

ANALYSIS OF THE SOCIAL HOUSING SITUATION

Ministry of Social Security and Labour, 10 April 2020

In Lithuania, support for the rental of housing is provided in accordance with the Law of the Republic of Lithuania on Support for the Acquisition or Rental of Housing (hereinafter referred to as “the Law”). The Law establishes the following forms of support for the rental of housing:

- rental of municipal social housing;
- partial reimbursement for a housing rent fee.

In Lithuania, a **target model of social housing** is applied – social housing is given to persons and families whose declared property value and income do not exceed the amounts established by the Law and if persons and families do not own housing in the territory of the Republic of Lithuania, or the owned housing, according to the data of the Real Property Cadastre, is physically depreciated by more than 60 percent, or the useful area of the owned housing per person or family member is less than 10 square meters or less than 14 square meters if the family has a disabled person or a person with a severe chronic illness.

Persons and families entitled to rent social housing in accordance with the requirements established by the Law, having submitted an application to the municipal administration for the support to rent housing, shall be entered in the **list of persons and families entitled to rent social housing** according to the date and time of registration of their application in the municipal administration, i.e. social housing shall be rented following the order. Persons and families entered into the list of persons and families entitled to rent social housing are divided into groups (young families; families with three or more children; persons left without parental care and their families; disabled, people with chronic diseases and families with such people; tenants of social housing entitled to the improvement of social housing conditions; general group), however, belonging to one of the groups shall not give priority to rent social housing.

Developing the social housing fund by purchasing or building housing is a very expensive investment. Therefore, the supply of social housing is limited, whereas the demand for social housing is high and you have to wait for several years to rent social housing.

In order to provide support for the rental of housing as soon as possible, persons and families entitled to support for the rental of housing and renting housing from natural persons or legal entities and who have concluded housing rent agreements shall be partially reimbursed for the rental of housing from the date of submitting the application for the support to rent housing. However, due to the limited supply of legal rent of housing, not all persons and families may use this form of support.

1. Changes and trends in the need for social housing

The social housing fund consists of 11,908 housings, of which 260 housings (2.2%) are in a state of emergency or uninhabitable.

Number of social housing

	2015	2016	2017	2018	31/12/2019	2023 (End of EU funding period of 2014-2020)
Total number of existing social housing:	10 882	10 579	10 889	11 433	11 908	12 730
Capital region	1 940	1 849	1 961	2 069	2 090	2310
Central and Western Lithuania region	8 942	8 730	8 928	9 364	9 818	10420

All of the above mentioned habitable social housing is currently in use. And the list of those waiting for the support to rent housing currently includes more than 10 thousand persons (families). Therefore, the need for social housing, even after repairing emergency state or inadequate housing, remains high.

Number of persons (families) entered into the waiting lists for the support to rent housing

Group name	31/12/2015		31/12/2016		31/12/2017		31/12/2018		31/12/2019	
	Number of persons (families)	Number of family members	Number of persons (families)	Number of family members	Number of persons (families)	Number of family members	Number of persons (families)	Number of family members	Number of persons (families)	Number of family members
1. Young families*	5 132	13 527	2 256	5 871	1 827	4 726	1 801	4 691	1 917	4 999
2. Families with three or more children	1 598	7 758	1 185	5 687	988	4 804	948	4 590	968	4 718
3. Persons left without parental care	2 365	3 335	1 204	1 709	1 004	1 356	965	1 250	960	1 179
4. Disabled	3 697	6 173	2 368	3 734	1 852	2 801	1 789	2 622	1 793	2 591
5. General	10 100	17 048	5 816	9 669	4 669	7 429	4 806	7 384	5 104	7 625
6. Tenants of social housing entitled to the improvement of social housing conditions	360	1 195	248	886	207	807	232	923	251	1 022
7. Total:	23 252	49 036	13 077	27 556	10 547	21 923	10 541	21 460	10 993	22 134

* *Young family – a family in which each of the spouses is under 36 years old.*

2016 compared to 2015, there is a significant decrease in the number of persons (families) waiting for the rental of social housing, as since 1 January 2015, after the entry of the Law into force, persons (families) waiting for the rental of social housing must annually declare their property and income received. This allowed to start checking whether everyone waiting for the rental of social housing meets the requirements set by the Law.

The number of persons (families) waiting for the rental of social housing in 2017, 2018 and 2019 remained stable, as the housing support measures established by the Law only managed to stop the growth of queues, but not to reduce them.

The need for social housing depends on GDP growth, inflation, unemployment and other economic indicators. According to the data of 2017-2019, annually, social housing is rented to 1,110 persons (families) waiting for the rental of social housing.

According to the current trends, the number of large families (families with three or more children) and disabled¹ waiting for the rental of social housing should remain similar. Approximately 386 social housings are rented to persons (families) of these groups each year (the same number of persons (families) are newly added to the queue per year). However, taking into account that the majority of newly rented social housings is purchased for EU funding for the period 2014-2020, it can be concluded that the number of representatives of these groups waiting for the rental of social housing will increase and will reach about 3,700 persons (families) in 2030 (in 2019 – 2,761 persons (families)).

2. Changes planned in the current demand due to the EU investments in social housing in 2014–2020 (comparison of the beginning of the period with the end of the period)

Currently, the development of the social housing fund is financed from municipal budgets (EUR 8.81 million) and EU funds (EUR 49.93 million). Funds are allocated for the implementation of measure No 08.1.2-CPVA-R-408 “Development of the Social Housing” within the Operational Programme for the European Union funds‘ Investments in 2014–2020. It is planned to supplement the social housing fund with 2,049 housings under the said measure. This will reduce the number of people waiting for the rental of social housing to 30% (in comparison with the need in 2012, as indicated in the calculation of the measure

¹ Investments for the development of the Social Housing Fund for the disabled and large families (a family with three or more children) are planned within the European Structural Funds in 2021–2027.

indicator “Share of persons (families) to whom municipal social housing is rented of all persons (families) waiting for the rental of social housing”).

According to the data of December 2019, there are already 1,220 newly built, reconstructed or purchased housings.

3. Reasons for the unsatisfied need of the social housing fund

The main reason for the unsatisfied need of the social housing fund is non-decreasing number of low-income persons (families) who cannot afford housing without the support for the rental of housing. The main problem in the development of the social housing fund is insufficient funding. Also, due to insufficient maintenance of social housing, some housings are declared uninhabitable or require major repairs, which also requires additional expenses. In addition, the need for the social housing fund is reduced by the inefficient use of municipal housing, which is rented on a non-social housing rent basis (too low a rent price for municipal housing does not encourage tenants of these housings to refuse the rental), the absence of a legal housing rental market, insufficiently attractive conditions for partial reimbursement for a housing rent fee. According to the current legal regulation, the amount of partial reimbursement for a housing rent fee is calculated for a person, taking into account the basic amount of the part of the housing rent fee, regardless of the composition of a family. Therefore, partial reimbursement for a housing rent fee per one person is too low compared to the housing rent price in the market (for example, in Vilnius City Municipality, 37% of a housing rent price is reimbursed per person, and for a family of three persons – 70% of a housing rent price).

4. Measures solving the problem of insufficient number of social housing (existing and planned)

Taking into account that the waiting period for the rental of social housing is long, the Law that entered into force on 1 January 2015 stipulates that persons (families) waiting for the rental of social housing and renting suitable housing from natural persons or legal entities (except for municipalities) under market conditions shall be conferred the right to partial reimbursement for a housing rent or leasing fee. Partial reimbursement of the housing rent increased the opportunities for persons (families) included in the waiting lists for the support to rent housing to obtain housing that meets their needs during the waiting period for the rental of social housing.

According to the data of December 2019, reimbursement for the rent fee was used by 2,325 persons in 35 municipalities. This reimbursement is mainly used in municipalities of large cities and districts. 25 municipalities do not use this opportunity at all (small municipalities are unlikely to take advantage of this opportunity due to their small rental housing market). In 2015-2019, EUR 3,067.6 thousand were used partially to reimburse for the housing rent fee (EUR 7.7 thousand in 2015, EUR 159.6 thousand in 2016, EUR 481.1 thousand in 2017, EUR 935.1 thousand in 2018, EUR 1,484.1 thousand in 2019). The state budget for 2020 provides for about EUR 1.7 million to make the said reimbursement.

When developing the social housing fund (until 2030), the goal is to increase the availability of social housing by reducing the average waiting period for the rental of social housing of a person (family). 15.6% of persons (families) have been waiting for the rental of social housing for more than 5 years. It is planned gradually to reduce the average waiting period for the rental of social housing of a person (family) to 3 years. When planning measures to achieve this goal, reference is made to the study on improving the accessibility of housing for socially vulnerable residents after 2020 carried up by ESTEP Vilnius, UAB (hereinafter referred to as “the study”), in which it is recommended to give priority to demand (purchase and rental of housing), as well as to review the amounts of reimbursement for housing rent fee, to use the municipal housing fund more efficiently.

Measures planned to solve the problem of insufficient number of social housing:

1) *to apply a new form of the development of the social housing fund.* Considering the fact that the development of the social housing fund by purchasing or building housing is a very expensive investment, it is planned to increase the availability of social housing, giving priority to the rental of housing in the market. In order to reduce the number of persons (families) waiting for the rental of social housing, amendments to

the Law were drawn up and entered into force since 1 September 2019 in a new form of the development of the social housing fund, i.e. municipalities may rent housing rented in the market as social housing for a larger number of persons (families) waiting for it. It is expected that the direct participation of the municipality or participation through an authorized legal entity in the housing rental market will encourage private business to build more housings for rent in the presence of demand for rental housing, and owners of existing housing will be interested in renting housing in the market, as the responsibility for the rental property will be assumed by the municipality or a legal entity authorized by it. It is expected that the new form of the development of the social housing fund will contribute to reducing and clarifying the illegal housing rental market. It will be possible to decide on the effectiveness of this form of the development of the social housing fund in order to reduce the waiting period for the rental of social housing only in 2021;

2) *it is planned to carry out the general development of the social housing fund with funds of renting or selling non-social housings rented by municipalities, which are rented to persons (families) who are not entitled to the support for the rental of housing, by purchasing housing in the market.* The speed of meeting the demand for housing is also influenced by the long process of purchasing housing in the municipality. On 11 December 2019, the Government of the Republic of Lithuania passed the Resolution No 1265 “On the Amendment of the Resolution No 1036 of 13 December 2017 “Regarding the Approval of the Description of the Procedure for the Acquisition or Lease of Land, Existing Buildings or Other Immovable Property or the Acquisition of Rights to such Property”, which established more flexible procedures for purchasing real property – when purchasing real property on behalf of the municipality, the decision on the successful candidate is made in accordance with the procedure established by the municipal council (only the municipal council had the right to approve the decision before the amendment of the Resolution of the Government of the Republic of Lithuania). In addition, steps have been taken to allow municipalities to receive higher revenues from the rental (sale) of municipal housing and to use it for the development of the social housing fund. On 28 August 2019, the Government passed the Resolution No 884 “Regarding the Amendment of the Resolution No 472 of the Government of the Republic of Lithuania of 25 April 2001 “Regarding the Methodology for Calculating the Amount of the Municipality Housing Rent, Social Housing Rent and of Reimbursement for the Part of Housing Rent or Leasing Housing Rent and the Approval of the Conversion Factor of the Partial Reimbursement for the Basic Housing Rent and Leasing Housing Rent“ which establishes since 1 September 2019 that the amount of the rental of municipal housing must be equal to the rent price of housing rented in the market in the territory of the municipality where the municipal housing is rented, except for the cases specified in accordance with the procedure established by the municipal council. This will allow municipalities to increase the rent prices of municipal housing to market prices, and to have a tool for setting exceptions for certain social groups (e.g. to attract specialists needed for the labor market, vulnerable residents, etc.). In this way, municipalities will collect more funds or, if tenants refuse to continue renting housing at an increased price, will have the opportunity to sell inefficient housing or to enter it to the social housing fund. In addition, the Law (Article 29) obliges municipal funds received from the sale of municipal housing to use only for the development of the social housing fund;

3) *to develop the supply of social housing (renovation, construction, purchase) for large families and the disabled, as there is no or insufficient market of suitable housing for these groups (from EU funds);*

4) *in order to increase the number of persons using partial reimbursement for a rent fee, it is planned to improve the conditions for this measure for persons without a family (the rate of reimbursement for a housing rent fee for this target group is much lower than for families and is therefore less popular). Introduction of a fixed and variable part of reimbursement for a housing rent fee will be considered or other differentiated model will be proposed. It is planned to submit the draft law amending the Law related to the calculation of the amount of reimbursement to the autumn session of the Seimas.*

5) *in order to increase the supply of housing for rent, the Description of the Procedure for the Distribution, Transfer, Adjustment, Use and Settlement of State Budget Funds Intended for the Payment of the Rental of Housing Rent from Natural Persons or Legal Entities to Municipal Budgets approved by the Order No A1-759 of the Minister of Social Security and Labor of 11 December 2019 provides for the possibility that, in cases where the supply of housing for rent in the market is too low, the development of social housing is carried out by municipalities by signing preliminary housing rent agreements with landlords (including real estate developers);*

6) *in order to promote the rental of housing to meet the needs of social housing and, at the same time, to expand the legal rental market, it would be expedient to introduce various tax benefits, the introduction of which should be addressed to the Ministry of Finance when drawing up draft law amending the Law, e.g.:*

- reduction of taxation on individual activities when housing is entered to persons (families) who are entitled to support for the rental of housing. Some municipalities, on their own initiative, set extremely low fees for self-employed persons engaged in the rental of housing. This benefit could be introduced at national level;

- a real estate tax (to activate the market) could be introduced at the national level, as well as a personal income tax benefit when a person rents his or her housing to meet the needs of social housing.

7) *in order to improve access to social housing, to form a unified practice and to encourage municipalities that are responsible for the planning and the implementation of the development of the social housing fund to take into account the needs of waiting persons (families) for the rental of social housing and their rights to a quality living environment, the Minister of Social Security and Labor on 8 April 2020 by the Order No A1-300 approved Recommendations for the Implementation of the Development of the Social Housing Fund.*

5. Reasoning of the selection of target groups for which the EU investments in social housing are planned in 2021-2027

Investments in the development of the social housing fund for the disabled and large families are planned within the European Structural Funds in 2021–2027. The rental housing market in many municipalities is insufficient for the disabled (due to unsuited housing) and large families (due to too little housing in the market). Therefore, groups of people with disabilities and large families are those for whom suitable housing in the market is hardly accessible or inaccessible. In the period of 2021-2027, the aim would be that the waiting period for the rental of social housing for the groups of persons (families) indicated in items 2 and 4 of Table 2 “Number of persons (families) entered into the waiting lists for the support to rent housing” would not exceed 3 years. To achieve this goal, at least 1,100 housings should be acquired (purchased, built, reconstructed). The estimated need for funds is about EUR 90.8 million.

The research study “Access to Housing and Measures to Increase Housing Availability” conducted by the Lithuanian Energy Institute noted that when forming the social housing fund, it is necessary to take into account the possibilities of adapting housing for people with special needs – this factor severely limits the use of the existing housing fund.