



European Social Catalyst Fund

Scaling Plan: Action plan for the work underpinning the Budapest Housing Agency



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Introduction

The innovation lies in developing and expanding over time a pooled portfolio of affordable rentals in the framework of the Social Housing Agency (SHA), based on the current rental housing stock of the Municipality of Budapest (MB), properties rented from private landlords, compensation from private developers in line with planning and building regulations, and other diverse sources. Instead of following the property management approach of public landlords (primarily local municipalities) in Hungary, it will undertake an integrated service provision approach, in which tenants in need of additional support beyond affordable housing will receive personalized social work. To expand its affordable housing stock within its current operational framework, MB would have to buy or build at market rates at massive costs. Given the current scarcity of affordable rental units, the MB can provide housing to only a fraction of those in justified need. Rental units within the SHA will be allocated to a diverse group of low-to-middle-income tenants who currently struggle to afford adequate housing, complete with social work as needed. This scheme will help vulnerable groups maintain their housing security, but also their ability to pay rent as due, which prevents the accumulation of unmanageable debts for the tenant, but also ensure the financial viability of the SHA. Rents, risks and costs are pooled across various tenant groups and dwelling types (regardless of their ownership status), promoting financial stability and the cross-financing of various costs associated with the diverse needs of beneficiary groups.

Implementation plan can be also accessed on utcarollakasba.hu

Lead Organisation

From Streets to Homes! Association, Hungary

Other Organisations in the consortium

- Metropolitan Research Institute (MRI), Hungary
- Municipality of Budapest (MB), Hungary
- Habitat for Humanity Poland (HfH PI), Poland
- Municipal Institute of Housing and Renovation of Barcelona (IMHAB), Spain

Primary social challenges that the innovation seeks to address

Poverty and Marginalisation, Homelessness, Inequalities.

Relevance of this social innovation

The state of a housing affordability crisis in European urban areas, and specifically in Central and Eastern European (CEE) post-transition cities like Budapest and Warsaw, and cities most affected by financialization and mass loan defaults, like Barcelona, were described in the submitted application for this project. The issue of small, marginalized social or

affordable rental sectors were also described therein, which exacerbates the housing crisis in many of these areas.

The key societal challenges which provide the relevance of the project are summarized there, in particular the share of households struggling to afford their housing, or who can only afford substandard housing; and also the issue of house prices and rent increases surpassing the growth of incomes for a prolonged period, but particularly after the mid-2010s. Many European countries have been shifting towards a pro-ownership housing support policy, with small or nonexistent housing support to households for whom indebtedness is extremely risky or are simply not creditworthy. This has been destabilizing the housing security of a growing number of persons and families.

The research undertaken for this project provided the research team with a more precise and grounded understanding of how these challenges play out on the level of individual vulnerable households. Based on the available statistics, we had an initial knowledge of which groups could be in need of an SHA type program. Over the surveys, interviews, focus group discussions and awareness raising events (on which feedback on the initiative was also gathered), we gained a more refined image of the nature of the challenge.

The research team had a broad notion of the appropriate beneficiaries at the outset of the project. We noted that the three key target groups could likely be 1) low income workers without home ownership or family wealth, who struggle to cover market housing costs (initially focusing on public sector employees, like teachers, health care or social sector workers); 2) early career young adults with little or no parental financial support; and 3) the most vulnerable prospective beneficiaries, e.g. people leaving homeless accommodation. We also assumed that the former two groups would only need affordable, adequate and secure housing, while the last group could also need social work as appropriate; and finally, that the last group will have the lowest income on average.

Over the course of the research, we elaborated target groups to a more refined extent. As we expected before the present project, and verified during the research activities, the group of people who could possibly afford better and more expensive housing than available municipal social rentals, but for whom market housing costs are a nearly unmanageable financial burden, is quite large and heterogeneous. We have come to confirm that a number of institutions which provide accommodation to persons in need also accommodate (recurring) inhabitants who do not necessarily need intensive social services, but simply cannot afford market based housing (including families with small children).

Additionally, we realized that the level of income, vulnerability, and need for social work is not as closely associated as we initially presumed. Members of a target subgroup that we initially deemed “most vulnerable” could occasionally have relatively high income, but still be excluded from the housing market for non-financial reasons. Similarly, some persons with a reasonably stable income may need social work. Additionally, the role of intra-family transfers is significant: people with the same attributes with our potential clients may not need any similar intervention if they inherited a home from within their family or received sufficient financial support to qualify for a mortgage and ownership supporting subsidies.

The detailed discussion of target groups and the societal background that justifies the relevance of the SHA are discussed in detail in Chapter 3.3 of the [Implementation Plan](#). It includes some specific target subgroups based on Hungary’s social and housing policy environment but are also likely to be relevant in numerous other EU member states. The

issue of young workers with no financial backing is a clear-cut example. Persons struggling to leave institutions may be specific to some countries. For instance, people living in homeless shelters, workers' hostels, or emergency shelters for families may be fully able to manage their own household and cover a supported rent but could be absolutely unable to access market based housing, all the while the social housing sector is extremely small and restrictive (especially in Central and Eastern Europe, but also many Southern European countries and regions).

MRI conducted research on the supply side - focusing on the strategies, expectations and characteristics of landlords on the private rental market. One aspect of the research has been a non-representative online survey for landlords. Results of the survey show that, under the conditions of the Housing Agency, which include the continuous payment of the rent, the maintenance of the apartment and the sharing of the risks associated with the expenses, some landlords in Budapest are open to letting out their apartments at slightly below market prices. The greatest interest was expressed by owners with an investment mindset, i.e. owners renting out more than one apartment, and by landlords with higher educational qualifications. In the experience of the Streets to Homes! Association, in some cases, owners living abroad and owners with two flats are willing to put to use their flats (or their inherited flat, respectively) in a similar arrangement. According to the survey, the largest group of owners considers a discount of 15-20% compared to the market rent acceptable. An important incentive for landlords in joining the program appears to be risk management, i.e. the insurance scheme offered by the Housing Agency. Landlords who have had a specific bad experience (e.g. tenant 'disappearing' without paying, damage to the property) are more willing to join the scheme.

Another aspect of the research has been the interviews conducted with letting agents. An interesting topic of these conversations had been the effect of Covid-19 and the way landlords adjusted to the increase in supply in the private rental market. Most owners were irrationally reluctant to lower prices, even if that caused a longer vacancy period. Another insight has been how landlords use letting agents to vet potential tenants to control associated risks, thus letting agents often function as gatekeepers in the rental market. As landlords often overestimate the risks associated with certain population groups (such as families with children, or the Roma) this can lead to discriminative practices. The interviews highlighted the key role letting agents play in the private rental market, matching landlords and tenants and advising landlords with regards to pricing. Our interviewees found the SHA concept a promising prospect, and some even expressed an interest in cooperating with the SHA in seeking out landlords. Given the key role of letting agents, this might be an important strategy for increasing the supply of housing for SHAs.

The Warsaw team experienced a surge in public interest in various forms of affordable housing in 2020, in part due to the economic and social impact of the pandemic. In 2021, the public interest continued, and also expanded over other related issues, such as the need for deinstitutionalization, especially for members of vulnerable groups who are well able to maintain independent supported housing. These issues have barely been in the forefront of public policy in Central and Eastern European EU member states in the decades. This team focused strongly on advocacy as well as research, and had some great recent successes, such as the entry into force of a national law regulating Social Rental Agencies (SRAs), and an increased interest of various local municipalities. However, the Warsaw team also

experienced some of the difficulties in advocating for a full integrated service provision package, as social work was not included in the SRA law. The team has discerned that the in-depth understanding of effective social provision is lacking on behalf of political decision making bodies, and further advocacy work is necessary.

The extent to which this innovation has already been implemented in countries in Europe

A SRA has operated in Barcelona since 2016, and a more recent one in Warsaw, run by project partners IHMAB and HfH PI, respectively. Like the proposed Budapest SHA, these were launched to address the two cities' housing challenges. The two partners provided input for the present research and the preparation of the implementation plan, allowing it to build in hands-on experience, and hence better respond to their specific challenges. Social Rental Agencies which mobilize privately owned housing, but do not pool it with other resources, are well established in Flanders, Belgium; and Social Letting Agencies in the UK play a similar role in improving the housing affordability and quality of low-income and/or vulnerable groups.

The HomeLab project - carried out, among others, by Metropolitan Research Institute (MRI), From Streets to Homes! Association (FSHA) and Habitat for Humanity Poland (HfH PI) in the four Visegrad countries - implemented a housing-led integrated service provision approach, combining private and municipal rental stock (and, in one pilot, assisted self-construction of homes). The treatment groups' housing position improved significantly.

The operation of From Streets to Homes Association (FSHA) from 2016 proves the viability and efficiency of the SHA model. FSHA has an innovative and diversified financial background. It combines various housing models (renting private owners' flats to vulnerable households; letting apartments bought from donation; letting dilapidated municipal apartments after renovation). Its clients are predominantly formerly homeless persons and families, and affordable rental housing combined with intensive social work ensured the significant improvement of the quality of life, while also allowing for swiftly addressing arrears and emerging crisis situations, making the rate of dropouts and arrears minimal in their tenant pool.

In Western Hungary, the local authority of Szombathely has been operating a small-scale SHA model since November 2020. Alongside our current initiative, the 1st district local authority of Budapest has been working on launching its own SHA model. As opposed to our proposal, these Hungarian examples focus solely on the utilization of housing units from the private sector (managed and allocated separately from their public housing stock), and aim to target a less heterogenous and higher income group of prospective beneficiaries.

The first SRAs in Europe were initiated in the 1980s, first in Belgium, Germany and France, and two decades later they became more widespread across Europe. In Flanders, Belgium SRAs were initiated to tackle homelessness. The initiative was mainstreamed into national housing policy, and by 2016 there were 48 registered SRAs. In this model the SRA rents dwellings from private landlords and sublets them to their target groups. It also offers renovation and legal support as incentives. Tenants below a certain income threshold are also eligible for rent supplement, and the SRA provides social counselling if needed. This model has influenced the planning of the Budapest SHA.

In Germany SRAs have not gained governmental support so far, thus the scope of their operation remained more limited. German SRAs target vulnerable and homeless people, mostly using private rented properties. They provide social support for tenants and

guaranteed rent payment for landlords, which are two features we also included. German SRAs are financed from multiple sources, eg. State agents, church funds, and donations.

In France SRAs have been in operation since the 1980s as NGOs, usually in cooperation with municipalities. One type, AIVSs, takes over housing management for a minimum of 3 years, contracts are concluded directly between the tenant and the landlord. In 2016, 45 AIVSs operated in France, managing 11,950 dwellings. A different type, Solibail, is centrally financed, and supports organisations (usually NGOs) to intermediate in the private rental market to provide temporary housing for homeless households in emergency homes. In the framework of Solibail 34,323 dwellings were included, 80 percent of which were sublets.

In Ireland, the Rental Accommodation Scheme enables local authorities to use the private rented sector for social purposes, and provide affordable housing for those in need. Persons are eligible for the scheme if they are long-term recipients of the national rent supplement and/or have long-term housing needs. In 2019, 18,014 properties were involved in the scheme.

Even though SRAs and similar solutions have a history of over three decades, similar initiatives are very new, and implementation so far is very small scale in CEE countries. At this point, public actors are facing the growing need for affordable housing even for lower/middle or even some middle-income groups. Yet the public sector of Central and Eastern EU member states are still only beginning to explore the concept of SRAs and other innovative housing initiatives.

Recently, the municipalities of Prague and Brno began to rent and sublet privately owned flats to people excluded from the housing market.

HfH PI developed their own Social Rental Agency in the HomeLab project, which has been in operation for many years now. They follow an integrated service approach, in which affordable housing is combined with social work as needed by vulnerable tenants. In the wake of the pandemic, they broadened their clientele to persons in economic hardships due to the economic downturn, who do not necessarily need intensive social care (but may still need assistance in getting through their temporary troubles). They have been advocating SRAs as a solution to expand affordable housing, and made huge progress over the past few years. This included the entry into force of national legislation on municipal SRAs, and contributions on national strategic documents (see details under Question 4.1). So far their approach is the closest to the innovation to be implemented by the Budapest SHA.

Scope

Where the innovation is planned to be implemented

The direct geographic scope of the innovation is Budapest, with some links to the surrounding suburban areas. The key implementer of the SHA is MB, whose legal geographical scope is the city of Budapest. However, in the present research we identified target group members, in particular key workers, whose work is a significant contribution to the well-being of Budapest residents, yet who can only afford renting a home in the agglomeration towns. MB is open to include these target group members in the SHA, regardless of the location of their current residence.

At this point, the project team is disseminating the SHA concept among district municipalities and is seeking cooperation opportunities with them. If a successful cooperation is set up during the implementation phase, the legal scope of cooperating municipalities will primarily be their own administrative area. Still, such cooperation would be a strong added value to

the Budapest SHA; and district municipalities also do occasionally provide housing related functions outside their own administrative borders.

Dissemination activities also address municipalities outside Budapest. Although a direct inter-municipal cooperation in these cases do not presently appear feasible, the overall mission of the project team and MB is to support the establishment and upscaling of affordable housing initiatives across Hungary. Members of the consortium actively seek opportunities to provide support and know-how to similar projects, or other housing related initiatives through their respective networks; for instance, FSHA and MRI through the housing action coalition, which also has municipalities outside Budapest among its members; and MB through its municipal networks in Hungary and internationally.

FSHA has used its previous experiences as well as the information and research results gathered through the project to prepare a manual, for which UN-Habitat granted financial support. The manual will be a practical information brochure and toolkit for municipalities in Hungary (particularly Budapest districts, and cities and towns outside of the capital) for launching similar SHAs. Accordingly, the content of the manual will omit the parts of the research results specific to the capital, and instead will lay strong emphasis on the conditions and options relevant for Hungary as a whole. The manual will be published by November 2021 and distributed to the municipality of every city and town with a population greater than 50,000.

FSHA has also been contacted by a county seat city and is currently supporting the development of a social policy focus project. This also contains the inclusion of a housing agency within its municipal housing policy tools.

MRI has been active in promoting the new ways of forming social and affordable housing initiatives on an international level. The organization has well established relations with other policy experts and policy makers in various European countries. MRI has been mobilizing its connections and resources to generate further discussions on the possibilities of introducing new models of affordable housing in CEE and Southern European countries. It maintains regular connections with international organisations like Housing Europe and Feantsa, promoting the need for the expansion of affordable and social housing initiatives.

Habitat Poland plans the promotion and extension of the SRA model to cover various regions in Poland in different forms, including (1) educating and training municipalities and NGOs from across Poland; (2) implementing SRA in compliance with the new legal regulation in Warsaw and possibly in other municipalities (however, under the legal regulation any municipality deciding to establish cooperation with an SRA run by an NGO is obliged to organize tender proceedings to choose the most appropriate entity); and (3) maintain and upscale its own SRA to support households already in the program, and to provide support for people not falling into the criteria of municipal housing. Existing SRAs in Europe rely almost exclusively on renting dwellings from the private rental market, and work with relatively narrowly defined beneficiary groups. The proposed SHA manages a combined housing portfolio of municipally owned dwellings, housing units rented from the private market, and other sources (new construction, donations etc.) in a unified, pooled manner. This allows the SHA to dynamically expand its portfolio despite limited resources, and tailor its services to a broad range of beneficiaries, which is part of its core innovation.

Reasons the geographical areas were chosen for implementation

The consortium lead FSHA, and consortium partner MRI are active in Budapest, and have been searching for solutions for the housing crisis emerging in the city. In Budapest house

and rent prices have been skyrocketing in the past decade, while wages increased at a much slower rate. The affordability of housing has decreased accordingly. The population who cannot afford adequate housing does not only consist of vulnerable and marginalized groups; it also includes key workers, and basically anyone who is not already a homeowner and earns a below or near average wage. In an EU comparison, income inequality in Hungary is in the medium range; but overall income levels - and especially the house price-to-income ratio - is among the lowest in the EU. As a result, housing may be unaffordable for the lower seven income decile, unless households receive significant financial support or home ownership from within their family.

FSHA's primary target group were homeless people. In the past decade housing policy actors had to realize that (1) the low share and turnover rate of public housing is too narrow to provide housing even for the most vulnerable; (2) the stock available for implementing housing policies has to be increased significantly; and (3) the affordability problem currently affects a greater share of Budapest residents than ever since the transition, including a growing share of lower middle-class families and households too. The Association also prioritizes acting on the local level, where they can exert the greatest impact, while gaining direct information about the problem and the people it affects. Given the original target group of FSHA homeless persons and families and its commitment to egalitarian solutions, its aim was to develop a scheme that is able to provide for the needs of a broader target group in the SHA, but does not exclude the most vulnerable, including homeless people.

The SHA concept was elaborated by the experts of FSHA and MRI, while the staff of MB contributed with legal, organisational, technical, and management information; and provided detailed feedback on the proposals. The legal geographic scope of MB is the city of Budapest. Nevertheless, MB is open to provide services to persons who live in the agglomeration and commute for work to Budapest, as their work benefits city dwellers, and contributes to life in the city.

HfH PI's priority for scaling up their already existing SRA program in Warsaw is determined by a long-standing relationship with the City of Warsaw. The City of Warsaw was involved in HfH PI's SRA from the very beginning: their first SRA pilot in the HomeLab project was in Warsaw; in this the City provided 14 rental flats. After the HomeLab project the cooperation agreement was prolonged, and HfH PI is still renting these flats from the City, accommodating SRA clients. The SRA program was also described as an example of innovative social projects in the City in the Warsaw's Housing Program for 2021-2025. HfH PI has also been cooperating with the City of Warsaw in other matters.

During the development of the implementation plan, we were aware that most post-transition CEE countries share these struggles after privatising most of their public housing stocks since the transition. In Hungary, the privatization of the already scarce public housing is a continuing process.

Most people in post-transition EU member states in the CEE region live in owner-occupied housing, including people in capital cities (the rate of rental properties tends to be the highest in capital cities, but owner occupation is still predominant). This also includes most very low-income people - in their case, the home is often poor quality, or even substandard to the extent it poses health risks. Due to the scarcity of public housing and the costs and insecurity of private renting, most low-income households have simply no other options. Yet the globalization of housing markets has been affecting these CEE cities, and home buyers now compete with investors, who in many cases buy for short-term letting, or simply keep their second dwellings empty as a form of investment. As a result, house prices are becoming well out of reach to a growing share of their population, especially to new market entrants (the young and the mobile, in addition to marginalized groups). So, demand for

rental housing has been growing steadily, even though private renting remains costly, poorly regulated, and unreliable.

Level of implementation of the innovation anticipated

Level 2 - Partial adoption by regional/municipal social services

| Level of Adoption | Description |
|-------------------|-----------------------------------------------------------------------------|
| 1 | Consistent Adoption by mainstream social services at national/federal level |
| 2 | Partial adoption by regional/municipal social services |
| 3 | Inter-connected demonstration projects |
| 4 | Pilots external to mainstream social services |

Anticipated measurable outcomes

The SHA is planned to be launched in two phases. During the first phase, a transitory organisational framework will be set up within the structure of MB. For three years (2022-2025), the coordination of the SHA functions and the preparation and operationalization of the launch of the independent SHA will be managed from within the Social Policy Department of the Mayor’s Office. Meanwhile, the municipally owned stock will be gradually transmitted into the new SHA system. During the second phase (2025-2028), the SHA will be set up as an independent organization, owned by the Municipality.

Within 2 years

A structure set up within the office of MB, coordinated by the Department of Social Policy. Additional human resources will be recruited according to the tasks and needs identified by this initial team. The transitory body will begin SHA activities in terms of involving dwellings from MB’s public housing stock and from private owners, and publishing calls for tenants from the various target groups.

The General Assembly of MB is expected to discuss and accept in the near future the new Housing Concept, of which the SHA is a central pillar; as well as the Housing Management Plan for 2022.

Table 1.1: the quantifiable targets for the number of dwellings involved within this transitory period.

| | 2021 | 2022 | 2023 | 2024 |
|------------------------------------|------|------|------|-------|
| MB rental housing stock | 832 | 703 | 497 | 230 |
| Rental housing stock in SHA system | 0 | 214 | 614 | 1,006 |

The 2021 value here shows the number of current stock of MB owned rental dwellings, excluding special purpose housing for retired tenants (this stock will remain separate from SHA). The stock of 832 rental units (without pensioner dwellings) will be gradually transferred into SHA management as contracts expire over time. Renewed contracts and new tenants will be integrated in the SHA system. By the end of 2022, we expect to involve an estimated 214 dwellings, which increases to 1,006 by the end of 2024, when preparation for the independent SHA's launch becomes imminent. MB has foreseen to purchase or build a total of 1,250 dwellings in the 2022-2028 Integrated Urban Development Strategy (IUDS) period; but we expect that within the three-year transitory period the number of dwellings rented from private landlords will outnumber new build and purchase.

During the 2022-2025 transitory period, the SHA organization within MB will be supported by an SHA Working Group, comprising experts, decision makers and practitioners within and outside of MB. The operationalization and final conceptualization of the independent SHA is arranged to be an iterative process: a series of decisions regarding its organizational form and details of operation will be decided in light of practical implementation of the mission by the transitory body and the contributing partners. The most important details to be finalized by 1st quarter of 2025 include the exact distribution of tasks and responsibilities in SHA management; and making the final decision on the optimal organizational form of the independent SHA.

A number of details, including the organisational form of the independent SHA, must be refined and finalized based on the experience of the transitory body. The optimal organisational form was discussed in depth with the legal team of MB and other consortium members, and the two options retained for consideration are a not-for-profit economic entity in the full ownership of MB, or public institution owned and financed by MB. Both options are in line with the SHA's mission, but their respective costs and benefits must be assessed in action, in light of the hands-on experience and information gathered by the SHA body within the MB's structure.

By the end of this initial period, the transitory body will also have identified all tasks and functions the independent SHA body will need to fulfil, and the resources it will need. It will prepare annual activity plans and correct regulatory and implementation courses accordingly.

Beyond 2 years

The full timeframe of the SHA expands over seven years, between 2022-2028 in accordance with the IUDS. After the three-year transitory period, the independent SHA will be launched in the 1st quarter of 2025, whence all functions and resources required for SHA operation will be transferred to this independent body.

The housing stock under SHA will be further increased in this second phase. The purchase, construction, and redevelopment of dwellings in this phase will pick up pace and is expected to outnumber the inclusion of privately owned housing. Additional innovative resources to expand the stock will also be integrated into SHA activities.

Table 1.2: number of dwellings under SHA that are projected to increase.

| | 2025 | 2026 | 2027 | 2028 |
|------------------------------------|-------|-------|-------|-------|
| MB rental housing stock | 230 | 0 | 0 | 0 |
| Rental housing stock in SHA system | 1,396 | 1,842 | 2,212 | 2,592 |

By 2026, all municipal tenants will have renewed their contracts and transferred under SHA management, which will ensure rent levels are set according to household income, and social support services provided in a proactive and integrated manner to all in need.

The detailed plan of activities to be undertaken by the SHA and its preceding transitory body is included in Table 1.3 below.

Habitat Poland expects the outcomes of upscaling its SRA in cooperation with Warsaw Municipality as follows. In the next two years the SRA will be established in Warsaw according to the statutory model prescribed by the SRA law, and it is foreseen to manage around 30 dwellings (on top of the more than 40 flats already managed by HfH PI's SRA program). If there is a possibility of establishing cooperation also with other municipalities (about which discussions are ongoing in the Mazovian or Silesia regions), new stocks of homes could be managed under HfH PI's SRA.

Along with the regulation on SRA the Ministry of Development, Labour and Technology presented estimations on the scale of SRAs in Poland. According to the Ministry until 2030 there will be 45 SRAs in Poland, each managing 50 flats (20 flats in first year of operations, 30 flats in the second, 50 flats from third year), giving in total approximately 2,000 flats managed by SRAs in Poland.

Evidence

The evidence supporting this innovation derives from well-designed case control and cohort studies (Level IV, Appendix 2).

The HomeLab project (carried out, among others, by MRI, FSHA and HfH PI in the four Visegrad countries) implemented a housing-led integrated service provision approach, combining private and municipal rental stock (and, in one pilot, assisted self-construction of homes). In the evaluation of the project, the research team measured the change in housing security, affordability, quality, labour income and security of employment. A non-randomized control trial was carried out comparing treatment groups (TG, n=175) receiving integrated services with similar control groups (CG, n=168) having access only to isolated services. The results show that the TG's housing position improved significantly more than that of the CG in all three domains, and the scale of improvement was larger in the case of those whose initial housing position was the most marginalized.

The operation of FSHA from 2016 demonstrates the effectiveness of the SRA model. FSHA has an innovative and diversified financial background (donation from private persons; CSR funds of a bank; joint projects with municipalities; grants from social program tenders; volunteer work; targeted fundraising campaigns). It has successfully experimented with various housing models (renting private owners' flats to vulnerable households; renting

apartments bought from donation; renting dilapidated municipal apartments after renovation). Its operation has demonstrated that private owners are also willing to transfer their property for social purposes if the intermediary organization provides adequate guarantees. Moreover, their operation proves that well-organized social work will decrease the risks (of non-payment, physical damage or “antisocial” behaviour) associated with social housing provision. The organization currently accommodates 68 tenants, all formerly homeless, and dropouts from its programs have been minimal.

Research proved that SRAs predominantly provide affordable and good quality housing for vulnerable groups, including the most vulnerable. Analyses also show the effectiveness of the personalised support SRAs provide to their tenants, many of whom leave the sector to secure housing in the mainstream social housing sector. In the Flanders Region of Belgium, where SRAs are well established, a research project analysed the operation of social housing companies and SRAs, also comparing them in terms of their target groups. The analysis indicated that the candidates of SRAs belonged to considerably lower income groups.

Research analysed the efficiency of the Social Letting Agencies (SLAs) in the UK. Based on six case studies they found that the six SLAs were playing a vital role in helping low-income and/or vulnerable groups in four important respects: access, affordability, housing conditions, and stability. They also found that the SLA model is working in the UK context. FEANTSA published two papers (in 2012 and 2018) in order to advocate SRAs as innovative housing-led policy tools “to help meet the housing needs of homeless people in Europe” by providing them permanent affordable housing solutions. National and local policy makers also introduce such schemes or consider scaling up existing schemes.

Scaling Methods

The transitory organization, taking on both the initial SHA function and the coordination of the development of the final independent organization, will initiate housing provision on the basis of the existing housing stock currently managed by Budapest Asset Management Center (BAMC), i.e., the starting point of institution development is based on an already existing condition.

Over the years of activities, expiring contracts will be transferred under SHA management. The stock of vacant and currently uninhabitable dwellings will also be renovated in a gradual manner and will be open for applications through specific calls towards vulnerable and low-income SHA target groups.

From the first year of operation, the dwellings of private owners will also be involved. SHA offers the owners of second (third etc.) homes a service where the risks associated with home rental are shared between the SHA and the owner. The SHA takes the burden of these risks and manages them through integrated service provision, including the provision of complex support to tenants whenever it is necessary. It provides rent level in line with the household’s budget, rent support as needed (implicit in the rent level), monitors regular payments, and extends imminent support if a tenant household faces financial struggles. SHA also ensures the maintenance and upkeep of the dwelling, including renovations to some extent if necessary for habitability. In return, SHA expects from property owners to enter the scheme for a minimum of 3 years, and to agree to a below market rate rent.

The estimation of the number of private owners entering into the SHA framework is based on the experience of consortium leader FSHA, and also on the survey and interviews undertaken under this project. We expect that new private owners will enter the scheme in greater numbers in the first few years and make a cautious estimation of the ratio of private owners who choose not to renew their contract after a 3 year term.

Additionally, MB - in its Integrated Urban Development Strategy - has set out to construct or purchase new dwellings and is also looking at the redevelopment of non-residential buildings into apartment buildings. The financing of these developments, given the current, extreme budgetary constraints, is a significant challenge. The MB is nevertheless committed to utilize all possibilities for the expansion of the affordable public housing stock. The rental of private units, on the other hand, is justified, because it allows for a quick, flexible and relatively inexpensive expansion of the affordable housing sector.

Table 1.3: timeline of scaling up the stock managed by SHA.

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Total |
|-------------------------------------------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contract renewal | 129 | 206 | 137 | 130 | 126 | 0 | 0 | 728 |
| Vacant dwellings | 35 | 35 | 35 | 0 | 0 | 0 | 0 | 105 |
| New construction or purchase | 0 | 60 | 120 | 150 | 250 | 300 | 350 | 1230 |
| Rented from private owner | 50 | 100 | 100 | 150 | 150 | 150 | 150 | 850 |
| End of contract with private owner (no renewal) | | | | -40 | -80 | -80 | -120 | -320 |
| No. of dwellings entering into SHA in the given year (flow) | 214 | 401 | 392 | 430 | 526 | 250 | 500 | |
| a. Number of dwellings managed in the SHA model (stock) | 214 | 614 | 1006 | 1396 | 1842 | 2212 | 2529 | |
| b. Number of dwellings managed in the old system (stock) | 703 | 497 | 360 | 230 | - | - | - | |
| Full stock, (a) + (b) | 917 | 1111 | 1366 | 1626 | 1842 | 2122 | 2529 | |

There is an element of uncertainty in all resources of upscaling, but also an in-depth surveying of existing resources and feasible scenarios of expansion. One reason for grounding the project over multiple possible sources of affordable housing is to balance the respective costs and benefits of each, but also to be able to adapt and shift emphasis if one stream or another proves less promising in practice.

In Poland, the upscaling of the SRA model is based on the new legislation which provides possibilities for municipalities to set up their own SRAs. As already described, HfH PI has already started to facilitate this process. Municipalities should take the following measures to develop an SRA program:

1. The municipality needs to decide on having an SRA and present a relevant local legal act (resolution) – it has not been done yet in Warsaw nor in any other municipality targeted by Habitat Poland. Habitat Poland reaches out to municipalities (e.g. letters, e-mails, webinar under the ESCF project, presentations of SRA during conferences, etc.) advocating for introducing such legal acts.
2. The municipality may decide whether the SRA will be operated by a municipal company or NGO. If a model with an NGO is chosen, a competition (tender) must be arranged. HfH PI advocates for a model including NGOs, presenting additional benefits stemming from combining competences of municipality and an NGO.
3. A cooperation agreement must be signed between the municipality and the SRA (either municipal company or NGO). In the agreement, terms of cooperation (including financing and bearing liability) are laid out in detail.

At this point HfH PI focuses on 1) promoting the SRA model along municipalities and NGOs and 2) advocating in the City of Warsaw, and other municipalities in Mazovian and Silesia region to establish SRAs.

Key partners

The main implementer of the project is MB, and specifically the Social Policy Department within it, in close cooperation with BAMC. In the transitory period (2022-2025), key SHA tasks as well as the coordination of developing the independent SHA by the end of this period will be delegated to the Social Policy Department. After the transitory period, the SHA as an independent organization will be set up and will be the key coordinator of all tasks and activities.

Key roles and competencies will be divided among four key actors:

- Political decision makers;
- The relevant departments of MB, particularly the Social Policy Department and its Housing Division;
- The SHA (preliminarily its predecessor within the Social Policy Department, and the independent SHA body after 2025); and
- External contractors outside MB, involved in various specific tasks.

Resources for setting up and running the SHA will be secured primarily by MB; and the SHA itself will be responsible for its operation, and for securing resources, although in continued close cooperation with MB. Once the final SHA body is set in motion, the present consortium partners remain key partners in monitoring, evaluation and strategic planning.

In order to reach and include property owners, cooperation will be established with real estate agencies already active in connecting landlords and prospective tenants, while some of the necessary social services offered or provided to tenants in need will probably be most effectively provided by various non-profit organizations with established expertise and proven experience in the field.

Already in the transitory period, MB should seek out the cooperation of district level local authorities which could join the program either through offering vacant public housing units to the SHA for utilization (whereby in exchange for renovation expenses, the SHA would be granted the right to nominate the tenants), or through financing the rent subsidy of a number

of tenants (who in turn could be selected by the district, or the SHA would be required to select tenants with a connection to that district).

HfH PI sees municipalities and other NGOs, as well as private landlords and tenants, as key partners for SRAs. As additional services may be provided on general rules, it seems possible to include different NGOs to offer such services (if needed) or to include statutory social services. Also, it would be beneficial to include private sector companies, e.g. as donors, or to offer jobs (in case SRA would also offer support on the employment market).

Role(s) each partner will play

The plan defined 8 functions, each with detailed tasks and clearly defined competencies. The eight functions are strategic management; rent setting and the operation of the rent-subsidy system; selection of tenants and housing allocation; involving privately owned dwellings in SHA operation; administrative tasks of SHA operation; management of arrears; maintenance and renovation; and monitoring and evaluation.

Table 1.4: Tasks allocated each stakeholder

*PD = Political decision makers, MO = relevant policy department of Mayor's Office, HA = Metropolitan Housing Agency and EO = External Organisation

| Functions | PD | MO | HA | EO |
|-------------------------------------------------------------------------------------------------------------------------------------------|----|----|----|----|
| Strategic control: portfolio expansion and the constitution of the target groups | | | | |
| Elaboration of a Housing Management Plan relevant to the interim period: establishing the budgetary framework and the main target figures | | | | |
| Approval of a Housing Management Plan relevant to the interim period | | | | |
| Elaboration of the annual operative plans | | | | |
| Approval of the annual operative plans | | | | |
| Monitoring of the completion of the annual operative plans (monitoring system) | | | | |
| Establishing the rent amount | | | | |
| Elaboration of the regulation of the rent and rent subsidy system by decrees | | | | |
| Approval of the rent and the rent subsidy decree | | | | |
| Revision of the annual income of tenants | | | | |
| Operation of the rent subsidy system | | | | |
| Housing distribution system, tenant assignment | | | | |
| Preparation of the regulation of the distribution system by decree, combination of the application and registry systems | | | | |

| Functions | PD | MO | HA | EO |
|------------------------------------------------------------------------------------------------------------------------------|----|----|----|----|
| Approval of the regulation of the distribution system by decree | | | | |
| Elaboration of an annual distribution plan (application and other legal titles, taking the target groups into consideration) | | | | |
| Preparation of the call for applications | | | | |
| Management of the call and applications, suggestion for tenant assignment | | | | |
| Decision on tenant assignment in case of applications | | | | |
| Maintaining the registry | | | | |
| Conclusion, extension, amendment of contracts | | | | |
| Involvement of private apartments from the market | | | | |
| Elaboration of a marketing strategy | | | | |
| Marketing activities to reach out to private lessors | | | | |
| Contacting private owners (brokerage activity) | | | | |
| Evaluation of privately owned apartments / defining the rent in accordance with the market | | | | |
| Technical assessment of privately owned apartments, defining the necessary works (maintenance or renovation) | | | | |
| Offer to the apartment owners | | | | |
| Conclusion of utilization contract with the owner | | | | |
| Performance of technical works, if necessary | | | | |
| Selection of tenants from the registry/waiting list | | | | |
| Preparation of the contract with the tenant | | | | |
| Concluding the contract with the tenant | | | | |
| Apartment management - administrative tasks | | | | |
| Maintaining the registry (registry of apartments and tenants, accounting) | | | | |
| Invoicing | | | | |
| Collecting rent and extra service fees | | | | |
| Checking whether public utilities and housing association fees are paid | | | | |

| Functions | PD | MO | HA | EO |
|------------------------------------------------------------------------------------------|----|----|----|----|
| Checking the rented apartment | | | | |
| Keeping contact with the tenants | | | | |
| Complaint management | | | | |
| Revision complaint management | | | | |
| Management of arrears | | | | |
| Elaboration of the protocol regarding arrears management by decree | | | | |
| Approval of the protocol regarding arrears management by decree | | | | |
| Sending notices | | | | |
| Managing personal contacts, arrears | | | | |
| Termination of a contract | | | | |
| Starting and managing legal procedures | | | | |
| Approval of payment in instalments, making agreements | | | | |
| Providing social work | | | | |
| Providing placement in case of eviction | | | | |
| Maintenance and renovation of apartments and houses | | | | |
| Elaboration of an annual maintenance and renovation plan, (technical content and budget) | | | | |
| Performance of maintenance and renovation tasks | | | | |
| Providing a technical supervisor | | | | |
| Monitoring, control | | | | |
| Elaboration and regulation of an annual monitoring system | | | | |
| Management of the monitoring system | | | | |
| Operation of the monitoring system | | | | |

Who will scale the innovation?

The scaling of the innovation is the task of MB in the transitory period; and becomes the competency of the SHA itself after it.

In the transitory period (2022-2025), the coordinating role is delegated to the Social Policy Department, which will undertake the development of the housing portfolio as described earlier. As the brunt of the initial housing portfolio will be gradually transferred from the housing stock owned by MB and managed by BAMC, the Department will closely cooperate with BAMC and the relevant bodies and departments of MB. Its work will be supported by an SHA Working Group within MB.

Once the independent SHA organization is established, it will be responsible for the continuation of the upscaling process, while maintaining cooperation with MB departments and BAMC. At this stage, the fragmented management of affordable municipal housing and its tenants will eventually be under the coordination of a single organization. The direct legal framework for its running continues to be under the competency of MB. In addition, MB will continue to support the SHA in securing resources and providing methodological support for its monitoring and evaluation activities. For the latter, external advisors may also be involved.

Defining the legal framework of SHA operation remains with decision-makers and MB, as presented in Table 1.4. The same table also shows that once the legal framework is developed and approved, most tasks and responsibilities, including those related to upscaling, will fall under the direct competency of the SHA or its transitory predecessor.

In Poland, Habitat will scale the SRA model on the ground, while the Warsaw Municipality will provide municipal flats and partially the funding needed for operation and social services.

Involving end beneficiaries/service users

During the present project, potential partners and target groups were involved in the grounding research not only as research subjects, but also as contributors to the concept of an SHA. Interviews and focus groups were organized with landlords as well as various tenant groups. Discussions primarily focused on their various attitudes and attributes on which the SHA concept could be based; but beyond this, the concept was shared with discussants and their feedback was gathered throughout the project. This was in part thanks to the research team's commitment to inclusion and empowerment; but also because the various respondents have valuable knowledge in the areas involved in SHA planning. For instance, landlords have a more practical overview of the rental market; social workers are a target group for SHA but are also social service providers themselves with added knowledge of vulnerable groups and their support needs.

The monitoring and evaluation system to be deployed in the transitory body and final SHA will systematically gather information on all activities, including tenant attributes, changes in their situation and needs, as well as complaints, whether placed by tenants, landlords, or third parties (e.g., neighbours). Accordingly, SHA can respond swiftly to the input and indications of end users and other affected parties; but through its IT administration it can also systematically gather feedback from beneficiaries and use it to improve the efficiency and effectiveness of its intervention.

Funding and Financing arrangements

Costs of scaling the innovation envisaged

In line with the new IUDS, our plan aspires to triple the City's current affordable stock. The cost of the portfolio expansion is estimated to be around EUR 132.4 million over the full seven-year period. In the transition period, it is EUR 20.5 million. This includes the cost of renovation of municipal and private rental housing before renting (although the two different tenure types incur different renovation costs), and the cost of purchased/constructed housing. As Table 1.5 shows, the costs of purchasing and construction substantially exceed the cost of renovation.

Table 1.5: Investment cost needs for portfolio expansion (thousand EUR)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Total |
|--------------------------------------------------|------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Renovation, modernisation of municipal SHA stock | 390 | 390 | 390 | - | - | - | - | 1,170 |
| Purchase/construction for municipal stock | - | 6,320 | 12,640 | 15,801 | 26,334 | 31,601 | 36 868 | 129,564 |
| Renovation of private rentals | 70 | 140 | 140 | 267 | 323 | 323 | 379 | 1,642 |
| Total | 460 | 6,850 | 13,170 | 16,068 | 26,657 | 31,924 | 37,247 | 132,377 |

The implementation plan also presents the calculated running and renovation costs of the total stock (including both the dwellings managed in the SHA, and the stock still managed under the old model at the time), which increase from EUR 2.6 million in the first year to EUR 37.3 million per year by the end of the period, as the stock increases. The annual rental income paid by tenants was estimated under the new target tenant mix, by applying the new rent regime to flats managed by the SHA model, while the current rent levels were used in the calculation for the stock still operated in the old model (Table 1.7). The rents paid by tenants under the current (old) system amount to 20 percent of the average market rent (7 EUR/sq.m.), and to 50 percent of the average under the SHA (new) system. The total rental income of the sector thus increases from EUR 1 million (for 917 dwellings) over the whole period, to EUR 5.5 million (for 2,592 dwellings) after the expansion of the sector and the application of the new rent system. By the end of the 3-year transition period, close to EUR 4.5 million is generated in revenue from the total stock (1,366 dwellings).

Table 1.6 Costs of running and renovating the portfolio (thousand EUR)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Total |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Management costs (incl. repair) | 1,390 | 1,686 | 2,072 | 2,466 | 2,794 | 3,355 | 3,932 | 17,695 |
| Amortisation (renovation) | 966 | 1,207 | 1,555 | 1,936 | 2,339 | 2,929 | 3,545 | 14,477 |
| Lease paid to private flat owners | 147 | 442 | 737 | 1,062 | 1,268 | 1,475 | 1,563 | 6,694 |
| Social support work | 82 | 90 | 110 | 135 | 160 | 182 | 218 | 977 |
| Total | 2,585 | 3,425 | 4,474 | 5,599 | 6,561 | 7,941 | 9,258 | 39,843 |

Table 1.7: Total housing sector revenue (EUR thousand)

| Revenue | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue of stock operated in the SHA model | 450 | 1,294 | 2,119 | 2,941 | 3,881 | 4,660 | 5,461 |
| Revenue of stock operated in the current system | 592 | 419 | 303 | 194 | - | - | - |
| Revenue of the total stock | 1,042 | 1,713 | 2,422 | 3,135 | 3,881 | 4,660 | 5,461 |

To introduce and expand the SHA model, external funding is needed already in the transition period to implement the already mentioned, crucial investments. The following interventions are envisioned in the upcoming 3-years:

- the renovation of municipal housing units that are currently vacant (or will become vacant in the period) (at least 100-150 units would need to be renovated),
- conversion of a municipally owned non-residential property into a residential building,
- construction of municipal housing on municipal land.

Table 1.8: Investments that can be made with the help of non-reimbursable EU support during the transition period

| | Number of dwellings | Estimated cost (estimated) |
|-------------------------------------------------------------|---------------------|----------------------------|
| Renovation of empty municipal flats in the capital | 100 to 150 pieces | HUF 400 million |
| Conversion of non-residential property into residential use | 40 to 50 pieces | HUF 1.5 billion |

In their anticipated joint project with Warsaw Municipality, HfH PI estimates that the yearly cost of operations of SRA (with a scale of approximately 40 flats, 2 social rental managers, real estate agent, coordinator, accounting, promotion, indirect costs) will be at a level of PLN 500,000 (EUR 110,000). It does not include a broad scale of additional services. Therefore, a similar average level of cost may be assumed for SRA in one municipality.

Funders

The key partner in funding the SHA is MB. It will combine its own resources with EU funding opportunities, Hungarian central funding if and as available, and domestic and international loan products. In short terms beside the own resources of the Municipality, funding will come from EU resources. Another significant resource will be the private developers who will pay compensation or provide flats in the framework of Settlement Planning Agreements.

Regarding the MB own resources, higher rent revenue is anticipated in the framework of the new SHA model as the income and cost structure of the SHA must also be drastically different from that of the current public housing management system. Currently rent levels do not reflect the income status of tenants. Municipalities are legally regulated to apply three possible rent levels: social rent level, “cost-based” rent level, and “market” rent. Market rent as defined in municipal decrees are well below actual market rents (in the case of MB they are roughly one third of the average market rent); and cost-based rents do not actually ensure a return on municipal housing costs. In MB’s public housing stock (excluding special purpose pensioner homes) 57 percent of the stock is let at cost level; 27 percent at the municipally defined market level, and 16 percent at a social rent level. For dwellings let at a cost-based or market rate (i.e. 84 percent of all dwellings), tenant income is only revised upon entering into contract, and the current legislation provides no opportunity for the revision of support needed over time. In addition, no upper income limit is set for applicants for market rate housing. Overall, the tenant pool could afford much greater rent overall, while there is a massive risk that financially stable tenants outnumber applicants in need.

The SHA scheme pools rents as well as tenure forms. This means that households in need, but who can afford more than the currently applicable rent level, can also be provided with secure affordable housing; and their inclusion at rent levels appropriate to their income would allow the pooled stock to raise income above operation cost. This in turn allows SHA to offer greater rent support to lower income tenants.

On the other hand, average operation costs can be kept at a moderate rate because the existing housing stock does not incur capital investment. In the meantime, the model can only be launched because the stock of affordable housing will be gradually expanding, which allows for the inclusion of a mixed tenants group in terms of income and need. It must be emphasized that in terms of operating costs the sector is not expected to be fully self-funding: the necessary cost compensation will be provided by MB in the form of implicit rent support (means tested affordable rent levels).

In Poland SRA can rely on various forms of funding: 1) municipal funding, 2) various national and EU funding for social services, 3) public subsidies / subsidies in institutional rents for SRA tenants, 4) additional services offered by the SRA. Under the legal regulation, it is mostly municipalities’ financial responsibility to finance the SRA, however it seems predictable that municipalities deciding to conclude a cooperation agreement with NGOs for SRAs’ operation, may expect partial funding by NGOs. SRA in the statutory model may be

combined with additional social rental programs (as Habitat Poland plans to do) and other activities of NGOs (other projects, social economy activity) to provide more stable financing to an organization.

Financial arrangements and instruments planned to scale the innovation

The portfolio expansion will require significant investment and its financing will be a major challenge, especially in the current context of the capital's increasingly scarce financial resources. Furthermore, the exact criteria of involvement of the external resources such as EU funds, are still uncertain.

We have forecasted that resources of investments will require 70 percent equity support and 30 percent loans financed on average over the full seven-year period.

The municipality's own resources may come mainly from funds transferred under the Settlement Planning Agreement in the future, in the form of compensation from developers for changes to the building regulations. The volume of this is uncertain at the moment, but our conservative estimate is HUF 2 billion, which the Municipality can use for a number of different purposes, but which could also allow the purchase of 50-60 apartments.

Although a loan is an important source of growth in the longer term, there is only a small likelihood of taking a loan in the transition period of introducing the SHA model. Under the current legislation, local governments can only take out loans with government permission, and the Municipality of Budapest can count on little governmental support in this area. In the medium term, however, schemes from the European Investment Bank and the Council of Europe Development Bank could provide funds on favourable terms. Priorities of these international development banks include lending for the housing sector, including the development of affordable rental housing.

As currently the central government supports household home ownership only, the source of non-reimbursable capital grants may for the time being be mainly EU funds. The Municipality of Budapest is counting on the use of EU funds from domestic programming and has accordingly identified the expansion of the affordable rental housing sector as one of the priority areas for resource use in the Integrated Urban Development Strategy (IUDS).

Nevertheless, the government defines the exact conditions of availability of domestically allocated EU funds for housing, but it is still not known what the funds could be used for. It is therefore a high priority for the municipality to have access to those EU funds that can be directly applied for. This includes the second round of the ESCF, which the Municipality of Budapest can also apply to with the aim of ensuring support for the implementation of the planned investments in the SHA.

In Poland, in the introduction phase, it seems that municipalities and NGOs will look for the possibility of co-financing SRAs with EU funds (e.g., under ESF+). After a few years it would be beneficial to provide a central subsidy for SRA (like in Belgium) to support municipalities. At the same time various models may be tested in different municipalities in order to establish more self-financing models (negotiating lower rents and creating surplus in rents paid by the tenants to finance at least part of SRAs activity – model similar e.g., to SRA in France).

Cost implications of the model compared to alternative approaches to this social challenge

The affordable rental housing stock in Hungary is small, marginalized and overall has very poor quality. The most important social landlords are local municipalities, and the share of social rentals within local housing stocks ranges between 0-6 percent across the country. Rent levels in these units are very low, but that also means no income for the social landlord to maintain and renovate these homes.

Limited room for manoeuvre for decision makers in housing has pushed municipalities into a vicious cycle of selling off their real estate to boost revenues. Renovation costs of the lowest quality vacant stock cannot be recovered from affordable or social rent levels, creating short term financial disincentives. Even homes above this minimum quality are in very poor condition, so the potential rent level does not permit cross-financing.

The inefficient operation of the municipal housing sector manifests in growing financial losses, the increasing number of vacant units, and a shrinking sector. This residualised and marginalized sector concentrates poor quality flats and disadvantaged groups with low solvency, which further undermine the sector's financial sustainability. The municipal housing management system is unable to integrate social support and real estate management tasks to increase efficiency and prevent further losses. It also faces disincentives to house high-risk groups. The continued loss of housing often results in the former tenants' further marginalization or in homelessness.

While direct cost-efficiency calculations comparing SRAs and traditional social rental models are not available, the social and indirect economic cost of marginalization and growing homelessness are clearly significant in the present state of the sector.

In the US, Housing First programs often used dispersed private rentals with complex social and health support. These showed considerable financial gain compared to traditional homeless support services in case of chronically homeless people, mostly because of the extremely high healthcare costs of these groups.

In Hungary, where the homeless shelter system is extensive but heavily underfinanced, one such attempt showed that accommodating people in the standard housing sector and providing them with the needed social support is more cost efficient in the case of families with children due to the high cost of foster care provisions, even without considering the long-term social gains.

In the Hungarian city of Veszprém, the municipality founded a joint non-profit company with the Charity Service of the Order Malta, which took over the management of the small municipal housing sector (180 flats), in addition to the Charity Service's own stock. The Service also provides individualized social work to clients. It is also experimenting with an SRA model as an additional pillar to their operation. Although direct cost-efficiency comparisons were not made in this case, the Service's leadership is convinced of the overall efficiency and greater effectiveness of their integrated housing and service provision, particularly when improved client outcomes are also taken into account.

FSHA has been cooperating with district municipalities, where FSHA raises funding and renovates vacant, run-down municipally owned housing, and in turn the municipality provides accommodation to a homeless person or household proposed by FSHA. Beyond affordable housing, the team also provides comprehensive social accompaniment and

support to the previously homeless clients, in a Housing First approach. Money issues come up regularly, and FSHA staff intervene to support the household in improving their income and request payments of due costs in instalments if necessary. Long-term losses, often of unmanageable amounts, are a widespread issue in Hungary's social housing stocks. FSHA works with very vulnerable clients, who often experienced long spells of homelessness, yet the organization has been successful in preventing the accumulation of unmanageable arrears.

One of the longest municipal co-operations of FSHA is with District 10 (Kőbánya) of Budapest, where the Association has been renovating vacant, run-down municipally owned dwellings, and the municipality has accepted their proposed tenants since 2013. Roughly 20 dwellings are currently inhabited by FSHA client households in 2021. Rent and utility arrears have been a longstanding challenge within the district's social housing pool: the latest, 2017 Integrated Urban Development Strategy (IUDS) underlines the outstanding arrears, which had been growing for many years in the time of approving the IUDS. In 2021, the municipality informed the ESCF project team that the number of housing inhabited by social tenants and occupants without contract was 1,996; the stock of outstanding arrears was circa. HUF 12,4 million. One FSHA tenant household had one month of rent in arrear in June 2021, which was paid back by September 2021, as the client received swift personalized support in managing their household budget and delayed payment. Personalized, intensive social work for vulnerable tenants was already a policy goal laid down in the 2017 IUDS, but its introduction was gradual, and hence its outcomes still limited. In addition, the old provision system allowed for the accumulation of debts over prolonged periods, resulting in many unmanageable arrears for numerous households.

Sustaining and further scaling of the innovation

In planning the SHA, the project team's goal was to create an affordable housing sector which operates in a consolidated and transparent manner, which is accountable, and achieves the housing policy goals of the municipality management. One of its key elements is the new rent setting system with well targeted rent support; the revised, more inclusive housing allocation system; and their combination with complex and individualized social work. This will result in higher rental income compared to the currently operating public housing system, while also providing secure and adequate housing to a larger and more diverse pool of tenants. It is a key priority to involve a diverse set of available resources for continuously expanding the stock of affordable rental homes. These steps will ensure the gradual, stable upscaling of the SHA's activities in Budapest. Moreover, in light of initial experience over the first few years of operation, the SHA will be able to create a network - or a closer cooperation - with other Budapest district municipalities which are also committed to expand their housing and other provisions in innovative ways.

In Poland the new legislation and already existing SRA related good practices and probably ensures that within the next few years more municipalities will decide to include SRAs in their housing provision. Additionally, as other forms of social rental, apart from legally described SRAs, are allowed, the entry into force of this regulation and potential of growing awareness of new solutions, may result in development of other social rental models.

It is worth mentioning that the Municipality of Barcelona also searches for new ways to expand its affordable housing provision as even with the usage of private rentals (approx.

1000 units) the municipality is not able to meet the demand for affordable housing. One of the solutions could be the transformation of vacant non-housing premises to affordable rental. The municipality plans to systematically assess such possibilities in one of the city districts. (Despite having such a plan, the Municipality of Barcelona did not elaborate any scaling up initiative in the framework of the current project.)

Measuring the Impact of Scaling

By the launch of the Housing Agency, an administrative registration IT system will have to be set up for the management of the housing stock. This will be used to keep track of the dwellings, contracts and deadlines, tenants and payments, regardless of the type of ownership of the property. The same database will be used to record the information needed for monitoring, rent setting and rent review. It is important that technical staff can search the database by flat, social work staff by tenant, and each operator has access only to data within their own competency.

The dataset generated from the IT system will be used for three-monthly monitoring, which summarizes all information necessary to keep track of the objectives of the SHA. This in turn will be the basis of semi-annual overarching evaluations, which will then be used for strategic management, particularly the annual revision of plans (annual operational plans, housing management plans, maintenance and renovation plan etc.).

The monitoring system serves as the basis of the iterative process development, where detailed data is used to assess the effectiveness of the SHA in terms of reaching its objectives, and on which plans and procedures can be corrected or refined in an evidence based manner. Table 1.8 below lists the indicator groups and indicators to be used in the monitoring system.

Table 1.9: Indicator groups and indicators of the monitoring system

| |
|--------------------------------------------------------------------------------------------|
| Revenues in the period: planned and real |
| Income from rent, invoiced and collected |
| Rent subsidy from the Municipality of Budapest, operational support |
| Revenue from the sale of services |
| Revenue from other sources (state budget, EU funds) |
| Expenditures in the period: planned and real |
| Total operational expenditures, from which: |
| - maintenance of housing, residential buildings (material, personnel, contracted services) |
| - social work |
| - central management |
| - other personnel costs |
| - legal expenses |
| Rent paid to owners of private rented dwellings |
| Flat and housing building renovation costs, of which: |

| |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| - for municipal housing owned by the Municipality of Budapest (empty flat and occupied flat) |
| - privately rental housing |
| Purchasing flats |
| Construction of housing, conversion of non-residential property into residential |
| Amount of arrears |
| Total amount of arrears, of which: |
| - arrears due from current tenants and flat users (also broken down by tenure) |
| - arrears incurred and collected in the period |
| Natural indicators for housing stock |
| Number of dwellings managed by a housing agency, of which: |
| - owned by the Municipality of Budapest <ul style="list-style-type: none"> • flats that came into the ownership of the Municipality of Budapest during the period (purchased, built, by TRSZ contract, annuity, etc.) |
| - number of privately owned dwellings at a given time (by duration of contract) |
| - dwellings contracted in a given period (by duration of contract) |
| - number of private dwellings withdrawn from agency management in a given period |
| - number of vacant municipal dwellings (by tenure) |
| Number of dwellings leased (to a new tenant) in a given period, by ownership |
| Contracts extended during a given period according to the ownership of the dwelling |
| Number of contracts cancelled in a given period, by ownership right and reason for cancellation (arrears, damage, anti-social behaviour) |
| Number of contracts terminated and not renewed in a given period by reason for non-renewal |
| Number of dwellings involved in maintenance work |
| Number of dwellings involved in renovation (by type of renovation) |
| Main characteristics of occupants, by dwelling ownership |
| Distribution of tenants and households without entitlement by income status based on the annual income survey |
| Average and median income of tenants and flat users without entitlement |
| Number of tenants and flat users without legal entitlement in arrears, amount and duration of arrears by income status of tenant or flat user without legal entitlement |
| Services, interventions related to arrears management |
| Number of tenants who are beneficiaries of social work /unclaimed tenants (by housing agency) |
| Number of tenants and untitled tenants referred to other services (by type of service: e.g. employment, family support, debt management, psychologist) |
| Number of tenants receiving debt repayment assistance (financial) |
| Number of requests for instalment payments and number of instalment agreements |
| Number of people with an instalment agreement in a given period |
| - number of instalment payers (closed) |
| - instalment payment |
| Number of enforcement proceedings initiated |
| Number of dwellings vacated, broken down by ownership type or by the place where the former tenant moved on (institution, family member, etc.) |

| |
|------------------------------------------------------------------|
| Number of dwellings affected by maintenance work |
| Complaints handling |
| - number of complaints received by type of complaint |
| - satisfaction with complaints handling (based on questionnaire) |

Complaints handling

- number of complaints received by type of complaint

- satisfaction with complaints handling (based on questionnaire)

Challenges and Risks

The greatest challenge the Budapest based SHA faces lies in the decidedly unsupportive political and national regulatory environment.

There is a specific political risk attached to the project: if the current Mayor of Budapest, who is also a prime minister candidate for next year's parliamentary elections, does indeed become prime minister, it would mean a change in his current position, which could cause delays. On the other hand, it could also speed up a more supportive and efficient turn in Hungary's housing policy and subsidy environment.

The financial risks related to launching and operating the SHA are clear. In absence of a central budget support, and in the framework of the austerity measures imposed on municipalities during the pandemic recession, ensuring the adequate financial resources is an outstanding challenge. Taking on loans are tied to government approval (not favourable, as mentioned earlier). Therefore, MB will have to rely on its own existing resources, potential direct EU funding in the future, and support or favourable lending opportunities from international organizations. After launching the SHA, its staff will also have to develop mutually beneficial partnerships with for-profit actors.

There is always a risk that the expansion of the affordable stock under SHA management will be slower than foreseen. The plans and methods for involving dwellings from various sources are laid out under the previous headings, especially those related to upscaling and funding. Our marketing and communication strategy serves for supporting the broad social approval of our activities, as well as for involving partners, among which are private landlords. In assessing the number of private property owners to be involved and remain in the program after the initial 3-year contract, we applied a cautious estimation to avoid overconfidence in our calculations.

Private renting in Hungary is a risky endeavour, and our strategy is precisely to efficiently mitigate these risks in our own operation. The present research allowed us to gain a more focused view of specific renting related risks in Budapest, and within our target groups developed and detailed, complex risk management strategy, complete with quality guarantees and financial incentives.

Mitigation strategies

Two key characteristics of the SHA are the provision of integrated housing and social services, and its growth capacity. These attributes will help SHA be embedded as a new housing policy tool, while on the other hand they also incur certain risks. We developed a complex strategy of involving dwellings from various sources, and we intend to utilize all these measures, but there is always a risk that one or the other proves unfeasible temporarily or in general. We can, nevertheless, utilize all resources and interventions solely dependent on MB. This explains the strong focus on expanding the housing stock of MB

(managed by SHA), combined with private rented properties, as the political independence of the SHA housing stock can be safeguarded over time. These two sources of housing will allow us to launch the SHA even if the given market or political environment makes it infeasible to purchase or construct new dwellings.

Regarding integrated service provision, we set out to mainstream a thus far small scale and poorly understood method. We do trust that political decision makers will be able to explore and understand this approach and our reasons to insist on it, but we can only be sure of their support once it is granted. The smooth launch of SHA functions within MB is also dependent on the general acceptance and support of its goals among its internal staff. In the launching process, some divisions within the MB and its institutions will lose certain competencies, others will be tasked with more. This can only happen efficiently if all concerned parties have in-depth understanding of the reasons for redistributing functions and responsibilities. To ensure this process, the responsibility to coordinate SHA functions will be clearly delegated to the Social Policy Department, whose staff will continue to closely cooperate with all internal (and external) partners. Political decision makers must also be well-informed about SHA developments throughout the process; accordingly, they will be briefed quarterly by the SHA Working Group led by the responsible Deputy Mayor