

Finland – What is Beyond the Affordable Housing Success?

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Abstract: Finland has been considered as the world's happiest country six times in a row since 2018 according to the World Happiness Report. What was this positive rating influenced by? In general people are content if their needs, dreams and desires have been fulfilled. The housing could be considered as the basic need. Is it hard to ensure the suitable housing for the common people in this country? Is the affordable housing present in Finland and what is beyond its success? Based on the analysis, the synthesis, the observation and the studying of good and best practices answers were found. The engagement of the state has been crucial in the development of the affordable housing in Finland. The paper indicates some features concerning the affordable housing in the Finnish housing policy, describes the situation in Slovakia and refers to some solutions that could be stimulating in the development of the affordable housing in Slovakia.

Keywords: affordable housing; rental housing; housing policy

Abstract: Fínsko bolo od roku 2018 šesťkrát za sebou považované za najšťastnejšiu krajinu sveta podľa World Happiness Report. Čo ovplyvnilo toto pozitívne hodnotenie? Vo všeobecnosti sú ľudia spokojní, ak sa naplňajú ich potreby, sny a túžby. Bývanie možno považovať za základnú potrebu. Je pre bežných ľudí v tejto krajine náročné zabezpečiť si vhodné bývanie? Existuje vo Fínsku dostupné bývanie a vďaka čomu je úspešné? Na základe analýzy, syntézy, pozorovania a štúdia dobrých a osvedčených postupov boli predložené odpovede. Angažovanosť štátu možno považovať za kľúčovú pri rozvoji dostupného bývania vo Fínsku. Príspevok poukazuje na niektoré charakteristiky dostupného bývania vo fínskej bytovej politike, popisuje situáciu na Slovensku a predkladá riešenia, ktoré by mohli byť stimulujúce v rozvoji dostupného bývania na Slovensku.

1. Introduction

Finland as well as some other Scandinavian countries has been giving emphasis on the social aspect into the housing policy. The climate, demographic trends and the lifestyle of the people have been influencing the perception of housing and shaping the housing policy. The paper deals with the affordable housing in Finland from the historical, sociological and economic point of view. It tries to find answers what is beyond the continuous existence of affordable housing in the mentioned country which could be helpful in the spread of this type of housing in Slovakia.

2. Materials and Methods

The used methods were the analysis, the synthesis, the observation, studying of best and good practices.

3. Results

The role of the Finnish government in the housing policy has arisen from the historical milestones. After the World War II approximately 400,000 people were evicted from their homes because of the annexation to the Soviet Union. It was the task of the state to prepare new dwellings for them. About 10 percent of the housing stock was left on the annexed territory [1]. Looking further on the bind between the state housing policy and the inhabitants the demographic aspect should be observed. In Finland after the World War II there was the era of so-called baby boomers. Around 100,000 children were born each year from 1946 to 1949. Several governmental programmes were introduced to support living of the people in the countryside through small farms. Later in the sixties of the 20th century industrial development changed the society. People moved to the cities to be closer to their work. Urban housing zones were built.

Housing stock in Finland comprises owner-occupied sector, rental housing and right-of-occupancy housing. Analysing the housing stock from post war period since 1949 until nowadays there has been the shift from the owner-occupied housing to rental one. In the 50th and the 60th of the 20th century the owner-occupied sector was dominant with its peak at the end of seventies and from that period constantly declining. Rental housing was rapidly growing in the sixtieth of the 20th century what was connected to the moving of the people from countryside to the towns. Rental housing unlike the owner-occupied one has been still produced just with the slight decline in the ninetieth featuring sharper decline in 2006 and nowadays reaching cca. 11 percent – the share of the the social rental housing from the whole housing stock.

The new type of the housing stock appeared in the ninetieth just in the time when the owner-occupied housing was declining. It has been called the right-of-occupancy housing. This type of the housing is determined for those people interested, who are able to pay cca. 15 percent of the construction and land costs to the developer. Consequently they could rent a flat for which the level of the rent is lower that on the private housing market. This housing stock has been developed by entrepreneurs, not social housing developers. It has been financed with the state support in the form of state subsidized loans or interest rates [2]. It could be considered as the housing option between the social housing on the one side and the private rental housing on the other side. The right-of-occupancy housing could be in certain features compared to the coop housing.

The tenure status of Finland shows the table below.

Table 1. The comparison of the Finnish housing stock in 2010, 2020 and 2021, [3]

Housing stock	2010 [%]	2020 [%]	2021 [%]
Owner-occupied dwellings	65.5	62.3	61.7
Rental dwellings	30.4	34.4	35.2
Right-of-occupancy dwellings	1.3	1.8	1.8
Other form of the tenure or unknown	2.7	1.5	1.3

Finlad and Slovakia has been similar from the number of inhabitants point of view. There is around 30 percent (1.6 million) of rental tenants in Finland. 63 percent of those tenants rent a flat on the private housing market. 37 percent from 1. 6 million tenants in the country have been tenants in the state subsidized flats mostly provided by municipalities or social housing providers [1].

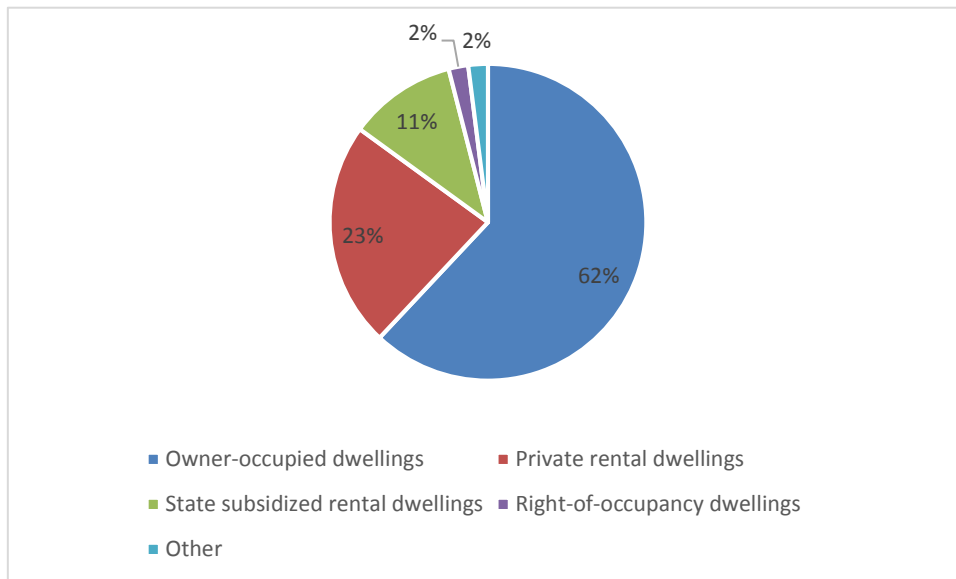


Diagram 1. The Housing stock in Finland as of 2023, [4]

The state housing policy of Finland is aimed to:

- legislation
- planning of housing policy
- subsidies
- provision of information.

The state subsidized housing production has been executed by:

- authorities
 - The Housing Finance and Development Centre of Finland (ARA)
 - municipalities
- developers
 - municipal housing companies (cca. 1,000)
 - limited profit housing companies
 - organisations with the special purpose (students' housing organisation, housing organisations for the elderly) [1]

The Housing Finance and Development Centre of Finland (ARA) is the part of the Ministry of Environment of Finland. It was established in 1949 and since then has been focused on housing support of inhabitants providing state subsidized loans and interest rates. ARA helps to develop sustainable and affordable housing. Among the main tasks of ARA belong the provision of grants, subsidies and guarantees connected to housing, its construction and renovation. ARA takes part in housing development projects such as suburbs development and homelessness problems.

The housing stock in Finland comprises 3.25 million dwellings as of 31. 12. 2020. Around 13 percent of this amount, i. e. 400,000 flats were built with the ARA state financial support [1].

Table 2. The ARA housing stock as of 2023, [1]

ARA Housing stock	
rental flats	250,000
rental flats for special groups of people	100,000
right-of-occupancy flats	50,000

The Finnish system of the housing support is the combination of the demand and supply side. Subsidies of the demand character comprise housing allowances, some tax reliefs, first time buyers interest subsidies and some guarantees.

Supply side subsidies consist mainly of subsidies on interest rates of loans, guarantee loans, investment grants, renovation and other grants.

The financing of the state subsidized housing comes from:

- the Municipality Finance – the credit institution owned by the Finnish public sector
- the Housing Fund of Finland
 - works under the Ministry of the Environment
 - operates outside the state budget, income comes from the interests and repayments of old loans
 - the majority of state subsidized housing construction has been financed from this fund (grants, interest rate subsidies, state guarantees)
 - the certain amount of subsidies come from the state budget [4].

The cost covering rent principle has been applied on the state subsidized housing. The private housing sector has got higher rent than ARA subsidized rents as follows: Helsinki +62%, Espoo +39%, Vantaa +32%, Turku +26% and Tampere +24% [1].

Concerning the tenant selection principle the priority has been given to applicants who are in the greatest need for housing and with the smallest income.

3.1. Case Study Generations Block, Helsinki

Generations Block in Helsinki is the demonstration of the social inclusion principle in practice. It presents the unique concept of intergenerational housing in Finland, giving the chance to join inhabitants of different age groups. The project started in 2010 and involved the cooperation of Aalto

University, The Housing Finance and Development centre of Finland ARA, the Ministry of the environment and the city of Helsinki.

It comprises three separate buildings interconnected on the ground floor. There are together 262 flats. In the first building there is the students' house with 102 rental apartments occupied by students. The building in the middle of the block represents the owner-occupied flats. There are 47 dwellings mostly occupied by families. The last building with 113 flats has been determined for the affordable housing for different groups of people. There are barrier-free flats in this building. The Generations Block has the common yard with the playground, barbecue and outdoor gym.

The main idea of living in the Generations Block is the urban living with the accent on the community for all age groups. The inhabitants have been encouraged to the community life by various ways. First of all, the architecture of the Generations Block has been enabling it. All three buildings are interconnected on the ground floor providing many facilities for some interactions. One room of the common space is large enough for the realization of some type of cultural activities, such as theatre, singing dancing or just talking. There is also the piano there. The inhabitants use this room for their tenants' meetings. Next, there is the common kitchen, living room and playing room with a table football. People can meet here, have some refreshments, talk, play together or read books or newspapers. People living in this block of flats can use the common laundry and sewing room, workroom, e. g. for some woodworking, then soundproof music room. There is also the common gym on the groundfloor. All of the mentioned facilities are situated on the groundfloor of the building with affordable flats. The people living in other two building have the usage of these common rooms calculated in their costs of the living. There is also the common sauna and a terrace with the sea view on the last floor of the building with affordable flats. Among the further features stimulating to the community life of its inhabitants belongs the larger space on one of the floors in the building with affordable flats with tables and chairs for social activities and the table with the PC and the printer. There is the working position of the housing company called a block coach that is aimed to the support and the encouragement of mutual social activities, e. g. pictures on the floor wall drew by the tenants to make their common space more unique and cosy.



Figure 1. The Generations Block, the urban housing complex in Helsinki, source: the author's archive

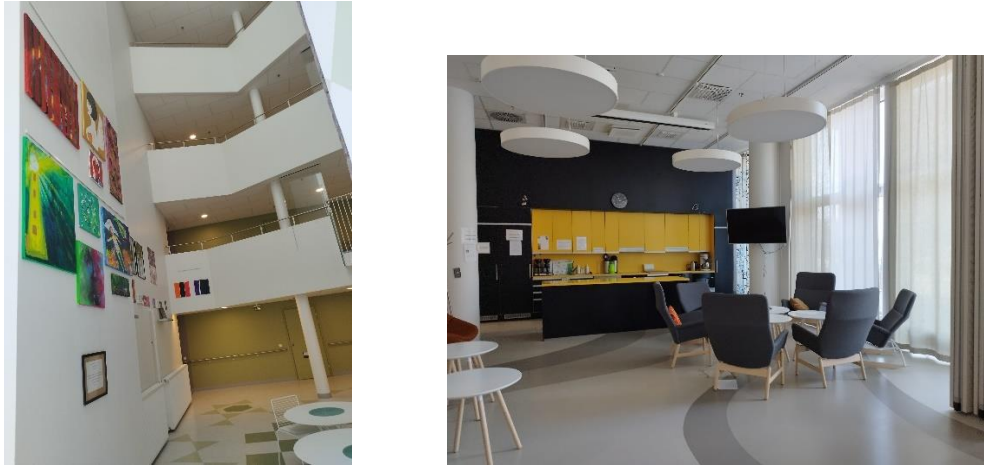


Figure 2. The Generations Block, 2nd floor - place for the meeting of neighbours and the ground floor - the common kitchen with the living room, source: the author's archive

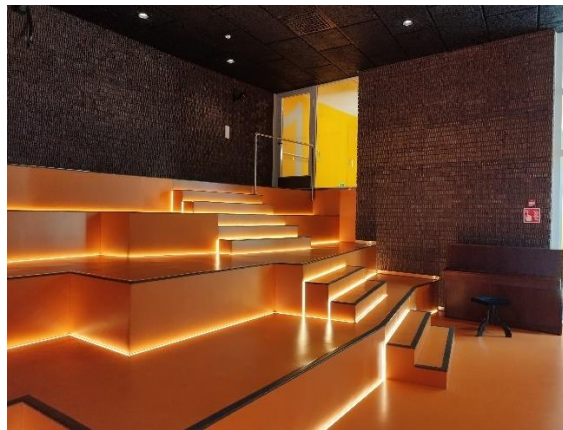


Figure 3. The Generations Block, the ground floor – the common cultural room, source: the author's archive

4. Discussion

The affordable housing in Finland has been the state matter since the end of the World War II. The housing need has always had the social element in it. Thanks to the mentioned all housing tenures have been maintained and developed. There is not any sharp initiative to support one type of the housing stock to the exclusion of some another. Taking into consideration different sociological, demographic and income groups of people, the sphere of housing should be adjusted to these different groups. The success of the affordable housing in this country has been supported by:

- the cooperation between the government and the municipalities – the so-called MAL agreement has been effective taking into consideration and creating mutual benefit of land use, housing and transport in the biggest growing centres. These agreements have been created to deepen the cooperation among municipalities and between municipalities and the state. They should enhance the function and the competition of the urban regions as well as ensure the development of municipalities.
- The state will to develop affordable housing by providing subsidized interest rate loans (in the competence of ARA). In 2023 1,950 million EUR was provided to social developers in the form of the subsidy on the interest rate. 9,300 new dwellings should be realized thanks to the amount of the subsidy [1].
- the EU/SGEI regulations to ensure building site for the affordable price or rent

- cost covering principle applied on rents, which enables to focus the supply on the middle and low- income groups of inhabitants.

The way towards the maintenance and the development of the affordable housing in Finland was mentioned. What are the obstacles of the increase of affordable housing in Slovakia?

The decisions taken in the past because of the political changes in 1989 caused almost the disappearance of the rental sector in Slovakia. The public rental housing has been too small to cover the need for the affordable housing in this country. The private rental housing could be to some groups of people expensive, thus not solving their housing need.

In the sphere of rental housing, most especially affordable one the new initiative was taken when the Agency of state supported rental housing (agency) was established based on the Law No. 222/2022 on the state support of the rental housing. The foundation of the agency could be considered as the political will, as one political party has had such an objective in its political programme.

Considering the housing tenure in Slovakia, its disproportions and the development of the Slovak republic after the 1989 several points could be observed obstructing the expansion of affordable housing in Slovakia:

- the understanding of the meaning welfare state, the sphere of housing should be included more significantly
- the weak emphasis on the expansion of the affordable housing in political programmes of Slovak political parties
- the political will
- the unstable political situation – the thread of a resignation of the government and the early elections
- the solid state's economy – enabling to use the part of the public expenditures on the affordable housing
- the transparent management of public finances
- the tradition - the acceptance of the rental housing by people.

The public housing sector has been reaching cca. 2% from the whole housing stock. State subsidies consisting of the state subsidies for the housing development and the State fund for the housing development have some restrictions under which they can be provided to the municipalities or eventually some social landlords. The following should be discussed:

- the acquisition costs per 1 m² of the floor area of a flat should be adjusted – the current level is quite low (slightly over 1,000 EUR), due to the corona crisis the costs on construction materials have been higher, thus it is even tougher to build the rental flats taking this restriction into account
- the income of the applicants for public rental flats – this condition should be considered and if possible to increase the multiple of the living wage
- the floor area – to consider the adjustment of the floor area of the public rental flats to be more competitive on the market mainly from the future perspective.

5. Conclusions

Finland as the country with the balanced housing stock provides many good and best practices that could be inspirational for Slovakia. The understanding of the housing as the social service, the steady set up of the government throughout the decades to provide affordable housing, the support of the construction with its multiplier effect could help to see new horizons in Slovakia. Slovakia should ensure the stable political situation, the intention to support the affordable housing construction from the legal and financial point of view. There are many governmental activities beyond the affordable housing success in Finland. The state programmes in the form of various subsidies, grants aimed to the solving of housing of inhabitants. The political will to maintain the

affordable housing regardless which political parties are in the government. The cooperation among municipalities and the state. The common passion for the well being of the inhabitants realizing that they have the ability through their productivity to influence the economy of the state.

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