

Åland Provincial Government

Report on services of general economic interest

in accordance with Article 9 of Commission Decision 2012/21/EU. The report relates to activities referred to in Article 2(1)(c), "Social housing".

1. A brief description of the SGEI service to be reported and of the service providers

The provincial government grants aid for building rental housing and maintaining the technical quality of that housing.

The service providers receiving aid can receive it regardless of their legal status. The beneficiaries thus include private individuals, private and municipal corporations, municipalities, tenant-ownership associations and non-profit organisations.

The aid is obtained in exchange for a commitment to maintain the housing as rental housing for a long period of time, from 10 to 45 years depending on the form of aid. The rental housing is allocated to residents through prioritisation according to suitability, where applicants' need for housing is assessed. The most important target groups are vulnerable groups in the housing market such as the homeless, the disabled, immigrants, families with children and older people. Only after the needs of these groups have been met is the housing rented to the remainder of the population.

The aid is paid only for capital costs and is paid either indirectly in the form of low-interest loans or directly as interest subsidy on loans taken out on the open credit market. The provincial government's rate of interest on loans and interest subsidy are adjusted to enable the borrower to have a stable evolution of the costs of the capital and thus be able to maintain a stable level of costs for the accommodation. The interest subsidy is linked to the real level of interest rates and to the outstanding loan, which means that the risk of overcompensation is particularly low.

If a service provider is in breach of the conditions for the aid, it is obliged to repay the aid received for the entire aid period, plus interest.

No aid is therefore granted for the actual variable costs for the production of the service.

Aid is granted mainly for investment in real estate. The aid is granted/has been granted using four aid schemes:

1. Housing loans for production of rental housing
2. Interest subsidy for production of rental housing
3. Aid for owners of housing with rental housing loans who are experiencing financial difficulties
4. The guarantee for new production of rental housing

1. Housing loans for production of rental housing

The loan may be granted for the construction of rental housing. The loan can be granted regardless of the legal form of the principal. The housing is rented to the general public, prioritising vulnerable groups in the housing market. The loan is granted with a maturity of 35-45 years at an interest rate below market rates. During the term of the loan, the principal is obliged to keep the housing as rental housing. Rents are regulated at a level that constitutes the cost price, which includes costs for satisfactory running costs, capital costs, and a reasonable return on

equity. The level of rent is determined by the provincial government in response to an application by the owner of the accommodation. There is no rent regulation on loans issued from 1999 to 2009 (other than a general stipulation regarding reasonable rents). In practice, it has been shown that the same model for setting rent is used for all rental housing with mortgages from the provincial government.

As of 2009, housing loans were only granted to service providers in places where the properties' security values are low, i.e. within the archipelago and peripheral areas on the Åland mainland. The last loan was granted in 2012 and the loans are now being phased out of the provincial government's budget.

2. Interest subsidy for production of rental housing

The aid is granted on the same basis as housing loans in accordance with point 1 and is also conditional in the same way as the housing loans granted after 2002. However, the interest subsidy is paid as half the interest rate, so that the client's interest always exceeds 2.0 % or 2.5 % (depending on when the support is granted). The term of the interest subsidy is approximately 35 years for subsidies granted before 2009, and 10 or 30 years for subsidies granted from 2009 onwards.

3. Aid for owners of housing with rental housing loans who are experiencing financial difficulties. This form of aid is used to a very limited extent and the amounts used are low. The aid that has been granted has been directed towards service providers of housing in the very weak housing markets in the archipelago. The housing markets are weak in the sense that the demand for rental housing is extremely variable over time and the supply of rental housing is small and in practice linked to the companies that have received housing loans from the provincial government. The companies that own rental housing are also extremely small (owners of 5-10 dwellings) and are thus very sensitive to changes in demand mechanisms in the housing market.

4. The guarantee for new production of rental housing

The guarantee for production of rental housing has been granted for loans that have been granted interest subsidy (c.f. point 2). The guarantee is granted at 20 - 50 % of the production value. The security for the guarantee commitment is a mortgage on the property with secondary priority, but within 95 % of the market value. No fee is charged. (Fees were introduced in 2014.)

2. How has the obligation to provide public services been entrusted to the service provider?

The service is regulated in accordance with the following documents (laws and decisions):

- Provincial Act (1999:40) on housing production
- Provincial Act (1982:14) on aid for housing production
- Provincial Act (1982:13) on aid for housing improvement
- The provincial government's decision (17/1/2002) on the rules for granting housing loans for rental housing and corresponding older rules.
- The provincial government's decision (7/7/2008) on housing loans for rental housing.
- The provincial government's decision (16/11/2009) on rules for granting interest subsidy for production of new rental housing and cooperative housing and for the installation of elevators in the existing housing stock as well as corresponding older rules.
- The provincial government's decision (20/1/2009) on guarantees for housing loans.

- The provincial government's decision (16/11/2009) on rules for granting interest subsidy for production of new rental housing and cooperative housing and for the installation of elevators in the existing housing stock as well as corresponding older rules.

2.1 The general nature of the service (contents) and its duration

The construction and maintenance of a stock of rental housing on social grounds. The conditions for obtaining aid are regulated in laws and subordinate regulations. The value of the aid is channelled for the benefit of the residents. The aid is obtained in exchange for a commitment to maintain the housing as rental housing for a long period of time, from 10 to 45 years depending on the form of aid.

2.2 The companies and business areas concerned

The aid may be granted to all applicants who meet the general requirements, an important part of which is an assessment of whether the applicant can fulfil its obligations throughout the term of the loan. There is a regional political aspect to the aid in accordance with the legislation. The authority endeavours to grant aid so that housing is built with a satisfactory regional distribution throughout the province.

2.3. Existence of exclusive or special rights

No special rights are granted in addition to the right of beneficiaries in areas with weak housing markets to obtain a deferral of loan repayments or, in exceptional cases, capitalisation of the interest on the loan.

2.4 Description of methods for calculating, monitoring and reviewing compensation

The maximum amount of the loan or interest subsidy loan is 90 % of the total cost of the project. If the cost of the project cost is below the original budget, the amount of the loan is reduced or else a refund of overpaid amounts is demanded if there was time for the loan to be paid out.

2.5 Measures for preventing overcompensation and possible repayment of overcompensation

The granting of aid and its size is regulated in laws and subordinate regulations and is managed by a single authority, which means that excess aid or overcompensation cannot occur in practice.

3. What guidance has been given to the service provider?

The aid is regulated in written rules. All public aid is channelled through a single authority, which excludes the possibility of cross-subsidisation. The aid system is constructed so that no overcompensation can occur.

4. How is the service provider's business controlled?

The recipients of aid are required to report on their financial circumstances every year. Recipients of aid are also required to furnish other kinds of information on request and also to cooperate with inspections. The control work is usually performed by officials in the administration who are also responsible for managing the aid. In addition to the officials themselves, inspections can also be carried out by the authority's auditors.

5. What are the most important observations when the controls are carried out?

All operators comply with the established rules. There were no cases of recovery of aid in the 2012-2013 period.

6. Storage of data.

The documents are stored *permanently* in the authority's archives in accordance with the Archives Act (2004:13) for the province of Åland.

7. Statistical data

	2012	2013
Interest subsidy loans granted	9.6	0
Housing loans granted (million	0.6	0
New housing (units)	78	10
Number of new support items	5	2
Loan stock 31/12. (number)		
- Loans from the provincial	57	57
- Interest subsidy loans	21	25
Loan stock 31/12. (million euro)		
- Loans from the provincial	63.4	61.9
- Interest subsidy loans	30.8	32.8
- Interest subsidy paid out (1,000	39	27
euro)		
Guarantees		
- Number	8	9
- Amount (million euro)	9.9	10.7

The number of dwellings receiving financing aid via the above system amounts to 2,038 units with a living area of 104,600 m². The average area per dwelling is therefore approximately 51 m². Of that amount, 458 dwellings consist of sheltered housing for the elderly and 96 dwellings are intended for students.