



ICLEI's response to the Call for Evidence: Affordable Housing Plan

Executive summary

Europe is facing a worsening housing crisis, especially in urban areas, where affordability has sharply declined due to rising living costs, high interest rates, inflation, and a constrained housing supply. These pressures are disproportionately affecting vulnerable populations and exacerbating social inequality. Simultaneously, the urgent need to renovate energy-inefficient buildings for climate targets is challenged by a shortage of skilled labor and insufficient technical capacity.

At the same time, systemic inefficiencies persist. Across Europe, 30 million homes remain vacant, highlighting deep housing distribution and management imbalances. The growing presence of short-term rentals and underutilized second homes further compounds the scarcity of long-term housing, contributing to rising rents and displacement. Without corrective measures, these dynamics risk further entrenching social inequalities and undermining efforts toward climate resilience.

ICLEI Europe welcomes the European Commission's affordable housing plan initiative and acknowledgement that addressing housing needs cannot come at the expense of environmental and social goals. Considering that around 90% of today's buildings will still exist in 2050, **European policies and investments in this field should focus on high-quality, sustainable, and energy-efficient housing that is affordable and supports inclusive, healthy communities.**

Through the Affordable Housing Plan, among others, local governments and their partners such as housing corporations, should be given the necessary technical assistance, capacity, tools and financial support for the renovation and adaptive reuse of existing buildings over greenfield development and embedding circular economy principles into urban planning. To unlock this potential, cities need tools to map underused buildings, updated planning frameworks, and workforce training to bridge the gap between heritage conservation and energy standards, as well as to overcome skills shortages. Revitalizing depopulated regions through improved housing, connectivity, and local economies is also essential. In fact, affordable, high-quality and sustainable housing, as well as adequate access to services and infrastructure, are not only an essential part of quality of life, but also a prerequisite to ensure the attractiveness of a place, support the competitiveness of the sector and the EU's cohesion and strategic autonomy objectives.

A key obstacle to progress is fragmented governance. Policy misalignment across municipal, national, and EU levels, especially between housing, land policy, energy, and environmental strategies, creates inefficiencies and limits impact. Moreover, current regulatory and administrative procedures are often slow and complex, hindering renovation, construction, and access to funding. Streamlined permitting, simplified funding applications, and well-designed rent control measures can help improve housing supply, quality, and affordability. Financing



remains a major challenge. Local governments need access to low-interest financing instruments and intermediary support to navigate funding systems and implement projects effectively. Simultaneously, a review of the State Aid Framework is required to allow for the construction of affordable housing for middle-income families. This would help local governments and their partners such as housing corporations to better facilitate citizens' access to affordable housing, especially for those who are not eligible for social housing. Social inclusion must be at the core of all housing policies. Without adequate tenant protections, renovation, urban development and even climate adaptation efforts risk displacing low-income residents and accelerating gentrification. Housing strategies should prioritize tenant rights, targeted subsidies, and inclusive planning processes. The principles of the New European Bauhaus, sustainability, inclusion, and beauty should guide these efforts.

The housing crisis is a multifaceted challenge that demands a coherent and forward-looking EU response. ICLEI Europe calls for a comprehensive strategy that links affordability, sustainability, quality and social inclusion. Empowering local governments with the right tools, funding, and governance frameworks is essential to delivering resilient, inclusive, and climate-ready housing systems. A coordinated, multi-level governance framework is urgently needed to align regulation at the national, regional and local level. It would also be key to ensure the efficient streamlining of funding resources to the local level, including through an updated State Aid framework, and to set up training and re-skilling programmes that can provide the local level with the adequate knowledge, tools and skills for renovation and reuse. With strong leadership and coordinated action, Europe can create a future where housing is a right, not a privilege, and where it serves people, planet, and prosperity together.

Context and Overview

Europe is facing a worsening housing crisis, particularly in urban areas, driven by rising living costs, inflation, high mortgage rates, construction costs, and supply chain disruptions. Affordability has sharply declined across European cities, with more households struggling to access adequate, quality, and stable housing. On the other hand, the urgent need to renovate energy-inefficient buildings for climate goals is currently clashing with affordability, especially for vulnerable groups, and with a shortage of skilled labor and technical capacity to carry out the necessary large-scale renovations and retrofitting of existing buildings. Where several parts of Europe face shortages in the available housing stock due to a stagnating construction in the private sector, other parts of Europe face, according to Habitat for Humanity, 30 million unoccupied homes across Europe, revealing inefficiencies in housing distribution and management ([Habitat for Humanity Manifesto for priorities of the EU, 2024](#)).

Despite these challenges, innovative models like Community Land Trusts and Cooperative Housing are emerging. Cities like Lisbon have begun piloting such models, offering critical insights into how local governments can respond creatively to housing pressures. For instance, the city has established a subsidy for families paying more than 30% of their income into housing ([Camara Municipal de Lisboa, 2023](#)).

While these individual solutions offer a patchwork of responses, what the EU truly needs is a coherent, integrated and consistent European strategy.



ICLEI's vision for Affordable, Sustainable and Quality Housing in Europe

The European Commission acknowledges that, while affordable housing is a major social priority, it must not come at the expense of sustainability. Short-term, low-cost solutions often lead to long-term social, environmental, and economic harm. Instead, investment should focus on high-quality, energy-efficient, and sustainable housing that supports inclusive and healthy communities.

Local governments are central to solving the housing crisis and must be given the necessary political and legislative power to lead sustainable urban development. This includes enabling local governments to shift from greenfield construction to the renovation and reuse of existing urban spaces, and apply circular economy principles to reduce waste and resource use. For instance, the transition to a more sustainable, competitive and circular construction sector requires transformative changes in material use and operations, with innovative models that are able to trigger sustainable behaviours and purchasing preferences. In addition, developing new governance and business models and coupling them with innovative funding mechanisms is crucial to encourage the uptake of new practices and approaches. Such policies developed at the local level will not only help cities to reduce their material footprint and emissions, but create new and clean jobs, ensure cost-effectiveness and efficiency. It will also align local practices with the EU's policy priorities and values by enhancing the long-term sustainability and competitiveness of the construction and buildings sector. Against this backdrop, the political and financial empowerment of the local level is not only crucial but also key to the emergence and strengthening of a third housing sector that can provide long-term, stable, sustainable, high-quality, and affordable solutions.

Furthermore, the expansion of short-term rental platforms and the high number of underutilised second homes contribute significantly to housing shortages and escalating rents. Municipalities must be empowered with enhanced regulatory authority to effectively manage these dynamics, prioritising long-term housing stability and affordability for residents over speculative market activities. Housing policy should also promote social inclusion by supporting mixed-income neighborhoods and ensuring access to essential services. To this purpose, Europe's housing strategy must extend beyond urban centers to revitalising depopulated regions by investing in infrastructure, connectivity, and economic opportunities.

Finally, addressing the crisis requires innovative financing, such as community-led funding models, green bonds, and as well as the EU structural funds to align these efforts with cohesion, affordability and sustainability goals. Long-term investment strategies will reduce future public costs associated with energy poverty, poor health, and social exclusion. To ensure that these investments are also supporting low- and middle-income families, the necessary alignments in the state aid framework are needed.

Recommendations to Address Governance Gaps and the Need for Integration

One of the most pressing issues is the fragmented governance landscape. There is a clear lack of coordination between municipal, national, and EU-level authorities, particularly in aligning policies that impact housing, such as those related to energy, EU funds, tourism, and



the environment. This siloed approach results in inefficiencies and missed opportunities for integrated and effective solutions.

To address these challenges, the Affordable Housing Plan should:

1. Promote a truly multi-level governance framework that ensures collaboration across institutional boundaries in the sectoral legislation, such as through strengthening the Article 11 of the Governance Regulation and through the next EU budget.
2. Enhance policy coherence and coordination between local, national and EU bodies in order to optimise the financing through Structural Funds, the Recovery and Resilience Facility and the European Investment Bank to support affordable and sustainable housing.
3. Enable a strong multilevel governance approach that focuses on delivering results on the ground and providing feedback about implementation challenges to the necessary levels of governments could enable more coherent and agile responses to the multifaceted challenges facing urban housing systems.
4. Improve stakeholder engagement and democratic accountability by encouraging citizens participation, collaboration with NGOs, housing cooperatives and private developers.

Good Practice

Finland, Housing First Principle

Finland is one of the few EU countries where homelessness is on the declining trend. The key strategy in addressing this issue is the implementation of the Housing First principle, which provides housing for individuals in need either in distributed apartments or housing units without preconditions such as sobriety or treatment compliance. The Housing First model is based on the idea that having a home provides the best foundation for getting your life back on track by promoting health and well-being, social support networks, integration into the community and improving habits such as sleep, hygiene, nutrition, and daily routines. It also reduces reliance for housing needs on friends who may be substance users, thereby reducing exposure to peer pressure. Housing is combined with supportive services which are central to the success of the model. The Housing First model is implemented by the national government, wellbeing services counties, municipalities, organizations, or companies and is funded by the Centre for State-Subsidised Housing Construction.

A concrete example of successful implementation is the Niittykoti Housing First unit in Turku, which accommodates up to 40 formerly homeless individuals. In 2021, the unit reported encouraging outcomes: 46% of move-outs were considered positive, with clients transitioning to independent scattered housing or substance-free accommodation, while 36% were classified as neutral, often involving voluntary entry into rehabilitation programmes. The project also offered important lessons for future Housing First developments. Notably, careful



neighbourhood selection can support successful integration, while the design of the built environment plays a key role in ensuring safety and functionality.

Recommendations to Address Regulatory Barriers and Opportunities for Reform

Current regulatory environments are often characterized by slow, complex, and poorly coordinated procedures, especially for permitting renovations, new constructions, or accessing housing-related funds. These bureaucratic hurdles significantly delay the delivery of much-needed housing solutions that can be both sustainable, high-quality, and affordable.

To address this challenge, the Affordable Housing Plan should include:

1. The simplification and acceleration of permitting processes.
2. The integration of thorough rent-control mechanisms to mitigate the pressure coming from tourism and speculative real estate activities on local housing markets.
3. Regulations aligned with the “no net land take” objective, reducing and limiting urban sprawl and selling public land to speculative housing.
4. Include green and socially responsible public procurement clauses in public and social housing tenders.

Good Practice

Vienna (Austria), Rent Control Framework

Austria introduced rent control during World War I to protect tenants from sharp rent increases. In Vienna, these rules now apply mainly to older buildings with more than three apartments built before 1945. These are regulated under a reference rent system (*Richtwertmietzins*), which sets a maximum rent per square meter, adjusted each year for inflation. This means most pre-WWII multi-unit buildings are rent-controlled.

In addition, tenant protections, like rules on ending rental contracts, apply to all private rentals. As of 2023, about 40% of Vienna’s housing was social housing, including municipally owned flats and units owned by limited-profit associations. Tenants in Vienna also benefit from secure, long-term, or indefinite leases.

Good Practice

Chamonix (France), Rent and Land Control

The Municipality of Chamonix, France, is implementing a comprehensive strategy focusing on land and rent regulation with the twofold goal of creating 1000 additional housing units in



the next 10 years and balancing the share of secondary residences, currently representing 70% of the housing stock. In addition to that, leveraging the powers given to local municipalities through the Le Meur Law, the city will no longer authorize any new construction of secondary residences by establishing permanent housing easements. Furthermore, as of the 1st of May 2025, new regulations on change of use convert properties used for short-term rentals, like Airbnbs, into permanent housing.

As the good practices above shows, municipalities when given stronger regulatory authority to effectively manage these dynamics, ensuring that long-term housing stability and affordability for residents take precedence over speculative market activity.

Recommendations to Address Financing: Closing the Investment Gap

A major constraint for local governments is the chronic underinvestment in affordable housing, both from public and private sources. In this regard, it is a welcome step that the Cohesion Policy mid-term review identifies affordable housing as a new key priority. However, it is clear that the Cohesion Policy will not be enough to support these efforts.

To address these gaps the Affordable Housing Plan should include:

1. The design of more accessible, low-interest and flexible financing instruments tailored to local governments' needs.
2. The update of regulations to support the development of innovative structural solutions that can accommodate a higher share of private investments.
3. The establishment of technical support mechanisms and optimisation of financial intermediary offers (such as JASPERS) for local governments to assist municipalities in navigating funding mechanisms and implementing projects effectively.
4. In line with the new EIB housing financial tool, de-risk investment for social housing developers and municipalities by fostering the bundling of housing projects, and strategically involve intermediaries that can bridge funding sources and local developers.
5. The update of the State-Aid framework to allow the development of affordable housing for middle-income households.
6. Finally, public procurement must be strategically aligned with sustainability and affordability goals to foster long-term and inclusive development.

Recommendations to Address Social Equity and Inclusion

Urban renovation and development efforts, while essential, risk exacerbating social inequalities if not managed inclusively. Housing costs have outpaced income growth in many cities, leading to the displacement of lower-income residents and rising homelessness.



Renovation and greening projects, if not designed with social equity in mind, often accelerate gentrification.

To counteract these effects, the Affordable Housing Plan should:

1. Provide local governments with incentives, dedicated funding streams, data infrastructure, tools, knowledge, and capacities to map climate and social vulnerabilities that can help local governments design policies that proactively address the risks of exclusion and displacement.
2. Integrate the Housing First principle, recognizing housing as a basic human right.
3. Prioritize the protection of vulnerable groups through targeted subsidies, tenant protections, and inclusive planning frameworks.
4. Integrate the New European Bauhaus (NEB) principles, emphasising beauty, sustainability, and inclusion to guide urban redevelopment efforts.
5. Promote mixed-use and mixed-income neighbourhoods to reduce segregation.

Good Practice

Freiburg (Germany), Housing for the Common Good

In Freiburg's Stühlinger district, the new Kleineschholz neighbourhood is being developed with a focus on the common good, featuring around 500 new apartments, two childcare centers, neighborhood-oriented businesses, and facilities for social, cultural, and inclusive use. The project emphasizes climate and environmental sustainability, thoughtful urban and architectural design, and strong principles of inclusion and participation, setting a new standard for affordable and social housing. Kleineschholz is being developed in strong collaboration with stakeholders who are committed to the common good, focusing on future tenants and maintaining the existing buildings. The neighbourhood is intended to be an affordable home for all.

In December 2023, the municipal council adopted an innovative, socially focused plot allocation strategy. In two rounds of applications, the plots were awarded between March 2024 and June 2025 through an open "competition of ideas". Rather than applying a rigid points system, the proposals were evaluated through a comparative and holistic review based on three criteria: the quality of the concept, its social and urban relevance, and feasibility. A fixed land price ensured fairness, and ultimately, 13 projects were selected.

Among the key features of the selected projects were not only the diversity of the stakeholders, but also the wide range of concepts for an innovative, social, ecological and attractive urban design model district: such as buildings in sustainable timber construction, inclusion projects and apartments for social organizations aimed at supporting individuals facing particular challenges, such as homelessness or refugee status, multi-generational housing, trainee and employee housing, co-working spaces as well as, among others,



communal and commercial spaces. The apartments in the district are due to be completed by the end of 2028.

Good Practice

Forest (Belgium), Care and Living in Community

CALICO (Care and Living in Community) is an innovative co-housing project in Forest, Brussels, comprising 34 affordable homes developed under the Community Land Trust model. Launched in 2018 with support from the EU's Urban Innovative Actions programme, CALICO brings together diverse residents—including low-income families, single women, older adults, and migrants—across three partner-led housing clusters: CLTB, Angela.D, and Pass-ages. The project integrates shared care services, such as a birthing and end-of-life facility, and fosters intergenerational solidarity and gender equity. By removing land from the speculative market and embedding care into everyday living, CALICO offers a replicable model for community-led, inclusive urban housing. The project demonstrates the power of community land trusts in delivering permanent housing affordability, community ownership, community care and intergenerational living in high quality affordable homes with passive house energy efficiency standards.

Recommendations to Address the Unexplored Potential of the Existing Built Environment

Europe's building stock presents both a significant challenge and a transformative opportunity. Most existing structures are energy inefficient, and many remain underutilised or vacant. Retrofitting and repurposing this building stock is crucial to addressing housing shortages while advancing EU climate and sustainability objectives.

To achieve this, the Affordable Housing Plan should:

1. Provide financial support, skills and tools for a systematic mapping and assessment of the existing built environment's status and potential.
2. Develop a toolbox and best practices on systematic planning and tools needed to turn vacant buildings into affordable housing, with clear rules, documents, and legal structures to make the process efficient and replicable.
3. Adapt legal, procurement and financial frameworks to facilitate renovation, reuse and circular development principles.
4. Develop and provide workforce training, bridging the gap between heritage preservation and modern energy standards, ensuring that renovations maintain cultural value while contributing to environmental targets.



Good Practice

Vitoria- Gasteiz (Spain), Integrated Housing Rehabilitation

The Vitoria-Gasteiz City Council has launched a pilot initiative aimed at rehabilitating the aging housing stock in the Zaramaza neighborhood, with the goal of extending the approach to other neighborhoods in need. This effort responds to a critical regional challenge: the Basque Country has one of the oldest housing stocks in Europe, making comprehensive rehabilitation a priority. The project focuses on social inclusion and equality, while aligning with the city's sustainability and climate resilience goals.

With financial support from the Basque Government, the project exemplifies effective inter-institutional collaboration. It integrates climate change mitigation and adaptation by improving the energy efficiency of nearly 400 homes, many of which are occupied by vulnerable populations. A key innovation lies in its approach to social inclusion through improved housing accessibility. During extreme heat events, residents in poorly accessible homes often face isolation, which can exacerbate mental health issues and limit access to cooling shelters and essential support services.

This pilot serves as a replicable model for other municipalities seeking to combine housing rehabilitation with social equity and climate resilience, as well as a good example for stronger multilevel governance.

Good Practice

Usquare Brussels (Belgium) - Transforming barracks into a sustainable hub

Usquare is an ambitious project converting the former Gendarmerie barracks in Ixelles into a vibrant, inclusive, and sustainable urban district. At its heart lies a strong commitment to circular construction and low-impact design. Existing buildings are restored wherever feasible, while materials coming from the dismantling of several neighbouring buildings — such as bricks, glazing, and structural elements — are carefully recovered for reuse or high-quality recycling, taking advantage of BIM models and temporary on-site storage. When new materials are required, the project favors bio-based, low-emission options like clay plaster and hempcrete, significantly reducing the environmental footprint. Importantly, all new constructions are designed for adaptability, ensuring that the spaces can evolve over time to meet changing needs and uses, which extends the lifespan of the buildings and minimizes future resource consumption. Usquare also addresses affordable housing needs, delivering 120 publicly owned family units (from social rental to affordable purchase) and 460 student and researcher accommodations. Set within a green, mixed-use space that includes cultural venues and local amenities, Usquare is a pioneering model of circular, affordable, and future-proof urban redevelopment in Brussels.



Conclusion: A Call for a Coherent EU Strategy

The urgency of the housing crisis demands a bold, integrated response at the EU level. ICLEI calls on the European Commission to ensure that the forthcoming Affordable Housing Strategy goes beyond affordability. The strategy must holistically address the interlinked goals of sustainability, energy efficiency, circularity, health, and equity.

Supporting local governments in this endeavour means empowering them with the tools, funding, regulatory clarity, and institutional partnerships needed to deliver on these complex objectives. With well-aligned EU policy and local innovation, Europe can build future-proof homes that are not only affordable but also sustainable, resilient, inclusive, and climate-adaptive.

Finally, addressing the crisis requires ambitious financing structures that enable blending and innovative models such as community-led funding models, green bonds, and earmarked EU structural funds, aligned with cohesion, affordability and sustainability goals. Long-term investment strategies will reduce future public costs associated with energy poverty, poor health, and social exclusion.