



Commentary on Strategic Documents

National Economic Council of the Government (NERV)  
and the Association of Rental Housing (ANB)

Thesis: "BUILDING ON CONSENSUS"

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# State fund for investment promotion

## HIAH Introduction

The **Housing Investment Advisory Hub (HIAH)** is an expert platform comprising 25 professionals whose work is connected to the development of housing in the Czech Republic. These individuals have valuable insights into the reasons behind the low supply of housing in our country, and all agree on the necessity to increase investment in housing. The purpose of this document is to identify topics where consensus exists and to encourage the initiation of practical steps to which all stakeholders can contribute.

Among the members of HIAH are representatives of ministries as well as local governments, whose participation ensures the direct transfer of HIAH's perspectives to policymakers. The HIAH was initiated in 2022 by the **Ministry of Regional Development (MMR)**, with the aim of creating an independent body that would provide expert support in legislative development and policy modelling. The **State Fund for Housing Development (SFPI)** operates under the MMR and, in recent years, has systematically developed housing investment advisory services for municipalities and, more recently, for the state. SFPI is in daily contact with all levels of housing policy – from municipalities to Brussels – and has 25 years of experience in housing investment, which forms a solid foundation on which to build.

The twenty measures recommended in this document to government ministries stem from discussions among the **National Economic Council of the Government (NERV)**, the **Association of Rental Housing (ANB)**, and HIAH experts. Many of the topics raised by practitioners are already partially being addressed by ministries, though this is not widely known. It is therefore necessary to bring these topics to the forefront and, through moderated discussion between practitioners and ministries, engage in the legislative process related to housing development in the role of a facilitator. HIAH has accepted this role.

In addition to facilitating dialogue, HIAH also fulfils its goal of supporting the development of housing investment tools through its own analytical activities. These focus in detail on specific areas such as **Land Development and Spatial Planning**, **Financial Instruments for Housing Development**, and **Public-Private Cooperation**. For these areas, working groups led by Czech and international experts have been established. The outputs of HIAH will be directed to ministries in the form of legislative proposals, and to municipalities in the form of guidelines and practical tools for the development of affordable housing.

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\*NERV: Dvanáct klíčových opatření pro posílení dostupnosti bydlení v České republice; 19. 11. 2024; available (online) at: [https://vlada.gov.cz/assets/ppov/NERV/aktuality/NERV\\_12\\_kroku\\_pro\\_dostupne\\_bydleni\\_FIN1.pdf](https://vlada.gov.cz/assets/ppov/NERV/aktuality/NERV_12_kroku_pro_dostupne_bydleni_FIN1.pdf)

\*\*Asociace nájemního bydlení: Strategie rozvoje nájemního bydlení 2025+; 5. 12. 2024; available (online) at: <https://www.asociacenajemnihobydleni.cz/aktuality/strategie-rozvoje-najemniho-bydleni-2025/>

## Foreword

Based on an analysis of materials from the **National Economic Council of the Government (NERV)** (*Twelve Key Measures to Strengthen Housing Affordability in the Czech Republic; November 19, 2024*) and the **Association of Rental Housing (ANB)** (*Strategy for the Development of Rental Housing 2025+; December 5, 2024*), it was identified where the authors of both documents agree and on which topics further action can be built. HIAH complements these findings with additional important topics and proposes a timeline indicating how key steps can be addressed by the respective ministries and sectors. We expect this document to move the discussion forward – to the institutions participating in HIAH, including municipalities, regions, governmental departments, and the private sector.

In the municipalities, SFPI has recorded an interest in private and public investments in housing exceeding CZK 70 billion over the next five years. HIAH has identified state financial resources amounting to at least CZK 60 billion that are already present in the sector and could be used as an initial investment to trigger large-scale housing projects. These funds can be sourced from housing support benefits and mortgage subsidies (CZK 20 billion) and from the state's tax revenues generated from the sale of newly built apartments (approximately CZK 40 billion, according to data from the Czech Statistical Office). Additional "dormant" financial resources lie within pension funds (tens of billions of CZK), which, at the time of publishing this document, are increasingly being discussed as a potential source.

By reallocating CZK 60 billion from these funds, it would be possible to finance the construction of **10,000 public rental apartments** and support the creation of an additional **30,000 affordable apartments in private ownership**.<sup>1</sup> Such construction, realized within a short timeframe, could kick-start **revolving financing mechanisms** and other long-term sustainable models for the operation and development of the housing stock.

As members of HIAH, we call on the state to actively engage with the topics outlined in this document. We look forward to cooperating with all stakeholders involved in the comprehensive discussion on the development of affordable housing in the Czech Republic

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<sup>1</sup> **Calculation:**

*State financial support of 25% for the construction of 30,000 apartments × (25% of CZK 3,500,000 – value of one apartment) + full coverage of 10,000 apartments × CZK 3,500,000 (value of one apartment) = CZK 61.25 billion; for the purpose of easier communication, rounded to CZK 60 billion.*

## PART I: Seeking Consensus

HIAH has established the principle of "building on consensus". The following section therefore clarifies the areas where NERV and ANB align, and which can serve as a foundation for further agreement.

### 1) Topics where NERV and ANB align

- Support for the development of rental housing: Both organizations agree on the need to increase the supply of rental housing as a key solution to the issue of housing inaccessibility.
- Improvement of spatial planning: Both documents highlight the need for more efficient processes in spatial planning, which would accelerate the permitting and implementation of quality and sustainable housing construction.
- Public-private cooperation: NERV and ANB emphasize the importance of partnerships between the state, municipalities, and private investors for the development of rental housing.
- Legislative changes: Both documents support enhancing legal certainty in rental relationships, which is essential for all stakeholders.
- Data support and market monitoring: Both organizations stress the importance of improving the availability and quality of data on the housing stock and the housing market.

### 2) Topics where NERV and ANB diverge

- Price regulation vs. free market approach: ANB favors a more market-oriented approach to rental pricing, whereas NERV sees room for regulation of affordable housing, particularly within the social housing segment.
- Support for homeownership: NERV considers support for homeownership to be a key part of the solution, with a clear need for effective targeting of such support, while ANB, by its nature, focuses primarily on the development of the rental housing segment.
- Role of municipalities: ANB views municipalities primarily as facilitators and supporters of development projects, whereas NERV proposes a more active role for municipalities in the direct construction of housing.

- Financial instruments: NERV supports tax incentives and investment stimuli, while ANB advocates for simplified access to financing from both private and public sources.

### 3) Additional perspectives of HIAH

- **Establishing a comprehensive approach to spatial planning** based on the economic context of each locality will enable better planning of municipal and urban development and will increase investor interest in participating in the development of settlements that should be economically sustainable and, therefore, more livable.
- **The issue of suburbanization and its negative impacts on cities should be systematically addressed** through state support instruments that simultaneously offer alternative solutions.
- **Finding long-term, stable sources of financing for the development of affordable housing must be in the interest of the state**, regions, and municipalities. Without financial stability, it is not possible to plan effectively, nor will the private sector engage in the process in the long term – yet the private sector is essential to meeting housing needs.
- **Strengthening predictable cooperation between levels of government (municipality, region, state) and local private sector** actors in developing long-term support frameworks for housing development and municipal development is only possible through clearly defined rules of cooperation that reflect the needs, risks, and capacities of all involved parties.

## PART II: Topics Identified by HIAH to Complement the Outputs of NERV and ANB

HIAH draws attention to key topics that are either not directly addressed in the documents of NERV and ANB or are considered necessary to further emphasize and elaborate. In our view, these areas represent crucial factors for the successful implementation of recommendations aimed at improving housing affordability.

### 1) Land Development and Spatial Planning

A change in thinking about the development potential of territories and the establishment of a comprehensive approach to spatial planning based on the economic context of the locality.

#### Main Idea:

Current spatial planning is too rigid and often does not reflect the real needs of residents or the dynamics of the market. It is therefore essential to introduce a more flexible and comprehensive approach that allows for a rapid response to demographic and economic changes. Since spatial planning falls under the responsibility of public administration (both state and municipal levels), effective change requires their close cooperation.

#### Proposed Solutions:

- **Identification of barriers to effective use of two-tier spatial planning**, inspired by the models of Germany and Poland, where planning is more flexible and allows for responsiveness to changes.
- **Consideration of the economic and social impacts** of spatial planning documents at all levels, and the integration of economic instruments in their creation with the goal of long-term sustainability.
- **Motivation for housing development** in areas where it does not increase the economic burden on the municipality, especially in cases where municipal resources to cover these costs are not clearly defined.
- **Support for the effective use of data** in strategic territorial development planning at the level of metropolitan areas, metropolitan regions, regional centers, and peripheral areas.

## The Issue of Suburbanization and Its Negative Impacts on Cities

### Main Idea:

The expansion of built-up areas into the countryside (suburbanization) brings significant infrastructure costs and reduces the efficiency of urban development.

### Proposed Solutions:

- **Preferential support for the revitalization of city centers and brownfields** over extensive development in the outskirts of cities, with an emphasis on economic feasibility and the impact on municipal operations and development.
- **Support for the development of regional centers** that are experiencing population outflow to the largest cities. The objective is to reduce pressure on overloaded city centers while preventing the depopulation of settlements that have growth potential. **Principles of Spatial Development (ZÚR)** are key in this context for decision-making, which points to the important role of regional-level state administration and potentially regional self-government.
- **Increasing transport capacity around regional centers** and supporting the development of housing and infrastructure along transport corridors (e.g., high-speed rail lines – VRT). The goal is to reduce congestion caused by static and dynamic transport in both regional centers and metropolitan areas.
- **Support for social sustainability** through diverse forms of housing and a social mix in central locations.

## 2) Financial Instruments

### Main Idea:

The availability of stable and predictable financial instruments is a prerequisite for the development of affordable and quality housing. It is necessary to create a mix of public and private financing tools that will support long-term investment in housing while ensuring economic sustainability.

### Proposed Solutions:

- **Creation of a national financial platform for housing development** that will allow for the pooling of public and private resources, enabling efficient and targeted investment in housing projects.
- **Use of revolving financial instruments** (e.g., repayable loans, guarantees) instead of one-time subsidies, with the goal of maintaining financial resources in the system over the long term.
- **Utilization of state budget funds, EU funds, and other public sources** as leverage to stimulate private investment in housing.

- **Involvement of institutional investors** (such as pension funds and insurance companies) in the financing of affordable housing projects, creating conditions for long-term, stable returns.
- **Support for municipalities in accessing financing** through methodological assistance, preparation of model projects, and development of financial products tailored to the specific needs of municipalities.

## Securing Long-term and Stable Sources of Financing for the Development of Affordable Housing

### Main Idea:

Long-term and stable financial instruments are a key prerequisite for effective planning of housing development in municipalities. However, the current legislative framework significantly limits municipalities' access to these instruments, and in many cases, there is a lack of partners with sufficient capital in their vicinity to establish a long-term financial system. Regions currently do not have a clearly defined role in this area, and financial institutions lack direct motivation to actively participate in housing development.

### Proposed Solutions:

- **Expansion of loan programs to support affordable housing** (rental, ownership, and other forms), particularly for small municipalities and non-profit organizations that wish to invest in housing development.
- **Evaluation of the effectiveness of current state expenditures on housing demand support** (these expenditures amounted to CZK 19.7 billion in 2023, according to the Czech Statistical Office) and assessment of whether part of these funds could be more effectively used to support supply – for example, by financing the construction of approximately 5,600 affordable apartments.<sup>2</sup>
- **Assessment of the conditions for establishing a guarantee fund** that would reduce risks for private investors entering the affordable housing segment.
- **Exploration of the possibility of establishing a specialized revolving fund** to which the state, regions, municipalities, and private investors could contribute.

<sup>2</sup> **Calculation:** Full coverage of 5,628 apartments × CZK 3,500,000 (value of one apartment) = CZK 19.698 billion; for the purpose of easier communication, rounded to 5,600 apartments.

- **Identification of appropriate administrators of these funds and their optimal management.**
- **Evaluation of the potential involvement of pension funds or insurance companies in the affordable housing sector and assessment of whether they could help stabilize the market and provide capital.**
- **Assessment of the possibility of excluding investments in affordable housing from municipal budget balance sheets.**
- **Analysis of tools to motivate municipalities to manage their real estate assets more effectively** and to better utilize them for the development of affordable housing.

### 3) Public-Private Cooperation

#### Main Idea:

Effective and predictable cooperation between the public and private sectors is essential for the successful and sustainable development of affordable housing. In the Czech Republic, this cooperation is currently underutilized due to unclear rules, a lack of trust, and limited experience with long-term partnerships.

#### Proposed Solutions:

- **Development of standardized contractual models for public-private partnerships** in the field of affordable housing, including clear allocation of risks, responsibilities, and benefits.
- Creation of a legal and institutional framework that will ensure **transparency and predictability** of public-private cooperation.
- **Support for pilot projects that will test different models of cooperation** and provide examples of good practice for other municipalities and private investors.
- **Capacity building for municipalities** and public administration in the area of negotiation, preparation, and implementation of public-private projects.
- **Facilitation of dialogue** between public and private actors to build mutual trust and better understanding of their respective needs and expectations.
- **Consideration of long-term forms of cooperation**, including co-ownership models, joint ventures, or long-term leases with clearly defined public interest conditions.

## PART III: Recommendations to Ministries – Synthesis

In this chapter, we present a concrete proposal of **20 key measures** for the respective ministries, arranged in the order in which we would recommend addressing them over time. HIAH offers its assistance in facilitating inter-ministerial discussions.

### Ministry of Finance (MF)

- 1) **Securing long-term, stable state resources** for financing the development of affordable housing in the amount of at least CZK 10 billion per year (adjusted for inflation).
- 2) **Ensuring long-term financing of affordable housing** through currently successful financial instruments at the regional or state level, in order to maintain continuity in project preparation according to clearly defined rules already recognized by the market. The instruments of SFPI can be utilized.
- 3) **Reintroduction of repayments from state-provided preferential loans** into a revolving financing model.
- 4) **Support for new financial instruments**, such as loans secured by state guarantees or investment funds for the development of affordable housing, including the search for their optimal form in cooperation with regions and investors. These instruments should be coordinated with existing ones. Additionally, involvement of pension funds in the development of affordable housing investments in the Czech Republic.
- 5) **Revision of VAT related to development activities and the system of budgetary tax allocation (RUD)** in order to motivate regions and municipalities to actively build housing. We appreciate the steps already taken in this direction and offer our support.
- 6) **Searching for the optimal balance of housing support between demand-side measures** (such as benefits, tax relief, etc.) and supply-side measures (construction), to provide more effective support for housing affordability and prevent poverty exploitation.
- 7) **Coordination of financial and non-financial housing policy instruments** within a single organization directly connected to the long-term budget set by the Ministry of Finance. Currently, several ministries are involved in housing policy without an obligation to coordinate among themselves or with local governments, while all rely on short-term financial frameworks approved by the Ministry of Finance, which itself also has a housing division.

Ministry of the Environment (MŽP)

- 8) **Allowing residential development** in clearly economically, urbanistically, and socially beneficial cases, even on land classified as Grade I and II soil quality.
- 9) **Simplification of Environmental Impact Assessment (EIA) procedures** for key affordable housing projects to accelerate construction.

Ministry of Industry and Trade (MPO)

- 10) **Stronger support for the revitalization of brownfields** for housing purposes as an alternative to urban sprawl into the countryside, in cooperation with institutions involved in housing development (e.g., SFPI).
- 11) Coordination of **housing construction requirements with the real conditions of the construction market**, taking into account the actual capacity of companies, workforce, professional expertise, and technical awareness.
- 12) Support for the **effective implementation of the Act on the Management of Construction and Built Environment Information (BIM) into practice**, enabling public administration to efficiently use this data when making decisions about territorial development.

Ministry of Regional Development (MMR)

- 13) Development of a **vision for the growth of quality housing** on state level that can serve as a practical foundation for the creation of local policies.
- 14) Support for **the establishment of limited-profit housing companies** in cooperation with future stakeholders.
- 15) Incorporation of **urban economics data and economic instruments into planning processes**.
- 16) **Increased flexibility of spatial planning tools and the creation of agreements** at the local level (e.g., regulatory plans).
- 17) **Improvement of housing market monitoring** to enable more effective management of housing policy.
- 18) **Evaluation and revision of the Building Act** to simplify and accelerate construction processes. **Creation of a framework for expedited permitting procedures** for affordable housing, including a clear time limit.

Association of Regions (AK)

- 19) Clarification of the potential **role of regions in the system of support for the development of affordable housing**.
- 20) **Coordination and synchronization of currently implemented support measures** across regions, municipalities, and the state.

## Contact

### Acknowledgment

We would like to thank the representatives of HIAH for their involvement in numerous discussions on the topics mentioned in this document.

### Note

This material is based on the discussions within HIAH and the referenced documents of NERV and ANB. All stakeholders involved in or invited to participate in HIAH or its working groups were given the opportunity to contribute to its development. The document is published on the HIAH website ([www.obecon.cz/hiah](http://www.obecon.cz/hiah)) in both Czech and English, where a list of members of the Housing Investment Advisory Hub is also available.

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