited-profit housing association.

Secondary business activities include the construction of housing, private homes and homes built for third parties, the construction of commercial premises, garages and car parks and the erection of community facilities for the residents and the residential public in general, improvements in the housing environment, special renovation activities, such as urban and village renewal, urban sanitation, and renovation for third parties, legal transactions in connection with buildings owned by the association, bank transactions in connection with the construction of housing, the purchase of building materials

and furnishings, participation in other limited-profit building associations, loan associations and building societies, as well as the establishment of information offices.

Connective supplementary business activities are only permissible to a very limited degree necessary within the realm of proper business management. They may not be carried out either as primary nor secondary activities and, moreover, they require written approval of the respective provincial government.

Special case in connective supplementary business: The rendering of housing-related services and the majority holding of subsidiary companies with a support role or foreign ties is permissible without approval of the supervisory authorities, but is subject to taxation.

4.4. Association auditing

4.4.1. The audit association

The Limited-Profit Housing Act stipulates that absolutely all limited-profit housing associations be members in an associative organisation that must conduct regular mandatory audits.

The Limited-Profit Housing Act defines limited-profit housing associations as companies whose "business activities can be audited and monitored on a regular basis". Audits conducted in accordance with the Limited-Profit Housing Act are based on the directives for the auditing of limited-profit housing associations and the articles of the Audit Association of the Austrian Federation of Limited-Profit Housing Associations.

The legal basis for the auditing of limited-profit housing associations is the associative audit with some additions and deviations resulting from the limited-profit concept of housing. This makes the tightly interwoven structure between associative principles and those of limited-profit housing clear. However, all limited-profit housing associations must, to date, belong to an audit association that corresponds to the provisions of the Association Audit Act. The Association Audit Act contains further provisions on the audit procedures, in particular the scope thereof and the assignment of an auditor.

The stringent requirements placed on the training, testing and further training of associative auditors in Austria are ensured by a test level that

corresponds — under EU law — to that of an auditor and exceeds this in terms of the auditing of a company's business conduct. This auditing standard is unique in the associative sector within the European Union.

The audit is also understood as a form of economic supervision and is used to offer limited-profit housing associations with qualified information and assistance, as well as continuous supervision and training, which professionally speaking far exceeds what a private account could provide. The expert know-how gained from the audit serves to improve the productivity and competitiveness of the member enterprises. The head federation represents the interests of the limited-profit housing associations and should, moreover, be able to benefit from the experience and expertise of its auditors, both in its counselling function for legislation and administration, as well as in its public relations work.

4.4.2. The association audit

The compulsory associative examination is not only older, but also more comprehensive than the corporate audit. The audit of limited-profit housing associations also takes place in the "interest of the general public", i.e. it is an instrument of public checks and balances

An independent auditor is in charge of the examination. He works independently and on his own responsibility, even if he is an employee of the federation.

The audit examines not only the formal and material principles of balance sheet accounting, but also the profitability of the enterprise and the expediency of the management, as well as compliance with the provisions of the Limited-Profit Housing Act. It covers a broader spectrum of control through the formal and material examination of the business conduct of all branches of the administration than the final auditing of companies.

The certification of a company's financial statement corresponds to the audit certificate for housing associations contained in the comprehensive evaluation in the auditor's report.

In addition to the regular examinations, special audits may also be conducted at the request of a limited-profit housing association or a supervisory authority.

Not only cooperative associations are audited. The audit covers all other legal forms of limited-profit housing associations that are subject to the Limited-Profit Housing Act.

The audit report is published to a wide audience, with the addressees comprising not only the executive board and the supervisory board, but also the general assembly. The excerpt of the audit report submitted to the provincial government is also publically accessible and contains the annual financial statement with the certification of the audit and business conduct, the names of the members of the entity, the number of dwellings managed and the number of dwellings completed within the past three years.

The audit reports are submitted to the supervisory authority. The supervisory authority itself disposes over a series of sanction options, such as the formal ordering of remedial action to remove defects, the withholding of public funds, or even the revocation of recognition as a limited-profit housing association.

4.5. Government supervision

The entire management of a limited-profit housing association is subject to continuous supervision by the public authorities. As a supervisory authority, the provincial government is justified to inspect all of the company documents, to examine the business conduct and accounts, to order remedial action to remove defects and to solicit reports on individual business transactions.

The provincial government may order remedial action against any defects and, if this order is not complied with, they can give official notice to eliminate them.

4.6. Miscellaneous

Every limited-profit housing association also requires government recognition, must establish a supervisory board, is subject to special price-fixing regulations for the rental or sale of dwellings and is also subject to an obligation to build housing. An interruption in the building activities requires the explicit permission of the provincial government. Limited-profit housing associations are exempt from paying income tax.

5.0. Economic potential

5.1. Number of companies

The 101 housing co-operatives make up just over half of the members of the Federation of Limited-Profit Housing Associations. That corresponds to 52.33% of the total of 193 limited-profit housing associations. However, if these are classified according to administrative units, the housing co-operatives comprise a share of only 44.78%. In comparison with the housing co-operatives, which manage on average only 4,580 administrative units per enterprise, the limited-profit companies manage a remarkable 5,837 administrative units per enterprise. This corresponds to a long-standing trend, whereby housing co-operatives have always exhibited a lower degree of building activity when compared with limited-profit companies.

5.2. Number of members

The combination of the right of use and the membership in a housing co-operative always lead to a higher degree of member fluctuation than in other co-operative sectors. The legally standardised building obligation also has the additional effect of continuously raising the overall membership figures. The total membership of all Austrian limited-profit housing co-operatives amounts to 412,466 members, with an average of 4,048 members per co-operative.

Membership figures exhibit remarkable growth rates. In 1970, some 150,499 members were counted throughout Austria and the number of members has since increased almost threefold. The annual growth in recent years has amounted to roughly 8,900 members per year. This development testifies to the unbroken appeal of the co-operative form of limited-profit housing.

5.3. Housing stock

The management portfolio of the limited-profit housing associations currently (2007) covers some 775,000 dwellings, roughly 500,000 of which are located in buildings owned by the associations and roughly 275,000 of which are located in property owned by third parties, predominantly under the ownership of local authorities, or home-ownership in condominiums.

Of the 3.5 million dwellings counted throughout Austria, the limited-profit housing associations thus manage a share of 21.8%, with 14% being owned by the associations.

5.4. New construction and refurbishment

One in five dwellings built in Austria since 1945 was built by a limited-profit housing association. Indeed, in the cities — the domain of the multi-storey housing estates — it was even one in every three new dwellings.

The long-term average construction volume of the limited-profit housing associations amounts to roughly 15,000 dwellings per year, which equates to a share of some 30% of the overall volume of new constructions. The construction volume decreased slightly in recent years, but the current trend is again on the rise.

More than 25,000 dwellings are currently undergoing construction, with the trend in this context also being positive.

In addition, the modernisation and refurbishment volumes have also risen steeply. The most recently recorded volume corresponds to an equivalent of roughly 5,000 new dwellings. Each year, some 3 to 4 percent of all dwellings in the housing stock undergo heat insulation work, through which the requirement for heat is reduced by more than half.

Between the years 2001 and 2006, the entire new construction and refurbishment volume of limited-profit housing associations increased each year by an average of 2.7%.

5.5. Staff structure

Limited-profit housing associations throughout Austria are staffed by roughly 8,650 employees, including 266 in executive positions and 2,138 regular staff, not to mention the 2,961 caretakers. They thus employ an average of 46 people per association.

5.6. Balance sheet figures

The balance sheet figures for the limited-profit housing associations total EUR 29.7 billion and have thus increased more than eight-fold from the balance sheet figures of the year 1970 (EUR 3.6 billion). Based on the balance sheets for individual enterprises, we see that the average balance sheet figures per association amount to EUR 154,123,000.

6.0. Government promotion of housing

The objectives of housing promotion are to ensure a sufficient amount of good quality accommodation, to provide and ensure an adequate amount of investment capital for housing purposes and to reduce the burdens on end consumers caused by housing costs.

The necessity for a public system of housing promotion stems from the special importance placed on the markedly long-standing consumer commodity of accommodation, which expresses itself on the one hand in the significance of the commodity for meeting life's needs and, on the other hand, in the high degree of external effects. The presence of special features, such as lengthy completion times, high construction costs, a distant financial planning horizon, a lack of substitute options, being tied to one site, low market transparency and high transaction costs lead to the basic phenomenon of market failure and the resulting need for regulatory action. Intervention in the form of planned, continual and direct public housing promotion is therefore necessary in order to restore the market equilibrium.

In Austria, the main focus of promotion for housing is on direct property promotion. All told, around EUR 2.96 billion was recently spent for all promotion measures, including indirect measures. This value is a stable parameter, corresponding to roughly 1.25 percent of the gross domestic product and is roughly on par with the average for comparable nations.

The financing of direct housing promotion is based on the expedient commitment of an amount of budgetary funding that flows to the individual states and is supplemented by that state's own provincial promotion measures. Federal funding of EUR 1.8 billion is spent. A total of EUR 2.4 billion was recently spent for direct housing promotion measures, of which 82% was allocated to the construction of new dwellings and 18% to residential refurbishment. The lion's share of new

construction expenditure (90%) was allocated to object-specific housing promotion, with only roughly 10% of the new construction expenditure being spent on subject-specific housing promotion, primarily in the form of housing subsidies.

However, housing promotion should not merely be used to continuously repair the deficits in the market, but should instead endeavour to eliminate the tendency of a necessity for "eternal aid" by setting into motion self-regulating and self-supporting projects. The longterm establishment of a self-supporting system of finance — as it results from the described functional combination between housing promotion and limited-profit housing efforts — would be an adequate solution to this problem and would likely be capable of improving the leverage of housing promotion over time. Both housing promotion as well as limited-profit housing have a long financial horizon and take into consideration the special nature of quality housing.

A distinction is also made between object-specific and subject-specific housing promotion. Subject-specific housing promotion measures can take the form of housing subsidies, housing benefits or equity replacement loans. The usual case in Austria is represented by object-specific housing promotion. In this respect, 76% of all promoted dwellings in multi-storey housing development and 45% of the promoted homes were built with object-specific housing promotion after 1945. In contrast, subject-specific housing promotion is of lesser importance and usually combined with object-specific promotion anyway. While up to 25% of all households in other countries claim individual benefits, the figure for Austria is merely 3 to 4 percent.

6.1. Direct object-specific housing promotion

Direct object-specific housing promotion is understood to involve all public expenditure and tax exemptions that are linked to the investment expenditure of a project. The measures are coupled with a specific investment volume with the goal of reducing the offer price for the respective housing. The recipients of object-specific housing promotion are municipalities and limited-profit housing associations, as well as home owners and private persons in the case of the construction of own residential property. As a price subsidy, object-specific housing promotion tends to distort the markets as prices that indicate the correct site, quality and location of a property are very difficult to establish. However, it assists construction very swiftly and, assuming a fundamental demand, allows precise determination of the effects desired

by the respective regional association. The location, type and extent of the construction project are specified by the funding. Object-specific housing promotion also facilitates the social multiplication factor.

In Austria, almost 75 percent of all housing promotion funds are spent on object-specific housing promotion. This share represents the fundamental distinguishing feature vis-à-vis other countries, where subject-specific and indirect promotion are granted preference over direct promotion.

6.2. Direct subject-specific housing promotion

Subject-specific housing promotion is understood to mean all periodical transfers by the government to the end consumer, be it in the form of payments or payment equivalents. The measure is usually linked to a specific level of income, in order to close the gap between the reasonable costs and the offer price. On the whole, subject-specific housing promotion forces a higher level of government transfer than, for instance, a mixture of object-specific housing promotion in new construction, combined with rental control in the housing stock. Under ideal conditions, it is market-conform and efficient, as the consumer himself can articulate his own wishes in terms of residential location, residential appointment and dwelling size and indicate this to the markets in the form of demand. However, housing subsidies stigmatise the recipients and prove to be counterproductive, because they decrease as income rises. Housing subsidies are also less suitable for eliminating bottle-necks in the offer of housing. On the contrary, they actually have a price-increasing effect on the housing stock. The “Housing construction cheque” as an additional variation of subject-specific housing promotion can only ever be more than an empty promise if the offer is sufficiently large and there are no restrictions on access. Persons seeking accommodation who are waiting on a list, however, benefit little from this variation.

6.3. Indirect housing promotion

Indirect promotion measures for housing are referred to when the recipient of the promotion is not identical to the renderer of the actual desired benefits; a classic example of this would be building society promotion, in which inexpensive loans for constructing housing are made possible by benefiting the saver. The system is similar in the case

of building savings banks. In this context, the provisioning of land, assumption of the development costs or the commitment of a specific share of land can also be effectively promoted in an indirect manner. Indirect housing promotion extends to all players involved in the construction activities and the utilisation of the resultant property – such as land owners, mortgage banks, the building sector or the principal. Indirect promotion of housing construction also takes place in the options for depreciating the costs of living, in the case of monument protection and in sanitation areas, as well as in tax benefits for building owner collaborations.

7.0. Boundary conditions for housing construction: housing requirement in the coming years

On account of the relatively high rates of immigration, Austria currently has a high level of population growth. While the number of inhabitants between 1991 and 2001 rose by 3.03 percent to 8.3 million inhabitants, the new – revised – population forecasts calculate growth of more than 5 percent up to the year 2011. The growth in households – which is of decisive importance to the housing demand – will be lower by the year 2011 than in the 1990s (+34,000 households/year), but will nevertheless still be very high at 8.6 percent (+28,000/year). The – revised – housing demand forecasts calculate a current demand for new construction of roughly 47,000 dwellings. Accordingly, the actual building volume of just over 40,000 completed dwellings each year is thus too low. However, significant growth rates in the construction of new dwellings are foreseeable for the coming years. The volume of newly built homes of just under 40,000 units – which itself is relatively low for Austria – corresponds to a value of almost 5.0 per 1,000 inhabitants. In an international comparison, this is still a high figure and is attributable not least to the positive impact of housing promotion measures.

The capital city Vienna (population in 2005: 1.65 million) displays a particularly high rate of population growth. Vienna’s population is not only relatively young. Here, too, immigration has contributed significantly to the particularly high growth rates: while the population increased by 3 percent between 1991 and 2001, calculations based on the latest trends forecast an increase of 11 percent for the current decade. The increase in households is expected to double over the previous decade, with growth of 7,500 per year. The final – albeit still based on old data – housing requirement forecast calculates an annual

requirement for newly built accommodation of some 8,500 dwellings. The actual volume of roughly 6,500 completed dwellings per year is well below this forecast. However, there are clear indications that the construction volume will rise.

8.0. Conclusion

Justice and social equilibrium are indispensable prerequisites for social harmony, yet both elements are highly unlikely to be induced by the market economy.

Safeguarding a reasonable supply of housing, also for less fortunate citizens, is of particular importance in this context. The solution to the housing question is therefore a serious social obligation that requires the provisioning of noteworthy public funding, in order to counteract market failure.

Therefore, there is a definite necessity for government intervention, as practised for example in Austria in the form of pronounced efficiency in building and well structurable object-specific housing promotion. These public funds help to promote the inner cohesion of our society, establish positive forms of living and urbanity and favour ecologically desirable developments.

A fundamental element of Austrian housing policy is also that the players – be it the funders of housing construction and tenants, on the one hand, or owners on the other hand – are granted freedom to act independently, instead of having the supply of housing realised by the government itself.

The establishment, support and integration of a practicable limited-profit organisational instrument that is bound to limited-profit principles can be regarded as an additional indicator of the Austrian approach to housing supply.

Limited-profit associations and companies are private sector enterprises that are geared more towards fulfilling the demand than on generating profit, but which nevertheless act in an economically rational manner and are able to offer both their tenants and their members, as well as the common good, a high quality of housing, fair prices and cross-generational speculation-free limited-profit home and real-estate ownership largely because of these business qualities.

Limited-profit housing associations are thus shining examples of private social responsibility and they operate on a user-oriented basis, as opposed to an investor-oriented basis.

As can be seen, the Austrian approach to housing policy relies less on individual measures for regulating the market deficits than on establishing a functional connection between rental price regulation, public promotion of housing, independent private limited-profit housing associations and landlords who are not geared towards profit maximisation and a municipal housing system.

In Austria, public intervention in rental affairs and the construction of housing is not understood as a social measure in the stricter context. The supply of housing is also awarded a high level of functional significance for the labour market and for wage and price levels and speculative elements in the housing sector are thus restricted to the greatest extent possible. Rents must be affordable and not financed through subsidies, through which households become dependent on social assistance with all of the associated negative consequences. From the social viewpoint, however, the focus is not solely on affordability and security of the rental relationship, but also on viewing housing as an integration factor and an aspect of social integration in the urban context.

Austrian housing policy focuses primarily on the following elements:

- The construction of housing through limited-profit entities with long-term commitments
- Promotion of the construction of housing with the focus on object-specific promotion while establishing a sufficiently large supply of housing
- Functional connection between object-specific promotion and limited-profit housing oriented towards the establishment of housing construction capital
- The attenuation of prices in housing construction through rental regulation and object-specific promotion instead of individual benefits
- Social orientation towards affordability and rental security for all strata of the population

When veritable swarms of investors currently sweep through Europe buying up stocks of social housing with international capital, we should not forget that this results in lasting damage that can only be rectified at great expense and with a lot of patience. As my friend Senator

Limited-Profit Housing Associations in Austria

Jürgen Steinert, Chairman of the Expert Committee of Housing Associations in the Federal Republic of Germany, so succinctly put it: "If the seeds are eaten instead of planted, one should not be surprised when the next famine occurs".

The problems of metropolises presented in detail on the occasion of the UN Conference HABITAT II, such as environmental pollution and crime, can only be effectively combated with the assistance of incremental solutions and decentral structures. Housing associations and citizens initiatives in the field of housing and environmental protection, i.e. organisational forms of "solidarity based housing" offer a virtually ideal organisational framework for those tasks that are often only able to be solved on a joint basis. The "integrative power" of residential districts – so often underestimated in Europe – can also be better utilised. In this respect, the social and ethnic mixing of the housing projects of limited-profit housing associations is likewise a trademark of the specific Austrian approach. In our housing developments, a company director lives next door to the craftsman. "No Go Areas", "Ghettos" or "Slums" are virtually unknown here.

We are experiencing a period of socio-political change: hitherto unheard of unemployment figures, migratory movements, debates on whether the health system can be financed and the question of the customary state pension are creating insecurity. Although housing associations are naturally unable to compensate for faulty social developments, they can ease the fatal consequences of such to a certain degree. The limited-profit housing sector regards itself as being socially corrective, organised on a private-enterprise basis, committed to the common good and service-oriented. It is and remains a reliable bastion against contemporary neoliberalism and is thus also a guarantee for tangible social balancing. In an age of neoliberal "money-grubbing societies", where the social commitment of owned property is seen as a burden and the egoistic striving for advantages is widespread, it possesses virtually inestimable value.

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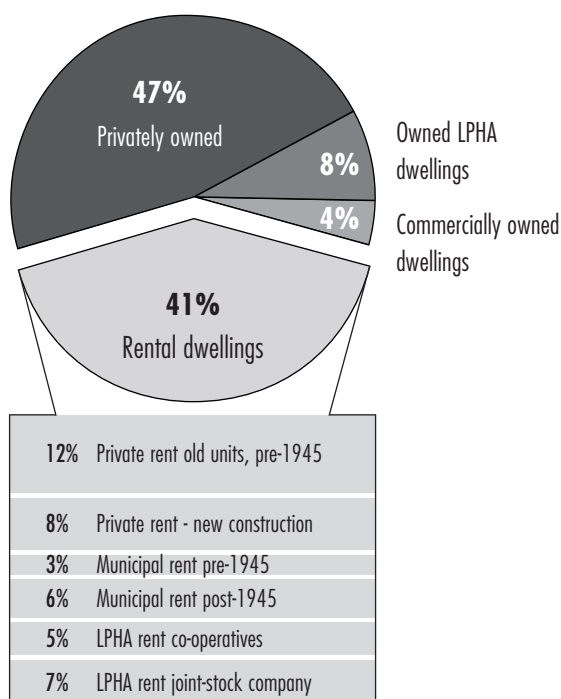
Limited-Profit Housing Associations in Austria

9.0. Data

9.1. Data on limited-profit housing associations in 2005

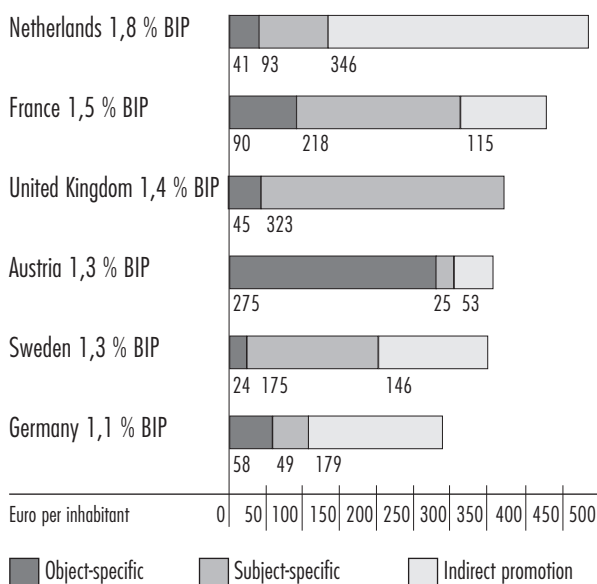
Data on limited-profit housing associations	Co-operatives	Companies	Total
Housing associations	101	92	193
Members	412.000	—	412.000
Rental dwellings	228.000	258.000	486.000
Share of LPHA dwellings in Austria as a whole	15 %	16 %	31 %
Owned dwellings	106.000	132.000	238.000
Share of LPHA owned dwellings in Austria as a whole	21 %	37 %	58 %
Total dwellings managed	334.000	390.000	724.000
= Share of total housing stock	8 %	10 %	18 %
= Share of total housing stock, multi-family-housing	15 %	18 %	33 %
New construction 2005, housing units	6.340	8.340	14.680
Investments in repairs and improvements 2005 in EUR million	211	279	490
Balance total EUR million	13,8	16,0	29,8
Employees	4.227	4.420	8.647

9.2. Housing stock in Austria



9.3. Housing promotion in Austria - international comparison

Per-capita expenditure for housing promotion in comparison for the year 2001



Data source: ISW/Stagel 2004

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