

## PRESS RELEASE

2 October 2019

### Report to the Flemish Parliament

#### *Land purchases by the social housing company nv Vitare - supervision and lending*

*In the summer of 2013, the social housing company (SHC) Vitare bought around 35 million euros of land, mainly from its parent company, nv Matexi Group. Vitare financed those purchases with loans from the Flemish Social Housing Company (FSHC). However, in 2018 Vitare went into liquidation. At the request of the Flemish Parliament, the Court of Audit investigated whether the regional services, the social housing regulator and the FSHC could have prevented this. It decided that the government departments involved did not act with sufficient care.*

#### **Recognition, land purchases and settlement**

In early 2009, Vitare SA asked the Flemish Minister of Housing for recognition as a SHC. Since it did not receive a substantive formal decision, the nv considered itself tacitly recognized. A court ruling confirmed the recognition in 2012 and sentenced the Flemish government and the FSHC to a penalty payment. This led to a settlement on 27 March 2013, which relieved Vitare of the requirement for local binding of its projects and in which Vitare waived compensation. This allowed Vitare to develop housing initiatives in the entire Flemish region, although the intention of the Flemish government was to organize the social housing sector mainly locally.

In the summer of 2013, Vitare SA purchased 35.3 million euros of land for its extensive project plans, mainly located in residential expansion areas. Vitare financed those purchases with loans from the FSHC. However, it turned out that Vitare was unable to realize residential projects in the short term on a large part of the land purchased due to the lack of necessary permits. At the end of 2013, Vitare was already experiencing financial difficulties, and in mid-2018 it went into liquidation. As a result, the FSHC had to book a value reduction of 22.9 million euros at the end of 2018.

#### **Social housing supervisor**

The social housing supervisor must, among other things, watch whether the SHCs properly carry out their decretal tasks. At the beginning of June 2013, the minister formally informed the regulator of the recognition of the new SHC. In determining the Vitare risk profile, the regulator did not take sufficiently into account the fact that the Vitare plans required a lot of land purchases, while it had little income and capital. The risk assessment also did not take sufficiently into account the fact that it was a new company, which should be subject to

increased supervision in the beginning. Nor did the regulator supervise whether Vitare duly reported its management decisions immediately following its recognition.

The supervisor was authorized to destroy part of Vitare's land purchases as, even though they fit in with Vitare's statutory objectives, they did cause a long-term financial imbalance due to their size and because they were purchased in one action and were therefore incompatible with the proper functioning of an SHC. However, the regulator has not made use of its powers of destruction.

### FSHC

Vitare SA, which did not have its own patrimony at the time of its start-up, had to use the loans provided by the FSHC to finance its assignment, like all other recognized SHCs. The FSHC can refuse loan applications if the loans jeopardize the financial equilibrium or the realization of the social housing supply, but did not take a critical attitude in the case of Vitare, partly due to uncertainty about the implications of the Vitare recognition settlement. However, that settlement did not in any way imply the obligation to finance all purchases without further ado. The FSHC did not check whether the large number of purchases was financially feasible in the short term for the starting SHC. Nor did it check whether the grounds were suitable for the development of social housing, assuming that the autonomous SHC would have carefully checked this with the local government.

### Conclusions

The Court concluded that the regulatory framework offered the Flemish government services concerned sufficient possibilities to limit the number of lands that Vitare purchased in 2013 with FSHC funds, but that they did not handle their powers with due care, which led to the booking by the FSHC on 31 December 2018 of a 22.9 million euros value reduction.

### Response of the minister

The Flemish Minister for Housing responded on 24 July 2019 that she largely agreed with the conclusions of the report. The FSHC and the Supervision department have recently developed new measures that meet a number of recommendations, striking a balance between respect for the autonomy of SHCs and the subsidiarity principle on the one hand and the financial interests of the FSHC and the Flemish government on the other.

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### Information for the press

The Court of Audit exerts an external control on the financial operations of the Federal State, the Communities, the Regions and the provinces. It contributes to improving public governance by transmitting to the parliamentary assemblies, to the managers and to the audited services any useful and reliable information resulting from a contradictory examination. As a collateral body of the Parliament, the Court performs its missions independently of the authorities it controls.

The audit report on *Land purchases by the social housing company nv Vitare* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website: [www.courttofaudit.be](http://www.courttofaudit.be).