Public-private partnership, buildings energy efficiency and social housing: renewed tools to satisfy emerging needs

Empirical findings from a comparative analysis of Italian experiences
Introduction

Since 2008, recession of global economy
- has entailed the need to provide a significant boost to a **renewed growth** (e.g. financing strategic infrastructure and facility)
- but, conditions of **public finances** allow recourse to government intervention only in exceptional and temporary basis

Further diffusion of **Public-Private Partnership (PPP)**
- appears to be a viable strategy to implement investment projects
- but, also PPP initiatives have been progressively slowed down by **unfavourable conditions** emerged in capital markets
PPP's slowdown due to crisis

Research aim

Case studies

Empirical findings

Further development

Spread ~1.5%

Spread ~4.5%

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PPP and emerging needs

Meanwhile, communities are expressing emerging needs to be fulfilled by means of PPP transactions

- no more only infrastructures (in Italy: motorways) and facilities (in Italy: hospitals)
- but also rehabilitation of public buildings intended for administrative offices or schools, refurbishment of social housing stock and supply of new homes at affordable prices or rents, in any cases according to current energy efficiency standards
Aim and design of the research

**Aim** of this research is

- to examine whether **buildings energy efficiency** positively affect the feasibility of **social housing projects** to be carried out by means of **PPP transactions**

The **issues** addressed by the research may be expressed as follow

- is the adoption of energy efficiency measures useful to provide significant monetary savings?
- how are these savings allocated among stakeholders involved in the provision and management of social housing?
- may these savings provide a valuable support in order to boost provision of social housing?
Case studies

TURIN
TU 1 | Ivera 24 Abitare sostenibile
TU 2 | Luoghi comuni Porta Palazzo
TU 3 | Luoghi comuni San Salvatore
TU 4 | Campus Sanpaolo

MILAN
MI 1 | Cenni di cambiamento
MI 2 | Via Padova 36
MI 3 | Bicocca social housing
MI 4 | Social main street
MI 5 | Pompeo Leoni

CREMA
CR 1 | CasaCrema+

PARMA
PR 1 | Parma Social House

ASCOLI PICENO
AP 1 | Abitiamo insieme Ascoli

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PPP evolution
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Case studies

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Case studies

Variables under investigation are classified into four groups:

- **location**, kind of **intervention area**, project physical **dimensions** and timeline
- **PPP-related aspects** such as involved **subjects** and their **roles** (developers, sponsors, lenders, and so on); data on **investment costs and expected return** are also gathered
- **social housing features** (beneficiaries, assignment models of dwellings, rental fees or sale prices)
- **buildings energy efficiency** measures adopted and their impact on running costs

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Preliminary empirical findings

New kinds of involved private entities

- role of developer is played by bank foundations and cooperative companies, while traditional PPP transactions in Italy were promoted by general construction firms

- emerging stakeholders are characterized by the adoption of a venture philanthropy approach, therefore they are willing to accept a fair profit lower than market benchmark

- expected investment yields are the following: 2 percent over inflation rate (cases MI1 and MI2); 3 percent (TU1); 4 percent (TU4); 6 percent (PR1)
Preliminary empirical findings


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Preliminary empirical findings

Role of public bodies

- risks and uncertainties are mitigated by means of *public-private agreements*
- nonetheless, *public bodies' intervention is reinventing itself*
- due to lack of public funds, *non-repayable grants* towards capital expenditure are *decreasing*
- cash contributions are partly replaced by *indirect contributions* (tax rebates, e.g. exemption from payment of local construction fees) as well as by *in-kind contributions* (buildings, or building lands, made available for free or under a symbolic concession fee payment)
Preliminary empirical findings

Role of energy efficiency measures
- **saving on energy supply costs** is converted into a rent premium
- energy efficiency measures allow to propose agreed rents far higher than social or fair rents, and only slightly lower than market ones, therefore they stand out for being a considerable **feasibility driver**

Some data
- case TU1: delta to fair rent +57 percent; delta to market rent -12 percent
- case TU2: delta to fair rent +61 percent; delta to market rent -7 percent
- case MI1: delta to fair rent +22 percent; delta to market rent -59 percent
- case MI2: delta to fair rent +57 percent; delta to market rent -27 percent
Further development

Open questions

- it is still unclear if moderate yields have a direct or inverse correlation with the entrepreneurial initiative undertaken by third sector stakeholders: is it the cause or its effect?
- are these best practices going to give an effective boost to the provision of social housing estates and will they spread themselves across the country?
- does energy efficiency really allow to let the tenants neutral to rent increases?

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