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**PUBLIC PRIVATE PARTNERSHIP
DEVELOPMENT PROGRAM**



Facilitating Private Sector Participation in Delivery of Humanitarian Aid and Infrastructure Rehabilitation in the Housing Sector – Laying the Foundation for PPPs

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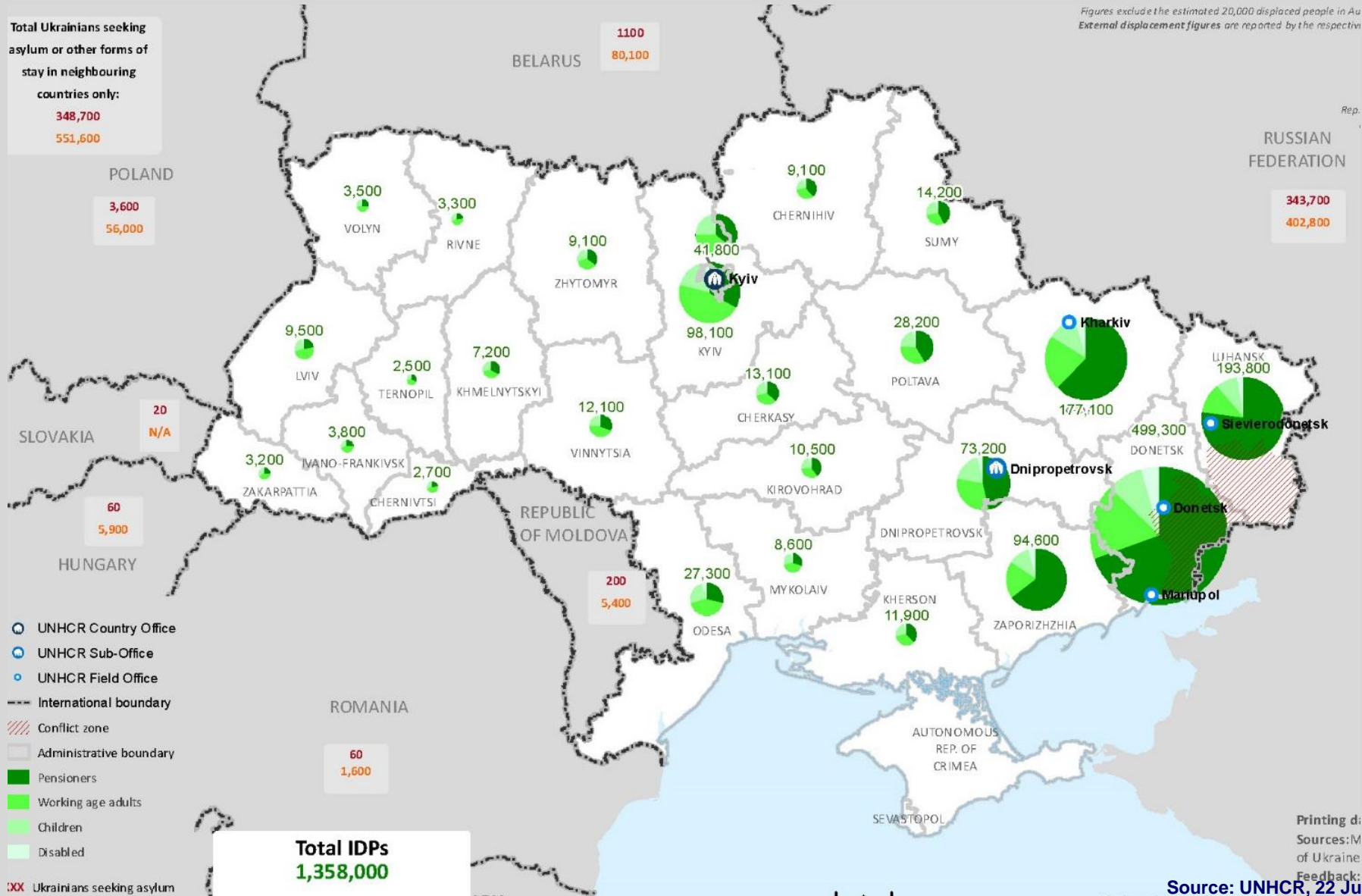
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Outcomes – 12 models of Private Sector Participation

1. Communal company with private investor provides social rental housing
2. Guaranteed purchase of dwellings at capped prices
3. Loan program for moderate income buyers
4. Establishment of PPP housing according European best practice
5. Adoption of unfinished apartments
6. Adoption of communal structures in rural areas
7. Replacement of Chruschtschowkas
8. Leasing for low-income owners
9. NGO-private sector cooperation in new construction with all permits
10. Upgrade Sanatoriums for IDP housing
11. Cooperative formed by soldier association
12. Ministry of Defense Housing Program

IDP situation in Ukraine

Total Ukrainians seeking asylum or other forms of stay in neighbouring countries only:
348,700
551,600



Printing d:
 Sources:IM
 of Ukraine
 Feedback:
Source: UNHCR, 22 June 2015

Housing conditions of IDPs

- 60% live in rented apartments or houses
- Moderate costs, mostly below UAH 2,000 per month
- 20% hosted by friends or family
- 10% in collective centers
- Few in purchased apartments or hotels
- 80% left behind owner-occupied apartments

Four Groups of IDPs ... and what they need

1. Businessmen, who brought some finances with them
2. Middle class, small and medium businesses
3. Lower middle class, state employees, low-income families
4. Vulnerable households, single parents, single young adults, single elderly people, handicapped persons

No support required

Support to acquire own property (financing)

Affordable rental housing

Collective centers, integration to social housing, social assistance

Existing social housing programs

- a) Affordable Housing Program”
- b) Program “Privileged Mortgage”
- c) State program "Vlasnyy dim" (Own House)
- d) Housing Subsidies Program”, other subsidies on utility costs
- e) Public housing construction
- f) Obligatory provision of commercial housing construction for public allocation
- g) Municipal programs

Do they cover current requirements?

International good practice in PPP housing

- Large scale PPP housing sectors in many Western countries, such as Austria, Netherlands, France, UK etc.
- Models also in USA, South America, China, India, Malaysia etc.
- Twinning partners possible to acquire (but only for knowhow transfer, not for equity transfer)

Model 1 – Communal company with private investor provides social rental housing

- Who?

Municipalities, oblasts, housing developers, construction industry

- For whom?

Low and moderate income households, IDPs

- Quantitative significance:

Initial program ca. 3,000 units; following programs each 10,000

- Estimated investment costs:

\$ 30-35 mill. for an initial program

- Overall feasibility:

Promising

Model 1 – Corner Stones

- State program, tender addressing PPP consortiums
- Requirements for applying PPP consortiums:
 - Substantial size (100-300 apartments per application)
 - Lowest construction costs, lowest rents (ca. 1,50 \$/m² net)
 - Clearly defined quality standards
 - Own equity: building land free of charge; reduced utility access costs; private sector taking shares of e.g. 20% of the communal company
 - Concept to warrant sustainable income-generation and risk mitigation: affordable rents, eviction procedures, rent guarantee
 - Concept on housing management and maintenance
 - Concept of a transparent allocation scheme
 - Concept on social integration
- Technical assistance for applying PPPs in the initial program

Model 2 – Guaranteed purchase of dwellings at capped prices

- Who?
Asset Management Agency by order of public authorities
- For whom?
Middle class households
- Quantitative significance:
Price effects on the entire housing market
- Estimated investment costs:
Low
- Overall feasibility:
Promising

Model 2 – Corner Stones

- Regulatory approach to guarantee purchase of any apartment in a city at a defined price, close to or slightly below the self-costs of developers, at defined quality standards
- Asset Management Agency will dispose apartments to eligible households (rent or sale)
- Predetermined term of the program
- Also applicable to unfinished apartment buildings

Model 3 – Loan program for moderate income buyers

- Who?
Kadorr Group / Odessa and other housing developers
- For whom?
Middle class households
- Quantitative significance:
Up to 10,000 units in a 10 year term
- Estimated investment costs:
\$ 20-30 mill. p.a. (max. \$ 100 mill.) \$/€-denominated loan
- Overall feasibility:
Promising, if IFI lending to companies is possible

Model 3 – Corner Stones

- Many housing developers are strong in equity and need no financing, but purchase power of buyers should be supported
- Financing model is feasible with \$ 150 per month (\$ 30,000 purchase price, 25% downpayment, 3% interest rate, 15 years maturity)
- Definition of quality standards, maximum price, and eligibility criteria of households
- Establishment of a specialised bank limited to this purpose, with a limited-profit scheme
- Least possible public involvement
- Personal guarantee of the owner of Kadorr Group
- Addressing OFID for financing

Model 4 – Establishment of PPP housing according European best practice

- Who?
Request for Expression of Interest
- For whom?
Low and moderate income households
- Quantitative significance:
Large
- Estimated investment costs:
No investment costs yet
- Overall feasibility:
Long term perspective

Model 4 – Corner Stones

- Significance of PPP housing schemes in many Western and transition countries with >20% of housing stock e.g. in Austria
- Invitation for Expressions of Interest (EOI) to participate in building up such a sector in Ukraine
- European twinning partners

Model 5 – Adoption of unfinished apartments

- Who?
Housing developers
- For whom?
Middle class household, households who have already invested with prepayments
- Quantitative significance:
In all cities, but not too big potentials
- Estimated investment costs:
Hardly cost advantages to new construction
- Overall feasibility:
Rather complicated, but multiple positive effects

Model 5 – Corner Stones

- After 2008 plenty of housing projects were frozen.
- Use of such structures for social housing
- Additional use for households who have already invested to unlock such projects
- Additional use for the real estate industry to facilitate involved developers
- Different models possible:
 - Mortgage finance addressing international IFIs
 - Purchase guarantee at a capped price (see Model 2)
 - Establishment of an association of "old" owners (which made prepayments) to take over the building
 - Private fund purchasing unfinished apartments
- Often difficult legal status of unfinished structures

Model 6 – Adoption of communal structures in rural areas

- Who?
Municipalities in rural areas
- For whom?
IDPs
- Quantitative significance:
Rather small
- Estimated investment costs:
Low, but without income generation
- Overall feasibility:
Emergency action

Model 6 – Corner Stones

- Many municipalities own buildings which would with only small refurbishment works qualify for IDP accomodation
- Combination with job opportunities for IDPs (renovation works for free lease)
- Small grants required, mainly for building material
- Clear IDP targeting, but no Private Sector Participation

Model 7 – Replacement of Chruschtschowkas

- Who?
Bitter cities
- For whom?
Sitting owners, new demand
- Quantitative significance:
Replacement of existing apartments
- Estimated investment costs:
High, but market financing
- Overall feasibility:
In vibrant real estate markets possible

Model 7 – Corner Stones

- Big housing stocks of Chruschtschow time do not qualify for refurbishment, but require replacement
- Most stocks are privatized. Sitting owners are hardly willing or able to contribute financially to replacement
- In upscale locations with room for redensification replacement free of charge seems possible (“Moscow Model”)
- Adequate housing alternatives required: smaller apartments, apartments in cheaper locations, places in homes for elderly people, favorable financing schemes
- Legal reform required

Model 8 – Leasing for low-income owners

- Who?
Housing developers, financing industry
- For whom?
Middle class households
- Quantitative significance:
Low
- Estimated investment costs:
Dependent on capital market environment
- Overall feasibility:
Legal regulations require improvement

Model 8 – Corner Stones

- Leasing legislation is in place in Ukraine, but works insufficiently
- Many households would prefer leasing to rent, if security of investment is provided and financing costs are affordable
- Current capital market environment prohibits feasible models
- Legal regulations require improvement

Model 9 – NGO-private sector cooperation in new construction with all permits

- Who?
NGO „Misto Reform“ and other NGOs
- For whom?
IDPs
- Quantitative significance:
Low
- Estimated investment costs:
High
- Overall feasibility:
Business case requires improvement, no income generation

Model 9 – Corner Stones

- Cooperation of humanitarian organisations (NGO „Misto Reform“) with private housing developers
- Use of unfinished projects, with all permits in place
- Provision to IDPs

Model 10 – Upgrade Sanatoriums for IDP housing

- Who?
Public and private owners of existing structures
- For whom?
IDPs (short term), other use (long term)
- Quantitative significance:
Low
- Estimated investment costs:
Rather high
- Overall feasibility:
Business cases have to be assessed individually

Model 10 – Corner Stones

- There are numerous deteriorated sanatoriums which would qualify for IDP housing if refurbished
- Public and private owners address IFIs for grant financing
- Subsequent use of facilities mostly unclear
- Mostly insufficient business cases with hardly any income generation

Model 11 – Cooperative formed by soldier association

- Who?
Associations of (retired) soldiers
- For whom?
Retired soldiers
- Quantitative significance:
Low
- Estimated investment costs:
Low
- Overall feasibility:
Promising

Model 11 – Corner Stones

- Retired soldiers have a claim for a plot of land or apartment. Many of them are organised in associations with effective leadership structures
- Such associations seem to qualify to establish housing cooperatives to serve soldiers with own apartments
- Very promising starting point to settle civil society institutions
- Link to employment programs for retired soldiers
- Western twinning partners

Model 12 – Ministry of Defense Housing Program

- Who?
Ministry of Defense
- For whom?
Soldiers both in service and retired
- Quantitative significance:
Very high
- Estimated investment costs:
Approx. \$ 400 mill. for a program of 40,000 housing units until 2021
- Overall feasibility:
Big challenge

Model 12 – Corner Stones

- Strongly increased need for housing for soldiers both in service and retired (estimated 40,000 until 2021). Soldiers retired from current services are awarded with a plot of land or an apartment free of charge. This is a responsibility both of the Ministry and of Municipalities
- Development of few optimized housing types, execution of pilot projects

Thank you for your attention

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