

1. *All people have the right to suitable housing.*
2. *The state supports the creation and maintenance of suitable housing, especially for people with low income, as well as the creation of home ownership.*

(Berlin Constitution, extract from Article 28)

## **PUBLIC DEVELOPMENT INSTEAD OF SUBSIDIES FOR PRIVATE INVESTORS**

**The provision of suitable housing is a public responsibility that is even anchored in the Berlin State Constitution. Public responsibilities should be fulfilled by public authorities. They cannot and should not be left to private agents. Funds provided to fulfil those tasks should not be used for private enrichment, as has unfortunately been the case for decades in the German system of council housing subsidies. Future publicly funded housing development must learn from those mistakes: It must create housing that is guaranteed to remain public property in the long term. New council housing can meet that challenge.**

The ever-escalating situation on the Berlin housing market has become one of the city's favourite political themes. This at least is an indication that the responsible politicians acknowledge the existence of a problem that has been ignored for years: There is a massive lack of affordable housing! The solutions presented to the public in recent months have merely been declarations of intent and measures that smack of cynicism – such as a rent alliance between the Senate and its own housing development firms – as well as laws that can hardly be implemented due to the lack of council personnel, such as the law prohibiting the misuse of housing (for purposes such as tourism). There is even the danger that the errors intrinsic in the old system of subsidies will be repeated, as the Senate's recently introduced funding for new development seems to suggest.

The fact that housing policy has become an issue in this city at all is the result of pressure from below and wide-ranging protest. For years, housing policy in Berlin had de facto been abolished. In 2001, funding for new council housing development ceased, while supplementary funding ended in 2003. At the same time, beginning with the Gehag in 1998, over 100,000 apartments owned by the city were sold off. A sad climax in this respect came in 2004, with the sale of the GSW for a give-away price. These apartments had been built with taxpayers' money and represented an important element of housing provision. The public housing stock was sold off for budget reasons and because it was no longer considered necessary to provide housing. Unsurprisingly, the sales did not rescue Berlin's budget. Today, the apartments belong to internationally operating investment funds and earn them a profit. Since the wave of privatisation – and because of it – the housing situation has worsened considerably. Sales connected to a lack of housing policy measures laid the foundation for today's problems. Factors such as smaller budgets, growing consumption of housing space and a growing number of people moving to Berlin all aggravate the situation. These developments would be easier to cope with if the State of Berlin had more council housing available. By selling it off however, public authorities no longer have the means of steering such developments.

## **HOUSING SHORTAGE**

Berlin's housing market situation has continually escalated in recent years. As a result, a series of initiatives and alliances have formed to combat senseless price-driving modernisations, rising rents, gentrification and evictions. Individual tenants and household communities are defending their homes in nerve-wracking conflicts, knowing that if they lose their homes, they will need enormous luck to find adequate replacements. Despite the announcements by the Berlin Senate, little will change in the foreseeable future in terms of the need for direct opposition. Many of us have been active in housing and rent politics for years and know the situation from first-hand observation and experience.

In view of current plans by the Senate to reintroduce subsidies for housing development that will produce no social sustainability whatsoever, we believe it is essential to formulate our own position in the debate on new council housing development.

## **WHY NEW DEVELOPMENT?**

Market economy-based housing inherently involves a structural discrepancy between supply and demand for low-cost apartments. This is the result of several conflicts: Firstly, housing is a basic need. Homes therefore constitute non-substitutable goods: It is impossible to abstain from their consumption. On the other hand, housing is a capital investment and is traded as a commodity on the market economy. Secondly, land cannot be multiplied to fulfil increasing demand. Thirdly, homes are immobile, but people move around. Fourthly, the production of apartments is slow and capital-intensive. It is impossible to achieve a balanced supply and demand.

The market regulates supply on the basis of purchasing power and price, i.e. in the housing market via household income and rent. The rent depends on the quality of the apartment and on demand. In times of high demand, people with low income only have access to poor housing. If minimum standards are to apply even for low-income groups, public intervention is essential.

The specific situation in Berlin, with its constantly growing population and an increase in the number of single households, requires new construction measures on a substantial scale. Between 2009 and 2013 alone, the number of Berlin residents has increased by over 120,000. With average household sizes of well under two people, that means well over 60,000 new apartments would have been required in this period.

In fact only approximately a third as many apartments were completed in that time. If we look at the number of new apartments for low-income groups (for which there are hardly any statistics), the figure is so small it is hardly worth mentioning. The empty apartments in the early 2000s had all been "used up" by the end of the decade, if not before.

Maintenance of existing housing also requires new building measures. Residential buildings and apartments do not last forever. They become uninhabitable, must be demolished and are rededicated. To maintain the stock of 1.9 million apartments in Berlin, a new construction rate of at least 0.7 %, i.e. 14,000 apartments a year, is required. Anyone refusing to accept the necessity of new development in view of those figures is willing to accept further rent increases, since the state's legal instruments to regulate rent prices have already been exhausted to a great extent.

## **COUNCIL HOUSING RELOADED?**

Post-war council housing development in the Federal Republic of Germany was mainly based on subsidizing new housing development regardless of the owner's legal form. This proved to be ineffective and turned into a huge money distributing machine in which private investors benefited by far the most, rather than the tenants. This system is basically a "housing development subsidy with an interim social use".

Berlin's special form of funding through expense subsidies and expense credits has led to completely unacceptable results. After the end of the funding period, rents rise drastically although in the meantime private owners have received subsidies that in some cases are several times higher than the value of the buildings. But political parties still

regard this method of housing development subsidy to be the only remedy for housing shortages. It has become so well established since its initial introduction by the first Adenauer government that it is now customary, without questioning whether it is sensible.

Even the Berlin Finance Senator Ulrich Nussbaum has grasped that by now: "So far nobody has been able to convincingly explain how to subsidise private builders without risking deadweight losses." (*Berliner Zeitung*, 28. 8. 2013). We can assure Mr. Nussbaum that nobody will be able to explain that in the future.

As a result of these experiences, we call for "new council housing development" that is organised by public authorities, financed by taxation and creates public property.

## **WHAT SHOULD BE BUILT AND FOR WHOM?**

In recent decades, council housing development has almost always been large-scale apartment building in major estates. There is no natural law that demands this and it does not fulfil our current needs. We want architecturally attractive apartments for the many different ways of life in a major city: for singles, families of all kinds, flat-sharing communities, older and younger people, in small and large buildings, within and outside the S-Bahn's circle line.

All properties owned by the State of Berlin and its districts that are suitable for housing development should be considered for this purpose. That naturally means the properties should not be sold.

We want a population structure for the people in this city that is based on free decision-making. So council housing rents should be affordable for residents with low and medium incomes.

The current housing market is in disintegration, is destroying organically grown structures and merely gives a privileged class the free choice of apartments and living environment. By contrast, non-market orientated, fully funded housing development owned by the state is aimed at achieving an integrative housing market. This also decouples people's position on the labour market from the quality of housing available to them.

## **WHO SHOULD BUILD?**

The State of Berlin owns six housing associations. The first question should be: Why six? There is a historical explanation why the different housing associations were founded. But they all fulfil the same tasks, are owned by the state and operate in the same city. Berlin only has one police force, only one water company etc.

These housing associations also have a private legal form and are organised as capital companies, namely as stock companies or private limited companies. The aim of a capital company is to generate profit. These legal forms firstly take direct control away from the parliament and secondly align them towards maximising profit. So they act just like private real estate companies. Furthermore, the stock of these housing associations can still be partly or completely privatised, as in the case of the Gehag (1998) and the GSW (2004). These two associations can now be found under the umbrella of the stock-exchange listed "Deutsche Wohnen", which is aiming for a profit of € 210 million in 2014.

We believe that the point of an urban housing association is to provide affordable housing for its population as a welfare task, rather than generating profit.

The first step for a new council housing policy would be to merge these associations, change their legal form and define a clear political and social mandate.

We call for a form of municipally owned corporation or public agency. Both forms must ensure political control by the parliament and residents through appropriate representation in supervisory committees.

## **FOR A NEW FORM OF COUNCIL HOUSING DEVELOPMENT**

**It is necessary to establish “new council housing development” that is part of the public welfare system and social infrastructure. In that capacity, the housing will no longer serve private investors to generate profit, but will instead be dedicated to providing housing that is affordable for everyone. The theme of “new development” is currently only occupied by the Senate, private housing developers and their associations.**

**With this paper, we want to get involved in the city’s housing policy debate and sustainably support the call for affordable public housing development.**

**We invite everyone interested to join us in arguing for a new direction in the city’s housing policy.**

For more information, visit: [www.inkw-berlin.de](http://www.inkw-berlin.de)