

# Financing Affordable Housing in the Green Transition

The workshop, a collaborative effort between BLOXHUB and the Institute for Human Rights and Business (IHRB), convened experts, advocates, and stakeholders to dissect the intricate interplay between finance, housing, and the imperative green transition. This convergence of imperatives is both a requisite and an unprecedented opportunity. Yet, it is also a challenge, chiefly due to the mounting trend of treating housing as a financial asset rather than a fundamental social good.

The workshop delved into the intricate intersection of finance, housing, and green transition, focusing on aligning environmental aspirations with social commitments to ensure universal access to sustainable housing. The central theme emphasized housing as a fundamental human right. It explored the challenges and opportunities arising from environmental upgrades in building infrastructure, such as potential displacement and the financialization of the sustainable housing market.

The talks covered various topics, including managing the green transition in the housing sector, the need for audacity, collaboration, and comprehensive investment plans, and addressing critical challenges such as ownership concerns and implementing retrofitting initiatives. Innovations in sustainable building and development were also discussed, highlighting the importance of efficiency in construction, proposing new business models, and advocating for regulation reform. A deep dive into the financialization of housing explored its interconnection with the climate crisis and scrutinized the prevailing housing system and governance structures. The workshop also addressed the revival of member-driven housing models, emphasizing their role in community-building, fostering individual happiness, social cohesion, and environmental and social sustainability.

## INTRODUCTION

### EXPLORING THE CORE THEME: FINANCE, HOUSING, AND GREEN TRANSITION

*Andreia Fidalgo*, Europe Programme Manager, Built Environment at IHRB, introduced the central theme, emphasizing the critical intersection of finance, housing, and green transition. Recognizing housing as a fundamental human right is not just an indispensable step toward achieving social inclusion but also a global call to action. Fidalgo highlighted the potential challenges, noting that while environmental upgrades in building infrastructure are indispensable for a sustainable future, they might inadvertently drive up housing costs, leading to displacement, exclusion, and the financialization of the sustainable housing market. In navigating these challenges, prioritizing social values becomes crucial. She emphasized that businesses could cultivate environments where they prosper, ecological sustainability is championed, and every individual, irrespective of their background, has access to safe, affordable, and sustainable housing, urging businesses globally to commit deeply to the 'S' in ESG, making social equity the bedrock of their operations.

Through financial mechanisms and dedication to social equity, green buildings become more than just eco-friendly structures; they are places everyone has the right to call 'home'. This alignment of environmental aspirations with social commitments is the essence of genuine progress, ensuring that as our buildings turn green, the right to call them 'home' remains universal.

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INSPIRATIONAL  
TALKS



### **MISSION POSSIBLE! MANAGING THE JUST GREEN TRANSITION IN THE HOUSING SECTOR**

*Maria Vassilakou*, CEO of Vassilakou Urban Consulting and Former Deputy Mayor of Vienna, probed deeply into the profound challenges and opportunities inherent in managing the green transition within the housing sector. Vassilakou invoked the analogy of putting a man on the moon, asserting that achieving climate neutrality demands comparable audacity and collaboration. She emphasized the need to actively engage citizens and stakeholders and develop a comprehensive investment plan encompassing building infrastructure and energy utilization. In a striking revelation, she disclosed that an estimated €10,000 per citizen is required to effectuate this transition. Vassilakou also delineated three critical challenges:

- Addressing typology and ownership concerns of owner-occupied units
- Scaling up from pilot projects
- Implementing retrofitting initiatives.

She proposed approaches, including community involvement through crowdfunding, and urged a holistic transformation in governance and construction practices.

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### **INNOVATIONS IN SUSTAINABLE BUILDING AND DEVELOPMENT**

*Rasmus Juul-Nyholm*, Co-founder of Home.Earth, shared his visionary venture, a developing company barely two years old - the mission of Home.Earth is to become an evergreen real estate firm specializing in sustainable residential development in the greater Copenhagen region. Juul-Nyholm passionately articulated the dire need for innovation within the construction industry, asserting that innovation and efficiency have revolutionized various domains but still need to be addressed in construction. He dissected the three core assessments – construction, development, and operation – and proposed a business model designed for maximum impact. The key departure from traditional models is their ownership of the entire value chain. He underscored their commitment to a triple-bottom-line approach, meticulously measuring planetary and social impact. Cash flow is sustained through rental income, offering a stable and predictable revenue stream. Juul-Nyholm expressed unwavering confidence in the feasibility of their mission, insisting that a roadmap exists, contingent on choices regarding material use, size, and construction methods. He lauded the imperative for more compact units and emphasized the need for regulation reform, advocating for mandatory standards in new construction.

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### **A DEEP DIVE INTO THE FINANCIALIZATION OF HOUSING AND THE GREEN TRANSITION**

*Sam Freeman*, Director of Legal Research & Advocacy at The Shift, conducted an incisive analysis of the intricate systems that underpin the existing housing landscape. Freeman contended that the climate and housing crises are inexorably intertwined and questioned whether the prevailing housing system can effectively address these challenges. He critically examined the phenomenon of financialization, wherein housing becomes a marketable investment, often at the expense of habitability. Freeman called attention to instances where investors deliberately reduce habitability to expedite displacement. He spotlighted the alarming increase in carbon footprint despite substantial construction activity. Freeman pointed to governance structures that have inadvertently facilitated the entrenchment of these practices, particularly in luxury real estate markets.

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### **TOWARD A REVIVAL OF MEMBER-DRIVEN HOUSING MODELS**

Lars Lundbye, representing Almenr, delved into the critical significance of housing in fostering individual happiness and social cohesion. He averred that the proximate environment, including housing, plays a pivotal role in shaping well-being. Lundbye lamented the waning of member-driven housing models, emphasizing their vital role in community-building and mutual support. Almenr, he announced, is actively revitalizing this participatory approach, effectively functioning as a matchmaking service for families seeking to co-create sustainable villages. Lundbye underscored the value of life-oriented planning over rigid master plans and emphasized that sustainability is not just an environmental construct but a social one. He invoked Elinor Ostrom's work on joint ownership models, citing it as a source of sustainable practices developed over millennia, regrettably eroded in a mere three centuries. Lundbye championed co-ownership to inculcate a sense of shared responsibility and reciprocity within communities, ultimately fostering a more profound sense of belonging. And at the same time reducing food waste, water consumption, milage and C02 emissions considerably (between 35-60%)

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Following the insightful talks, participants engaged in group discussions, focusing on various funding models to facilitate a green transition in the housing sector. The three groups delved into the roles and challenges of public, private, and citizen funding. They explored innovative strategies, regulatory frameworks, and the importance of community engagement and collaboration. Discussions highlighted the need to challenge traditional views of housing, explore new financing models, and ensure the affordability and sustainability of housing projects.

### **GROUP 1: PUBLIC FUNDING**

This group underscores the pivotal role of zoning regulations and land pricing in the success of green transition initiatives. They assert municipalities should spearhead efforts to ensure affordability by integrating it into their regulatory framework. Additionally, they emphasize the imperative of keeping municipal land under local jurisdiction rather than resorting to sales. The group advocates for a systematic approach involving inventorying the municipality's building stock, aligning goals with climate targets, and introducing flexibility in zoning policies, such as allocating space for co-housing initiatives. They recognize the necessity to challenge prevailing financial paradigms, advocating a shift from regarding housing as a tradable commodity.

#### **SUCCESS FACTORS**

##### **Housing Policies and Building Requirements:**

- These policies drive other factors, including the construction sector and increasing property values.

##### **Regulations:**

- Zoning and land pricing regulations play a crucial role in shaping the success of the green transition. These regulations influence the availability of land for retrofit projects.

##### **Generational Responsibilities:**

- The group suggests considering financial gain and business models in the context of generational responsibilities. This involves questioning the role of profit in housing projects.

##### **New Finance Models and Regulations:**

- Implementing innovative finance models and regulations is seen as essential for achieving the goals of green transition.

#### **ROLE OF PUBLIC FUNDING**

##### **Creating Affordable Housing:**

- The emphasis is on providing affordable housing compared to the market and driving practices that support affordability.

##### **Incentivizing Practice Changes:**

- Encouraging shifts in industry practices towards more sustainable and environmentally friendly approaches.

## **CHALLENGES WITH PUBLIC FUNDING**

### **Translating to New Markets:**

- Adapting the proposed strategies and models to different local regulations and market conditions is identified as a potential challenge.

## **OPPORTUNITIES IN PUBLIC FUNDING**

### **Long-Lease of Land:**

- Decoupling land ownership from market price to make housing more accessible/affordable.

### **Forming Associations (Co-op):**

- Creating associations for managing and owning social housing can effectively ensure long-term affordability.

## **PRINCIPLES:**

### **Recognizing Housing as a Human Right:**

- Acknowledging housing as a fundamental human right is considered a cornerstone principle.

### **Regulating Global Finance Influence:**

- Implementing regulations controlling global finance's influence on local contexts is crucial.

### **Diverse Ownership Models:**

- The municipality is encouraged to incorporate various ownership models, not limited to a single approach (e.g., cooperative, long-lease, etc.).

## **STEPS**

### **Establish Clear Metrics and Monitoring Body:**

- Define specific metrics to assess the progress and impact of the retrofit project. These metrics serve as quantifiable indicators of success. A dedicated monitoring body is proposed to oversee and evaluate the project's performance against these metrics.

### **Facilitate Co-Creation Process:**

- Emphasize collaboration and participation among stakeholders. The group suggests appointing a facilitator to lead this co-creation exercise. This facilitator would guide the process of generating ideas and solutions collectively.

### **Socialize Ideas and Values:**

- Disseminate the concepts and values related to decarbonization. This step involves engaging stakeholders to discuss the potential winners and losers in the decarbonization process, including government and third-sector organizations.

### **Implement Means-Tested Funding:**

- Establish a means-tested approach to funding. This implies that the amount of financial support provided is proportionate to the resources and ownership share of the recipients. It suggests involving economic actors, both public and private, to bridge any financial gaps.

See the group poster here [➤](#)

## **GROUP 2: PRIVATE FUNDING**

This group focused on leveraging private and public funding, mainly through the ESCO (Energy Service Company) model for social housing in Denmark. They emphasize the need to strengthen the environmental aspect within the ESG (Environmental, Social, and Governance) perspective. Low-interest financing options from Landsbyggefonden for retrofitting existing homes are considered, and they explore the possibility of finding sustainable solutions similar to this model.



## **SUCCESS FACTORS**

### **De-Risking Insurance, Regulation and Education:**

- De-risking strategies are crucial to promote sustainable solutions. This includes ensuring that insurance, regulation, and education efforts are aligned with green housing transitions.

### **De-Commodifying Housing Production:**

- Shifting away from viewing housing as a commodity and prioritizing human rights interests in housing production is identified as a critical success factor.

## **CHALLENGES WITH PRIVATE FUNDING**

### **Public Regulation Requiring ESG Assessment:**

- The group acknowledged the challenge of public regulations mandating ESG assessments. This indicates that regulatory compliance may be a potential hurdle.

## **OPPORTUNITIES IN PRIVATE FUNDING**

### **New Loan Products for Citizen-Led Finance:**

- Potential in developing new loan products that empower citizens to actively participate in financing green housing initiatives.

## **PRINCIPLES**

### **Regulations and Legislations:**

- The group underscored the need for regulations and legislation (at international or EU level) to ensure that social impact and housing rights are integrated into business models.

### **Quantifying Indicators for Social Impact:**

- Development of models to quantify indicators for sustainable and social impact, focusing on factors such as the “purpose of life” and “happiness”, considered human rights.

### **Pension Funds and Customer-Driven Changes:**

- The potential for pension funds to drive changes based on customer preferences indicates that citizen-driven shifts in investment strategies may be influential.
- The need to organize and extract data and formulate new legislation to support green housing transitions.

## **STEPS**

### **Explore ESCO Model for Social Housing:**

- A detailed examination of the ESCO model as a potential vehicle for financing sustainable efforts in social housing. This would involve understanding how ESCOs could be utilized effectively in green housing transitions.

### **Evaluate Sustainable Financing Options:**

- Thorough evaluation of various sustainable financing options, including low-interest loans and green bonds, to support retrofitting existing homes.

### **Involve a Wide Range of Stakeholders:**

- The group emphasizes the importance of involving researchers and various stakeholders in decision-making. This inclusive approach is seen as essential for successful implementation.

## **STAKEHOLDERS**

- Former ESCO providers (Bank, KL/Municipality, City of Copenhagen) - Social housing organizations - The National Building Fund (LBF) - The state.

See the group poster here [➤](#)



### **GROUP 3: CITIZEN FUNDING**

This group focused on utilizing funding for a retrofit project in an old building in Copenhagen. The project aims to accommodate residents with diverse income levels and ages. The process is broken down into key steps, including establishing clear metrics, creating a monitoring body, facilitating a co-creation exercise, and implementing means-tested funding strategies.

#### **SUCCESS FACTORS**

##### **Clever Governance and Economic Models:**

- Clever governance and developing economic models for affordable, green housing are critical success factors.

##### **ESG Metrics for Social Considerations:**

- The group highlights the need for metrics addressing social considerations (the “S” in ESG) in addition to the environmental metrics (the “E”).

#### **ROLE OF CITICENZ FUNDING**

##### **Citizens’ Funding Share:**

- The group emphasized that citizens should not be solely responsible for funding green transition projects. They advocated for the cooperation of various stakeholders and suggested different return models for stakeholders.

#### **CHALLENGES WITH CITICENZ FUNDING**

##### **Capital Requirements:**

- The group acknowledged the substantial capital needed to implement green transition projects, indicating that securing sufficient funding is challenging.

#### **OPPORTUNITIES IN CITICENZ FUNDING**

##### **Ownership Agency Engagement:**

- Engaging ownership agencies can lead to more effective and sustainable housing solutions.

##### **Direct Citizen Financing:**

- The group proposed mechanisms for direct financing for tenants facing financial challenges in shared ownership scenarios.

##### **Metrics for Social Impact (Similar to Environmental Impact Metrics):**

- They suggested developing metrics to quantify the social impact of green transition projects, mirroring the metrics used for environmental impact.

#### **PRINCIPLES AND STEPS**

##### **Shift in Narrative:**

- The group recommended reframing the narrative from viewing the green transition as a sacrifice to recognizing it as an opportunity for mutual benefit.

#### **Mutually Beneficial, Co-Creative Exercises:**

- Encouraging exercises involving residents in co-creating green housing solutions will empower them.

#### **Alignment with Critical Success Factors:**

- The proposed steps align well with the identified critical success factors. They emphasize the importance of clear targets, regulations, frameworks, and metrics, as well as involving the most deprived tenants in shared ownership.

#### **STAKEHOLDERS**

- Decision markets - Monitoring body - Tenants/owners - Citizen engagement facilitations - Government + 3rd sector. Financing actor.

See the group poster here [➤](#)

The workshop concluded on a note of cautious optimism. While the challenges are formidable, the presence of twenty dedicated ambassadors signified a collective commitment to navigate these complexities. The workshop's deliberations provided a comprehensive overview of the multifaceted challenges at the intersection of finance, housing, and the green transition. A concerted, interdisciplinary effort is needed to address these issues.

#### **KEY TAKEAWAYS**

1. **Advocacy for Universal Housing Rights:** Advocacy for policies recognizing housing as a fundamental human right is essential for ensuring equitable access and addressing social inclusion.
2. **Balancing Sustainability and Affordability:** Striking a balance between sustainability and affordability is crucial to prevent displacement and exclusion, especially among vulnerable populations, while promoting green transitions in housing.
3. **Mitigating Financialization Impact:** Treating housing primarily as a financial asset can worsen housing crises, hinder affordability, and result in displacement, especially in vulnerable communities.
4. **Community-centered Decision-making:** Community participation in co-creation and decision-making processes is paramount for crafting inclusive and customized sustainable housing solutions. Providing backing and resources for community-led endeavors that cater to specific local housing demands and align with sustainability goals is pivotal for enacting substantive transformation.
5. **Reforming Policies for Affordability:** Re-evaluating zoning, land pricing, and finances are essential for fostering affordable and sustainable housing initiatives.
6. **Embracing Construction Innovation:** Adopting cutting-edge construction technologies is critical to reducing costs, minimizing environmental impact, and enhancing housing quality.

7. **Promoting Public-Private Collaboration:** Fostering partnerships between the public and private sectors is vital for securing necessary funding and effectively implementing sustainable housing projects.
8. **Monitoring Progress & Impact:** Establishing clear metrics and monitoring mechanisms allows for effectively assessing the progress and impact of sustainable housing initiatives and ensuring they meet the desired outcomes.
9. **Exploring New Business Models:** Examining and adopting innovative business models, like those proposed by Almenr and Home.Earth, is important for maximizing impact and addressing the diverse needs of the housing sector.
10. **Interdisciplinary Approach:** A concerted, interdisciplinary effort is needed to navigate the multifaceted challenges at the intersection of finance, housing, and green transition, with a collective commitment to addressing these complexities.

# Financing Affordable Housing in the Green Transition

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