



## Housing financial instrument examples

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# Housing financial instrument examples

## Portugal

### **Content**

The IFRRU2020 experience

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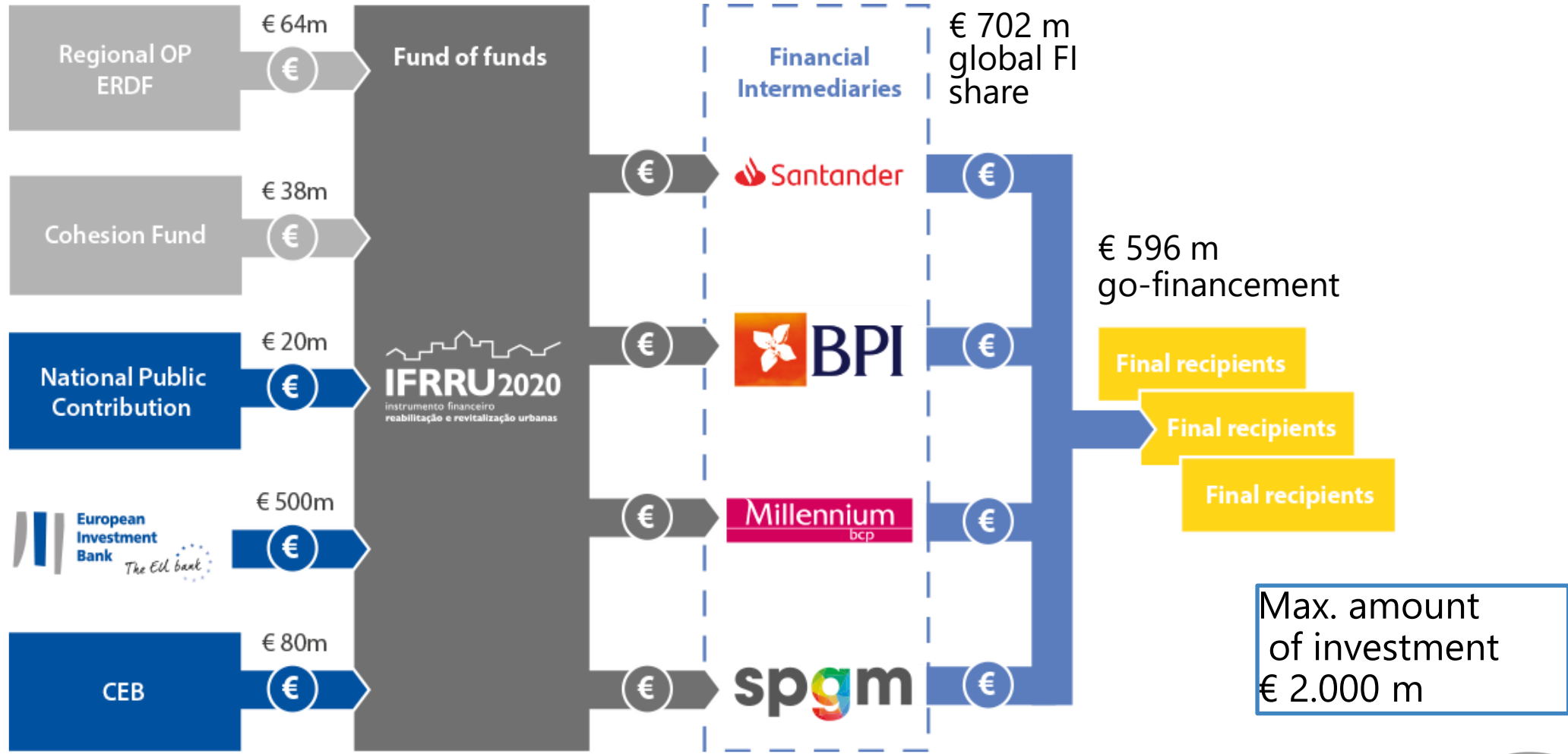
Challenges and key features





# The IFRRU 2020 experience

## How it works





# The IFRRU 2020 experience

## Example

### Reconversion of an abandoned wool industry building in Covilhã\*

- Promotor: SPV
- Completion: 2021
- Use: student residency
- Nr of units: 54 (260 beds)
- Investment:
  - Total investment: € 5.6 m
  - IFRRU2020 100% loan: €5m
- Conditions:
  - Public part: € 2.5, 20yrs, grace period 11 yrs
  - Bank part: € 2.5, 11yrs, grace period 2 yrs



Before:  
An abandoned factory...



After:  
A student residency with 200 units.



\* University city in the Centre Region of Portugal





# The IFRRU 2020 experience

## Execution



# 474

contratos de  
financiamento

# 1.500 M€

investimento  
contratado

# 818

candidaturas

# 2.209 M€

investimento  
potencial





# The IFRRU 2020 experience

## Lessons learnt

	Successful	Challenging
<b>Management model</b>	<ul style="list-style-type: none"> <li>• Coordination and professional management</li> <li>• Cofinanced operating costs</li> <li>• <b>Bank selection tender</b></li> </ul>	<ul style="list-style-type: none"> <li>• Demanding procedures to start operation</li> <li>• Complex operating cofinancing model</li> <li>• <b>Procurement rules</b></li> </ul>
<b>Constitution</b>	<ul style="list-style-type: none"> <li>• Dimension to attract private financing</li> <li>• Nation-wide coverage</li> <li>• Profitability and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation of public funds</li> <li>• Lack of adaptation to regional specificities</li> <li>• PT2020 structure didn't always match the needs</li> <li>• <b>Less attractive without granting</b></li> <li>• <b>No combining of loans and guarantees</b></li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Clear definition of eligible areas</li> <li>• <b>No building use restrictions</b></li> <li>• Combining renovation and energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Restriction to certain areas</b> / overlap of municipal instruments</li> <li>• <b>Difficulty to use by commonholds</b></li> <li>• Excessive costs to housing compared to other purposes</li> <li>• Rigid execution deadlines</li> </ul>



# Towards a new financing model

## Financing needs

1

### Social housing

**Construction and renovation**  
**Acquisition of assets to development**  
by public or non-profit entities

2

### Affordable housing

**Construction and renovation**  
**BTR and BTS**  
**Acquisition of assets to development**  
By public, non-profit and private entities

3

### Energy efficiency / seismic resilience

**Building renovation**  
by public, non-profit or private entities,  
by commonholds and Individuals

4

### Urban renovation

**Urban regeneration / brown fields**  
**Risk mitigation / climate change**  
**Land acquisition / compensations**  
by public or private entities







# Towards a new financing model

## Affordable housing

### **A comprehensive approach**

*To ensure the access to adequate housing under a limited effort rate to citizens whose income would imply housing costs overburden in the housing market*



# Towards a new financing model

## Public and private affordable housing

### • PUBLIC AFFORDABLE HOUSING

- Requires only viability
- Incentives to lower costs
- Allows lower prices

Middle-low income band

### • PRIVATE AFFORDABLE HOUSING

- Requires profitability
- Incentives to meet affordability
- Harder to achieve lower prices

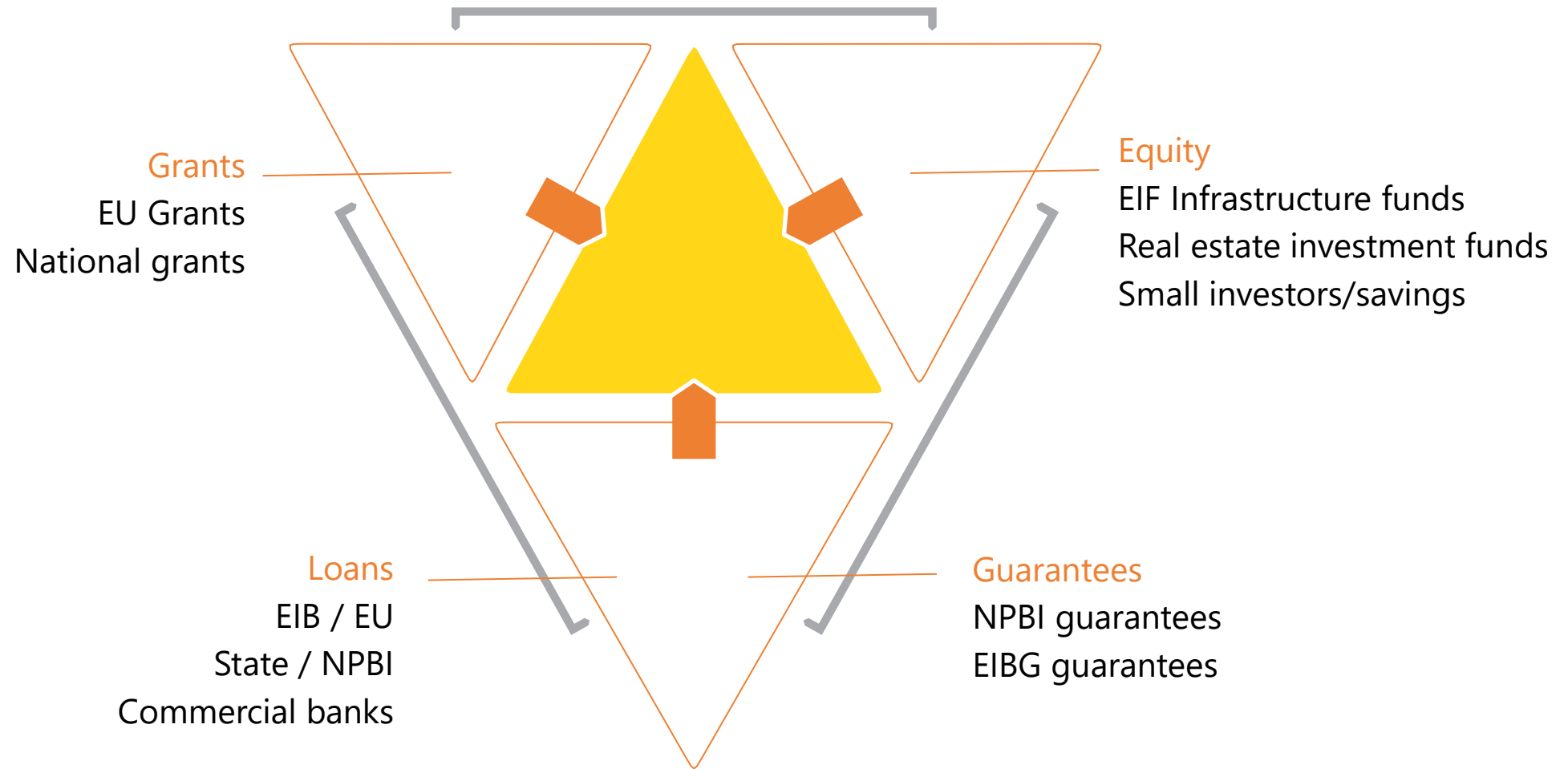
Middle-high income band

- tax benefits
- grants
- land allowances/PPP
- public guarantees
- favorable loans
- building incentives
- rent allowances



# Towards a new financing model

Combining tools, leveraging effects





# Towards a new financing model

IFRRU 2030 possibilities

## Eligibilities

- **Building renovation**
  - Public or private entities - IFRRU2020C
  - Cooperatives, commonholds - *new*
  - Energy efficiency - IFRRU2020
  - Anywhere in the territory – *new*
  - Seismic resilience - *new*
- **Affordable housing - new**
  - Public, non-profit or private
  - Affordable rental
  - Controlled cost housing

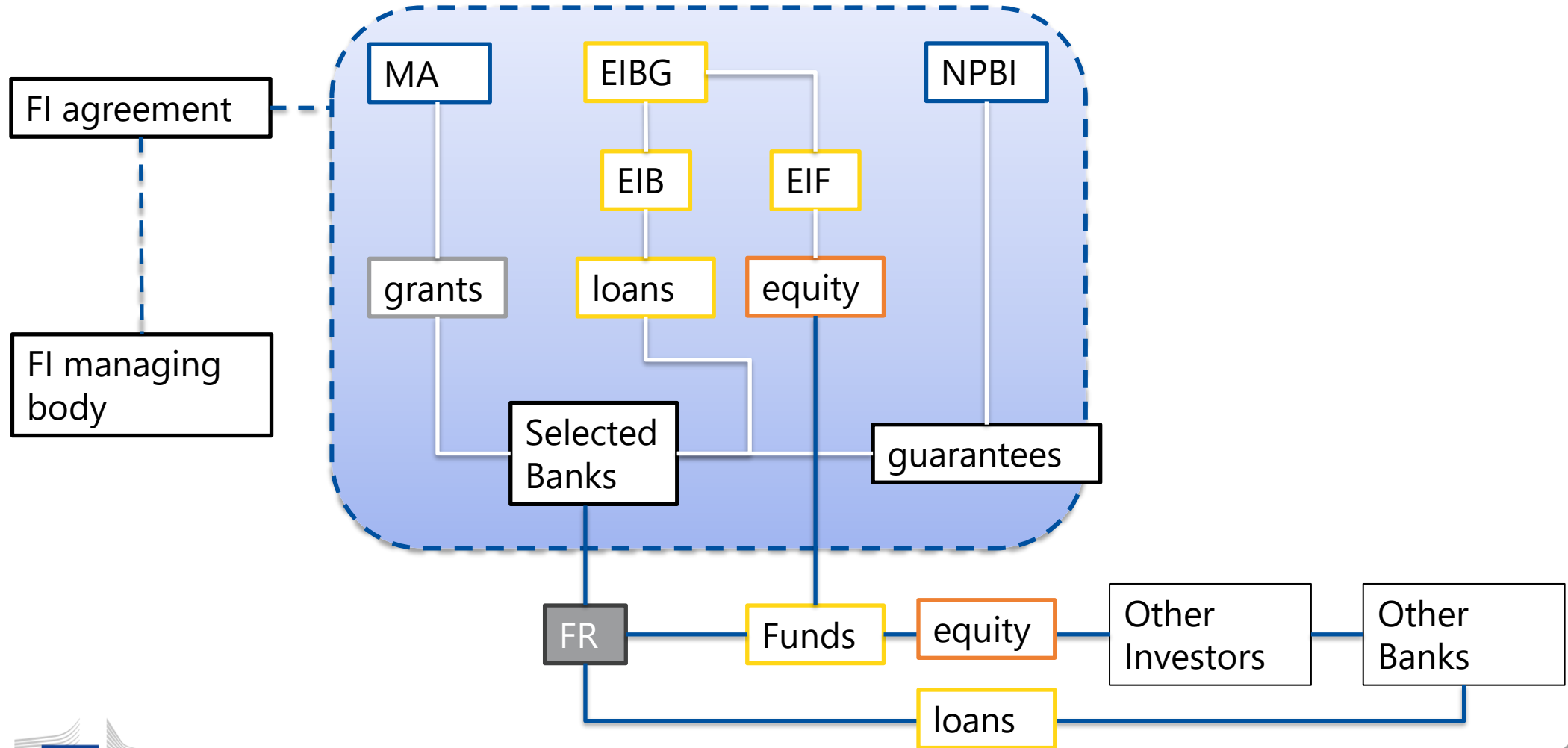
## Operation model

- **Partner banks**
  - Selected by tender - IFRRU2020
- **Funding**
  - EIB Loans to banking partners - *new*
  - Centralized bank accounts to funds and loan reimbursements - IFRRU2020
- **Managing agency**
  - Manage the centralized bank account - IFRRU2020
  - Inform EU and EIB of tranche payment conditions - *new*
  - Contact with local authorities - IFRRU2020
  - Monitor partner bank loan agreements - IFRRU2020



# Towards a new financing model

A possible Financial Instrument framework





# Challenges

## and key features to a housing financing model

### Deficit and debt hamper public housing financing and supply

- Public housing supply must be complemented by non-profit and private affordable housing supply
- Whenever possible loans should be directly taken by partner banks

### Land and construction costs are a structural impediment to market affordable housing supply

- Private investment requires some degree of public incentives to allow private investment (State aid rules must regard this reality)

### Financing must be adequate to the operation

- V.g., long maturities to rental developments, draws in advance to prefabricated construction
- All relevant cost should be included (e.g., asset acquisition, project, promoting) even if not financed

### Long term affordable housing operations may not be attractive to private investors

- Need of a clear affordable housing framework ensuring conditions and predictable cash flows
- Need of a (agile) risk mitigation framework (assessment, risk sharing, etc.)





**Thank you!**

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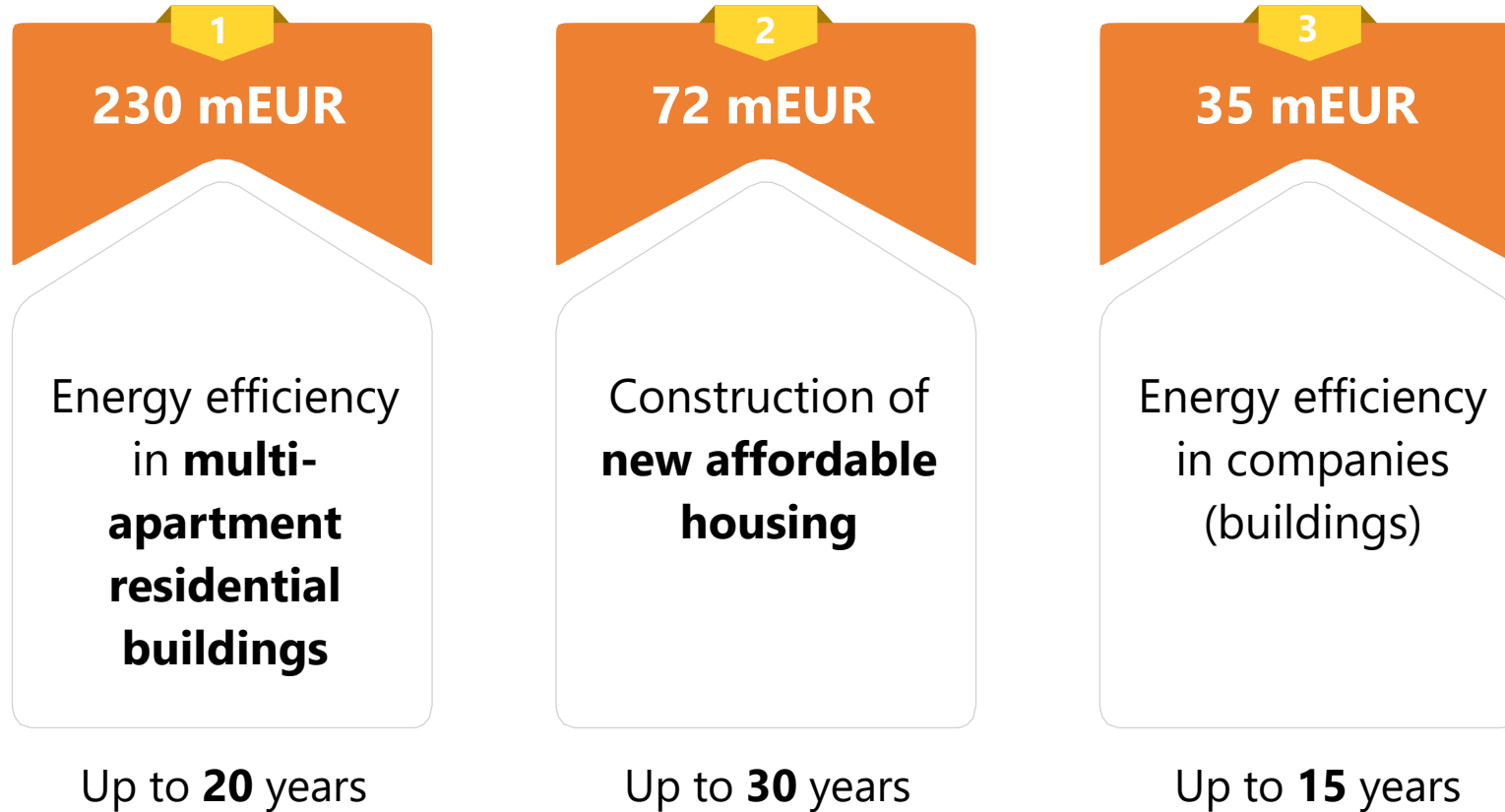
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# COMBINED FINANCIAL INSTRUMENTS FUNDED BY EU FUNDS

**DIRECT LOAN WITH CAPITAL REBATE / LOAN GUARANTY WITH CAPITAL REBATE**



**RRF  
and  
ERDF  
funds  
since  
2020**





# NEW PROCESSES UNDER COMBINED FINANCIAL INSTRUMENTS

## DESIGNING THE MEASURE

- **Integration of technical assistance**
- **Reservation of capital rebate**
- **Activation of capital rebate (process)**
- **VAT**

## IMPLEMENTATION OF THE MEASURE

- **Amendments in bank agreements**
- **Capital rebate contract (for guaranty)**
- **Flexibility (partial activation)**
- **Risk taking**
- **Reporting**



# EXAMPLES OF CAPITAL REBATE'S MODELS

Primary energy savings  
min. 30%

- Prefabricated timber-frame panels or block of buildings
- Ventilated facade
- Other types

50%

45%

40%

Primary energy savings  
min. 0.5 MWh/y  
for every 1000 EUR  
of capital rebate

- Construction works
- Infrastructure investments

30%

45%



**Thank you!**



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## Housing financial instrument examples

**Yannick Kirchhof**, Advisor for European Affairs, Groupe Caisse des Dépôts, France

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# fi-compass: a model financial instrument for housing

## A few words on the French model

30 January 2025



**Caisse  
des Dépôts**  
GROUPE

Yannick Kirchhof  
Department of European Affairs

# Housing in France: some figures

## A structural gap:

- 170,00-200,000 housing units needed to meet demand until 2040

## Social and affordable housing acting as a buffer:

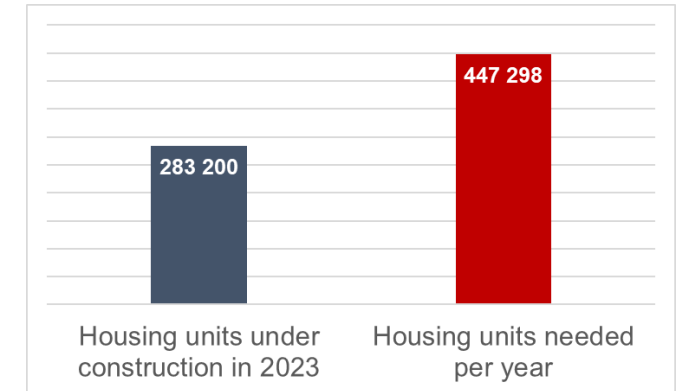
- Large stock of 5.4 million units (in 2024)
- Accounts for 17% of the overall housing stock in France and 25% of new constructions
- Provided by 559 social housing organisations (in 2023)

## The role of CDC in financing a relatively resilient system:

- 70 % of loans provided by CDC's Banque des Territoires
- 87,000 new social housing units under construction in 2024 (EUR 15 bn in loans),
- thermal renovation of 39,000 existing social housing units (EUR 2.9 billion in loans).

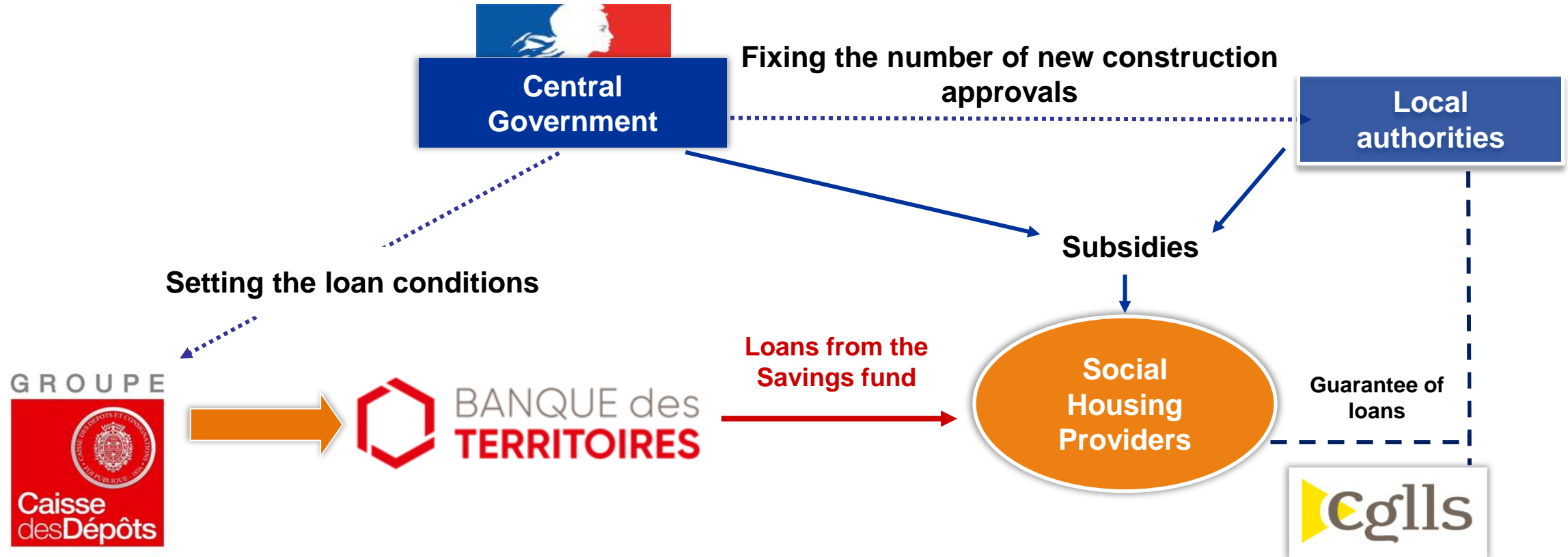
## ...and beyond:

- Public interest housing in the broadest sense: social, affordable, emergency, shelter housing, energy efficiency ...
- Diversified range of products: long-term loans but also pre-financing, quasi-equity, intermediated loans on EIB resource, technical assistance
- CDC Group active across the whole value chain: via its subsidiary CDC Habitat as an operator, via its Banque des Territoires as investor in innovative building schemes, ...



Source: Fédération des promoteurs immobiliers, study carried out with ESCP in 2023.

# Central role of CDC in financing social housing in France

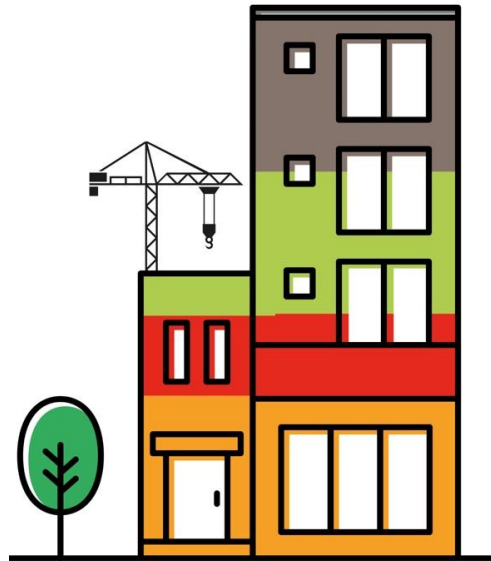


**Financing resources**

- LIVRET A
- LIVRET DE DÉVELOPPEMENT DURABLE ET SOLIDAIRE
- LIVRET D'ÉPARGNE POPULAIRE
- ÉPARGNE POPULAIRE
- Caisse des Dépôts GROUPE
- CEB COUNCIL OF EUROPEAN DEVELOPMENT BANK
- Banque européenne d'investissement



## Example of financing a thermal renovation including EU funding



**Cost per dwelling : 57 000 €**

Estimated figures of renovation projects in 2023 (data from Perspectives 2024, Caisse des Dépôts)

Amount of CDC loans : 35 000 € (61 %)

[Of which « Eco-prêt »: 15 000 €]

Other loans : 5 000 € (9 %)

✓ Eligible for EIB resources intermediated by CDC (“European Alliance”)

✓ Or other loans by commercial banks

Own funds: 9 000 € (16 %)

Grants: 8 000 € (14 %)

✓ Falls within the scope of ERDF eligibility





## Some general remarks

- The housing crisis is European, but solutions must be implemented at national and regional levels.
- Social and affordable housing, being social infrastructure, requires public support, and long-term investors have a key role to play.
- NPBIs, when active in the sector, can act as catalysts for national (local) and European instruments and programs.
- Beyond formal schemes, technical exchanges between grant makers and lenders are necessary - to ensure a simple pathway for beneficiaries.
- Introduction of a blending facility to the grant component to increase leverage of funding.



**Thank you!**

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