



Ympäristöministeriö  
Miljöministeriet  
Ministry of the Environment

# Finnish Housing Policy and Role of the State

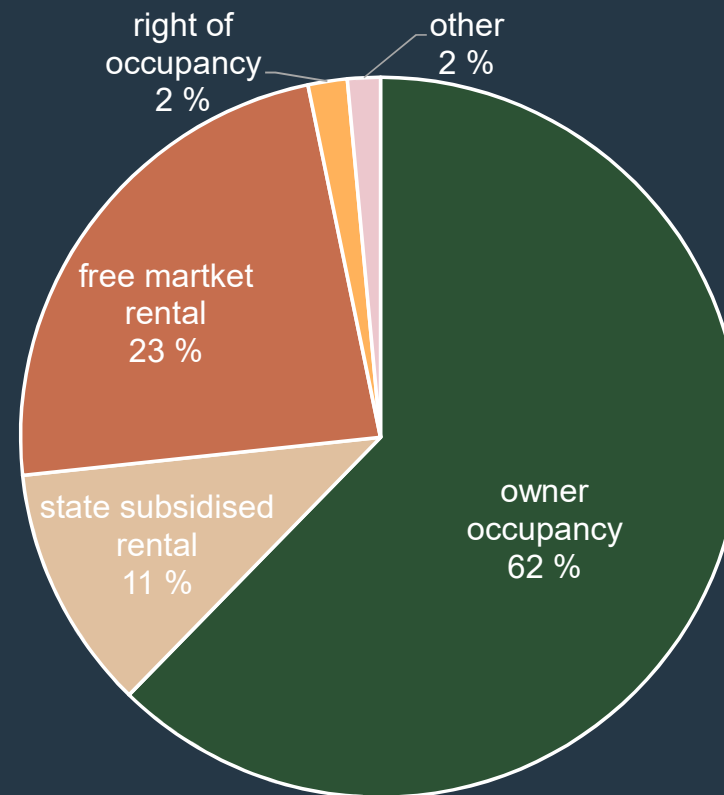
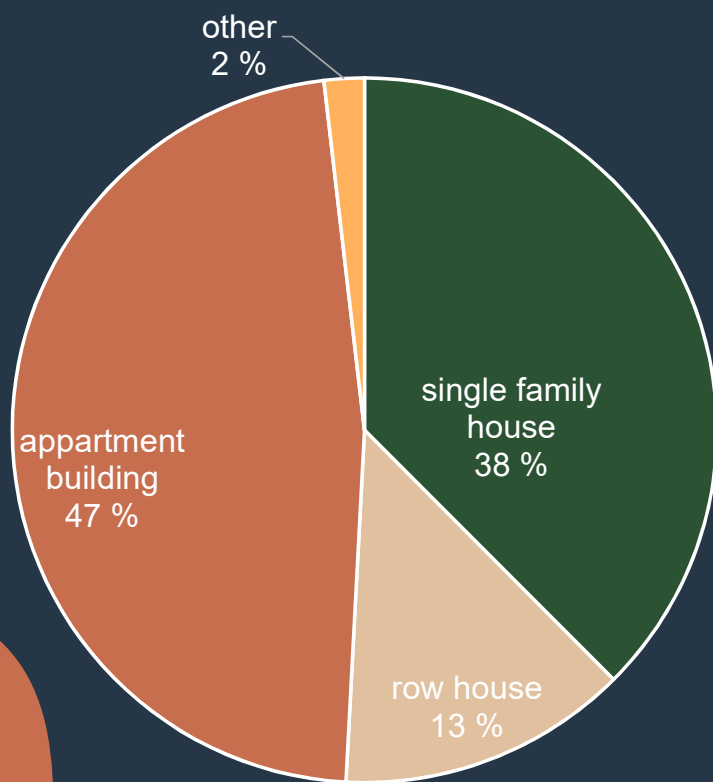
**14.8.2023**

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Ministry of the Environment  
The Built Environment Department

# Housing stock

3.2 million dwellings



# Current trends in housing

- Polarisation in housing market
  - Housing shortages and high housing costs in growth centers
  - Oversupply of housing in regions with shrinking population
- High home ownership rate (2/3), rental housing increasing
- Role of the state complimentary
  - Compliments the market operation when the market-based mechanisms don't work in a sufficient way and provide adequate housing solutions to satisfy different housing needs
- Municipalities have a key role in housing
  - Agreements between state and municipalities on land use, housing and transport (MAL-agreements)

# Role of the state in housing market

- Legislation
- Strategic planning of housing policy, incl. various programs (for older people, homelessness), MAL-agreements etc.
- Subsidies
  - Both for owner-occupants and renters
  - Both for households and for construction
  - State subsidised housing production
  - Housing allowances for low income households (~ 2,2 billion euros per year)
  - Tax subsidies
    - Sale of own home is tax free (after 2 years)
    - No property transfer tax for young first-time home-buyers
- Provision of information

# State subsidised housing production

- Reasonably priced rented housing for households with low income level
- Aims to:
  - prevent exclusion from the housing market (homelessness)
  - support the mobility and availability of labour force
  - reduce negative segregation
- 40 % of all rented dwellings are state subsidised (12 % of households)
- Directed to growth centers (housing for special groups also to other areas)
- For municipal housing companies and non-profit companies

# Support of the state for housing production

- Interest subsidies for loans from financial institutions
  - Interest subsidies cover certain proportion of interest payments over set interest rate (2,3 %)
  - Are paid for 10-30 (40) years, highest at the beginning
- State guarantees for interest subsidy loans
  - Loan covers up to 95 % of the building or renovation costs
  - Compensates the eventual losses of the lending institution after realisation of the securities
- Grants for special groups with interest subsidy loan
  - Old persons with poor functional capacity, persons with disabilities, homeless, students, young persons
  - Grant varies from 15 to 50 % of the construction costs

# Restrictions on subsidised housing production

- Building unit based restrictions
  - 10-40 years
  - Buildings for rental use only
  - Cannot be sold to open markets
- Tenant selection based on housing need
  - Priority is given to homeless applicants and other applicants in urgent need of housing, as well as applicant households with the least means and lowest income
- Cost recovery rent
  - Subsidies of construction are directed to tenants in rents
  - Rents are adjustable (balanced) between housing units
- Limited profit to owners
  - Yield of 4 % to original own capital/investment in company only

# Other support for housing production

- Support measures for owners of state-subsidised dwellings facing financial difficulties (in areas with shrinking population)
- Grants for repairs on housing for people with disabilities or aged 65 or older (limited wealth and income)
- Grants for lift installation and accessibility renovation in order to promote older people's ability to live at home
- Grants for ordinary ARA-rental dwellings in MAL-regions
- Grants for municipal infrastructure in MAL-regions
- Grants for energy efficient renovations
- Loan scheme for first time buyers
- ...





# Actors in state-subsidised housing production

## Authorities

- The Housing Finance and Development Centre of Finland (ARA)
  - Governmental agency operating under the supervision of the Ministry of the Environment
  - Grants financial support to subsidized housing
  - Long-term use/need, focus on growth centers, reasonable building cost and housing cost, quality control
- Municipalities recommend housing projects

## Developers

- Municipal housing companies
- Limited-profit (non-profit) companies

## Financing from the markets

# Finance of state-subsidised housing

- Finance from the capital markets
  - Earlier from the State (ARAVA loans)
  - Majority of financing for the state-subsidised housing comes from Municipality Finance (credit institution owned by Finnish public sector)
- Housing Fund of Finland
  - Operates outside the State budget under the Ministry of the Environment
  - Derives income from interest and repayments on old ARAVA loans
  - Responsible for the most of the state subsidies for housing construction (grants, interest subsidies and state guarantees)
  - Part of the subsidies come from State budget

# MAL – Agreements on land use, housing and transport

- Agreements concerning land use, housing and transport between the state and municipalities in the biggest growth centers
- Enhance cooperation among municipalities in the region and between municipalities and State
- Aim for more functional and competitive urban regions and a balanced development of the municipalities
- Specified objectives for land use and housing production in the coming years and the key development projects concerning the transport network
- 12-year MAL-agreements in seven city regions
  - Helsinki, Tampere, Turku, Oulu, Jyväskylä, Kuopio, Lahti
  - Total of 62 municipalities, population of 3 million



# Housing for the special groups

- Special measures in housing provision are needed due to low income, living circumstances or special needs, such as functional disabilities.
- Recognized groups: e.g. older people with poor functional capacity and/or memory diseases, physically disabled people, persons with intellectual disability, homeless, students
  - special arrangements are needed in housing: e.g. service housing or supported housing
- State grants with interest subsidy loan for the housing projects
- Government programmes, information guidance, R&D projects etc.
- Networking, co-operation with local governments and now also wellbeing services counties which are responsible for the provision of social and health services.

# The co-operation programme to halve homelessness 2020–2022

- The key objective was to reduce homelessness and to strengthen work of local authorities
  - through the use and development of social services
  - by allocating affordable housing for the people at risk of homelessness

It covered 11 biggest cities with the largest portion of homeless people in Finland.

- The programme was administered by the Ministry of the Environment and implemented in co-operation with Housing Finance and Development Centre of Finland (ARA), the Ministry of Social Affairs and Health and the Criminal Sanctions Agency.
- National and local NGOs were also contributing to the operational activities.
- 6 mill. € was allocated for the development of social services reducing homelessness.
- New programme is now under preparation.

# Rental housing applications and agreements in state subsidised housing

- The Decree of Ministry of the Environment on the application form to ARA rental housing (2005) states the contents of housing applications.
- The application form includes applicant and household data, need for housing and preferred location, existing housing conditions, income and wealth (property) data.
- Act on residential leases (1991) applies to all rental housing, both private and state subsidised rental housing.
- It deals with various aspects of renting a dwelling, such as conditions of lease agreements and termination of lease agreement.
- The landlord can apply the court order for an eviction, if the lease agreement has been terminated, but a tenant will not move out. The tasks of the enforcement authorities include enforcing evictions.

# Database for the state subsidised housing, assessment of needs

- ARA has information on state subsidised housing (buildings and dwellings) and municipalities have information in their areas. ARA inquires annually the information from municipalities on the use of state subsidised housing stock.
- ARA grants finance based on the applications of municipal housing companies and limited liability companies eligible to produce state subsidised housing. Local authorities recommendation is needed for the housing projects.
- The number of rental housing applications in the area concerned gives information on the needs; also population forecasts, immigration and internal migration data are important.



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