Social Housing Provision in Copenhagen

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Abstract

The paper provides an overview of trends and processes of change affecting new social housing provision in Denmark with a focus on Copenhagen. The local responses are reviewed within the context of changes to the unitary national housing system that functions with a robust range of private and non-profit housing providers, and a wide range of fiscal and regulatory instruments enhancing the competitive performance of the social housing sector. The research analyses recent housing policy measures and their impact on new social housing provision in Copenhagen. The emphasis is on the mix of housing policy instruments implemented in three major policy domains-fiscal, financial and regulatory-to promote the production of new social housing.

The system of new social housing provision is examined as a dynamic process of interaction between public and private institutions defining housing policy outcomes. The outcomes are evaluated through a series of indicators related to housing quality; stability of investment and production; differentiation of rents; affordability and choice. The research also identifies development strategies for new social housing provision developed by housing associations in the context of mixed tenure, urban regeneration projects.

Keywords: housing policy, social housing, social housing developers, new housing provision
1. Introduction

Despite differences in the social housing systems, the governments of most EU countries have adopted and continue to apply, even in times of strict public expenditure constraints, a number of instruments to provide social housing (Gibb and Whitehead, 2007; Oxley, 2000). Kemeny’s (1995) influential comparative housing study of social housing in Europe distinguishes between dual systems, based on direct competition between the social rental sector and other tenures, and unitary systems derived from a social market strategy. Within these distinctive policy regimes the rationale for and mechanisms by which social housing is provided diverges greatly between European countries, which influences the size and the character of the social housing sector (Matznetter, 2002; Whitehead and Scanlon, 2007). Social housing as a share of total housing stock across Europe varies with unitary systems maintaining on average 20-25 percent, and dual systems - less than 5 percent. In most countries this percentage has declined over the last ten years, with the exception of Denmark and Austria, as the provision of social housing has not kept pace with overall building, and/or social units have been privatised or demolished (Tsenkova, 2007).

Recent developments in social housing across Europe suggest that the challenges are surprisingly similar, whatever the original role of the social sector in each country. The revival of interest in new social housing provision today stems from political pressures to respond to growing shortages of affordable housing in major metropolitan areas and long waiting lists (Scanlon and Whitehead, 2007; Stephens et al., 2002). In many countries, particularly those with unitary models and a strong social housing legacy, a range of policy instruments to promote a supply side response through new institutional and financial arrangements has materialised. Housing providers and funding regimes have adjusted to the new environment and some innovative entrepreneurial models have emerged in the Netherlands, Austria, Denmark and Poland (Donner, 2005; Gherkriere, 2007). The emphasis is very much on diversifying social housing suppliers, public/private partnerships and the development of mixed communities in the context of urban regeneration. While there is a growing commitment to social housing in the political rhetoric, few countries, mostly with unitary systems, have identified new policy instruments to ensure that the investment necessary to meet the need for affordable housing will actually occur (e.g. Austria, England, the Netherlands, and Poland). Examining their social housing experiences can provide insights into best policy and practice models to be transferred to other countries with similar policy regime.

2. Objectives of the Research

The paper presents first findings from a larger research project which aims to provide an overview of social housing provision in Europe focusing on the policy and practice of six countries—the Netherlands, Austria, Denmark, England, the Czech Republic and Poland. These are examples of unitary social housing systems with sustained investment in new housing provision, a robust range of private and non-profit housing providers, and a wide range of fiscal and regulatory instruments enhancing the competitive performance of the social housing sector. The countries selected have the highest share of social housing in Europe ranging from a high of 35 percent in the Netherlands to a low of 18 percent in England and have maintained the highest levels of new social housing output in the last decade (Tsenkova, 2007).

The paper has two principal objectives:

i. To review recent housing policy measures in Denmark and their impact on new social housing provision in Copenhagen;
ii. To identify strategies for new social housing provision developed by housing associations in the context of urban regeneration projects in the city.

The analytical model employed in the research centers on links between policy objectives, policy instruments—regulatory, fiscal and financial—and implementation choices by social housing providers. The methodology uses literature review, content analysis of major legal and policy documents and case study analysis, complemented with key informant interviews with fifteen social housing providers in June 2010. The primary research explores the investment decisions at the project level of the largest organisations managing social housing in Copenhagen on behalf of housing associations.

3. Conceptual Framework

The conceptual framework for this research is designed to explore the relationship between housing policies and the system of new social housing provision. The emphasis is on the mix of housing policy instruments implemented in three major policy areas to promote the production of new social housing. The responses in the system of new social housing provision may be evaluated from the point of view of either the individual or society. With respect to the individual, the performance relates to the quality of housing, its availability, and the degree of choice (Boelhouwer and Heijden, 1992; Barlow and Duncan, 1994). From society's point of view, the performance of a social housing system relates to the adequacy of supply relative to 'need' as well as the quality of the stock and its availability at affordable prices (Doling, 1997). The implications for society, and correspondingly for public policies, are associated with the cost of housing of given quality and the ability of the system to deliver housing services in an effective and efficient manner (Angel, 2000; Karn and Wolman, 1992). At the fundamental level the question how much of society's resources are devoted to support the production of social housing (supply-based subsidies) or its consumption (demand-based subsidies) is critical. And how these resources affect the operation of private and public social housing providers is particularly significant (Kemeny et al., 2005; Oxley, 2000). These critical reflections on social housing in the literature have influenced the design of a conceptually appropriate framework for this research.

In the housing policy realm, the literature documents the influence of fiscal and financial policies to enhance the performance of social housing providers (Bramley et al., 1995; Buckley and Tsenkova, 2001). Monetary policies, demand and supply subsidies, tax incentives, and financial regulation are powerful factors which shape the specific economic and social context in which housing provision systems function (Priemus and Dieleman, 1999, Maclean and More, 1997). The regulatory environment can enhance efficiency in promotion/ and production by making social providers and developers more responsive to household preferences or reducing the costs (Carmona et al., 2003; Barlow and Duncan, 1994). Inclusionary zoning, planning agreements, land acquisition strategies and land taxes provide significant impetus for private involvement in new social housing provision (Crook et al., 2006). Different policy instruments are grouped in three major domains—fiscal, financial and regulatory. A series of indicators assists in measuring the impact on new social housing provision at the country/city level: housing quality; stability of investment and production; differentiation of rents; affordability and choice (Angel, 2000; Karn and Wolman 1992; Tsenkova, 2009). The conceptual framework complements the quantitative approach with a strong qualitative analysis of policy content, institutional arrangements for implementation, targeting and results.
Further, the system of new social housing provision is unpacked into discreet stages corresponding to the development process—promotion, production, allocation and consumption of housing (Ball and Grilli, 1997); the approach is applied in a series of international comparative studies focusing on supply responses (Boelhouwer and Heijden, 1992; Barlow and Duncan, 1994). Housing provision is examined as a dynamic process of interaction between public and private institutions with a focus on major social housing developers. The approach avoids the emphasis on policy centrism and recognises the importance of institutional structures and social relations in defining outcomes and responses to policy intervention (Doling, 1997; Skifter Andersen and Munk, 1994).

Often a combination of housing policy instruments can be packaged to achieve certain outcomes and/or to improve the efficiency and the effectiveness of social housing provision (Barker, 2004; Mullins and Murie, 2006). Adding another layer of complexity, these interventions in each country can support alternative forms of new social housing provision, such as a 'state agent' model (Maclennan and More, 1997), or 'social agent/enterprise' models, as well as lead to different business strategies for land acquisition and capital mobilisation.


Social Housing Institutions and Housing Portfolio

The Danish social housing sector (almene boliger) comprises housing owned by non-profit housing associations (20% of total housing stock) and a small amount of public stock (about 2%), which is mostly used for short-term emergency housing. There are about 760 housing associations, which own 7,750 estates with a total of 541,500 dwellings (Ministry of Social Affairs 2009). Historically, the main instrument for social housing provision in Denmark has been the non-profit housing associations. The associations are self-governing units and the dwellings are not entirely public nor privately owned, hence the concept of third sector housing. The tenants are organized through a model of internal democracy which ensures that there are representatives from the tenants parallel to the administrative levels within the sector. The housing associations vary enormously in size, ranging from those with over 30,000 units to those with fewer than 10. The sector is represented in the political arena by the National Federation of Non-Profit Housing Associations, where the vast majority of the housing associations retain membership.

In Copenhagen, the political and financial centre of Denmark, with a population of half a million inhabitants, social housing is 16%(about 57,000 apartments) managed by 28 housing associations. In fact, owner-occupation in the city is 25% with another 31% of the housing

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1 Together with the municipality of Frederiksberg, Copenhagen City forms the centre of the Capital Region of Denmark”. The region has one third of the country’s population, 1.7 million people. Following the local government reform in 2007, the number of municipalities in the region has been reduced from 28 to XXX. Record not found.
managed by cooperatives (see Table 1). All sectors with the exception of owner-occupation are subject to rent regulation, with somewhat distorted rent structure, which has led to imbalances between supply and demand for rental dwellings and disinvestment in the maintenance of the older stock (Skifter Andersen 2005). Most of the social housing in Copenhagen has been built in the 1970s in housing estates with high density, high-rise buildings on the outskirts. About 10% of the social housing was built before 1940s in relatively small, centrally located estates that have retained their popularity. The quality of social housing is higher compared to private rental, cooperative and owner-occupied housing, with only 3% of the stock being in unsatisfactory conditions (see Skifter Andersen 2001). However, due to price restrictions and other forms of regulation, 20% of the dwellings are classified as small (under 60 sq m), which is perceived as problematic in meeting the housing needs today. Urban Area Improvement Programmes (Kvarterloft) in 1996, and 2001 have been launched to assist with the redevelopment of larger housing estates in Copenhagen that have gradually become the home of socially disadvantaged and marginalised households. The programmes were designed to provide integrated physical, social and economic measures targeting the improvement of the social housing estates (see Vestergaard 2005).

Table 1. Dwellings in the Capital Region and the city of Copenhagen by tenure, March 2011

<table>
<thead>
<tr>
<th>Tenure</th>
<th>1,000 dwellings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Region</td>
<td>City proper</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>209</td>
<td>18</td>
</tr>
<tr>
<td>one-family houses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>127</td>
<td>70</td>
</tr>
<tr>
<td>flats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-operatives</td>
<td>135</td>
<td>112</td>
</tr>
<tr>
<td>Social Housing</td>
<td>189</td>
<td>57</td>
</tr>
<tr>
<td>Private renting</td>
<td>175</td>
<td>77</td>
</tr>
<tr>
<td>Other renting</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>874</td>
<td>357</td>
</tr>
</tbody>
</table>

Source: BBR, March 2011

Note: Region refers to Region Hovedstaden (The Capital Region of Denmark), excluding Bornholm and Christiansø. 'City proper' comprises the municipalities of Copenhagen and Frederiksberg

Fiscal and Financial Instruments

In terms of legitimacy, power and efficiency that reproduce the institutions of the housing regime (Bengtsson 2008), the legitimacy of the sector seems to be moving from a universal role of providing affordable housing to all groups in society, towards a more selective scope as provider of housing for groups with special needs. Concerning efficiency, it seems that the sector is increasingly addressing housing for the elderly. Finally, concerning power, housing associations seems to be less influential, given the declining share of new output and less growth (Nielsen 2010). In terms of policy regimes, Danish housing policies have gone through a phase of retrenchment, gradually transitioning from support to housing supply to supporting to households, meaning more use of housing allowances and less use of subsidies to construction (Nielsen 2010: OECD 1999). The social housing sector is subsidised through central government co-payment of
the interest rates on mortgages financing construction of new dwellings. Other supply-side subsidies are also provided through the urban renewal programmes and direct contribution to capital costs by local governments. Social housing is exempt from income tax and real-estate tax (Erlandsen et al., 2006). On the demand-side, housing allowances to tenants provide an important source of financial support. Differences in the taxation and subsidisation of various housing segments over time have led to a lack of policy neutrality, which creates imbalances in the Danish housing market, particularly significant in the Copenhagen region (Lunde 2004).

Although subsidisation of housing is still substantial, there have been some changes in the parameters determining the way it takes place. Since 2002 a reform in the financial system introduced an increased degree of self-financing for housing associations and an obligation to reimburse more than half of total state subsidies to new social housing. The cost of new social housing provision (91%) is financed by a mortgage (30-year variable-rate loan). The municipality covers 7% in the form of an interest-free loan for base capital (grundkapitallån), while the remaining 2% is covered by tenants' deposits. The municipality provides a guarantee for the mortgage that is above 65% of the initial building costs (Scanlon and Vestergaard 2007).

In the last couple of years new social housing has partly been financed by the National Building Fund for Social Housing (Landsbyggefonden) set up in 1967. The fund does not have any reserves and has taken out loans on the basis of income forecast for 2009 and beyond. Since 1999, the financing regime for social housing stipulates tenants’ rental payments to be independent of the mortgage payments. When the mortgage is paid back, 50% of cash surpluses go into each housing association’s Dispositionsfond to be used for conversions and rebuilding, while another 50% are transferred to the Landsbyggefonden. For dwellings built after 1998, two thirds of the cash-surpluses are transferred to the Landsbyggefonden of which 50% is channelled into the Nybyggerifonden with the aim of financing construction of new social housing dwellings. The premise is to reduce the burden on the state budget as well as to increase the degree of self-financing (Ministry of Social Affairs 2009).

Housing allowances have a broad coverage being granted to more than 530,000 households in social and private rental housing, equivalent to more than one fifth of all Danish households. There are two main housing allowance schemes: i) for low-income households and persons receiving disability pension (boligsikring); and ii) for old age pensioners (boligydelse) (Erlandsen et al., 2006). The housing allowance granted under these two schemes is calculated as a certain share of housing expenditures depending on income. Data indicate that housing allowances make up 50% of the rent in social housing in general and in the case of newly built projects – 55% (see Table 2). In housing for the elderly, and for households with children, the dependence is much higher reaching correspondingly 64% and 42% (35% in newly built). As

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2 Social housing built in 1982-98 period was financed with a form of loan whose term was extended when interest rates increased. For social housing built from 1975-82, interest subsidies were linked to wage and price indexes, and as these increased the subsidies fell, thus passing the full cost of the loans on to tenants. Many estates from this period were later allowed to remortgage to indexed or other loans in connection with refurbishment programmes (laws passed in 1985, 1993 and 2000).

3 In addition, housing estates built before 1970 pay contributions to the Landsbyggefonden. The housing associations have a drawing right on 60% of the contributions for improvement of their stock (Erlandsen et al., 2006; OECD 2006).

4 Housing subsidies on the supply side were estimated at 0.47% of GNP, while housing allowances accounted for 0.73%. At the same time tax subsidies were estimated to 1.67% of GNP (see Andersen, HS, Vestergaard, H & Hansen, KE 2006, Erfaringer fra England, Norge og Tyskland med mere privatiserede former for sociale boliger, SBI, nr. 2006:04, Statens Byggeforskningsinstitut, SBI, Hørsholm, p. 19)
housing allowances depend on actual rents paid, households may, within the schemes’ limits of maximum rent/maximum subsidy, raise the amount of the allowance by moving to higher quality housing.5

Table 2. Individual housing benefits to households in social housing- total and new built (2005+)

<table>
<thead>
<tr>
<th></th>
<th>Households Total</th>
<th>Average annual benefit per household (kr.)</th>
<th>Average annual rent pr. household (kr.)</th>
<th>Benefit in % of rent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social housing total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent subsidy:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household without children</td>
<td>51.284</td>
<td>6.011</td>
<td>40.509</td>
<td>15</td>
</tr>
<tr>
<td>Household with children</td>
<td>51.358</td>
<td>23.860</td>
<td>56.950</td>
<td>42</td>
</tr>
<tr>
<td>Pensioners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excl. housing for elderly</td>
<td>152.645</td>
<td>26.898</td>
<td>47.442</td>
<td>57</td>
</tr>
<tr>
<td>Housing for elderly</td>
<td>58.898</td>
<td>38.897</td>
<td>60.631</td>
<td>64</td>
</tr>
<tr>
<td>Total social housing</td>
<td>314.185</td>
<td>25.241</td>
<td>50.337</td>
<td>50</td>
</tr>
<tr>
<td><strong>New social housing (built 2005+)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent subsidy:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household without children</td>
<td>802</td>
<td>6.654</td>
<td>43.881</td>
<td>15</td>
</tr>
<tr>
<td>Household with children</td>
<td>610</td>
<td>26.740</td>
<td>76.080</td>
<td>35</td>
</tr>
<tr>
<td>Pensioners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excl. housing for elderly</td>
<td>1.733</td>
<td>33.126</td>
<td>63.782</td>
<td>52</td>
</tr>
<tr>
<td>Housing for elderly</td>
<td>3.747</td>
<td>46.492</td>
<td>72.625</td>
<td>64</td>
</tr>
<tr>
<td>Total New social housing</td>
<td>6.892</td>
<td>36.747</td>
<td>67.362</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Ministry of Social Welfare, 2010

**Regulatory Instruments**

Municipalities supervise the housing associations and since 1994 must approve their decisions for investment in new housing, which implies a financial commitment of 7% to capital costs. The supply of new social housing is also controlled through the planning system, where detailed regulatory plans stipulate land use, density and building envelope requirements (Blutcher, 2004). The availability of land is an issue for some municipalities (e.g. City of Copenhagen has limited supply) and publicly owned land, which often the required municipal contribution is subject to many competing demands for schools, public uses and commercial developments.

Each of the 7,750 housing estates (or 'member sections' in Danish) must balance its books - there is not supposed to be any cross-subsidisation between housing associations, or between estates that belong to the same association. The municipalities approve housing associations' budgets and accounts (Erlandsen et al, 2006). Since 1984, tenants have a right to the majority of seats on housing association boards and all seats in the estate boards. The Danish social housing sector has

5 This may create unemployment and poverty traps as individuals have little incentive to move from unemployment to full-time work or to increase their hours worked as the increase in net income is relatively small due to the combined effect of increased tax payments and the withdrawal of income-tested social benefits such as housing allowances (Erlandsen et al, 2006).
a long-standing tradition of tenant democracy (Scanlon and Vestergaard 2007). In 2004 an attempt to privatise social housing essentially delivered limited results. Out of the 5,000 apartments, less than 800 have been privatised and this figure for Copenhagen is lower than 70 (Interview data, June 2010). The boards of tenants generally oppose privatisation and tenants have been reluctant to take on such risks, despite a 30% discount of the market price.

The ability to control social housing at the local level has led to an unequal spatial distribution of social housing among municipalities in Denmark in general, and in the Copenhagen region in particular. The share of social housing in different parts of the region is also associated with the legacy of government programmes and the investment in the sector over time. For example, in the inner ring social housing is less than 20%, but reaches 35% and 40% in ring 2 & 3 (see Skifter Andersen 2001 for a discussion on these issues). In addition to fiscal constraints for capital cost contribution, municipalities often fear the long-term consequences of a declining local tax base as well as other social problems associated with higher concentration of social housing and problematic tenants on their territory (Skifter Andersen 2005, PLS-Ramboll 2001).

Figure 1: Average annual rent in private and social housing by period of construction, 2005 (DKK/sqm)

![Figure 1: Average annual rent in private and social housing by period of construction, 2005 (DKK/sqm)](chart)

Source: Ministry of Social Welfare, 2010

By law, social housing must be rented on cost recovery principles. The rent is expected to cover the cost of development (based on mortgage repayment costs) as well as maintenance and management charges. Since July 2009 mortgage repayment is fixed at 2.8% and is independent of actual interest rates. On average, housing association rents are below private sector rents, particularly in Copenhagen region (see Figure 1). The data indicate that older, and often more attractive housing has lower rents than newer housing with a difference of 15-18%. It also means that lower income households, often new immigrants, can be trapped in the most expensive or the least desirable social housing, where rents exceed 650 DKK/sq m. Vulnerable residents who

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6 Local governments controlled by right-wing parties have preferred to build owner-occupied housing to attract people with higher incomes and to increase their own electorate.
depend on social benefits end up concentrated on unpopular estates with high rents and low housing quality due to high turnover in such locations (see Scanlon & Vestegaard, 2007).7

**Figure 2: Number of social housing units, average rent and variations by year of construction, 2005**

<table>
<thead>
<tr>
<th>Year of Construction</th>
<th>Antal boliger</th>
<th>Gns.-leje</th>
<th>10%</th>
<th>90%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>1880-1899</td>
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<tr>
<td>1890-1919</td>
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<tr>
<td>1920-1949</td>
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<td>1950-1959</td>
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<td>1960-1964</td>
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<td>1970-1974</td>
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<td>1980-1984</td>
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<td>1985-1989</td>
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<td>1990-1994</td>
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<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
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</tbody>
</table>

**Source:** Ministry of Social Welfare, 2010

**Notes on rent variations:**
1) The 10% line presents the highest rent for the 10% most affordable (cheapest) social housing units.
2) The 90% line presents the lowest rent for the 10% least affordable (expensive) social housing units.

Figure 2 presents rent levels by year of construction compared to rents in the most affordable and the least affordable segment of social housing, depending on the time of construction. The average rents are 600-700 DKK/sqm in estates/sections constructed before 1920, falling to 515 DKK/sqm in estates constructed in 1960-1964, and then increasing to over 750 DKK/sqm. in the most recent estates. The spread, measured in the top and bottom 10% of the rental submarket is constant irrespective of year of construction. Statistically, this means that the averages may be compared between years of construction. The rents paid in the most recent estates are thus 46% higher than the rents in estates from the 1960s. Differences in rents, particularly since the 1970s, are due to differences in net capital costs, financing models and level of subsidies.

Access to social housing is managed by housing associations on the basis of time on the waiting list and household size. There are no restrictions on who may join a waiting list and the social housing sector is open to all income groups. Municipalities have the right to assign tenants to at least 25% of vacant housing association units. They (and the housing associations) do not necessarily do so on the basis of need. In some of the deprived estates the municipal assignments can be up to 100% with the objective to achieve and social mix and to attract more well off residents to the original group (Interview data, June 2010).

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7 From 1994 to 2002, the share of ethnic minorities in the social housing sector increased from 12% to over 20%. These immigrants are not uniformly distributed across housing associations; some estates house only ethnic Danes, while others are occupied by more than 50% non-ethnic Danes.

The analysis will highlight important similarities and differences in two areas: output/investment and affordability of new social housing at the national and city level.

Levels of Production and Development Strategies

Levels of new social housing production since 1993 have been around 6,000 dwellings with a substantial increase in 2002, when output reached 14,000 (see Figure 3). The degree of self-financing, has affected levels of social housing production. According to the Ministry of Welfare the funding was related to the construction activity rate from 2002–2004, which meant that Landsbyggefonden covered 71% of the state expenses in 2002, 55% in 2003 and 53% in 2004. In 2005 and 2006 the rate was set to 50% but in the Housing Agreement from 2006–it declined to 25% (Ministry of Social Welfare 2009:76).

The decline in output in 2007 has been particularly dramatic due to less government subsidy on one hand and increasing construction costs on the other. This has crowded out investment in the social housing sector due to the high prices of land and high construction costs related to the housebuilding boom in the owner occupied market and rapid growth in prices. The global financial crisis in recent years has provided more opportunities to invest and expand the sector due to availability of land, acquisition of housing projects (private sector developers under bankruptcy) and overall stability of financing for social housing (Interview data, June 2010). The output in 2009 has reached a level of 4,000 dwellings. Housing associations in urban municipalities often compete for a share of the local target for new social housing construction. In Copenhagen the largest housing associations broker agreements on output and partner to meet municipal objectives on particular sites (e.g. urban regeneration projects, harbour front developments, energy efficiency pilots, etc. (Interview data, June 2010). Municipalities are more interested in allowing housing associations building special needs housing, such as dwellings for the elderly or handicapped and dwellings for students. In fact, such housing has accounted for more than 50% of newly build social housing over the years.

Figure 3 Number of new social dwellings 1993-2010 (Family, Youth and Elderly)

* For 2010 er vist antal tilsagn pr. 17. marts 2010.

The renaissance of social housing production in Copenhagen has resulted in the following targets for 2009 – 2013: 700 flats for families and 200 homes for the disabled. The City’s investment in total amounts to 120 million DKK (interview data, June 2010). In the last five years, completions of new social housing are in the range of 150-200 dwellings (less than 0.5% growth in the existing portfolio). This is consistent with the housing policy of the City of Copenhagen (See Københavns Kommune 1999). Its main objective is to establish a better housing supply that could attract more well off households to the city as well as to retain young families. The main emphasis is on the provision of new dwellings with high quality in attractive locations, on improvement of the quality of existing stock (estates and private rental) by public support for regeneration and encouragement of private investors. The regulatory framework does not allow the provision of land at below market costs to social housing providers, so the City of Copenhagen announces annual competitions to reach its target for new social housing construction. The six largest administrative organisations managing the social housing portfolio of the housing associations normally participate and compete on the basis of quality, innovative design, sustainable features and energy efficient solutions (such as passive housing, ‘zero’ energy house). The City approves 4-5 projects on an annual basis and has channelled some of these investments into urban regeneration areas such as the harbourfront and Oerestad (see Figures 4 & 5).

This is still short of a target set by Copenhagen’s mayor elected in 2006 on a promise of providing 5,000 new homes at a rent of DKK 5,000 (approximately €670) per month. It was clear that housing associations could not build these homes since the building standards they must comply with are so costly that rents would necessarily be much higher.

The shortage of dwellings in the Copenhagen region is underpinned by a period (1992-2008) of high economic growth and increasing incomes resulting in an increased demand for dwellings (especially rental but also owner-occupied).
An important factor affecting the supply of social housing is the regulatory cap on construction costs introduced in 2004. Data in Table 3 indicate that the permitted building cost per sqm was DKK 17,000 for family dwellings and DKK 20,000 for housing for the elderly. The limits increased steadily and reached DKK 20,710 for family housing and DKK 25,710 for seniors in 2010. Despite some regional variation of such costs, the central regulations affect substantially where housing associations can build, and how much, and given the high land prices in the Copenhagen area have led to a collapse in new social housing provision in the mid-2000.

Table 3: Maximum amounts for the acquisition price for social housing 2004-2010 (DKK/sq m).

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<thead>
<tr>
<th></th>
<th>2004</th>
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<th>2009</th>
<th>2010</th>
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<td><strong>Hovedstadsregionen:</strong></td>
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<tr>
<td>Familiebolig</td>
<td>17.000</td>
<td>17.240</td>
<td>17.700</td>
<td>18.000</td>
<td>18.280</td>
<td>20.240</td>
<td>20.710</td>
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<td><strong>Provinsen:</strong></td>
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<tr>
<td>Åldrebolig (visse kommuner&lt;sup&gt;1)&lt;/sup&gt;)</td>
<td>-</td>
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<td>21.030</td>
<td>21.960</td>
<td>22.470</td>
</tr>
</tbody>
</table>


1) Århus, Skanderborg, Odder, Holbæk, Ringsted, Slagelse, Sorø, Næstved og Faxe kommuner.

Source: Ministry of Social Welfare, 2010

Affordability of New Social Housing and Choice

Paradoxically, social housing in Denmark is not necessarily synonymous with affordable provision. A recent response by the Minister of Social Affairs to the Parliamentary Standing Committee on Housing indicates that there are 59,000 affordable rental apartments in Copenhagen (rent of less than 4,000 DKK per month, average size 58 sqm). Only 20,000 are social and 39,000 are private rental.<sup>10</sup> Rents on estates built between 1999 and 2009 are by law set at 3.4% of initial building costs plus bank charges, which decreased after that to 2.8%. Social

housing associations acts as developers of social housing and carry out management and maintenance. The costs are expected to be fully recovered through rents. High construction and land costs, as well as a less generous subsidy regime, make new social housing less attractive to prospective tenants. Some of the administrative development arms of the housing associations have experimented with prefabricated construction. The new social housing in Figure 6 was built in Estonia to reduce construction costs and features modern design and energy efficient qualities. Even in Copenhagen, social housing administrators report problems with leasing such schemes, particularly when costs go beyond DKK25,000 per sqm.

Unmet needs are concentrated in high-cost areas, where waiting lists are long. Vacancy in the social housing sector is estimated at 0.5% but it has increased in the last two years (Erlandsen et al 2006). In the Capital Region of Copenhagen only 13 dwellings were vacant in 2006, while the number has increased to 222 in 2011 (still less than 0.5%).

(See:http://www1.lbf.dk/LBF/lbflejlighed.nsf?OpenDatabase). The turnover exceeds 20% (even 40% in some of the less popular housing estates. Vacancy rates in the new social housing developments in Oerestad and in run down social housing are much higher, according to housing administrators, but for very different reasons (Interview data, June 2010). Key workers such as teachers, nurses and firemen have complained that they cannot afford decent housing, and young working households often have housing difficulties. The waiting period, particularly in Copenhagen and Aarhus, can be 10-20 years. Regional differences in that respect can be significant, with high vacancy rates and low demand for social housing in rural areas and Jutland. Those on the waiting list pay a small annual fee, and when tenants move in they have to pay a deposit that corresponds to 2% of the original construction cost of their unit. Housing associations also operate internal waiting lists, so tenants can move up the housing ladder within a housing association, from an expensive dwelling to a cheaper and more attractive one, which may explain the high number of households on the waiting lists in the city of Copenhagen (estimated at over 150,000). Social housing used to be considered a tenure for all, and in general there is still no stigma attached to living in social housing. However, since 1970 it has increasingly become a tenure for marginalised groups and those with special needs (Scanlon and Vestergaard 2006).

Many local authorities give priority on troubled estates to people working in the local area in order to improve their social composition by introducing residents with jobs; this is also justified as a way to reduce environmentally damaging commuting. Municipalities are obliged to offer refugees who move to their area a permanent home within three months. In addition, municipalities have a responsibility for tenants requiring special needs housing (e.g. the elderly and handicapped). Such responsibilities gradually have led to residualisation in estates with higher turnover as municipalities have the right to nominate tenants for 25% of the vacancies (Scanlon and Vestergaard 2006). As household composition in social housing is somewhat skewed in the first place (tenants typically have low income and socially weak groups are highly
represented), the empirical evidence indicates a kind of sorting within the housing associations as these tenants tend to get the least attractive dwellings (Engberg, 2000). Tenancies can be passed on to children when the parents die, if the children live in the dwelling. Tenants also have the right to trade dwellings with other tenants in the same housing association, different housing associations, and in the private sector. Tenants may also sublet their dwellings for a limited period if they work temporarily elsewhere.

Recently, some proposals for reforms in the social housing sector have included suggestions for elimination of ‘brick and mortar’ subsidies to be complemented with more adequate means-tested assistance to households in need. Other proposals refer to a higher degree of self-financing in sector and a move towards changes of the cost-rent principle in favour of more market-based system, particularly in Copenhagen and Aarhus with high-pressure housing markets (Erlandsen et al 2006; Nielsen 2010). Calls for efficiency within the sector have led to mergers of housing associations, related to the reform of local governments of 2007.

6. Concluding Comments

Denmark has a relatively high share of social rented housing provided by non-profit housing associations. Danish housing policies have gone through a phase of retrenchment, gradually transitioning from ‘brick and mortar’ support to demand-based support. The sector is also changing from providing affordable housing to all groups in society, towards a more selective role of provider of housing for groups with special needs and the elderly. Finally, housing associations seem to be less influential, given the declining share of new output and limited growth prospects. The sector competes with private rental but a less generous subsidy regime has forced it to move towards more self-financing, closely regulated cost control and less investment in new construction. Although in the last three years, new social housing construction has gained momentum, production costs remain high and rent levels ensuring cost recovery tend to be highly dependent on demand-based support through housing allowances. Housing associations have highly professional administration responsible for new development, management and maintenance. The administration ‘services’ tenant associations, who own the housing stock and actively participate in decision-making.

The new housing has high quality and standards, housing providers demonstrate ability to deliver innovative planning and construction solutions, and tend to be a main institutional partner in regeneration of urban areas in Copenhagen. Social housing, despite a growing trend of housing people with special needs, economically disadvantaged and refugees, has beneficial effects in ensuring an income mix and broad composition of tenants. The rent regulation based on cost-based principles implies that rents may deviate from market-clearing level, depending on locality and quality of housing. The long waiting lists attest to the economic attractiveness of social housing, although in the newly built projects due to higher production and land costs, rents may be less affordable and cost-recovery much more dependent on housing allowances.

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References:


