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North-West Europe

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CASE STUDY:

ORGANISME DE FONCIER SOLIDAIRE (OFS) LOGEO SEINE



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1 – Introduction & context

Key information:

- Name: LOGEO Seine
- Location: le Havre
- Geographic area served: area/département of Seine-Maritime which is home to 1.25 million inhabitants.
- Establishment: 2019

Description of the housing market in Seine-Maritime:

The overall area has not been identified as one with large housing pressure according to French planning classifications, other than in the heart of two cities: le Havre (population 172,366) and Rouen (population of 110,169). The area is facing a decrease in population in the hearts of Rouen and le Havre and other small cities in the region are facing similar challenges.

LOGEO Seine

LOGEO Seine is a social housing company which owns, manages and develops social housing properties in the Seine-Maritime region. In France, social housing companies regularly sell social housing units to their tenants, then re-invest the proceeds of the sales into either the production of new social housing or into the renovation or retrofitting of their stock of housing assets (especially in improving energy efficiency, for example)

In 2018 the Government increased the objectives of social housing sales programs (ELAN law).

Following a recent merger with another housing provider, LOGEO Seine now owns 24,500 homes, representing an increase from 20 to 200 homes sold a year. Despite their large operations, LOGEO Seine remains vigilant to the risks related to social housing sales, such as the risks of resale into the open market, of losing sight of the housing's social mandate and of newly created developments. **In order to safeguard the core social mission of LOGEO Seine, it began engaging the *Organisme de Foncier Solidaire (OFS)* model, which makes use of the tool of *Bail Réel Solidaire (BRS)*.**¹ LOGEO Seine created an OFS as a branch of its larger social housing company which is dedicated to managing the sustainability of its land and selling

¹ *Organisme de Foncier Solidaire* literally translates to Solidarity/Joint Land Organism but is comparable to what is called a Community Land Trust (CLT) in most English-speaking contexts. *Bail Réel Solidaire* literally translates to something along the lines of Genuine Joint Lease and is, therefore, the specific tool used to realise the OFS affordability mechanism.

homes to targeted households, at prices lower than typical social housing since the OFS can carry the cost of the land.²

LOGEO Seine operates around 3 primary goals:

- **To promote and maintain affordable housing** by offering housing at a low price. LOGEO Seine's affordable prices give people who couldn't otherwise afford to become homeowners the power to buy a share and accrue wealth, rather than paying rent.
- **Support potential buyers and residents** to choose accommodation, facilitating administrative procedures and responsible management of living and shared facilities.
- **Offer a safeguarded system** in the event of resale.

2 – Assets

The most significant assets of the LOGEO Seine project is that it already owns land and buildings in the region currently being used for conventional social housing. Three social housing blocks in Le Havre are identified as BRS projects which together total 100 units of housing. One BRS agreement was already signed in July 2020 by a young family. LOGEO Seine has partnered with the bank Crédit Mutuel to support potential home buyers. The goal is to sell 10 homes via the BRS mechanism by the end of 2020, rising to around 100 BRS sales a year by 2028 (which would then mean a sale of about 660 homes by 2028).

3 – Legal & financial framework

The 2018 national ELAN law made it possible for social housing providers to take on the status of OFS, meaning that the companies could sell homes via a BRS with the inhabitant and lower costs by maintaining ownership of the land, locking in affordability for years to come. The BRS tool brings some advantages over the conventional sale of social housing, namely that (1) the sales price can carry an additional discount of 20% compared to market prices, (2) the household target is increased by 10% and (3) the legal provisions of the resale formula guarantee affordability of the homes in perpetuity.

The selling prices for the units are between €1,400-2000 per square metre and rent is set at around €0.50 per square metre. LOGEO Seine also guarantees the buyback of the units for ten years at the purchase price, then even longer with appropriate discounts. In a survey LOGEO Seine conducted with over 1,000 tenants, it found that 57% of households expressed interest in buying a BRS home due to its affordable price and the security of its resale mechanism.

² Prior to starting the project, LOGEO Seine conducted an extensive analysis into the legal and operational conditions in the area as well as the public demand present for this service.

LOGEO Seine already owns the land and buildings and all benefits of the housing sales are re-invested in LOGEO Seine’s wider activities as a social housing provider. Rental incomes are used to finance the OFS’s operational costs. It has partnered with the bank Crédit Mutuel to support the buyers of the homes.

4 – Affordability mechanism

Those targeted to live in the OFS-provided housing are those tenants already living in LOGEO Seine’s social housing as well as other tenants of social housing in the region.

LOGEO Seine’s specific attribution criteria are based on the legal income limits set out by the *plafond de revenus réglementaires* (PSLA), or national regulatory income ceilings.. Under this regime, for housing in zone C for example, a household of 1 person could not earn more than €24,740, a household of 2 not more than €32,990, a household of 4 no more than €42,284 and so on. The price of purchasing housing units is between €1,200-2,000 per square metre, marking a 20% discount from the going local market price of €2,000-3,000 per square metre. A nominal rent, of about €0.50/m²/month, is then charged to the tenant.

The resale is framed according to the following formula : the initial purchase price is indexed at the rate of the Livret A. (The Livret A is a regulated popular savings account under French law, exempt from tax and compulsory debit. It is the most used investment in France. In 2020 the rate is between 0.5% and 1%)

Information about some of LOGEO Seine’s buildings and their sales prices are as follows.

La Bouteillerie



La Bouteillerie

This housing development has 22 units, made up of 5 one-bedroom, 13 2-bedroom and 4 3-bedroom units. To give an idea of pricing, a 2-bedroom flat of 64 square metres would be sold to a previous tenant of LOGEO for €83,000 and €87,000 to others, with €970 a year in

condominium fees, €1,150 a year in property taxes. This amounts to a monthly mortgage payment of about €360, €567 if including mortgage, fees, nominal rent and taxes. A typical social housing renter of this type of units would pay €583 per month in rent and fees, without any benefits of ownership such as capitalisation.

Les 4 Vents



Les 4 Vents

This housing development has 20 units, made up of 4 one-bedroom, 8 2-bedroom and 8 3-bedroom units. To give an idea of pricing, a 2-bedroom flat of 65 square metres would be sold to a previous tenant of LOGEO for €64,000 and €66,000 to others, with €2,530 a year in condominium fees, €1,300 a year in property taxes. This amounts to a monthly mortgage payment of about €275, €613 if including mortgage, nominal rent, fees and taxes. A typical social housing renter of this type of units would pay €521 per month in rent and fees, without any benefits of ownership such as capitalisation.

5 – Governance

Governance is related to LOGEO Seine’s overall governance as a social housing company. The Managing Board is in charge of the strategic steering of the OFS.