



Joint Federal, State and Local Government Housing Strategy

Results of the Housing Summit
held in the Federal Chancellery
on 21 September 2018

Preamble

Housing is one of the key social issues of our time. Prosperity for all is dependent on an adequate supply of housing for all.

In everyday life many people, especially those on low and middle incomes, face the problem of finding adequate housing for themselves and their families at an affordable price. People across many regions of Germany are worried about the current situation in the housing market, either because of rent increases or because of uncertainty as to whether they can afford to buy their own property.

We therefore need to improve the supply of housing in many of our towns and cities, rural and urban districts. Housing must be affordable for both those on a low income and the broad middle class. We want to improve housing security, which is why we will protect tenants against excessive rent increases and relieve low earners of more of the burden of their housing costs. Our villages and rural communities need vibrant centres so that they can continue to attract young families seeking good housing at affordable prices. We are therefore using the potential of our urban development assistance to the full to create attractive, liveable environments.

We will address the challenges of ensuring an adequate supply of housing for all population groups in close, constructive and committed collaboration at federal, state and local government level beyond the usual departmental boundaries, with support from all the relevant actors in the housing markets: from those involved in planning, to the construction industry proper and the real estate sector, to the German Tenants' Association and the relevant trade unions. Given their regional focus, federal states and local authorities can take suitable steps to respond to the specific challenges of their respective housing markets. A good social mix of residents is of the utmost importance when it comes to preventing and mitigating tendencies towards segregation.

We will work together to ensure the right conditions are in place for people to build and buy housing. In addition to investing in funding programmes to create housing at accessible prices, we will ensure that more building land becomes available and will reduce building costs, for example by promoting serial and modular construction, taking advantage of the benefits of digital technology, and developing cost-effective and reliable building technology. This will help us to achieve our sustainable building goals. When it comes to meeting the construction sector's energy and climate goals, we will take targeted measures to support and ensure the availability of cost-effective housing at affordable prices.

We have agreed on a comprehensive Housing Strategy, aimed at creating 1.5 million new dwellings in Germany, which encompasses the following package of measures:

- Stimulating investment in housing construction
- Ensuring the availability of housing at affordable prices
- Reducing building costs and securing a supply of skilled labour

Stimulating investment in housing construction

Supporting social housing construction

The Federal Government is making at least 5 billion euros in funding available in the period 2018 to 2021 to promote the social housing sector. Adding that to the available state and local government funding will lead to the creation of more than 100,000 additional social homes.

The Federal Government has launched a legislative initiative to amend the Basic Law what will enable it to continue to contribute financially to social housing construction.

The Federal Government is allocating at least 2 billion euros in funding to the federal states for social housing construction in 2020 and 2021. An additional 500 million euros in compensatory measures will also be available in 2019, matching the 1.5 billion euros available in 2018. The legislative initiative to amend the constitution will be given priority treatment in the Bundestag and Bundesrat.

The federal states will increase the amount of funding available in their respective programmes, especially in regard to retaining rent controls on social housing in the long term, or will at least keep funding levels high. They will make appropriate use of the full amount of funding allocated by the Federal Government in the period 2020 to 2021, particularly to promote investments in housebuilding and work on the existing housing stock, as well as to modernize social and affordable housing for tenants and owner-occupiers. Specific details will be regulated in administrative agreements concluded between the Federal Government and federal states.

Baukindergeld programme

The Federal Government has allocated a total of 2.7 billion euros to its Baukindergeld programme for the current legislative period. The programme aims to help families with children and single parents to buy their own homes.

The Federal Government's *Baukindergeld* programme specifically helps families with children and single parents to buy their first owner-occupied property. The *Baukindergeld* grant reduces their financial burden, thus enabling many families to actually take the step and buy property in the first place.

The *Baukindergeld* programme has been rolled out across Germany. The grant is available over a 10-year period per funding year and can be used to either build or purchase owner-occupied property in Germany. Under the programme, a grant of 1,200 euros is paid per year for each child under the age of 18 for a maximum of 10 years. Applications have been accepted since 18 September 2018 for purchase contracts signed or building permits granted from 1 January 2018 onwards.

The federal states implement various programmes to help people buy their own homes, for example as part of promoting affordable housing, and these are supported by the local authorities.

Special depreciation allowance for new rented housing construction

The Federal Government plans to support the building of new rented housing by introducing a special tax depreciation allowance to be funded by the Federal Government, federal states and local authorities.

The Federal Ministry of Finance's draft bill to promote the building of new rental accommodation in the more accessible price segments by introducing a special depreciation allowance, which the Federal Government adopted on 19 September 2018, is to be given priority treatment in the Bundestag and Bundesrat. Residential accommodation created following construction work on existing buildings, such as loft conversions or the repurposing of commercial real estate for use as housing, will also benefit from this tax measure. Planning applications submitted between 1 September 2018 and 31 December 2021 will be eligible for this special depreciation allowance.

Public and private sector staff housing construction

The Federal Government provides housing for federal employees through its housing assistance programme.

The Federal Government, federal states, local authorities and many private enterprises need to become more attractive employers in order to mitigate the skills shortage. The shortage of skilled workers and housing at affordable prices is most pressing in Germany's economically strong regions.

In view of the high demand for housing at accessible prices for federal employees, especially members of the security forces, the Federal Government will not only be acquiring tenure rights but will again play the role of building developer. The Federal Ministry of Finance (BMF) will commission the Institute for Federal Real Estate (BImA), which is responsible for providing housing assistance to federal employees, to build new homes.

Company-owned housing is, however, also of great advantage to private enterprises recruiting new staff, often helping to tip the balance when it comes to choice of employer. It means companies can provide the right accommodation in the right place for their employees. Each new build also makes a valuable contribution to relieving the stretched housing market.

Home ownership savings premium

The Federal Government is committed to its home ownership savings premium and will continue to improve it.

We will retain the home ownership savings premium (*Wohnungsbauprämie*) as an incentive instrument because it is particularly suited to helping young people start saving early to buy their own property. We want to make this subsidy more attractive

by adjusting income limits to general income and price trends and by increasing the rate of premium.

Energy efficiency and climate action in the building sector: cost-efficient, environmentally friendly and socially responsible

The Federal Government is not only committed to securing housing at affordable prices, but also to achieving national and European climate targets as well as those agreed under the Paris Agreement – as reaffirmed in its coalition agreement. Affordable building and housing, energy efficiency and climate action must not be played off against each other. And consideration is to be given to the measures enshrined in the Climate Action Plan 2050.

The Federal Government will amalgamate the Energy Conservation Act, the Energy Saving Ordinance and the Renewable Energies Heat Act into a new Building Energy Act, thereby implementing EU requirements by 1 January 2019 for public buildings and by 1 January 2021 for all other buildings. Compliance with the principles of efficiency, openness to new technologies, simplification and voluntary participation will still be necessary. Current energy requirements will continue to apply to properties in the housing stock and to new builds.

The Federal Government will keep up its successful promotion of energy-efficient construction and the use of renewables in the building sector as part of its CO₂ Building Modernization Programme and Market Incentive Programme; programmes to improve the energy efficiency of buildings will be expanded where necessary. Like the Commission on Structural Change, the Federal Government will be making recommendations for achieving building sector-related targets by 2030. Affordable building and housing, as set out in the coalition agreement, is fully taken into account.

The Federal Government will draw up a long-term energy efficiency strategy and refine its National Energy Efficiency Action Plan.

The Federal Government will eliminate the tax risks to which housing associations are exposed in relation to landlord-to-tenant electricity (i.e. electricity generated using rooftop solar installations, which is passed on directly to tenants in a residential building). This will enable housing associations to offer simple landlord-to-tenant electricity models.

Age-appropriate conversions, break-in protection and community living

The Federal Government's support for age-appropriate conversions ensures that the elderly can stay in their own homes for as long as possible.

The term of the KfW's Age-Appropriate Conversion funding programme was extended in August 2018. Regardless of income and age, private owners and tenants can apply for grants to reduce barriers in residential buildings and invest in anti-break-in measures. The 75 million euros in funding available for age-appropriate conversions has been reaffirmed and that available for anti-break-in measures has been increased to 65 million euros. The Federal Government is thus responding to demographic change and people's strong need for safety and security.

Promoting community living is an important addition to the KfW's Age-Appropriate Conversions funding programme, and this form of housing is to be developed more widely. Based on experience gained in the *Gemeinschaftlich Wohnen, selbstbestimmt leben* (Community Living for a Self-Determined Life) pilot scheme, the Federal Government now plans to swiftly develop targeted funding measures to promote community living in developments with communal facilities.

Amending the law on home ownership

The Federal Government will reform the law on home ownership.

Amendments to the law on home ownership will make it easier to carry out structural work (e.g. to provide barrier-free access), to improve a building's energy efficiency, and to promote e-mobility and anti-burglary protection. A newly established Federal Government/Federal State Working Group will be presenting proposals for amendments in the course of 2019.

Record level of urban development funding

Federal urban development funding, one of the most important tools for promoting sustainable urban development, will be kept at its current record level of 790 million euros. The federal states and local authorities contribute their own funding towards urban development.

Even more of the available funding is to be used to put in place the framework conditions needed to eliminate the housing shortage. In addition, measures will be taken to regenerate town and city centres and neighbourhoods, as well as to repurpose local brownfield sites. We will create the conditions to enable us to better promote the repurposing of vacant land.

We support the regeneration of town and city centres through integrated mobility development strategies.

Integrated mobility development is also important for regenerating town and city centres. The Federal Government supports the federal states in shaping these strategies, for example in relation to needs-based local transport systems. Regionalization and reform funds and the Local Authority Transport Infrastructure Financing Act programme alone currently provide around 9 billion euros in funding annually.

Given the scarcity of land reserves, it is becoming increasingly important that local authorities cooperate with each other. Local government associations will, therefore, continue to inform and advise their members about the potentials of cooperation.

Ensuring the availability of housing at affordable prices

Developing the legal framework for tenants and landlords

When delivering on the measures set out in the Housing Strategy, we will ensure a fair balance of interests between landlords and tenants.

The Federal Government will improve tenant protection and continue to curb rent increases, including for existing tenants. The draft Tenant Protection Act will be given priority treatment in the Bundestag and Bundesrat so that this new legislation can enter into force on 1 January 2019.

The federal states have already exhausted the means available to them for controlling rents and rental trends in their tense housing markets.

Rent level surveys (*Mietspiegel*) are a means of mapping local reference rents. The Federal Government is committed to ensuring the high quality of available rent level surveys which are used in as many towns, cities and local authorities as possible. By introducing statutory minimum requirements for standardized rent level surveys the Federal Government will create more legal certainty for landlords and tenants. Simple rent level surveys will be strengthened and statutory minimum requirements introduced for qualified rent level surveys.

The observation period for local reference rents will be increased from four to six years.

Housing benefit reform

The Federal Government and federal states will increase housing benefit as from 1 January 2020.

The Housing Benefit Reform 2020 aims to increase housing benefit payments and extend eligibility criteria. The effect achieved by reducing the financial burden on

tenants can thus be maintained and low-income households supported when it comes to housing costs.

Expert Commission on the Long-term Provision of Building Land and Land Use Policy

The Expert Commission on the Long-term Provision of Building Land and Land Use Policy will focus on strategic issues relating to making medium- to long-term improvements to the availability of building land.

The Expert Commission took up its work on 4 September 2018. It is collaborating with the federal states, local government associations and partners in the Alliance for Affordable Housing and Building. The Expert Commission will build on the recommendations made by the Alliance's Working Group on Active Property Policy and will present its findings before the 2019 summer recess.

Amendment to the Federal Building Code

Local authorities are to receive support when it comes to making new building land available and ensuring a supply of housing at affordable prices. The Federal Government will therefore make suggestions for further improving planning law.

The Expert Commission on the Long-term Provision of Building Land and Land Use Policy will this year be drafting proposals for amending planning law. The Federal Ministry of the Interior, Building and Community (BMI) will place the focus on the following issues:

- Strengthening local authorities in regard to their task of drawing up development plans to create new housing by adding a new provision to section 1 of the Federal Building Code;
- Introducing a new type of binding land-use plan specifically for use in relation to housing provision, including with the means available under social housing programmes, which aims to meet urban development objectives which go beyond those set out in section 34 of the Federal Building Code;
- Facilitating planning applications for housing construction projects in areas covered by binding land-use plans (section 31 of the Federal Building Code) and in outlying areas;
- Promoting inner urban development by adopting a regulation regarding informal plans for brownfield and infill development, which could provide a basis for concluding urban development contracts and would facilitate the application of existing instruments (pre-emptive rights, requirement to build on empty land);

- Making it easier to include loft conversions in development plans by making the provisions of the Federal Land Utilization Ordinance more flexible (by providing reference values).

Based on the results presented by the Expert Commission, the Federal Ministry of the Interior, Building and Community will then table a draft bill. We plan to better reconcile planning law with emissions protection regulations to ensure local authorities are in a position to resolve conflicts around land use at local level and to facilitate better mixed land uses.

Local authorities will use their planning autonomy and fully exhaust the existing range of instruments available under the Federal Building Code (pre-emptive rights, requirement to build on empty land etc.). The Federal Government supports knowledge-sharing in regard to the instruments available under the Federal Building Code, especially specific urban development regulations. It will commission a project executing agency to organize regional events to that end. Local government associations continue to support knowledge-sharing amongst local authorities when it comes to establishing a land-use monitoring system to improve transparency around residential housing development potential.

Local government associations continue to promote the sharing of experience amongst local authorities when it comes to changing course towards a sustainable land reserve and management policy, target-group-specific award procedures and introducing policy decisions in relation to land use.

Selling public properties at reduced prices

The Federal Government and federal states will make increasing use of public properties when it comes to building social housing.

The Federal Government will continue to commission the Institute for Federal Real Estate to sell federally owned properties to local authorities at reduced prices, thus enabling them to quickly create the conditions under planning law which allow them to speedily build affordable housing.

We have already created the legal basis in the Budget Act 2018 and adapted the Directive on the Sale of Properties at Reduced Prices accordingly. That gives federal states and local authorities access to all dispensable real estate under the responsibility of the Institute for Federal Real Estate, which they can also sell on to private third parties for the purpose of social housing construction. The Federal Government is also prepared to create the legal framework for the law on hereditary building rights to be used to ensure that building development can begin quickly.

The federal states will also make new building land available to secure a supply of housing at accessible prices. Some local authorities are already releasing large amounts of building land. These examples need to be widely copied and incentives created to that end.

We will work at federal, state and local government level to ensure that publicly owned land is generally allocated for housing construction following a tender procedure for the best development concept.

Other measures

The Federal Government supports federal states and local authorities when it comes to founding local housing associations, and is making additional funding available under the relevant investment consulting budget item.

The Federal Government aims to involve the federal states and local authorities in reducing the opportunities for repurposing rented accommodation as owner-occupied apartments. Exemptions are only to be possible in exceptional individual cases.

The current gaps in protection under contract law for property developers are to be closed. In particular, buyers are to be better protected in the event of the property developer filing for insolvency so that they are not faced with unavoidable financial losses. In addition, acceptance of joint property will be made easier, creating more legal certainty for homeowners' associations.

The Federal Government aims to reduce estate agent fees for those buying owner-occupied housing.

The Federal Government and federal states are working together to quickly reform the property tax regime. We will ensure that the total revenue from real property tax available to local authorities will not change. Since there are no plans to increase revenue from this tax, we will make sure there will be no structural increase in receipts.

After analysing reviews conducted by the Federal Government and federal states, we will implement an effective and legally watertight statutory regulation to put an end to abusive tax practices relating to property transfer tax known as share deals.

Reducing building costs and securing the supply of skilled labour

Developing and harmonizing building regulations law

Workable and comprehensible state building regulations are key for affordable building.

The federal states are conscious of their responsibility for building regulations law, given that it is a key element of security law, which falls within their remit. They ensure that building regulations law is simple, workable and comprehensible, taking account of the particularities of individual states. The federal states engage in dialogue with relevant actors to establish social consensus regarding the regulatory framework applicable to building regulations.

In doing so they aim to ensure that the provisions of building regulations law are as consistent as possible. The Model Building Regulations, developed by the committees of the Standing Conference of Building Ministers with the Federal

Government's involvement, serves as a guideline for state-level building regulations. Developing and updating the Model Building Regulations is key to guaranteeing harmonized provisions in the core areas of building regulations law. The federal states will continue with this approach in order to further improve the advantages for property developers in regard to construction and approval procedures, and they will also incorporate approvals for particular types of building into the Model Building Regulations.

Promoting serial and modular construction

Serial and modular construction is a swift, cost-effective and high-quality response to the growing need for housing.

The Federal Government will put this instrument to targeted use in its own housing construction projects. It will launch a tender procedure for serial and modular housing construction as a means of safeguarding a sustainable housing stock which is economical over its entire life cycle. This will be based on experience gained in a tender procedure which was supported by the Federal Government and launched by the Federal Association of German Housing and Real Estate Enterprises (GdW), the Federation of the German Construction Industry (HDB) and the Federal Chamber of Architects. These residential properties should preferably be built in big cities with documented housing shortages, for example in Berlin, Cologne, Frankfurt, Munich and Hamburg.

The housing sector will be placing more emphasis on serial and modular construction methods when building rental accommodation.

The federal states' willingness to review the legal framework underpinning the law on building regulations and the requirements for serial and modular construction and, where necessary, to harmonize these can help make a success of this policy. This will take the pressure off and speed up planning application procedures.

Serial and modular construction will be supported by all those involved, for example at specialist conferences, through the sharing of best practices (e.g. the use of climate-friendly materials such as wood), guidelines and simultaneous evaluation. Great importance is attached to integration into urban planning, and also to high-quality designs.

Simplifying procedures using the opportunities afforded by digital technology

The construction process, from planning to the finished building, will be designed more efficiently and thus cost-optimized.

Those responsible for the rules applicable to the awarding of public construction contracts will simplify public procurement law relating to housing construction in order to speed up house building. Tender procedures are to be made more flexible and threshold values raised for a limited period.

In addition, the Federal Government and federal states will take advantage of the opportunities afforded by digital technology. The Federal Government and the states of Mecklenburg-West Pomerania (which has lead responsibility), Bavaria and Baden-Württemberg, interested local authorities and the lead agency XPlanung/XBau in Hamburg will work together to promote a fully digital planning application procedure which meets the requirements of the Online Access Act. The first digital technology lab will open in the course of this year. Fully digital planning applications will save house builders time and money; the authorities processing these applications may be able to increase human resources efficiency and manage peaks in workload by collaborating with other authorities.

Federal states and local authorities will consistently use digital technology in their planning and oversight procedures to further optimize processes. They will draw on and expand the standardization framework developed in cooperation with XPlanung and XBau, and adapt it to the regulatory framework applicable in each respective federal state. The Federal Government will support them in the framework of the Online Access Act, amongst other things.

Local government associations are committed to speeding up planning and building procedures in the local authorities, and they support and advise local authorities when it comes to implementing those procedures. They work towards optimizing coordination processes in relation to granting planning permission, including through round tables and planning meetings, and they support the Federal Government's policy of open, product-neutral interfaces.

Digital technology will, in the coming years, be of key importance to planners, construction companies and the building trade. The Federal Government is supporting this process by setting up competence centres, for example.

Limiting follow-on costs of regulation and standardization

Like statutory regulations, standards and norms can lead to follow-on costs in the construction industry. We will prevent this from happening.

Neither technical standards and norms nor legislation should lead to building and thus housing becoming unaffordable. Cost-benefit analyses will have a key role to play in future.

The Federal Government and federal states will work together to limit the consequential costs of standardization. That is why, in a first step, the federal states have already arranged for the German Institute for Construction Technology (DIBt) to be involved more in standardization processes.

On the initiative of the Federal Government, a central, independent agency will be set up to limit such follow-on costs. This agency will transparently analyse the cost impact of new standards and norms before they are introduced and then submit its assessment of their economic efficiency to the National Regulatory Control Council. Details will be drafted shortly by an ad hoc group of experts working with the federal states and local authorities.

The Federal Government and federal states will thus actively pursue the inclusion of impact assessments in the work of the German Institute for Standardization (DIN), as described in the Standardization Road Map for Construction.

Cost-effective building technology services

We will limit both the purchasing and operating costs of modern building technology.

The Federal Government, the federal states and local authorities will push ahead with developing cost-effective and reliable building technology systems in select pilot projects.

The Federal Government will support this work through research.

To that end, the Federal Government will be updating the building regulations applicable to housing provided to federal employees.

Introducing appropriate commissioning and operational management and the right building technology and installations could help to reduce operating costs. The Federal Government will analyse the potential of such measures to optimize operations in pilot projects, and it will carry out further pilot projects and research in collaboration with associations in the real estate sector.

The goal is to reduce operating costs to ensure financial benefits for tenants.

Securing the supply of skilled labour and expanding construction capacity

To ensure that the additional investment incentives lead to more housing being built in the short term, it is important both to make sure that more land becomes available and to secure the availability of sufficient skilled workers and construction capacity. The Federal Building Minister will hold high-level meetings on this issue with all those involved along the value chain in the building sector.

Based on the significantly improved conditions for new housing construction which the Federal Government has now created, the construction sector will continue to strengthen its training and recruitment activities of recent years.

Between 20 and 25 per cent of firms in the construction industry proper are currently planning to hire additional staff or to increase investments in their means of production. The recruitment and promotion of young professionals in the construction industry and upstream planning professions will also be stepped up. Programmes, competitions and campaigns aimed specifically at pupils, trainees, students and refugees will be used to promote the attractiveness of the building professions.

The Federal Government will realign its cross-sectoral skilled workers strategy to focus on three areas: the potential domestic, European and international supply of skilled labour. The National Training Strategy will play a key role in this. Employees all need support when it comes to maintaining and adapting their skills and

qualifications, especially given the impact digital technology is having on the world of work.

The Skilled Immigration Act is a key element of the Federal Government's strategy to recruit more skilled workers. A draft of this legislation will be tabled in the course of this year.

High-quality vocational training is of great importance to the construction industry. The Federal Government, in cooperation with social partners, will shortly be starting work on revising the Ordinance on Vocational Training in the Construction Industry. Broad-based basic training in the three main trades (structural engineering, finishing work, civil engineering) and the relevant specialist training courses ensure that qualifications meet the needs of the market and are future-proof. These are key aspects when young people choose a dual vocational training course and thus for ensuring a sufficient supply of skilled workers in the construction industry.

Local authorities will work hard to become attractive employers which recruit, train and retain the required numbers of skilled workers. Local government associations will support the local authorities in this and promote professional exchange.

Implementing the agreements reached at the Housing Summit

The Alliance for Affordable Housing and Building will work with the federal states and local government associations to support implementation of the agreements reached at the Housing Summit and, where necessary, will implement further initiatives to ensure the relevant targets relating to new housing construction are met. The constructive contributions made by all those in the Alliance provide an excellent foundation which can be further deepened through dialogue with other actors. An interministerial committee of state secretaries headed by the Federal Ministry of the Interior, Building and Community will be established to coordinate the implementation process at federal level.