

# European Housing Action Plan



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# EUROPEAN HOUSING ACTION PLAN

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## Executive summary

The European Housing Action Plan is the result of a collaborative process between 15 EU Mayors, with the support of Eurocities and C40, to contribute to the ongoing development of the first-ever European Affordable Housing Plan as well as the pan-European investment platform for affordable and sustainable housing.

This document is also a call to bold and immediate action to swiftly address the housing crisis, which is exacerbating social unrest and threatening the fundamental pillars of the European project.

The Plan further develops some of the initial proposals and requests shared by the Mayors for Housing alliance with the European Commissioner for Energy and Housing, Dan Jørgensen, on 20th February 2025, and paves the way for enhanced EU support to tackle the persistent housing crisis.

## Context

The current housing affordability crisis is part of the broader trend of impoverishment that has characterised European society since the global financial crisis. As of 2023, one in five Europeans was at risk of poverty. In recent years, housing has become increasingly central to the difficulties faced by families: between 2015 and 2024, house prices surged by more than 55% (Eurostat). The crisis particularly affects younger generations, with nearly half of young Europeans unable to afford independent living. On average, across Europe, housing costs exceed 40% of income—Eurostat’s housing overburden rate—for one in ten urban residents. This figure is significantly higher among tenants, representing a third of the European population, and in cities with elevated living costs. In major urban centres, the situation is further exacerbated by the financialisation of housing, the rise of short-term rentals—with monthly guest nights increasing on average by 30% between 2019 and 2023 (Eurostat)—and growing insecurity of tenure in private rental markets.

Europe’s major cities are confronted with a series of challenges to address the housing affordability and sustainability crisis, including:

- Rapidly growing sale and rent housing prices, which leave low- and middle-income households out of the private housing market.
- The financialisation of housing and its impact on tenants’ rights and security of tenure, with broader impact on competitiveness and liveability.
- The proliferation of short-term accommodations and secondary homes, which are exacerbating market tensions and contributing to the displacement of local communities.
- Growing urban sprawl, pushing low- and middle income households to the outskirts, leading to social segregation and exclusion, longer commutes and higher transportation costs and greenhouse gas emissions.

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- Constraints on new housing construction due to land scarcity and the imperative to minimise land use, along with a reliance on costly urban regeneration efforts.
  - Limited public financial capacity, often reliant on constrained transfers from national governments and a limited tax base, while local governments struggle to meet the growing and complex needs of local communities.

While the causes of the housing affordability crisis vary across countries, a common factor across Europe is the long-term lack of public intervention in the housing sector, which has contributed to a structural imbalance. Years of public underinvestment have created a growing gap, particularly in the provision of social and affordable housing. This gap has not been filled by private investment, revealing a clear case of market failure—where financial markets have not responded to unmet social demand, especially among lower-income groups. **According to estimates by the European Investment Bank (EIB), addressing this housing investment shortfall would require around €270 billion annually.**

In most cases, speculative investment has been prioritised over long-term housing needs, further deepening the crisis. Addressing these challenges requires significant public intervention to both expand the supply of sustainable social and affordable housing and uphold the social function of housing. Without targeted support and strong public frameworks, the housing needs of vulnerable populations will continue to go unmet.

A 2023 report by Eurofound highlights that the lack of affordable and adequate housing is an escalating issue across the European Union, with far-reaching effects on health, well-being, and social equality. As a result, housing has emerged as a central concern in the everyday lives of Europeans. Cities and metropolitan areas are at the forefront of this challenge, striving to ensure an adequate and affordable housing supply, manage urban areas inclusively, and regenerate the building stock to reduce its environmental impact, also acting to address the threats the climate crisis already poses. It is a critical mission: inadequate, unsustainable and unaffordable housing often leads to wide-ranging consequences for cities, including reduced attractiveness and competitiveness which in turn hampers labour mobility, rising labour costs, social unrest, precarious living conditions, and increased crime rates. Cities need proper tools and resources to address these challenges—resources that must come through collaboration with national governments and the European institutions. The European Union must play a pivotal role in tackling this pressing issue, which affects the very fabric of European life.

## **A call for action**

Europe cannot afford to wait for macroeconomic conditions to improve or for wages to increase before addressing the housing crisis. On the contrary, expanding the supply of sustainable social and affordable housing is a critical investment in Europe's social fabric, urban vitality, and economic resilience. It will provide residents with a more dignified life, enhance social cohesion and the attractiveness of cities, and generate quality employment opportunities.

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Housing should be recognised as the fifth pillar of the Welfare State, alongside those established in the European social model over the past decades—education, healthcare, social security and social assistance. This means that any public policy on housing must uphold the universal right to decent and affordable housing while addressing the specific needs of vulnerable and marginalised groups. This principle is enshrined in several key human rights instruments, including Article 25 of the 1948 Universal Declaration of Human Rights, Article 11 of the 1966 International Covenant on Economic, Social and Cultural Rights, Article 34(3) of the Charter of fundamental Rights of the European Union and Article 31 of the revised European Social Charter.

**This vision serves as the foundation of this document and drives the collective commitment of the 15 cities in the Mayors for Housing alliance to launch a pan-European housing strategy that is inclusive of all cities across Europe.**

We recognise that, within the context of housing, the **EU subsidiarity** principle designates housing policy as primarily the responsibility of national, regional, and local governments. However, given the scale of the challenge and its social, environmental and economic ramifications, the EU must take an active role in providing the necessary support and resources to ensure the success of social and affordable housing programs at the national and local level.

European cities stand ready to contribute. We are calling for a major EU-led initiative on housing mobilising €300 billion of **which at least €100 billion in grants**, alongside the deployment of innovative tools that enable swift and effective action at local level. Since the COVID-19 pandemic, the EU has proven its ability to respond decisively to global emergencies. The housing crisis is no less urgent and requires a response of equal magnitude.

First and foremost, **cities must be granted direct access to all underutilised resources**, including those available through Next Generation EU and cohesion policy funds. Housing should be prioritised in the reallocation of these funds, with direct transfers to cities and broad flexibility in their use. More structurally, a **dedicated, well-funded instrument focused specifically on housing** should be established, allowing cities to effectively meet the growing demand for affordable homes.

EU resources should primarily be directed toward increasing the supply of sustainable social and affordable housing. This must meet the needs not only of low-income households, but also of working individuals and middle-income households who are priced out of market-rate housing. Investments must also support the renovation and sustainability of public residential buildings, contributing to the objectives of the EU Green Deal.

EU action is also critical to **uphold the fundamental right to housing**, particularly in the context of the financialisation of housing, rising evictions and the widespread conversion of homes into tourist accommodations. Strengthening regulation on the private housing stock, coupled with measures to ensure security of tenure and social assistance to vulnerable households, is urgently needed.

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All of these measures must be anchored in a **continuous, structured dialogue between cities and the European Commission**. Recognising cities as key actors in delivering sustainable social and affordable housing solutions will ensure that political ambition is translated into effective local action. This process must also involve partnerships with the private sector, civil society organizations, trade and tenant unions, and individuals with lived experience of housing exclusion. Moreover, housing strategies should be integrated with policies on public procurement, innovation support, workforce training, and job creation.

The time to act is now. With targeted support, Europe's cities can lead the way in delivering affordable, sustainable, and inclusive housing for all.

## Highlights of the European Housing Action Plan

Beyond streamlining available resources and increasing investment opportunities for sustainable social and affordable housing, the European Housing Action Plan puts forward a set of high impact measures that are critical to empowering cities and addressing the housing crisis:

- 1. Establish an emergency financing stream** to enable cities to rapidly develop social and affordable housing projects. This should include repurposing unclaimed Recovery and Resilience Facility resources and other decommitted EU funds, to be directly allocated to local authorities to invest in social and affordable housing and related support services.
- 2. Recognise cities as direct implementation partners in the framework of EU programmes with a housing component**, by setting up dedicated programmes for sustainable social and affordable housing that allow for fast-tracks and direct funding opportunities for cities, in order to accelerate the deployment of EU-funded programmes on the ground.
- 3. Reform of State Aid rules** for Services of General Economic Interest to enable greater investment in social and affordable housing.
- 4. Activate the national escape clause to enable investment in sustainable social and affordable housing**, to be excluded from deficit and debt calculations, mirroring the flexibility currently applied to defence-related spending.
- 5. Designate stressed housing market areas** as the cornerstone of the new Agenda for Cities and the future of cohesion policy. Such designation would grant cities specific resources and policy tools to address acute housing needs.
- 6. Steering Member States' housing policies via the European Semester and National Building Renovation Plans**, to increase public investments in social and affordable housing and encourage the implementation of effective fiscal and regulatory policies to tackle vacancy, prevent housing speculation and preserve public housing.
- 7. Establish effective data-sharing obligations on Short Term Rental Platforms**, in particular by EU-wide implementation of the STR-regulation in 2026, so that in all our cities any illegal STR exploitation of residential housing stock can be halted.

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## Introduction

Europe's major cities are experiencing a growing housing crisis, now ranked as the top concern among their residents. City inhabitants are particularly affected, with a significant share spending more than 40% of their disposable income on housing (Eurostat 2024). Ensuring housing affordability is vital for the future of our cities: it preserves social diversity and cohesion, strengthens competitiveness and local economies by enabling workers to live where they are needed, and sustains essential public services such as healthcare, transportation, education, and law enforcement. At the same time, buildings are among the largest sources of greenhouse gas emissions, and cities—home to 75% of EU citizens—have a critical role to play in achieving the Union's climate goals. Addressing the housing crisis must therefore go hand-in-hand with tackling the climate crisis and delivering on the EU's green transition.

The appointment of Dan Jørgensen as the first-ever European Commissioner responsible for Energy and Housing, along with the launch of a European Affordable Housing Plan and the development of a pan-European investment platform for affordable and sustainable housing, mark a new era in the European Union's approach to housing. While acknowledging the intention to increase the flexibility in the use of cohesion funds for housing and to introduce renewed investment capacity in housing as first steps in the right direction, we believe the European Union must take a decisive step towards recognising the importance of the right to housing and allocate the necessary resources to make it effective.

Furthermore, coordinated multilevel governance is crucial. The creation of a Housing Task Force within the European Commission, the establishment of a Special Committee on the Housing Crisis in the European Parliament, and the recently launched consultation process around the European Affordable Housing Plan offer a significant opportunity for cities to directly engage with European institutions and find shared solutions to this pressing challenge.

We recognise the progress made and the value of closer collaboration. Since 2020, the European Union has shown its ability to respond decisively to different crises by mobilising significant resources, mutualising efforts and introducing new governance tools. Based on the existing provisions of the Treaty on the Functioning of the European Union, the Next Generation EU and the Support to mitigate Unemployment Risks in an Emergency (SURE) have delivered important results for European citizens. The joint procurement of vaccines and the coordinated action in the context of the energy crisis have delivered results that Member States could not have achieved on their own. Closer cooperation between Member States and the Commission will hopefully enable the NGEU objectives to be achieved by next year. Similar instruments, based on bold action, should be mobilised to tackle the housing crisis, which is affecting an increasing proportion of the European population, particularly in cities.

On 20th February 2025, the mayors of Amsterdam, Athens, Barcelona, Bologna, Budapest, Ghent, Leipzig, Paris, Rome and Warsaw, alongside the Vice President of Lyon Metropole and the Councillor for Housing of Lisbon, met with Commissioner Jørgensen to express their commitment to collaborate and to share a list of key requests to the European institutions. That exchange laid the foundation for continued cooperation. Building on that momentum, and with the support of Eurocities and C40, cities are working together to provide more detailed input. The European Housing Action Plan that follows outlines a series of measures that can support a shared European goal: ensuring access to affordable, sustainable, and adequate housing for all.

## A diverse alliance with a shared purpose

Amsterdam	Florence	Milan
Athens	Ghent	Paris
Barcelona	Lisbon	Rome
Bologna	Leipzig	Zagreb
Budapest	Grand Lyon	Warsaw

The cities and metropolitan authorities we represent are among the largest in Europe, led by Mayors from different political parties. We are home to over **17.5 million Europeans**—a population larger than that of 20 EU Member States—and we are the capitals of metropolitan regions inhabited by tens of millions of European citizens. Our urban reality is quite diverse, from incredibly dense urban centers such as Paris and Barcelona, to lower-density cities such as Ghent or Zagreb. From growing cities like Amsterdam and Lyon—with populations having increased by 15% and 8% over a 10-year period—to cities like Athens and Budapest, where population growth has stagnated.

**Over the past 10 years, rents in our cities have risen on average by 60%, while housing prices have surged on average by 78%, well above the EU average.**<sup>1</sup> Housing affordability is further strained by other factors such as stagnant salaries, rising energy prices and transportation costs, particularly in areas where affordable homes are far from jobs or services, disproportionately impacting the most vulnerable.

Despite our differences, housing affordability must be considered a **common challenge for all European cities**.

We are already undertaking significant efforts to address the housing affordability crisis. To boost the affordable housing supply and combat segregation, most municipalities have adopted inclusionary zoning policies that require new developments to include a significant portion of social and affordable housing units. Despite limited public resources and capacity, most of our cities are making extraordinary efforts to expand and renovate public housing, often through public-private partnerships. Some of our cities are also focusing on community-led housing, including cooperatives and community land trusts. Rent regulation is also a tool adopted across Europe, and restrictions on short-term rentals are widespread. Finally, our cities also provide social assistance to the most vulnerable, recognising that housing insecurity is often intertwined with broader social challenges.

Despite having limited competencies and resources, we are striving to **build over 188,000 new social and affordable housing units in the next five years**. Yet with more than 600,000 people already on waiting lists, this is far from enough.

<sup>1</sup> Non-weighted average based on reported data from 13 of the 15 cities (not including Bologna and Leipzig).

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To respond at the scale required, innovative approaches must be supported and scaled up. This will only be possible with strong backing from the European Union, enabling cities to significantly increase their capacity to deliver sustainable social and affordable housing across Europe.

It is equally essential to implement regulations that stabilise prices in the short term by regulating the private rental market to protect tenants and expand the availability of permanent, affordable decent housing. In the context of a worsening crisis, the European Union must uphold the social function of housing and ensure that local authorities retain the power to regulate housing in the public interest and for the common good, including curbing speculation and short-term uses.

## A Housing Action Plan for Europe

This plan outlines **3 objectives** aimed at ensuring the fundamental right to adequate housing in the European Union:

- 1. Supply:** production of sustainable social and affordable housing options for low- and middle-income households currently excluded from the housing market.
- 2. Sustainability:** upgrade of the existing housing stock, with a focus on improving its energy efficiency, accessibility and comfort while ensuring housing cost neutrality for residents.
- 3. Safeguards:** protection of residents against displacement and gentrification; tackle the financialisation of housing, housing vacancy, short-term rentals and the rise of secondary homes in stressed market areas.

For each of the 3 objectives, we ask the European Union institutions to support cities in upholding the right to housing through both targeted investment and an **enabling regulatory framework**:

» Investment: Mobilising public and private investment through grants and low-interest, long-term loans to cities—including through guarantee mechanisms— as well as public, cooperative, non-profit and limited-profit affordable housing providers to expand and renovate their social and affordable housing stock. This must go hand in hand with ensuring energy efficiency, housing cost neutrality after renovation, sustainable construction or renovation, and strong integration with existing services and infrastructure.

» Regulatory framework: Creating a supportive regulatory environment that facilitates the supply of sustainable social and affordable housing, ensures the right to housing, and protects residents from speculation, displacement, and gentrification.

We present each objective and policy instrument within a **short-term time frame**, leveraging existing policy tools already in place, **and a medium-term perspective**, aligned with the next EU Multiannual Financial Framework.

In this Plan, we also provide a **tentative estimation of the housing delivery goals** for our cities, along with an **estimation of the public and private resources needed** to achieve them. Additionally, we include examples of **scalable solutions** based on existing projects and policies that could be replicated or scaled up provided that increased support from the EU is made available.

## Addressing the needs of stressed housing market areas

Designated stressed housing market areas refer to urban zones experiencing rising housing challenges, marked by deprivation, unaffordability, insecurity of tenure and worsening living standards. This designation aligns with existing concepts used in several Member States, including France, Italy, and Spain,<sup>2</sup> where such areas benefit from targeted regulatory frameworks and instruments—such as rent controls, displacement and eviction protections or preferential rights of acquisition—to address acute housing challenges.

When implemented, this designation has proven transformative. As a result of the implementation of rent control measures in stressed housing market areas, Paris saw rent increases remain below the rate of inflation in both 2022 and 2023 (OLAP 2024). Similarly, in Barcelona, the average rental price for new leases dropped by 6.4% in 2024 (Incasòl 2024). The European Commission should recognise the designation of

<sup>2</sup> **France** (Law 89-462/1989 - article 18): Defines tense areas (zones tendues) as areas of continuous urban development with more than 50,000 inhabitants, where there is a significant imbalance between housing supply and demand, resulting in serious difficulties in accessing housing, including the following criteria :

a) High rent levels

b) High purchase prices for old buildings housing

c) A high number of housing requests compared to the annual number of move-ins in the public rental housing stock

A decree issued by the Council of State, after consulting the National Consultative Commission, annually sets the maximum allowable increase in rents for vacant dwellings and for renewed contracts in these tense areas.

**Italy** (Decree Law 9/1982 - article 13): Interministerial Committee for Economic Planning (CIPE) identifies municipalities based on:

a) The presence of objective and severe difficulties in finding rental housing.

b) The rate of demographic growth over the past five years.

c) The number of eviction orders issued by competent judicial offices and the number of executed eviction orders in the past twelve months.

d) The average time required to execute eviction orders for residential properties over the past three years.

**Spain** (Law 12/2023 - article 18): Regions can declare a market tense area if at least one of two conditions applies:

a) Average burden of the cost of the mortgage or rent in the household budget plus basic housing expenses and supplies exceeds thirty percent of the average income of the household.

b) Increase in the sale or rental housing price has been at least 3% higher than the consumer price index over a five year period.

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these stressed housing markets as the main tool to target the areas most severely affected by the housing crisis. The following pages provide concrete examples on the potential of this proposal.

We propose to consider the following indicators to define stressed housing market areas in the EU:

- Increase in the sale or rental housing price is higher than the consumer price index over a period of several years (e.g. 5-10 years).
- Housing cost overburden rate<sup>3</sup> affects a significant proportion of the population (e.g. 10%).
- High Gross Rental Yield<sup>4</sup> (e.g. >6%).
- Long waiting lists for public, social and affordable housing, based local and national housing definitions and allocation rules.
- Persistent low housing vacancy rate (e.g. <3% over 5 years), indicating housing supply-demand imbalance.
- High proportion of housing stock used for short-term rentals.

In order to identify stressed market areas a threshold approach could be used: based on a threshold value for each indicator, cities that exceed it for 3 or more indicators would be considered a stressed housing market area.

We propose to engage in close collaboration with the Housing Task Force to refine the aforementioned criteria and comprehensively develop this instrument.

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<sup>3</sup>Percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances). Source: Eurostat

<sup>4</sup>Ratio between the total annual rental income and the property cost.

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## 1. Supply

### 1.1. Supply - Investment

Given the growing challenges cities across Europe face in delivering sustainable social and affordable housing amidst rising costs, it is crucial for the European Union to step up its support. We recommend that the EU institutions work alongside the European Investment Bank (EIB) and other public and private financial actors to provide long-term, low-cost financing to help address the diverse needs of cities and facilitate the rapid delivery of affordable housing across the EU. We also propose the reallocation of cohesion policy funds, as well as decommitted funds, to social and affordable housing, and the direct allocation of resources to cities by introducing designated stressed housing market areas as part of the new EU agenda for cities.

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#### Short-term

##### **Increase Cohesion Policy Funds for social and affordable housing**

While welcoming the European Commission's proposal to enhance the flexibility and responsiveness of cohesion policy through its mid-term review, we call for a stronger prioritisation of social and affordable housing within these programmes. Member States should be actively encouraged to allocate more cohesion policy resources—particularly from the European Regional Development Fund (ERDF)<sup>5</sup> and European Social Fund Plus (ESF+)—to support the expansion and renovation of affordable housing stock, including through the transfer of resources from underperforming National and Regional Programmes to housing dedicated programmes. These resources must go beyond energy efficiency measures and enable innovative, sustainable housing solutions. Importantly, increased investment in housing should not come at the expense of other critical urban priorities, as these areas are deeply interconnected.

##### **Reallocate Recovery and Resilience Facility funds and other decommitted funds to local housing programs.**

We propose that Recovery and Resilience Facility (RRF) funds that are unclaimed or unspent—including savings resulting from procurement procedures or cost reductions—as well as other decommitted resources unavailable to Member State governments due to rule of law conditionality or other non-compliance issues, be redirected and directly allocated to cities for investment in social and affordable housing.

In the short term, we urge Member States to revise their National Recovery and Resilience Plans to include the option of reallocating RRF funds into financial

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<sup>5</sup> For ERDF, we propose its revision to include new objectives on affordable and sustainable housing within policy objective 2 on a greener and carbon free Europe, policy objective 4 on a more social Europe and policy objective 5 on a Europe closer to citizens. When possible, additional funding for housing, identified as result of the revision, should be channelled into already existing National Programmes dedicated to Sustainable Urban Development (Article 11 of the Regulation (EU) 2021/1058, e.g. Italian NP Metro Plus 2021-2027).

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instruments, such as national guarantees or InvestEU, to support housing projects. This would extend the implementation period of the funds and ensure they are used effectively for housing investment.

Additionally, we recommend that the European Commission consider extending the general NGEU deadline for housing projects to ensure their appropriate implementation.

Once the RRF implementation period concludes, the European Commission should commit to reallocating any unclaimed RRF funds to city-led social and affordable housing initiatives, prioritising those located in designated stressed housing market areas.

## **Provide emergency financing for cities to invest in social and affordable housing**

The EU should establish an emergency funding mechanism to help cities quickly implement sustainable social and affordable housing projects, particularly those already planned or approved. This facility could draw inspiration from the Support to mitigate Unemployment Risks in an Emergency (SURE) programme in terms of its speed, simplicity, and solidarity-based financing model, while adapting the investment focus of instruments like InvestEU. Unlike SURE, which was based on loans and focused on income support schemes, this new mechanism would provide grants to cities and public or non-profit housing providers, allowing them rapid and simplified access to funding. To ensure timely deployment, the fund could be managed through the European Investment Bank (EIB), with tailored eligibility criteria that prioritise urgent urban housing needs and accelerate project delivery.

To fund this mechanism, the EU could repurpose existing resources allocated under instruments such as the Recovery and Resilience Facility (RRF) and InvestEU. Given the RRF's upcoming end in June 2026, a portion of unclaimed funds from these programs could be redirected to a dedicated Affordable Housing Fund to provide loans for social and affordable housing projects. Additionally, the EU could further explore the possibility of issuing green or social bonds dedicated to financing sustainable social and affordable housing, tapping into the growing pool of investors seeking to support social and sustainable initiatives.

## **Improve EIB financing conditions**

The European Investment Bank (EIB) can play a vital role in scaling up affordable housing by offering low-interest loans or guarantees to reduce financial risks and encourage both public and private investment.

To make EIB financing more supportive of long-term housing development, and to further accelerate sustainable social and affordable housing delivery, the following improvements should be considered:

- **Extend the duration of loans to at least 50 years.** Similar to the EIB's long-term loans for infrastructure projects, such as energy and transport investments, this would allow municipalities to spread the cost over time, easing financial pressure

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and making the construction of large-scale affordable housing projects more feasible. Guarantee mechanisms to sustain the credit worthiness for cities should also be developed.

- **Offer loans at minimal interest rates**, with EU support to subsidise interest costs if needed. This would ensure affordable financing for cities and housing providers.
- **Reduce or remove co-financing requirements** for public and non-profit housing providers, especially where lack of matching funds is a barrier to progress.
- **Lower the minimum project size for EIB eligibility**, so that smaller and community-led housing projects can also benefit from financing.
- **Encourage the combination of different EU funding tools**, such as blending EIB loans with the European Regional Development Fund (ERDF) or the Social Climate Fund (SCF), to maximize the impact of EU resources and accelerate affordable housing delivery.
- **Simplify applications and reporting procedures** to streamline approvals and project implementation.

In addition, building on the EIB's pan-European investment platform, we propose to provide additional **advisory and technical support**, particularly to small and medium-sized housing providers, as it would further facilitate the successful implementation of these projects.

## **Preferential conditions for designated stressed housing market areas**

To effectively address the housing crisis, the EU should offer preferential financing conditions for areas experiencing acute housing stress, following the model of economically disadvantaged regions in the framework of cohesion policy. These stressed housing market areas—as defined in the Introduction—would benefit from more favorable terms to reduce the financial burden of sustainable social and affordable housing development.

While the European Investment Bank already supports urban regeneration and the conversion of existing buildings into housing, there is potential to expand and streamline these efforts, particularly for affordable housing projects in areas under high housing pressure. The EIB could play an even more crucial role by **prioritizing financing and providing preferential terms for the regeneration of vacant or underutilised spaces, building conversions and for the acquisition of land**, as well as for projects that guarantee quick delivery of affordable housing. Specifically, the EIB should also make these funds more accessible by lowering barriers and simplifying procedures.

Focusing on **faster implementation and targeted support for stressed housing market areas** would make the EIB's financing more effective in addressing immediate needs. This approach could also encourage cities to repurpose underused urban spaces and vacant buildings more efficiently, offering a cost-effective solution to the growing demand for affordable housing in urban areas.

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## Medium-term

### **New policy agenda for cities and the role of designated stressed housing market areas**

The new EU agenda for cities should prioritise sustainable social and affordable housing as a central pillar, aligned with other strategic pillars such as climate action and social inclusion and equality. This policy agenda must clearly define the mechanisms for city funding, including a fast-track process for cities in designated stressed housing market areas. Such areas should be eligible for expedited funding under all relevant EU programmes, enabling rapid and direct implementation of housing projects at the local level.

### **Provide stable and growing financing for affordable housing investments**

For the next **Multiannual Financial Framework (MFF)**, the EU should streamline and simplify the financing instruments available for sustainable social and affordable housing, taking inspiration from the Recovery and Resilience Facility (RRF). Currently, there are numerous overlapping financing lines, each with complex eligibility criteria and application processes. This fragmentation makes it difficult for cities and housing providers to access resources quickly and efficiently.

### **A single, dedicated financing instrument on the lines of the Next Generation EU**

A single, dedicated financing instrument on the lines of the Next Generation EU should be established to finance affordable housing projects, combining resources from existing instruments such as the European Investment Bank and Cohesion Funds. By reducing the administrative burden, adopting more realistic timelines and aligning the eligibility criteria, this approach would ensure a more accessible and flexible financing system. The loans provided should offer long repayment periods, low interest rates, and flexible terms to accommodate the specific needs of local authorities and non-profit housing providers.

This streamlined approach would not only make it easier to access funds, but also enhance the speed and efficiency with which affordable housing projects can be delivered, addressing the urgent housing needs across Europe while fostering social cohesion and urban regeneration.

### **Structural reform of Cohesion Policy to support sustainable social and affordable housing**

Post-2027, the EU Cohesion Policy should focus on major challenges, with housing as one of the key areas. We propose creating a dedicated funding line for housing that integrates social, environmental, and urban planning aspects to address the housing crisis comprehensively.

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To ensure the funds are effectively and quickly deployed, we recommend that Cohesion funds for housing be directly allocated to local governments, particularly in designated stressed housing market areas. This will allow for more targeted and impactful solutions at the local level.

We propose earmarking funds from the ERDF, ESF+, and other EU funds for sustainable social and affordable housing, based on national and regional strategies. A portion of these funds should be directly directed to cities in designated stressed housing market areas. To speed up the process, we suggest drawing inspiration from the EU Mission: 100 Climate-Neutral and Smart Cities and establishing a fast-track **funding mechanism for cities** to support both social housing and the fight against homelessness.

Finally, all funds aimed at increasing the social and affordable housing stock should be available for both new construction—including the acquisition of land and buildings for affordable housing purposes—as well as for the renovation of existing social and affordable housing or vacant housing units that could be mobilised.

## **European Competitiveness Fund**

The next MFF should explicitly recognise housing in cities as an economic competitiveness factor and integrate it into the European Competitiveness Fund's (ECF) scope, linking housing interventions to labour market efficiency and innovation ecosystem development. Fostering competitiveness in Europe involves not just supporting businesses, but also attracting investments by maintaining appealing and livable cities.

ECF should maintain continuity with InvestEU by extending the Social Investment and Skills window, through which various implementing partners are already deploying financial instruments to support social and affordable housing.

We propose to provide funding for sustainable social and affordable housing pilots and innovation projects in the framework of ECF. We also propose to use the ECF to promote training, upskilling and reskilling of the construction workforce, potentially through net zero academies linked to the Clean Industrial Deal (CID).

## **Funding to prevent and combat homelessness**

While acknowledging the resources that the ERDF and ESF+ (particularly the Fund for European Aid to the Most Deprived—FEAD) already provide to prevent and combat homelessness, we propose to create a specific European fund for the fight against homelessness, including both housing as well as all related supportive services, as part of the next Multiannual Financial Framework. A portion of this fund should be directly managed by local authorities—particularly in designated stressed housing market areas—as advocated by the European Platform on Combatting Homelessness' (EPOCH) working group on financing.

This fund should guarantee that the reforms introduced to State Aid rules do not come at the expense of funding available for the fight against homelessness and for disadvantaged or less socially privileged individuals.

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## 1.2. Supply - Investment

Revising the regulatory framework for sustainable social and affordable housing can enable broader investment in affordable housing and foster social cohesion by promoting socially mixed neighbourhoods and fostering more inclusive and integrated communities.

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### Short-term

#### **Activation of the national escape clause to enable investment in sustainable social and affordable housing**

We recommend adapting the EU's fiscal governance framework to allow targeted exemptions for public investment in social and affordable housing. In the short term, the activation of the national escape clause (NEC) should allow preferential treatment for housing investment in the framework of current medium term fiscal structural plans, in line with the flexibility currently being granted for defence-related spending.

This flexibility could be introduced on a temporary and conditional basis, applying to Member States whose public investment in housing falls below the EU average. As part of the European Semester, this approach should be integrated into the Country-Specific Recommendations (CSRs), where Member States are already being urged to address housing challenges. Member States should be encouraged to commit to long-term housing investment plans, with the option of temporarily exceeding fiscal limits to meet urgent housing needs, especially in areas experiencing market failure.

The reform component of the next EU budget is also a chance to encourage Member States to develop stronger and inclusive national housing policies as part of their required reforms.

#### **Clarify the relevant legal framework and reform State Aid rules**

The definition and implementation of State Aid rules for social and affordable housing are not solely a matter of Member State discretion. In many countries, regional and local authorities play a key role in planning, delivering, and financing housing policies. Moreover, while some Member States apply the framework for Services of General Economic Interest (SGEI), others, such as Italy, rely on the General Block Exemption Regulation (GBER), particularly the €15 million provision for social infrastructure. This fragmented legal landscape creates uncertainty for public authorities and housing providers.

We propose amending the State Aid rules for SGEI—particularly SGEI Decision 2012/21/EU—to enable greater investment in social and affordable housing in areas experiencing acute housing pressures, while respecting the diverse governance models and institutional contexts across the EU.

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Affordable housing should be recognised as a continuum—including social housing, affordable rental, and affordable homeownership—with a focus on vulnerable groups and low- to middle-income households in high-demand areas. To provide legal clarity and support targeted investment, we call for the establishment of common minimum criteria at EU level to:

- Identify which housing-related services qualify as a SGEI and clarify under what conditions social and affordable housing qualifies as a SGEI. Public, cooperative, and non-profit housing providers should be recognised as undertakings with public service obligations and be enabled to operate across diverse local and national contexts.
- Define the characteristics of affordable housing not included as a SGEI, particularly regarding rent thresholds and income eligibility, adapted to local conditions but consistent enough to guide investment decisions and access to EU funding.

## **Simplify administrative procedures and procurement**

We propose to take the upcoming revision of the Public Procurement Directives as an opportunity to introduce simplified procurement procedures for sustainable social and affordable housing projects, enabling cities to swiftly respond to current challenges. In some Member States, current regulations result in lengthy and administratively burdensome procedures that limit cities' ability to respond effectively and efficiently to current challenges, as shown by the slow implementation of National RFF plans on social and affordable housing.

## **Prioritise the use of vacant properties, and the reuse and repurposing of existing buildings**

Develop guidelines for Member States on how to facilitate the use of empty and under-occupied buildings, including the collection and sharing of data, simplifying permitting processes, the development of enabling policy frameworks where needed—particularly in terms of taxation—and providing financing incentives.

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## **Medium-term**

### **Ensure that the new European Strategy for Housing Construction works in favor of cities**

Beyond its purpose to support housing supply, reduce building costs, ensure there are enough skilled workers and improve the sector's productivity and environmental performance, the new European Strategy for Housing Construction as part of the European Affordable Housing Plan should build on resource efficiency, the use of local and sustainable materials and the importance of designing for resilience against climate risks, while also promoting social cohesion. When new housing development is needed, buildings must prioritise decarbonisation and the integration of nature-based-solutions by being fossil fuel free, energy efficient, and resilient to climate change, while taking into account existing urban planning and the availability of infrastructure.

## 1.3. Supply - Quantification and scalable solutions

### Quantification of our goals, investment needs and impact

On average, our cities' goal is to deliver around 1 affordable housing unit for every 100 inhabitants in the next 5 years, resulting in the creation of 188,000 new social and affordable housing units by 2030.

We have estimated<sup>6</sup> the cost of achieving this goal is €40 billion for our 15 cities by 2030, benefiting 400,000 residents and generating over 485,000 direct, indirect and induced job-years. If extrapolated for the European Union as a whole, the necessary investment is coherent with the EIB estimations and would allow the creation of around 4.8 million social and affordable housing units by 2030.

### Scalable solutions based on ongoing city-led initiatives

#### Italian PN Metro Plus e Città Medie Sud 2021-2027

Within the framework of the Cohesion Policy funds allocated to Italy, the resources of PN Metro Plus (as well as those of the previous PN Metro) are allocated to the largest Italian cities, acting as Intermediate Bodies, through a delegation agreement signed by the Managing Authority. PN Metro Plus covers a wide range of intervention areas, such as social inclusion, urban regeneration and sustainability. In particular, local social housing agencies in several Italian cities have benefited from funding under this programme.

#### Barcelona EIB financing for public housing

Between 2017 and 2025, Barcelona City Council has accessed 190M€ in EIB financing for the construction of around 2,700 public rental housing units.<sup>7</sup> With additional EIB financing, Barcelona City Council could deliver further new public housing rental units every year.



Source: IMHAB Barcelona

<sup>6</sup> Estimation based on the number of planned units and associated costs reported by each city. These cost estimates do not include the cost of land or exceptional remediation costs, although it may incorporate costs for the purchase of existing buildings and urban assets. Residents: estimated based on Eurostat for each country (Eurostat: [https://ec.europa.eu/eurostat/databrowser/view/lfst\\_hhanwhct/default/table?lang=en&category=labour.employ.lfst\\_hh.lfst\\_hh\\_n](https://ec.europa.eu/eurostat/databrowser/view/lfst_hhanwhct/default/table?lang=en&category=labour.employ.lfst_hh.lfst_hh_n)) Job multipliers coming from Vivid economics (2022) with a proxy for Italy applied to all cities. Conversion rate from euros to dollars used from the OECD (2022). <sup>7</sup> More information: <https://www.eib.org/en/projects/all/20160508>

## Paris housing acquisition strategy

In order to achieve its housing goals, Paris mobilises 400,000€/unit when acquiring privately-owned housing units to convert into social housing. When social housing providers acquire the property, the city supports up to 150,000€ per unit, while 60,000€ (15%) are provided by social landlords as an equity contribution and the rest through low interest loans. With additional European financing, more units could be acquired and turned into social and affordable housing.

## Lyon Metropole: The ‘Coopérative Logement d’abord’, a cooperative company for housing homeless people

Lyon Metropole is supporting the creation of a mixed (public/private) cooperative company called “Coopérative Logement d’abord” (Housing First Cooperative) to acquire 350 homes in the private sector and convert them into very social housing. This company is due to be created in 2025 with the support of the Council of Europe Development Bank and aims to mobilise capital, loans and solidarity savings to buy and renovate 350 homes in 5 years. Lyon Metropole is supporting this project by providing €1.6 million in capital.

## Paris and Lyon Metropole: The « Foncière Solidaire » and « Bail réel solidaire » leasehold arrangement in France provided by the ALUR law

Thanks to France’s ALUR law, Paris and Lyon Metropole, among other French cities, have set up organisations (foncière solidaire, similar to a Community Land Trust) that use long-term leases (bail réel solidaire) to provide affordable homeownership options to low-income households. The foncière remains the land owner while the residents own the building, which they can resell without making a profit. In this way, the scheme promotes permanent housing affordability while at the same time having an impact on property market prices.



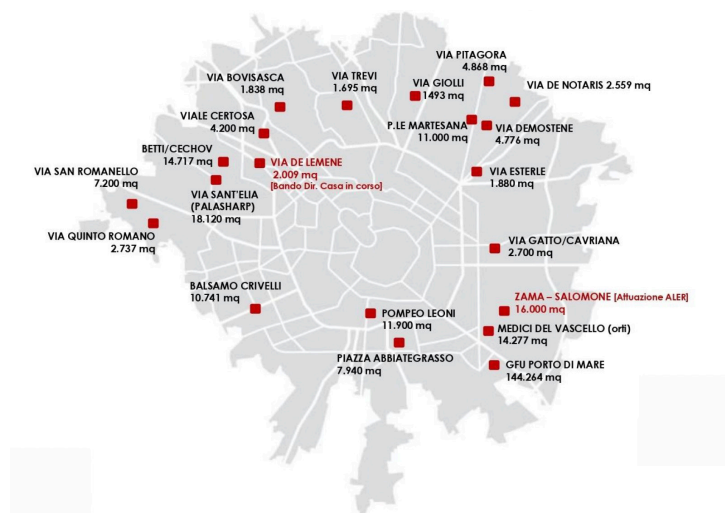
Source: La Foncière Solidaire du Grand Lyon

## Extraordinary Plan for Affordable Housing in Milan

At a time when a strategy for the provision of affordable housing has not yet been developed at the national level, Milan has introduced an Extraordinary Housing Plan prioritizing affordable rental access as a means of social inclusion and urban stability. It integrates ERP (public housing) and ERSC (rent-controlled social housing ≤ €80/sqm/year). About 300,000 sqm of municipal land will be dedicated to enabling the creation of 10,000 ERSC units over the next decade.

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The Plan establishes a strong public-led framework to test an innovative implementation model and a new public-private partnership approach with qualified private operators. Priority is given to already urbanised, well-connected areas where interventions can improve the urban fabric, public spaces, and social cohesion. Between December 2024 and February 2025, two exploratory notices invited expressions of interest (EoIs) from private entities. Eol participants—individually or in temporary groups—must submit a technical report, masterplan, prototype floor plans, a preliminary financial plan, and a GANTT chart for implementation timing.



Source: Comune di Milano

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## 2. Sustainability

### 2.1. Sustainability - Investment

Europe's aging housing stock requires urgent investment in renovation to improve energy efficiency, safety and accessibility. Adequate financing is essential to modernise existing housing, reduce emissions, and enhance living conditions. Renovation and adaptive reuse of the existing building stock remain the most sustainable and resource-efficient ways to deliver affordable, green housing. As such, investment schemes should prioritise the upgrading and repurposing of buildings over new construction, supported by dedicated grant schemes to ensure a socially just energy transition accessible to all.

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#### Short-term

##### **Increase public, private and blended financing available for the energy transition in housing**

Social and affordable housing must integrate the green transition and reduce socio-spatial segregation. To meet the objectives under the European Green Deal and the Renovation Wave, we call for:

- Increased public and blended finance for deep energy renovation, building retrofitting, and local grid resilience to achieve our goals in terms of climate neutrality, housing cost neutrality, and energy security—linked to the Energy Efficiency First principle and prioritising high-need areas;
- Improved access to private finance through on-bill repayment mechanisms, zero- or low-interest loans, and tailored ESCO models;
- Use of Social Climate Fund (SCF) resources to support lower-income groups, in particular via direct grants and subsidies;
- Expansion of technical assistance facilities—including ELENA and LIFE—to support local authorities in project preparation;
- Wider deployment of local and regional one-stop-shops as recommended under the EFBD.

##### **Targeted and tailored financing to fight energy poverty and address vulnerable groups**

EU legislation under the Fit-for-55 package (e.g. EPBD, EED, RED) already provides a mandate to address energy poverty. We encourage the adoption of progressive support measures, tailored to the different socio-economic realities, that prioritise much needed support for lower-income households and social safeguards for residents, and ask for:

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- Targeted support for multi-apartment buildings, where collective decision-making can block renovation;
  - Adapted financial instruments—backed by the EIB and National Promotional Banks and Institutions (NPBIs)—to support small-scale landlords and individual homeowners excluded from capital markets;
  - Linkages between these instruments and municipal social rental agencies or master leasing programmes to ensure renovated private units are let at affordable rates;
  - Use of European Regional Development Fund (ERDF) and InvestEU resources to support local housing intermediation schemes that mobilise underused private stock while protecting tenant and landlord interests.

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## Medium-term

### **Establish a dedicated EU funding line for the renovation of social and affordable housing**

The next Multiannual Financial Framework (post-2027) should include a consolidated financing instrument—combining resources from Cohesion Policy, InvestEU, and the EIB—to support the renovation of public housing stock managed by municipalities and non-profit and limited-profit providers of social and affordable housing.

### **Increase funding for one-stop-shops to deliver energy renovations**

Building on the demonstrated success of neighbourhood-level one-stop-shops for energy renovation, we propose increasing EU funding—particularly in the form of direct grants—to support the establishment and operation of local energy retrofitting offices. These one-stop-shops have proven critical for mobilising technical expertise, financial tools, and citizen engagement, while also helping cities prioritise renovations in the worst-performing buildings and comply with Energy Performance of Buildings Directive (EPBD) requirements.

To further support local implementation capacity, we recommend expanding and adapting the European Local ENergy Assistance (ELENA) initiative to accommodate smaller-scale investment packages, making it more accessible to medium-sized and smaller municipalities.

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## 2.2. Sustainability - Regulatory framework

An approach adapted to local needs is crucial for implementing EU directives effectively at the local level. Cities face diverse challenges and must be able to tailor solutions to their specific needs while meeting EU goals. Engaging cities in the drafting of national legislation ensures that policies are both practical and impactful, enabling municipalities to implement sustainable solutions that align with local realities while fulfilling EU objectives in a more systematic and integrated way.

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### Short-term

#### **Ensure that National Building Renovation Plans make the link to the local housing crisis and prioritise social and affordable housing**

National Building Renovation Plans (NBRPs), which Member States are required to submit by 31 December 2025 under the revised Energy Performance of Buildings Directive (EPBD), must explicitly address the housing crisis and prioritise vulnerable groups. These plans should prioritise and set concrete targets for the renovation of public, social, and affordable housing stock, and be **developed through structured dialogue with local authorities and relevant stakeholders**, as mandated by Article 3 of the EPBD. Moreover, the renovation agenda should be embedded within wider national housing and urban strategies, with a dedicated financial allocation to local governments to support implementation on the ground.

We ask the European Commission to ensure that Member States engage in conversations with local governments to draft their NBRP, so that they can learn from our hands-on experience renovating the building stock

#### **Ensure timely implementation of the Fit-for-55 package**

To ensure effective implementation of the Fit-for-55 legislative package, we call on the European Commission to support a timely and coherent national transposition of the revised EPBD, the Energy Efficiency Directive (EED), the Renewable Energy Directive (RED) and the Gas Package. This process must address energy poverty, integrate renewable energy sources and incorporate robust social safeguards to prevent renoventions and ensure housing cost neutrality for residents. Flexibility must also be ensured in the choice of technical solutions, taking into account regional climatic conditions and local urban contexts.

In this context, we advocate for the strengthened use of EU coordination platforms—such as the Concerted Action EPBD and EED—to foster knowledge exchange and call for an active dialogue between Member States and local authorities on the ways in which the transposition of existing legislation at the national level and its implementation at the local level can help address the housing crisis and go beyond the social safeguards already included in these pieces of legislation.

## Ensure coherence between National Restoration Plans, the Soil Monitoring Law and housing strategies

By 1 September 2026, all EU Member States are required to submit their draft National Restoration Plans (NRPs), as part of the implementation of the EU Nature Restoration Law. In parallel, on 10 April 2025, the Council of the European Union and the European Parliament reached a provisional agreement on a directive establishing a common framework for soil monitoring and remediation. These instruments will prompt cities to review and adapt their urban planning and building regulations with the aim of limiting land take, curbing urban sprawl, and expanding access to quality green spaces. To maximise their impact, National Restoration Plans and soil-related strategies—such as those addressing soil sealing and land recycling—should be developed in close coordination with National Building Renovation Plans (NBRPs). This integrated approach will help ensure an equitable spatial distribution of green and climate-resilient areas, while simultaneously responding to the growing demand for affordable housing in urban areas.

## Simplify EU public procurement for energy renovation in the social and affordable housing sector

Public procurement often delays housing solutions due to lengthy approval cycles, rigid bidding rules, and a focus on upfront cost over long-term value. Projects are often delayed by complex planning, legal, and budgetary reviews, while procurement frameworks prioritise the lowest bid, potentially compromising quality. Additionally, institutional risk aversion discourages innovation and scalability, and current mechanisms offer limited incentives for sustainable or cost-efficient housing solutions.

We propose that the upcoming revision of the EU Public Procurement Directives includes specific provisions to simplify and expedite procurement procedures for the renovation of social and affordable housing, therefore enabling cities to quickly and efficiently respond to current challenges.

## 2.3. Sustainability - Qualification and scalable solutions

### Quantification of our goals, investment needs and impact

On average, our cities' goal is to renovate around 1 housing units for every 100 inhabitants annually, resulting in the renovation of 185,000 units per year.

We have estimated<sup>8</sup> the annual cost of achieving this goal is **€7.8 billion for our 15 cities, benefiting over 410,000 residents and generating over 75,000 direct, indirect and induced job-years.** If we extrapolate this estimate for the European Union as

<sup>8</sup> Estimation based on the retrofitting of 2% of existing units each year. Retrofitting costs were estimated based on the median of 6 European countries, from the 2021 Housing Europe study (<https://www.housingeurope.eu/the-financing-of-renovation-in-the-social-housing-sector/>). The average rate of inflation in European countries was used to update the costs to the current prices (source: Eurostat). [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Construction\\_producer\\_price\\_and\\_construction\\_cost\\_indices\\_overview](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Construction_producer_price_and_construction_cost_indices_overview). The median updated cost of a unit used was 32,000€ in 2018 and 42,674€ in 2025.

Residents: estimated based on Eurostat for each country (Eurostat: [https://ec.europa.eu/eurostat/databrowser/view/lfst\\_hhanwhc/default/table?lang=en&category=labour.employ.lfst.lfst\\_hh.lfst\\_hh\\_n](https://ec.europa.eu/eurostat/databrowser/view/lfst_hhanwhc/default/table?lang=en&category=labour.employ.lfst.lfst_hh.lfst_hh_n))  
Job multipliers coming from Vivid economics (2022) with a proxy for Italy applied to all cities. Conversion rate from euros to dollars used from the OECD (2022).

a whole, the necessary investment would be around **€200 billion for the renovation of 4.7 million housing units annually**, in line with the Renovation Wave.

## Scalable solutions based on ongoing city-led initiatives

### Barcelona urban regeneration with NGEU

Barcelona's Besòs urban regeneration site currently envisions renovating 10 buildings (204 housing units) in 4 years with Next Generation EU funding. An additional 38 buildings (693 units) and 16 buildings (354 units) are planned for later than 2027, pending available funding. With increased EU funding, the full urban regeneration plan could be implemented before 2030.



Source: Ajuntament de Barcelona

### Paris' renovation of the social housing stock

Paris is currently renovating an average of 5,000 social housing units a year, and has already achieved the renovation of 65,000 units of both social and market housing. Its climate plan envisions the renovation of 40,000 private homes a year. With increased direct assistance for energy renovation projects the city could fully achieve its goals by 2050.

### Bologna's master rental programme: Fondazione Abitare Bologna- Affordable Housing through Vacant Property Reuse

The City of Bologna is implementing a strategy to recover and utilise vacant, underused, or short-term rental housing—both public and private—by offering these units at affordable rents to socially and economically eligible tenants. This initiative aims to mobilize 800–900 housing units through strong public–private collaboration. Key Features:

- Incentives for Landlords: Financial guarantees against unpaid rent (up to 12 months), subsidies to align rental income with maximum levels allowed under local agreements, and a comprehensive “turnkey” rental management service including legal support.
- Public Grants: Up to €6,000 in non-repayable contributions for minor renovations, energy certification, and administrative costs.
- Partnerships: The strategy aligns with the Emilia-Romagna Regional Housing Pact to foster wider cooperation and expand housing supply.

This model promotes social inclusion, reduces housing pressure, and reintroduces underutilised housing into the affordable rental market.



Source: Fondazione Abitare Bologna

## Roma's Porto Fluviale RecHouse: A Groundbreaking Model for Participatory Urban Regeneration

The Porto Fluviale RecHouse represents an innovative approach to urban regeneration that skillfully balances historical preservation, community rights, and sustainable development. This €13.2 million PNRR-funded project transforms a former military barracks – occupied since 2003 by 54 families – into a multifunctional community hub while respecting its historical significance.

What makes this project truly pioneering is its participatory methodology: rather than displacing the existing community, Rome Capital worked collaboratively with residents to create a solution that legitimises their presence through formal housing assignments while preserving the building's cultural heritage. This approach redefines the relationship between public institutions and informal settlements, creating a constructive pathway from occupation to legal housing rights.

The architectural plan further demonstrates innovation through its mixed-use design, combining public housing with community spaces dedicated to circular economy initiatives, and a photovoltaic garden that will power a local energy community. By preserving elements of the building's activist history – including portions of artist Blu's iconic murals – while modernizing for energy efficiency, Porto Fluviale RecHouse creates a harmonious dialogue between past and future, establishing a replicable model for socially conscious urban transformation throughout Europe.



Source: Roma Capitale

## Conversion of non-residential buildings in Budapest

Budapest has many empty non-residential buildings, yet no comprehensive database tracks them. A key category is vacant office spaces, especially those converted from flats in the 1990s. While some are being reconverted into high-end housing, larger office buildings—particularly older ones—may become obsolete due to shifting work trends. However, most are owned by institutional investors with profit-driven priorities, making affordable housing conversions unlikely.

Publicly owned former institutional buildings present a more viable option. One key initiative, AHA Budapest, led by the Municipality of Budapest and funded by the EU's European Urban Initiative (€5 million), is transforming a former school into 26 affordable rental homes. Another project, Ascend, will prepare a similar conversion of another abandoned school into energy-efficient housing.



Source: Budapest Főváros Önkormányzata

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## 3. Safeguards

### 3.1. Safeguards - Investment

Introducing social conditionalities in the financing of renovation projects can help keep housing cost-neutral for tenants, ensuring that improvements do not result in higher rents. In addition to social conditionalities, targeted funding can provide incentives to both landlords and tenants to ensure long-term affordability and security of tenure.

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#### Short-term

#### **Adopt housing cost-neutrality as a basic principle for all EU programmes that support building renovations and housing accessibility**

All EU- and publicly-funded projects in energy retrofitting and building renovations should incorporate long-term affordability conditionalities to prevent processes of gentrification and displacement, therefore ensuring that public investment does not trigger speculation, protects residents' right to stay, and fosters a just and inclusive energy transition.

We encourage the adoption of long-term affordability and energy cost-neutral conditionalities in all building renovations and energy retrofitting support programs in order to ensure a just and inclusive energy transition. The upcoming Social Climate Fund should support investments in energy efficiency and decarbonization to reduce energy consumption and help reduce energy poverty among vulnerable households, also in view of the implementation of the Energy Performance of Buildings Directive, the Energy Efficiency Directive within the provisions of the EU's Fit for 55 package.

Beyond energy retrofitting, other public programs that support improvements to the existing housing stock, particularly in terms of accessibility and comfort, should also not result in increased housing costs for residents.

#### **Conditionalities for social and affordable housing**

Loans granted to cities and housing providers for expanding and energy-retrofitting their social and affordable housing stock should be contingent on specific conditions, including rental terms that promote security of tenure through longer-term tenancies and requirements that ensure permanent or extended periods of affordability.

#### **Just Transition Fund and Social Climate Fund**

We propose that the scope of the Social Climate Fund (SCF) and the Just Transition Fund (JTF) be expanded and clarified to explicitly support innovative approaches to increasing the availability of affordable and energy-efficient housing. In the case of the SCF, this should include climate housing allowances for vulnerable households,

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recognising equal access to energy-efficient homes as a fundamental element of a fair energy transition. The JTF should support such housing solutions in transition regions, particularly where they contribute to local employment, social inclusion, and economic resilience.

### **Ensure that National Social Climate Plans make the link to the local housing crisis and effectively serve vulnerable households**

The Social Climate Plans, due by June 2025, should be co-designed with cities to ensure that place-based solutions effectively reach the most vulnerable groups. These plans must include concrete measures to address the interconnection between energy poverty and the housing crisis, including support for social and affordable housing. Social safeguards must extend beyond energy access to include housing affordability and security, with clear mechanisms explaining how financial support will reach low-income households and marginalised communities.

We call on the European Commission to assess whether the proposed measures are fit for purpose and targeted effectively before approving and disbursing funds under the Social Climate Fund.

### **Provide financial support for vulnerable households and tenant associations through the European Social Fund Plus (ESF+)**

Many households struggle when they can no longer afford their rent. To prevent more severe consequences, it is crucial to support them during these critical times. Cities should be allocated sufficient funding—including from the European Social Fund Plus (ESF+)—to assist those in emergency situations, such as eviction. These funds should be managed by specialized city departments and agencies capable of offering comprehensive social support, including help with employment, elderly care, and assistance for people with disabilities.

We also propose that the ESF+ be used to support the work of tenant associations, particularly those that promote tenants' rights and legal protection. These associations play a key role in advancing Principle 19 of the European Pillar of Social Rights, which calls for access to housing assistance, protection against forced eviction, and adequate shelter. Supporting tenant organisations through ESF+ would strengthen their capacity to provide legal guidance, promote security of tenure, and contribute to uphold tenants' rights as consumers and residents.

## **3.2. Safeguards - Regulatory framework**

Housing affordability and availability are influenced by several factors, including tenant protections, vacancy rates, second-home ownership, and the growing presence of short-term rentals. A coherent and robust regulatory approach is essential to ensure that housing markets remain accessible and functional, particularly in high-demand urban areas.

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Strengthening tenant protections ensures that individuals and families are safeguarded from unfair practices and evictions. Addressing vacant and underused properties, including secondary homes, can increase the housing supply. Moreover, regulating short-term rentals is critical to safeguarding residential housing stock and curbing speculative pressures that contribute to price surges and reduced availability for city inhabitants.

These measures not only help make the right to adequate housing a reality, but also reflect a core value of European cities: the goal of creating inclusive, high-quality, and liveable places for all. Rooted in a longstanding tradition of urban planning, European cities have been shaped by principles that prioritise liveability and accessibility over speculation and displacement.

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## Short-term

### **Strengthen regulations on short-term rentals to facilitate enforcement by competent authorities**

EU institutions should ensure that all Member States implement the Short-Term Rentals regulation on data collection and data-sharing obligations. Lack of controls over the functioning of national Single Digital Entry Points<sup>9</sup> hinders uniform, accurate, and reliable data collection. This data is crucial to enforce local regulations, stop illegal STR activity, protect consumers and promote housing affordability.

Building on the work of the European Cities Alliance on Short Term Rentals, we call for cross border enforcement to be improved when STR platforms do not comply with their data-sharing obligations or continue to facilitate illegal practices.

We also urge the European Commission to stop EU-pilots (first phase of possible Infringement Procedures) regarding our local regulations for STR, and further withhold from actions that question our responsibilities to regulate STR in order to protect the affordability and accessibility of residential housing, as well as to protect the liveability in our cities.<sup>10</sup>

### **Steering Member States' housing policies via the European Semester, particularly for designated stressed housing market areas**

Vacant and underoccupied properties, including secondary homes, contribute to housing shortages and rising prices in many cities. To address this, intermediation strategies can help property owners rent or sell unused homes, thereby increasing the housing supply (as described in the previous section).

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<sup>9</sup> Member States must introduce a Single Digital Entry Point to receive data from platforms about host activity on a monthly basis (e.g. number of nights the unit was rented out, number of guests, specific address, registration number, URL of the listing).

<sup>10</sup> In the 'Cali Apartments case', the European Court of Justice ruled that authorisation schemes on STR activities can be 'justified by an overriding reason relating to the public interest consisting in combating the rental housing shortage', and are therefore compatible with the Services Directive.

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Raising taxes on secondary residences and vacant properties in high-demand markets can also incentivise owners to make their properties available for rent or sale, helping alleviate housing pressure.

Regulations on the amount of rent increases within tenancies, along with caps on rents for new leases, are aimed at preserving affordability, preventing de facto economic evictions, and ensuring continued access to affordable housing while supporting mobility within evolving labour markets.

We encourage the European Commission to make full use of the European Semester process, and notably of its new Social Convergence Framework, to better steer Member States' affordable housing policies in accordance with the goals set in the European Affordable Housing Plan, with particular focus on designated stressed market housing areas. Country Specific Recommendations (CSRs) issued as part of the Semester process should support Member States in increasing public investments in affordable housing, and deter them from privatizing public housing. EU recommendations should also be informed by the priorities set in the New agenda for cities.

In order to fully introduce the housing agenda in the European Semester, the following measures should be implemented:

- The systematic inclusion of data on housing prices, rent prices, overburden rates and housing market accessibility in country analysis reports.
- The integration of national housing policies into the Country Specific Recommendations (CSR) should be further reinforced and expanded, and potentially linked to dedicated National Action Plans (similar to National Building Renovation Plans in the area of building renovations) coordinated by the European Commission;
- The reinforcement of Member States' action through the existing conditionality and monitoring mechanisms in the Semester.

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## Medium-term

### **An EU strategy against real estate speculation**

We propose to strengthen oversight of Real Estate Investment Schemes (REIS) and Investment Funds by reinforcing the controls set by the Alternative Investment Fund Managers Directive (AIFMD) and the Markets in Financial Instruments Directive (MiFID II) to prevent the financialisation of housing, speculative practices and potential exposures in our financial stability.

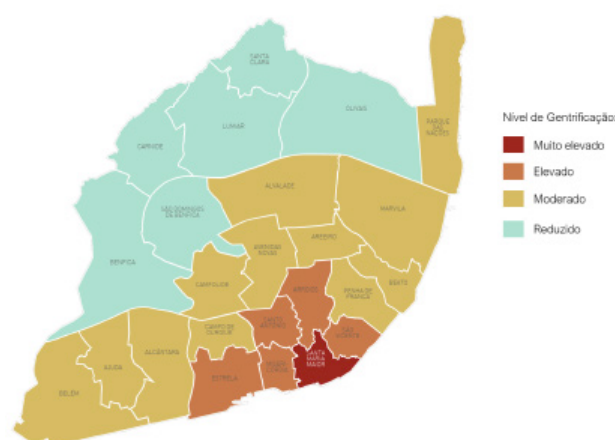
We propose to create a public register that provides transparency to real estate investments and transactions in Europe.

### 3.3. Safeguards - Scalable solutions

#### Lisbon's conceptualisation of gentrification

As part of its Municipal Housing Charter, Lisbon has developed a methodology to map areas facing gentrification –Zonas de Prioridade Habitação or Housing Priority Zones– which includes the following factors:

- Residents' migratory activity (G1: % of residents who changed parish of residence; G2: % of residents who did not reside in national territory 10 years before; G3: % Decrease in the number of voters.
- Gap between average rent and market rent (G4: Ratio between average market rent and average rent of recent rental contracts)
- Variation in housing prices (G5: Annual average variation in market rent; G6: Annual average variation in market sale value).
- Proportion of resident homeowners (G7: % of classical family dwellings that are owner-occupied).
- Increase in number of young adults with higher education (G8: Variation in % of residents aged 20–35 with higher education).
- Local Accommodation Establishments (G9: Ratio between the number of Local Accommodation (AL) establishments and number of long-term rentals).



Source: Carta Municipal de Habitação de Lisboa

#### Exceptional regulations for designated stressed housing market areas

In some Member States, regional and local governments have been granted the authority to implement rent regulations or impose limits on short-term rentals in designated stressed housing market areas (France, Spain).

The European Commission should monitor these measures and promote their adoption if they prove to have positive outcomes.

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## **Bologna's new land use regulations for short term rental apartments**

Since 2019, overnight stays in non-hotel accommodations in Bologna have increased by more than 40% with a significant impact on the housing balance, especially in the historic city center which concentrates 56% of such rental listings. This surge, partly due to a lack of regulation, has led to a substantial shift from traditional long-term rentals to short-term tourist accommodations.

To address this, Bologna introduced the B3 use category in its Building Regulations. This requires that property owners convert residential units into non-hotel accommodations to formally declare the change and obtain official approval. Conversions from residential to tourist use are prohibited in historic areas unless the property meets minimum habitability standards. This measure aims to enhance market transparency, prevent the erosion of the residential housing stock and balance tourism with the needs of local residents.

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## The role of cities in shaping and implementing the EU Housing Agenda

Cities engagement is essential for effectively shaping and implementing the EU housing agenda. Our involvement is key to the successful co-design and delivery of both the European Affordable Housing Plan and the pan-European investment platform for affordable and sustainable housing.

In order to elaborate in more detail the proposals gathered in this document, we propose to **create a permanent and stable governance mechanism for a direct dialogue between the European Commission's new Housing Task Force and cities.**

This mechanism should allow for cities' direct participation in the design and implementation of the upcoming European Affordable Housing Plan and the pan-European investment platform. It should also use all existing structures such as the Committee of the Regions, the Covenant of Mayors and the EU Mission: Climate-Neutral and Smart Cities. In this context, the European Commission should discuss with cities and regional governments about relevant ready to go inclusive plans and projects appropriate for the local needs that need funding and technical assistance.

In the field of homelessness, we propose to keep the **European Platform on Combatting Homelessness (EPOCH)** as a multi-governance platform for exchanging practices—particularly around Housing First—, providing evidence and developing financial tools at the European level to reach the objective of the Lisbon Declaration on ending homelessness.

### Data and monitoring

We propose to expand and unify existing EU data sources on housing, building on Eurostat, ESPON's HOUSE4ALL project and all other housing-related EU projects, as a first step towards the creation of a system of indicators to monitor the implementation of the European Affordable Housing Plan. In addition, we call for fully anchoring the monitoring of the Affordable Housing Plan to the Social Scoreboard in order to better track its social impact. To this purpose, it is essential that the Social Scoreboard adopts more place-sensitive housing indicators—such as a revised definition of housing cost overburden, eviction rates, and poverty levels—while also considering spillover effects on surrounding areas. This approach would help ensure a more accurate and comprehensive assessment of housing outcomes and their implications for social cohesion across different territories.

**European Housing Action Plan  
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**Mayors for Housing**