

Reaction to the European Housing Simplification Act

CEMR Answer to European Commission Call for Evidence.

CEMR, the largest association representing local and regional governments (LRG) across Europe, welcomes the possibility of providing input to the European Housing Simplification Act. While housing requires European attention, measures need to be adaptable to each Member State and the principle of subsidiarity must be respected.

CEMR calls for stronger support for, and dialogue with, LRG, which play a key role in housing delivery through planning, local services, and territorial development to ensure place-based and integrated policies.

While many EU rules pursue legitimate objectives, their combined effect can increase costs, delays, constrain investment and reduce the ability of LRG to respond to housing shortages. Thus, simplification in favour of LRG, greater legal certainty and flexibility are essential. When assessing existing legislation, the Commission shall strive for coherence, interoperability and alignment of timelines, datasets and digitalisation and, when needed, compromise between different areas.

This response provides a summary of legislation to be addressed; a more detailed analysis can be found in the annex.

Fiscal and State aid rules continue to limit LRG's capacity to invest in affordable housing by treating them as current spending instead of long-term public investment. Despite the welcome extension of State aid provisions to affordable housing, further reforms are needed to provide legal certainty and flexibility for public-interest and municipal housing projects. Procedures should be significantly simplified, particularly regarding entrustment requirements, overcompensation controls and earmarking obligations, reducing reliance on costly external legal expertise.

EU procurement rules can significantly delay affordable housing projects, increase costs and create disproportionate administrative burdens for LRG. Rising construction costs mean that more housing developments are captured by complex EU-wide procurement procedures, further slowing delivery. CEMR therefore calls for a simpler and more flexible procurement framework, including higher thresholds that better reflect current market conditions, greater use of direct awards after unsuccessful procedures, and increased flexibility for contract modifications. Projects with limited cross-border relevance should not be subject to unnecessary EU-wide requirements. These reforms would reduce delays, lower administrative and compliance costs, lessen reliance on external expertise, and accelerate affordable housing delivery.

CEMR supports the Commission's proposal to explicitly exempt affordable housing projects under relevant **Anti-Tax Avoidance Directive** (ATAD I) provisions, thereby unlocking additional investment and accelerating housing delivery.

European **energy legislation** should be better aligned and support housing development by enabling local energy solutions, energy sharing, the use of residual heat and more flexible grid-

capacity allocation. The EU should focus on interoperability, common data standards and digital solutions rather than detailed procedural requirements.

Greater legal certainty is needed under the **Birds and Habitats Directives and the Nature Restoration Regulation**. Unclear assessment requirements, extensive compensation obligations and rigid procedures cause significant delays and increase costs. Clearer thresholds, proportionate assessments for low-risk projects, more flexible compensation mechanisms and explicit recognition of housing as an overriding public interest in areas facing shortages would improve planning certainty while maintaining environmental objectives.

CEMR further emphasises that affordability requires not only faster delivery but also higher productivity in **construction and renovation**. The EU should invest in skills, training, innovation and local administrative capacity, particularly in smaller municipalities. Labour mobility and mutual recognition of qualifications should be strengthened. CEMR also supports innovative and sustainable construction methods, climate-resilient building solutions, and greater harmonisation of construction standards across Europe.

To increase housing supply at scale, the EU should complete the single market for construction by reducing regulatory fragmentation, supporting regional supply chains and facilitating renovation, retrofitting and adaptive reuse of vacant buildings.

Annex: EU legislation impact on housing

Fiscal and State Aid Rules

Existing **fiscal and State aid rules** constrain local and regional governments' capacity to invest in affordable housing by treating such expenditure as current spending rather than long-term public investment. Building on the welcome extension of State aid provisions to affordable housing, further reforms are needed to provide local authorities with greater legal certainty and flexibility to support public-interest and municipal housing projects. At the same time, simplifying State aid requirements is essential to reduce administrative burdens linked to entrustment procedures, overcompensation controls and earmarking periods. The framework should be sufficiently clear and proportionate to enable local authorities to implement housing measures without relying on costly external legal expertise.

EU procurement rules can significantly delay affordable housing projects, increase costs and create disproportionate administrative burdens for local and regional authorities. In projects aimed at creating affordable housing, time-consuming procurement processes for planning and construction services delay implementation, result in additional costs and often require external service providers to ensure legal compliance. As rising construction costs bring more projects above EU procurement thresholds, an increasing share of housing developments is subject to complex EU-wide procedures. Notably, the EU thresholds for construction contracts as well as for supply, service, and freelance contracts must be raised to €10 million and €750,000 respectively. CEMR calls on the European Commission to enter into negotiations with the World Trade Organisation on reforming the Government Procurement Agreement (GPA) in order to raise the EU thresholds.

Furthermore, EU procurement rules should be significantly simplified at the procedural level, by e.g. allowing direct awards (negotiation with a single contractor) following an unsuccessful open or

restricted procedure or providing greater flexibility for contract modifications after contract award under the current Article 72 of [Directive 2014/24/EU](#).

The upcoming Public Procurement Act should reduce the number of housing projects unnecessarily subject to EU-wide procurement procedures by establishing more proportionate thresholds that better reflect current construction and service costs. This is particularly relevant for planning and other professional services, where the current thresholds can be reached relatively quickly.

Concrete demands include simplifying procedures and providing greater flexibility to contracting authorities as the main opportunities for reducing delays and costs through the Public Procurement Act. This should include allowing more flexibility following unsuccessful procurement procedures and greater flexibility for contract modifications after award. The new framework should also avoid adding unnecessary administrative and compliance requirements to locally delivered projects where there is limited cross-border interest. A simpler and more flexible procurement framework would help local authorities reduce administrative costs, limit their reliance on external expertise for routine compliance, and ultimately facilitate the faster delivery of affordable housing.

Overlapping housing, energy, climate and environmental procurement **requirements** can further delay housing delivery.

The **Anti-Tax Avoidance Directive** (ATAD I - [2016/1164](#)) can reduce the investment capacity of affordable housing providers across the EU. The Commission's proposal in its Taxation Omnibus to explicitly cover affordable housing projects under relevant ATAD I exemptions is therefore a necessary step to unlock investment and accelerate housing delivery.

Energy Legislations

European **energy legislation** should better support housing development by enabling innovative local energy solutions and a more flexible approach to grid capacity allocation. Current rules are largely designed around centralised energy systems and often create unnecessary barriers, for example by restricting local energy sharing arrangements and preventing residential areas from accessing nearby electricity or residual heat sources. In addition, grid connection rules based on a strict **first-come, first-served principle** can disadvantage affordable housing and other projects serving a clear public interest during periods of grid congestion. The Commission should provide greater flexibility within the existing framework to facilitate housing delivery, maximise the use of local energy resources, and address grid constraints, while safeguarding consumer protection and fair competition.

Beyond targeted reforms to energy market and grid rules, EU regulations, including closely interlinked **EED, RED and EPBD**, should be simplified to improve their clarity as a legislative whole and to enable effective implementation. The latter can create unnecessary complexity and administrative burdens for local authorities, developers and permit-granting bodies. While Member States are seeking to streamline housing delivery and reduce permitting burdens, EU legislation should avoid introducing overly detailed procedural requirements that limit flexibility in local administrative systems.

The EU should focus on areas where it can provide genuine added value, including the development of open and interoperable standards, common data models and cross-border compatibility of information systems. Rather than prescribing detailed administrative procedures, it should support

the digitalisation and modernisation of permitting processes. **Finland's electronic permit system** demonstrates how digital solutions can streamline permit applications, administrative processing and communication with authorities, while remaining adaptable to national administrative structures. Simplified and coherent energy legislation, combined with flexible grid access rules and digitalised permitting processes, would help accelerate the delivery of affordable, sustainable and energy-efficient housing across Europe.

Environment Legislation

Greater legal certainty is also needed under the **Birds and Habitats Directives** to facilitate housing development while ensuring appropriate environmental protection in and around Natura 2000 areas. A more practical and flexible approach to nature compensation would help regions deliver projects more effectively, as current requirements can cause significant delays and jeopardise financial viability.

Unclear assessment thresholds, particularly for appropriate assessments under Article 6(3) of the Habitats Directive, can lead to excessive assessment requirements and lengthy procedures even for minor projects, increasing costs and delaying affordable housing. Clearer significance thresholds, simplified procedures for low-risk projects and more practical exemptions under Article 6(4) and Article 16 of the Habitats Directive ([92/43/EWG](#)) and Article 9 of the Birds Directive ([2009/147/EG](#)) would improve planning certainty. In areas with a need for housing, housing construction should also be explicitly recognised as an overriding public interest.

A more population-based approach to species protection, as envisaged in the proposal for a regulation on speeding up environmental assessments ([2025/984](#)), is welcome but requires further development to ensure legal certainty. Extending this approach to breeding and resting sites and related derogation assessments under Article 16 of the Habitats Directive could help reduce unnecessary assessments and delays while maintaining the overall level of ecological protection. Any adjustments must fully preserve biodiversity objectives, while allowing for greater flexibility in the design and timing of compensatory measures where this demonstrably enhances overall ecological outcomes.

The **Nature Restoration Regulation** (NRR, [2024/1991](#)) also creates significant challenges for housing delivery. Article 8 effectively constrains inner development and the designation of new building land in areas facing significant housing and development pressure. The no-net-loss target for urban green spaces by 2030, together with the obligation to improve on that level from 2031 onward, risks a further shortage of building land, rising construction costs, and constraints on local planning authorities. Green-space losses resulting from inner development should also be capable of being offset locally in areas adjacent to designated urban ecosystem areas. Existing national rules for protecting and developing urban green spaces should be recognised, including qualitative improvements to existing green spaces rather than relying solely on a quantitative, area-based approach.

Regulation (EU) No 598/2014 on **noise-related operating restrictions at airports** focuses primarily on noise mitigation without sufficiently recognising its interaction with other societal and spatial planning objectives. Decisions on airport operations can significantly affect opportunities for housing development in surrounding areas. A more integrated approach is therefore needed to better reflect the links between noise management, land-use planning and housing policy.

Current internal market rules and the **SGEI framework** (Services of General Economic Interest) restrict the capacity of public authorities to strengthen regional and sustainable material supply chains. This can hinder the development of circular and bio-based construction ecosystems, including regional timber value chains. EU rules should provide greater flexibility to support these objectives while preserving the integrity of the internal market.

EU Affordable Housing Act

CEMR welcomes the publication of the Affordable Housing Act, including flexibility for competent authorities to deploy interventions based on local circumstances. However, CEMR points to the fairly narrow lens taken, risking missing the bigger picture. Housing stress takes many forms across Europe and can't always be reduced to a single affordability indicator. Pressures may come from tourism, supply shortages, demographic shifts, land constraints, planning and permitting bottlenecks, infrastructure gaps, or a simple shortfall in affordable and social housing.

A single EU-wide approach could undermine local flexibility and fail to reflect national and regional frameworks, such as Germany's Section 556d(2) Civil Code or Baden-Württemberg's Housing Misuse Prevention Act. EU legislation should recognise existing local assessment mechanisms and enable authorities to act proactively to safeguard housing availability, liveability, and urban quality.

Further, CEMR has consistently stressed that local authorities need to be able to **act before housing pressures get out of control** and, on this front, concerns remain. Article 9 requires authorities to prove that an activity has had an adverse effect on housing affordability or availability for at least three years before any restrictive measures can be introduced. For many local governments, this could place an additional burden on authorities and delay action to address housing pressures early enough.

On streamlining, the Recommendation proposes creating **Housing Acceleration Areas**. CEMR warns this approach doesn't adequately account for local realities, which are shaped by complex legislative frameworks and need to be assessed case by case.

The legislative proposal also seeks to clarify how housing measures interact with existing **Internal Market legislation**, including the Services Directive, with the aim of giving public authorities greater legal certainty and reducing the risk of litigation. Even so, CEMR warns that the Affordable Housing Act could end up doing the opposite for municipalities, adding extra difficulty and legal uncertainty around the burden of proof required across different frameworks.

Housing Delivery and Affordability

Best practices to improve **housing delivery and affordability** include simplifying planning and regulatory requirements, applying proportionate assessments, and increasing flexibility for LRG. Effective measures include integrated spatial planning, one-stop shops, fast-track permitting, and digital permit systems. Further progress requires stronger labour mobility and skills recognition, investment in construction capacity and innovation, and easier access to EU funding, alongside efforts to reduce regulatory fragmentation and administrative burdens without undermining wider climate, social, or environmental goals.

Construction and Renovation Productivity

Improving **construction and renovation productivity** is essential to addressing housing shortages. CEMR calls for investment in skills, training, innovation, and local administrative capacity, particularly for small and medium-sized municipalities. It also supports stronger labour mobility, mutual recognition of qualifications, innovative and sustainable building methods, energy-efficient and circular building techniques, and climate-resilient solutions.

To scale up production, the EU should complete the single market for construction by addressing material bottlenecks, reducing regulatory fragmentation, and harmonising standards. CEMR also highlights renovation, retrofitting, and adaptive reuse of vacant buildings, alongside simplified planning, digital permitting, and improved access to finance to accelerate delivery.

- The new **Slovak Construction Act** aims to simplify and accelerate construction permitting procedures and the need to go beyond new construction by supporting the renovation and mobilisation of vacant housing stock, as well as more accessible and barrier-free housing linked to ageing and social care needs. For municipalities, it remains important to monitor whether these changes will also translate into more practical and administratively manageable preparation of housing projects at local level.
- While energy efficiency standards are well-established, climate assessments in the new **Finnish Construction Act** represent a new area where experience is still limited. The biggest challenge regarding energy efficiency regulation is the constantly changing rules. EU regulations should facilitate the flexible use of the existing building stock. Processes for changing building use and carrying out major renovations should be streamlined by granting Member States greater national flexibility, provided that current standards regarding safety, health, and technical quality are not compromised.

In its recent [Position Paper](#), CEMR calls for increased and simplified funding, reforms to fiscal and State aid rules, streamlined planning and (digital) permitting, stronger construction capacity and innovation, and better access to land. It also promotes renovation and reuse of existing buildings, sustainable construction, completion of the single market for construction, and stronger multi-level governance to deliver affordable, inclusive, and climate-resilient housing.

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About CEMR:

The Council of European Municipalities and Regions (CEMR) is Europe's first and broadest association of local and regional governments. We are the only organisation that brings together 60 national associations of local and regional governments from 41 countries.

We empower cities, towns, and regions to build peaceful, inclusive, just, and resilient communities by amplifying their voices at European and international levels. Our aim is to ensure that local leaders are fully equipped to drive the sustainable transition of their territories to effectively respond to global challenges.

CEMR also serves as the European section of the global organisation United Cities and Local Governments (UCLG).



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countries



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