

RE-VISITING SOCIAL HOUSING



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About the Global Solutions Group on Urban Poverty, Inclusive Cities and Housing

The Urban Poverty, Inclusive Cities and Housing Global Solutions Group (GSG) aims at fostering a community around key topics related to urban poverty and housing for: knowledge sharing, operational support, training activities, mentoring and building partnerships across the World Bank Group and beyond. The GSG has three affiliated communities of practice (Knowledge Silo-Breakers) and the Global Program for Resilient Housing, that support the same objective and focus areas: Affordable Housing; Urban Poverty and Slum Upgrading; Cities, Migration and Forced Displacement and the Global Program for Resilient Housing.

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- Cabrini Green, Chicago: <https://www.chicagoreader.com/chicago/in-high-risers-ben-austen-delivers-a-long-overdue-requiem-for-cabrini-green/Content?oid=40053375>.
- HDB housing, Singapore: <https://development.asia/case-study/promoting-social-equity-through-public-housing>.
- Council housing, UK: <https://blogs.lse.ac.uk/politicsandpolicy/book-review-municipal-dreams/>.
- Baan Mankong development, Thailand: <https://en.codi.or.th/>.
- Social housing, Denmark: <https://www.archdaily.com/903495/homes-for-all-dortheavej-residence-bjarke-ingels-group>.
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Contents

- Acknowledgements** vii
- Abbreviations** ix
- 1 Introduction** 1
 - Context: Why are we doing this study? 1
 - Objectives, scope, and methodology of the study 2
- 2 What is Social Housing?** 3
 - The many definitions of social housing 3
 - A proposed framework for social housing 5
- 3 A century of social housing: Global typologies and case studies** 11
 - Disentangling ‘social housing’ versus ‘social assistance for housing’ 11
 - Social Housing: Models and case examples 12
 - Government agencies* 12
 - Non- or limited-profit housing associations* 16
 - Community land trusts* 21
 - Comparing social housing models across framework dimensions* 25
 - Social assistance for housing: Models and case examples 25
 - Government-led housing production (supply-side)* 25
 - Government financial assistance to households (demand-side)* 32
 - Private and small-scale landlords* 34
 - Comparing social assistance for housing across framework dimensions* 37
- 4 Looking Forward: Some Guiding Principles** 41
 - Definition of Social Housing 41
 - Prerequisites for social housing development: An enabling environment 41
 - Government capacity and accountability* 41
 - Private and non-profit sector interest and capacity* 42
 - Challenges and trade-offs: A Balancing Act 42

<i>Tenure</i>	44
<i>Institutional structure and data</i>	45
<i>Financing and costs</i>	46
<i>Subsidies and targeting</i>	48
<i>Planning, regulation, and sustainability</i>	51
<i>Operations and maintenance (O&M)</i>	53
End Note	54
Annexes	55
Annex 1: Definitions of social housing	57
Annex 2: Government agencies	59
USA: Public housing	59
Annex 3: Non- or limited-profit housing associations	63
Netherlands: Social housing associations/ <i>Woningcorporaties</i>	63
USA: Low Income Housing Tax Credit (LIHTC) program	66
Vienna, Austria: Limited Profit Housing Associations (LPHAs)	69
South Africa: Social housing institutions (SHIs)	72
France: Habitation à loyer modéré (HLM)/ Housing at moderated rents	75
UK: Housing associations	78
Visegrad Group (or Visegrad Four or V4): ⁶⁶ HomeLab project	80
Annex 4: Community land trusts	87
USA: Community Land Trusts (CLTs)	87
Annex 5: Government-led housing production (supply-side)	93
Singapore: Public housing/ Housing Development Board (HDB) housing	93
Turkey: Mass housing, TOKI	96
Brazil: Minha Casa, Minha Vida (MCMV)	98
Thailand: Baan Mankong (Secure House) Program, Community Organization Development Institute (CODI)	101
Ethiopia: Integrated Housing Development Program (IHDP)	105
Annex 6: Government financial assistance to households (demand-side)	109
Chile: Housing vouchers	109
USA: Housing Choice Voucher (HCV)	111
Indonesia: Mortgage-linked down payment assistance (<i>Bantuan Pembiayaan Perumahan Berbasis Tabungan – BP2BT</i>)	114

Annex 7: Private and small-scale landlords	119
Jordan: Norwegian Refugee Council's (NRC's) Urban Shelter Program.	119
South Africa: Backyard rentals	122
California, USA: Accessory Dwelling Units (ADUs)	126
Germany: Subsidized housing	129
Bibliography	133

List of Figures

Figure 1	Social housing framework	6
Figure 2	Change in primary social housing providers over time	7
Figure 3	Possible financing sources for social housing development.	8
Figure 4	Social housing 2x2 matrix.	13
Figure 5	Typical modality of government-led social housing.	13
Figure 6	Typical modality of non-profit housing association-led social housing.	17
Figure 7	La Guardia Houses on Manhattan's Lower East Side	60
Figure 8	Demolition of the Pruitt-Igoe public housing project in St. Louis in the 1970s	61
Figure 9	The Zaanhof social housing in Amsterdam, built in 1910	64
Figure 10	Social housing in the Bijlmermeer (Amsterdam), built in the 1970s and renovated in the 1990s.	65
Figure 11	Partners in a LIHTC deal	67
Figure 12	A 72-unit LIHTC-funded development in San Francisco.	68
Figure 13	The Karl Marx-Hof social housing project in the 19th district in Vienna, built 1927-30	69
Figure 14	Reumann-Hof social housing in Vienna	71
Figure 15	Amalinda Village project, built by SOHCO SHI in East London	73
Figure 16	Westgate Grange Social Housing in KwaZulu-Natal province.	74
Figure 17	City of the Grand Parc, Bordeaux	75
Figure 18	Atelier Du Pont social housing in Ivry, built as part of the Ivry Confluences Urban Development Zone	77
Figure 19	Park Hill estate in Sheffield, completed in 1961	78
Figure 20	HomeLab project locations in Slovakia	81
Figure 21	HFH Poland's HomeLab project structure	82
Figure 22	How Community Land Trusts (CLTs) work.	88
Figure 23	Bright Street Co-op in Burlington, VT by Champlain Housing Trust.	90
Figure 24	HDB Housing at Marine Parade built in the 1970s.	94
Figure 25	The Pinnacle@Duxton, a public housing project built in the 2000s.	95
Figure 26	TOKI social housing in Kocaeli province.	97
Figure 27	Taroni condominium in Rio de Janeiro.	99
Figure 28	Financing for housing development under the Baan Mankong Program.	103
Figure 29	Bang Bua Canal Housing in Bangkok	104

Figure 30	Incidence of informal rental by income quintile in Chile, 2011	109
Figure 31	Average Per Unit Cost since 2014	113
Figure 32	NRC's Urban Shelter Program	120
Figure 33	NRC engineers inspect construction works in Jordan	122
Figure 34	3D view of backyard shacks	123
Figure 35	3D view of two-story micro-flats	124
Figure 36	3D view of a boarding house	124
Figure 37	The many shapes and sizes of accessory dwelling units (ADUs)	127
Figure 38	Types of ADUs	128

List of Tables

Table 1	Definitions of social housing	4
Table 2	Predominant social housing models (categorized by provider/ owner-operator).	12
Table 3	Predominant models of social assistance for housing	12
Table 4	Comparing social housing models across framework dimensions	26
Table 5	Comparing models of social assistance for housing across framework dimensions	38
Table 6	Checklist to evaluate proposed social housing programs.	43
Table 7	EIB's financial products in the housing sector.	49
Table 8	Additional definitions of social housing.	57
Table 9	NRC's financial investment.	121

List of Boxes

Box 1	Social Rental Agencies (SRAs) in Poland	22
Box 2	Dudley Neighbors, Inc. (DNI) Community Land Trust (CLT) in Boston, USA	24
Box 3	The housing continuum in France.	45
Box 4	The Housing Finance Corporation (THFC) in the UK.	47

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the Global Solution Group on Urban Poverty and Housing. Sameh Wahba (Global Director, Urban, Disaster Risk Management and Land Global Practice) provided strategic leadership and chaired internal reviews.

Abbreviations

ADB	Asian Development Bank	HTC	Historic Tax Credit (USA)
AfDB	African Development Bank	HUD	Department of Housing and Urban Development (USA)
AMI	Area Median Income (USA)	IDB	Inter-American Development Bank
APL	<i>Aide Personnalisée au Logement</i> (France)	IRS	Internal Revenue Service (USA)
BMP	Baan Mankong Program (Thailand)	LIHTC	Low-Income Housing Tax Credit (USA)
BTO	Build-To-Order (Singapore)	LPHA	Limited Profit Housing Association
CCG	Consolidated Capital Grant (South Africa)	MCMV	<i>Minha Casa Minha Vida</i> (Brazil)
CDBG	Community Development Block Grant (USA)	MINVU	<i>Ministerio de Vivienda y Urbanismo</i> / Ministry of Housing and Urban Development (Chile)
CDC	Caisse des Dépôts et Consignations (France)	MTO	Moving to Opportunity (USA)
CEECs	Central and Eastern European Countries	MTSF	Medium Term Strategic Framework (South Africa)
CLT	Community Land Trust	NHA	National Housing Authority (Thailand)
CODI	Community Organizations Development Institute (CODI)	NHFC	National Housing Finance Corporation (South Africa)
CPF	Central Provident Fund (Singapore)	NHT	National Housing Trust (USA)
DHS	Department of Human Settlements (South Africa)	NOAH	Naturally Occurring Affordable Housing
EU	European Union	NRC	Norwegian Refugee Council
FMR	Fair Market Rent (USA)	NWE	North-West European
FPS	<i>Ficha Proteccion Social</i> (Chile)	ODA	Other Delivery Agents (South Africa)
GPF	Gauteng Partnership Fund (South Africa)	OECD	Organization for Economic Co-operation and Development
HCV	Housing Choice Voucher (USA)	PAC	<i>Programa de Aceleração do Crescimento</i> (Brazil)
HFH	Habitat for Humanity	PAP	People's Action Party (Singapore)
HLM	<i>Habitations à loyer modéré</i> / Housing at moderated rents (France)		

PHA	Public Housing Authority (USA)	SHRA	Social Housing Regulatory Authority (South Africa)
PLAI	<i>Prêt Locatif Aidé d.Intégration</i> (France)	SLA	Singapore Land Authority
PLS	<i>Prêt Locatif Social</i> (France)	SRA	Social Rental Agency
PLUS	<i>Prêt Locatif à Usage Social</i> (France)	SRE	Social Rental Enterprise
PPP	Public-Private Partnership	TOKI	<i>Toplu Konut İdaresi Başkanlığı</i> (Housing Development Administration) (Turkey)
QAP	Qualified Allocation Plan (USA)	UNECE	United Nations Economic Commission for Europe
RAD	Rental Assistance Demonstration (USA)	UNHCR	United Nations High Commissioner for Refugees
SAFMR	Small Area Fair Market Rent (USA)	WBG	World Bank Group
SERVIU	<i>Servicios de Vivienda y Urbanizacion</i> (Chile)	WSW	Waarborgfonds Sociale Woningbouw/ Social Housing Guarantee Fund (Netherlands)
SGEI	Services of General Economic Interest (EU)		
SHI	Social Housing Institution (South Africa)		
SHICC	Sustainable Housing for Inclusive and Cohesive Cities (EU)		

Introduction

1

Markets alone are not enough to serve the needs of poor and vulnerable groups; government needs to play an active role in supporting their housing needs through a combination of instruments, including subsidies, infrastructure provision, and public/ social housing. This report focuses on *one of many* supply-side options—specifically, the provision of social housing—and what governments need to consider if they want to go down that path, and by extension, what World Bank task teams could look at to understand the potential viability of proposed programs.

Depending on where the reader is from, the term ‘social housing’ may conjure up images of grey and derelict tower blocks on the outskirts of town, or those of low-rise brick-clad buildings in a thriving neighborhood, or both. In reality, social housing encompasses both of these—and many more typologies in between these two extremes—often in the same city. Given the vast diversity of typologies—not to mention policies, financing mechanisms, and institutional frameworks—this study starts with positing a working definition of social housing, before delving into its different models, and finally makes recommendations to help World Bank staff evaluate re-

quests from client governments to support such projects.

That said, it is important to note at the outset of this paper that **social housing cannot be a stand-alone solution for the challenges facing any country. It needs to be seen as one element of a broader agenda that encompasses the range of issues for the entire population distribution.**

Context: Why are we doing this study?

The approach to social housing has evolved through time, ranging from densely concentrated publicly built housing for ownership to below-market rental housing that is managed and maintained by the public sector. There have been diverse approaches on financing, ownership, government involvement, targeting and income mix, and the role of the community.

More broadly, over the past five decades, there has been an evolution of housing subsidies away from sheer public rental to subsidies for home ownership and subsidies to households for rent. Since adopting the ‘Enabling Markets to Work’ framework in 1993, the World Bank’s involvement in the housing sec-

tor also evolved from project-based support to holistic sector-wide support aimed at—(i) improving policy and institutional structures, and (ii) assisting governments to transform their role from direct housing provision to that of an ‘enabler’.

Over the last three decades, many countries have had one or another form of *social housing* or *social assistance for housing*, which are distinctly different from each other, but commonly categorized as ‘social housing’, as discussed in detail in Chapter 2. These include direct provision (Turkey, Singapore, and Brazil), enabling private sector or community-led provision (India, Thailand, and South Africa), and providing rental assistance (Chile).

That said, with governments transitioning to playing the role of an enabler, the production of social housing has fallen, and at the same time, other models of housing assistance have emerged—in advanced and emerging economies alike. Governments around the world are now more than ever looking for innovative, sustainable, cost-effective solutions and requesting World Bank support in the social housing sector. In this context, this study of global social housing models is intended to inform the World Bank and their client governments’ approach going forward.

Objectives, scope, and methodology of the study

This study aims to re-visit the concept and practice of social housing, take stock of good practices and innovations, as well as the failures of social housing, and suggest ways in which the World Bank can help client countries/cities to make social housing work for the poor and low income households, as well as for the functioning of the housing market overall.

Specifically, the task at hand in preparing this report was to:

- Develop a working/operational definition of the loosely used ‘social housing’ terminology;
- Take stock of housing policies and programs since the “demise” of public housing;
- Undertake in-depth case studies of successes and innovations, lessons learned, and factors for success; and
- Reflect upon how the World Bank could engage with the social housing sector.

The research included an extensive literature review of primary and secondary sources on social housing and in-depth case studies.

What is Social Housing?

2

The many definitions of social housing

While the most common conception of social housing is subsidized rental dwellings, the literature shows that there is no consensus on the definition of the term. In fact, there is little consensus on the term itself: while 'social housing' is a commonly used term in several countries, it is often used interchangeably with 'public housing' or 'subsidized housing'. These alternate terms focus on a singular aspect of social housing, i.e. ownership (by public authorities) in the case of 'public housing,' and financial backing (by public authorities) in the case of 'subsidized housing,' thereby eclipsing the other elements inherent in the term.

Social housing, like the national housing systems they are a part of, are shaped by context-specific political, economic, and cultural environments. As these macro conditions continuously change over time, so do housing and social housing systems in a given location. Therefore, the definition of social housing, as well as the terminology used, varies significantly across countries and time. International organizations also define the term differently, often using working definitions that are changed to align with the objectives of different projects.

Table 1 below has select examples of the terms and definitions of social housing used around the world. More examples are provided in Annex 1.

It is thus clear that there is no universal term or definition of social housing, and the term is used rather loosely around the globe. Yet, a few key elements are common across all these definitions:¹

- Some form of state support or subsidy, direct or indirect (e.g. financing, land, infrastructure, etc.)
- Targeting based on socio-economic and/or vulnerability criteria
- Below market-rate housing for those who cannot afford market rates
- Some form of (public) administrative oversight in the allocation of housing units, rent-setting, and operations and maintenance of the housing units
- Owned publicly or privately, but with a 'social' purpose in the medium-/long-term (say >5 years), or in perpetuity.

Using these common key elements as the unifying thread, this study proposes the fol-

¹ Rosenfeld, Orna and UN.ECE, 2015; and Braga and Palvarini, 2013.

TABLE 1
DEFINITIONS OF SOCIAL HOUSING

COUNTRY	TERM ^A	DEFINITION ^B
Austria ^c	People's housing and limited profit housing (<i>wohnungsgemeinnützigkeitsgesetz - WGG</i>)	No official definition, but there are different forms of housing provision beyond the market: <ul style="list-style-type: none"> • People's housing is subsidized rental housing provided by municipalities • Limited profit housing is rental and owner-occupied housing provided on a non-profit basis by investors that are regulated by the Non-Profit Housing Act and have access to public subsidies (Limited Profit Housing Associations)
Singapore	Public housing	Affordable housing for ownership provided by the Housing Development Board (HDB) to all income groups
South Africa ^d	Social housing	Social housing is a rental or cooperative housing option for low- and middle-income households provided by Social Housing Institutions (SHIs) or Other Delivery Agents (ODAs) in approved projects within designated restructuring zones with the benefit of public funding as contemplated in the Social Housing Act
Turkey ^e	Social housing or (public) mass housing	Housing for ownership built by the government , targeted at low-income families , and with a low down payment and low/no-interest loan to make it affordable
UK ^f	Social housing or council housing	Rental housing provided at reduced rents, by housing associations or local councils , that is more affordable than housing on the open market and usually built with the support of government funding
USA ^g	Public housing	Decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities
Housing Europe, 2011 ^h	Social housing	Housing for rent or accession to ownership for which there are defined rules governing access to households with difficulties in finding housing
UN-Habitat, 2011 ⁱ	Social housing	Housing that is adequate in quality and location and does not cost so much that it prohibits occupants meeting other basic living costs or threatens their enjoyment of basic human rights
OECD, 2020 ^j	Social housing	Residential rental accommodation provided at sub-market prices that is targeted and allocated according to specific rules , such as identified need or waiting lists

^a Rosenfeld, Orna and UN.ECE, 2015; and Pittini, Alice and Laino, Elsa, 2012.

^b Cited from Pittini, Alice and Laino, Elsa, 2012.

^c Pittini and Laino, 2012.

^d <https://shra.org.za/node/9>.

^e Cited from TOKI Corporate Profile Document 2019, available at: <http://i.toki.gov.tr/content/entities/main-page-slider/20191011095737969524-pdf.pdf>.

^f <https://www.housing.org.uk/about-housing-associations/about-social-housing/>.

^g https://www.hud.gov/program_offices/public_indian_housing/programs/ph#:~:text=Public%20housing%20was%20established%20to,rise%20apartments%20for%20elderly%20families.

^h Hansson and Lundgren, 2019.

ⁱ <https://openknowledge.worldbank.org/handle/10986/21100>.

^j "Social housing: A key part of past and future housing policy", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/social-housing-2020>.

lowing working definition for social housing: *“Social housing is subsidized residential accommodation provided at below-market prices, targeted on the basis of socio-economic and/or vulnerability criteria, and operating under some form of (public) administrative oversight in the medium-/long-term.”*

Here, it is also important to clarify that, in practice, the term ‘social housing’ often gets used interchangeably with ‘affordable housing,’ leading to confusion. Two questions to ask here are: Is all ‘social housing’ affordable? Conversely, is all ‘affordable housing’ social in nature? Since the answers will vary from country to country, it may be helpful to start by making a distinction between the two. ‘Affordable housing’, unlike social housing, is not necessarily subsidized by government programs, does not have government oversight in the medium or long term, and may be naturally occurring in the private market.²

A proposed framework for social housing

Public policy (and laws and regulations) is at the core of building social housing systems, tying together all the defining and differentiating characteristics. The literature identifies four dimensions of social housing: (i) tenure, (ii) provider (ownership and management), (iii) financing, and (iv) targeting.³ While public policy serves as the foundation of a social housing system, the four dimensions are the building blocks. This study suggests two more dimensions that are critical: (v) planning and design, and (vi) operations and maintenance (O&M). Together, these six dimensions can serve as a helpful overarching framework for social housing. Later in this paper, sections 3.2.4 and 3.3.4 use this six-dimensional framework to draw a comparison across different cases.

Below is an overview of the approaches to each of these six dimensions based on different policy objectives and available resources that have resulted in different social housing models and outcomes.

Tenure

Rental and ownership are the two leading tenure options in social housing models across the world. Rental is the dominant tenure in most of Northern, North Western, and South Eastern Europe⁴ while Mediterranean countries⁵ have provided social housing for sale/ownership.⁶ Some countries such as the UK and those in Eastern Europe (Hungary, Poland, Slovakia, Slovenia) have transitioned from social housing for rent to ownership since the 1980s-90s. At the same time, countries are also experimenting with alternate tenures such as cooperatives and rent-to-own, and ‘continuum’ tenures such as community land trusts and shared ownership, to improve housing affordability and widen the reach of social housing.⁷

In the case of social rental housing, one issue is the duration that eligible households can live in it. Programs in North and North-Western Europe typically only check eligibility at the time tenants move in, while in the US, social housing residents⁸ undergo income certifica-

² In the US, it is referred to as naturally occurring affordable housing (NOAH).

³ Braga and Palvarini, 2013.

⁴ Including Denmark, Netherlands, Austria, France, and Germany.

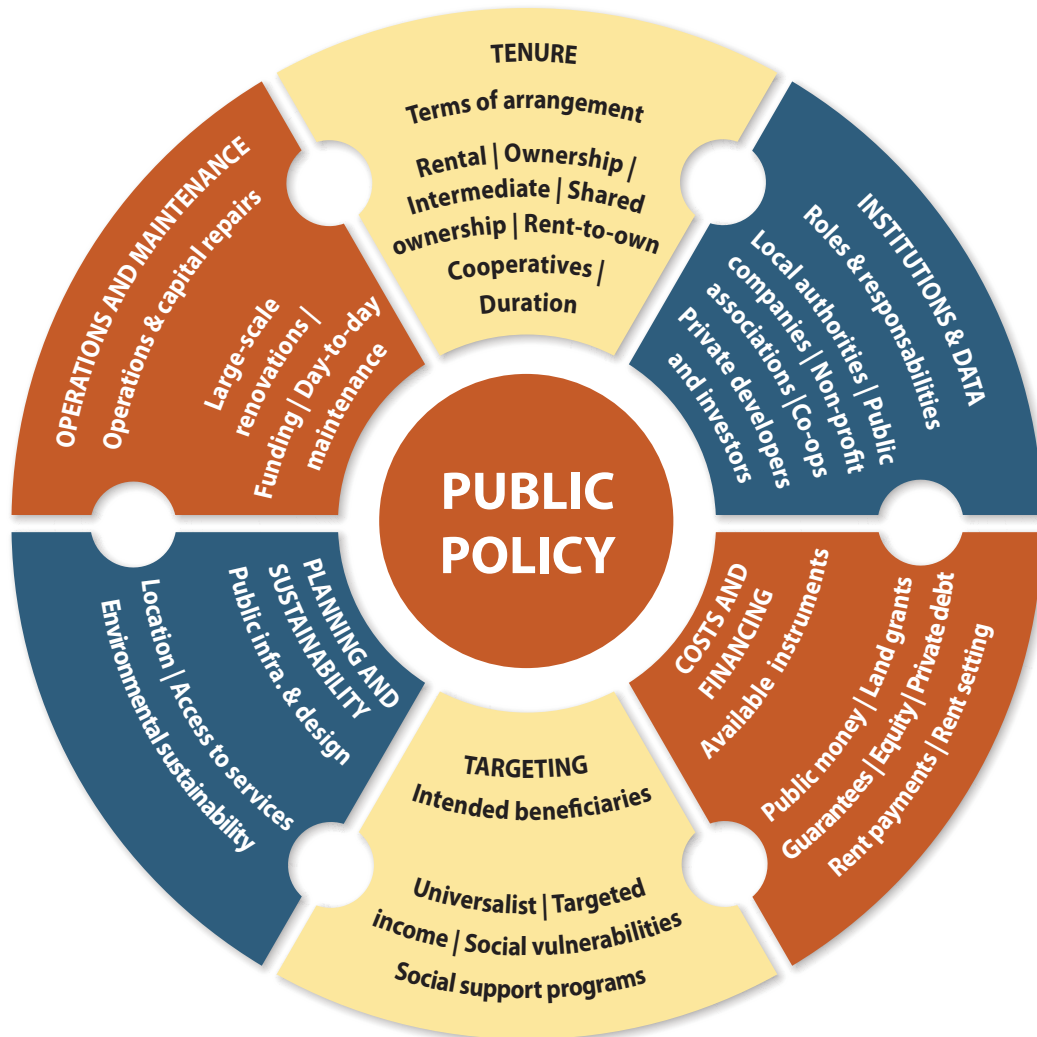
⁵ Such as Cyprus, Greece, and Spain.

⁶ Braga and Palvarini, 2013.

⁷ For instance, shared ownership in the UK that allows tenants to buy a share of the dwelling and pay rent on the rest of it has provided a stepping stone to households looking to get on the homeownership ladder.

⁸ i.e. in public housing and Low Income Housing Tax Credit (LIHTC) funded projects.

FIGURE 1
SOCIAL HOUSING FRAMEWORK



Source: Author.

tion every year to check eligibility, and are supposed to vacate if their income increases beyond the program's income limits.⁹

In many emerging economies, for example, Brazil, Egypt, India, Mexico, and Turkey, the predominant tenure for social housing has been home ownership. Chapter 3 will elaborate more on some of these cases and categorize them as *social assistance for housing* rather than *social housing*. Such programs are

often associated with mismatched preferences/ needs of target groups due to issues related to affordability, location, and/or (labor) mobility. As a result, the lowest-income and most vulnerable groups for whom this housing may not be suitable typically seek out informal rental accommodation with little security of tenure and poor living conditions. Recognizing

⁹ Only in the case of rental housing.

this, there has been increasing discussion on the need for social rental housing in emerging economies in recent years, but their legal and financial frameworks are often not designed to adequately support such schemes on a large scale (yet). For instance, the Government of India (GoI) instituted an Affordable Rental Housing Complex (ARHC) policy to build social rental housing for migrants and the urban poor in the wake of the migrant crisis during the Covid-19 pandemic in 2020. However, due to the absence of appropriate rental housing laws and regulations, progress has been slow.

Institutional structure and data

There are a range of social housing providers including local authorities, public companies, non-/limited- profit housing associations, community-led non-profit organizations, and even private for-profit developers and investors. Although one or the other takes

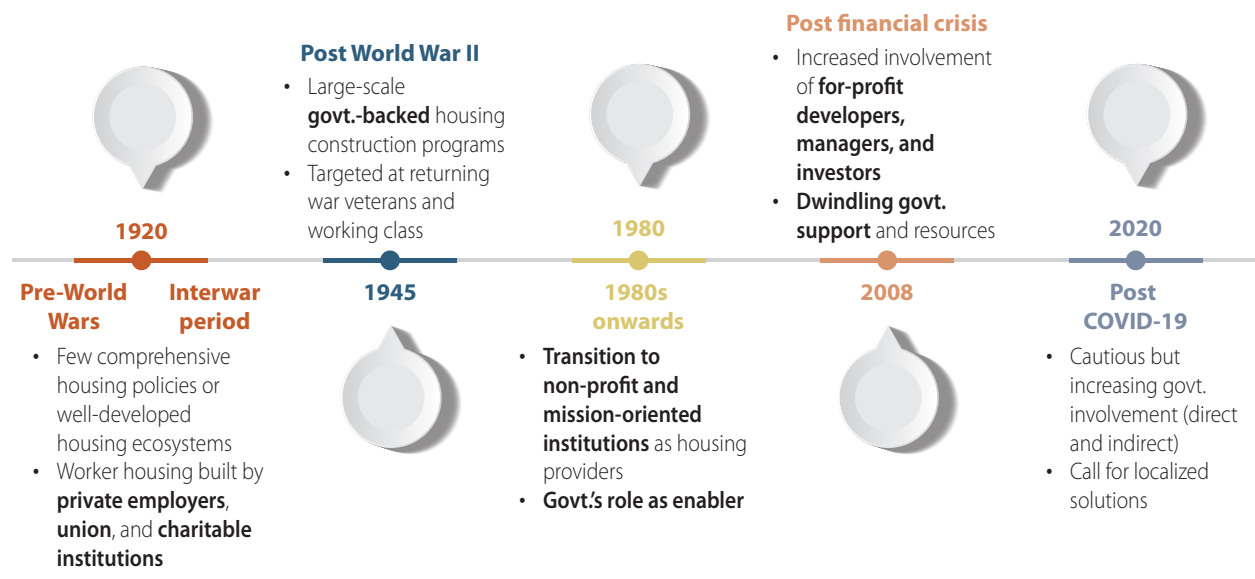
the lead in social housing provision, every model includes multiple stakeholders, each with clearly defined roles and responsibilities (Braga and Palvarini, 2013). As shown in the figure below, the primary social housing provider has changed over time, from private employers and charitable institutions to government entities, and more recently to private non-profit and for-profit sectors.

Financing and costs

Social housing is financed by multiple sources including governments, private financial institutions, foundations, and project rent revenues. Any social housing project typically requires a layering of multiple financial instruments to reduce the gap between market rents needed to make the project feasible and rents affordable to the target segment(s).

While in the past, governments typically shouldered the bulk of social housing

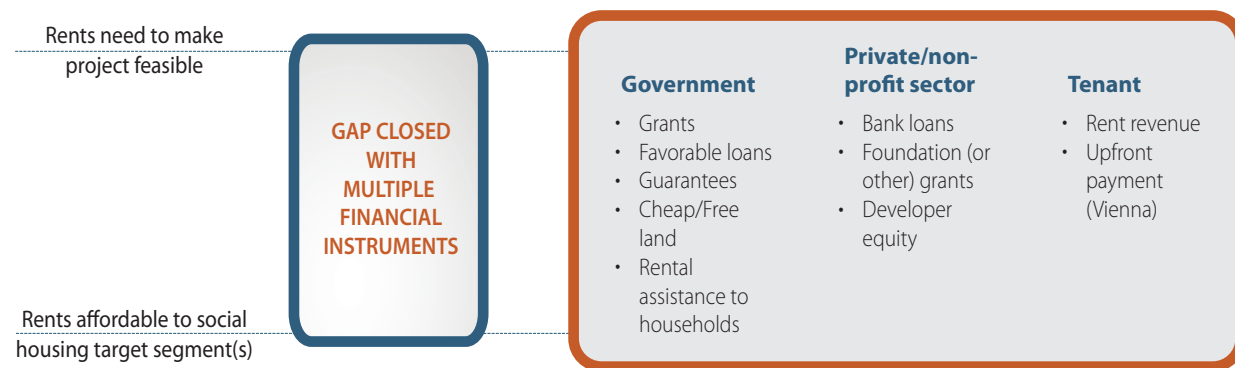
FIGURE 2
CHANGE IN PRIMARY SOCIAL HOUSING PROVIDERS OVER TIME



Source: Author.

FIGURE 3

POSSIBLE FINANCING SOURCES FOR SOCIAL HOUSING DEVELOPMENT



Source: Author.

development costs, in recent decades government financial support has been decreasing. Therefore, social housing providers have turned to private sector financing instruments,¹⁰ which often tend to be complex, short-term, and expensive. Providers use different combinations of these diverse financial resources, the availability and effectiveness of which are influenced by factors such as— (i) government commitment to the sector; (ii) maturity of providers; (iii) regulatory structure; and (iv) financial market conditions (Pittini and Laino, 2012).

Subsidies and targeting

Generally, targeting in social housing models can be categorized as: (i) universalist, or (ii) targeted. The former opens up the program to a broad swathe of society, with up to 80% of the population eligible in some cases. The Netherlands, Austria, and France are a few countries that use this universalist approach. The targeted approach is more narrowly focused on specific groups, such as low-income or vulnerable populations. However, even countries that historically practiced universalist tar-

geting, such as the Netherlands and France, have seen narrower targeting and an increasing concentration of vulnerable populations in their social housing in recent years.¹¹

Planning, regulations, and sustainability

In their bid to address large housing deficits, social housing programs in some countries have focused on the quantitative aspect to the detriment of qualitative characteristics (for example, Mexico, Brazil, Turkey). However, compromises on location, access to infrastructure and services, design, and construction quality has led to deteriorated, vacant or abandoned housing stock, and poverty concentration, among other challenges. In contrast, programs that have incorporated sound planning, design and sustainability principles have helped create thriving communities, as

¹⁰ Such as bank loans (construction and/or permanent), tax credits, and guarantees.

¹¹ "Social housing: A key part of past and future housing policy", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/social-housing-2020>.

seen in the cases of Singapore and Vienna.¹² These cases owe their success, in part, to many decades of evolution, strong government support, and a regulatory framework. In this regard, it is important to note that these countries are somewhat exceptions to the norm, and their experiences may not be replicable in most developing countries without government support/ financing and the regulatory environment to make this possible.

Operations and maintenance (O&M)

O&M is an often-overlooked component of social housing, as seen in the case of US public housing or municipal housing in Hungary. However, O&M is a critical component to maintain the quality of living environment in

buildings, and must be incorporated into project financial planning and budgeting from the start. Lack of financial and technical resources for adequate maintenance is a strong determinant of the success or failure of a project. In addition to regular maintenance and repairs, it is also important to account for the larger capital improvements that buildings need periodically. While day-to-day maintenance is typically paid for from project cash flows, large-scale capital repairs may be funded by government grants as is the case in Singapore and Vienna.

¹² Planning and design of social housing in Singapore, like its other aspects, is centralized and managed by the Housing Development Board (HDB); in Vienna, strict regulations, government support, and a competitive jury system ensure that social housing meets the highest planning and design standards.

A century of social housing: Global typologies and case studies

3

Disentangling 'social housing' versus 'social assistance for housing'

Governments in differing socio-economic and political contexts have adopted different approaches to address social housing demand, leading to a variety of models and varying levels of public and private intervention in the sector. This chapter attempts to categorize these different models into typologies, and further groups them into two broader categories: the first category includes what is deemed *social housing* per the definition presented earlier in the report, while the second is *social assistance for housing*, which is referred to as social housing in many countries due their inherent social characteristics, but in fact, does not fit its definition in this report.

More specifically, the models categorized under *social assistance for housing* are distinct from those under *social housing* in that they are time-limited and not designed to produce a stock of social housing in perpetuity or in the medium/long term, or spur production of new social housing. The reason for including them in this report is two fold: (i) these are currently some of the more prevalent forms of government assistance global-

ly, and (ii) to make the point that these other forms of government assistance are not to be confused with 'social housing,' as defined in this report.

Table 2 presents three predominant *social housing* models, and Table 3 presents three forms of *social assistance for housing*, categorized by provider.

Given that increasing requests by client governments to the World Bank for support in developing social housing, this study examined cases from countries with different income levels and at different stages of development. In addition to some of the well-known examples such as those from Western Europe, the case examples picked for this study represent a cross-section of advanced and emerging economies to the extent that data was available, long-running programs as well as pilot projects, and success stories as well as failures—to present a comprehensive picture of the possibilities for social housing going forward.¹³

Plotting the selected case examples on a graph, Figure 4 below illustrates the changes

¹³ Due to limited published information of programs in emerging economies, the case studies are more heavily weighted towards those from advanced economies which are better documented.

TABLE 2
PREDOMINANT SOCIAL HOUSING MODELS (CATEGORIZED BY PROVIDER/ OWNER-OPERATOR)

	PROVIDER/ OWNER-OPERATOR	SHORT SUMMARY	COUNTRIES
1	Government agencies	Government builds, owns and rents housing at regulated prices	USA, Hungary
2	Non- or limited-profit housing associations	Mission-oriented entities that build and/or manage social housing, with government support	Austria, France, Netherlands, South Africa, UK, USA, Visegrad Four (Czech Republic, Hungary, Poland, Slovakia)
3	Community land trusts	Subsidized housing for ownership, developed and managed by community-led organizations such as land trusts or community cooperatives	USA, Kenya, , various EU

Source: Author.

TABLE 3
PREDOMINANT MODELS OF SOCIAL ASSISTANCE FOR HOUSING

	TYPE OF ASSISTANCE	SHORT SUMMARY	COUNTRIES
1	Government-led housing production (supply-side)	Government builds, owns and sells housing at regulated prices	Brazil, Singapore, Turkey, Thailand, Ethiopia, UK
2	Government financial assistance to households (demand-side)	Residents' ability to pay for private housing boosted by a government subsidy (rental or ownership)	Chile, USA, Indonesia
3	Private and small-scale landlords	Private housing (subsidized) rentals managed by not-for-profit or quasi-government intermediary, with or without government support	Jordan, South Africa, USA, Portugal (Lisbon), Spain (Barcelona)

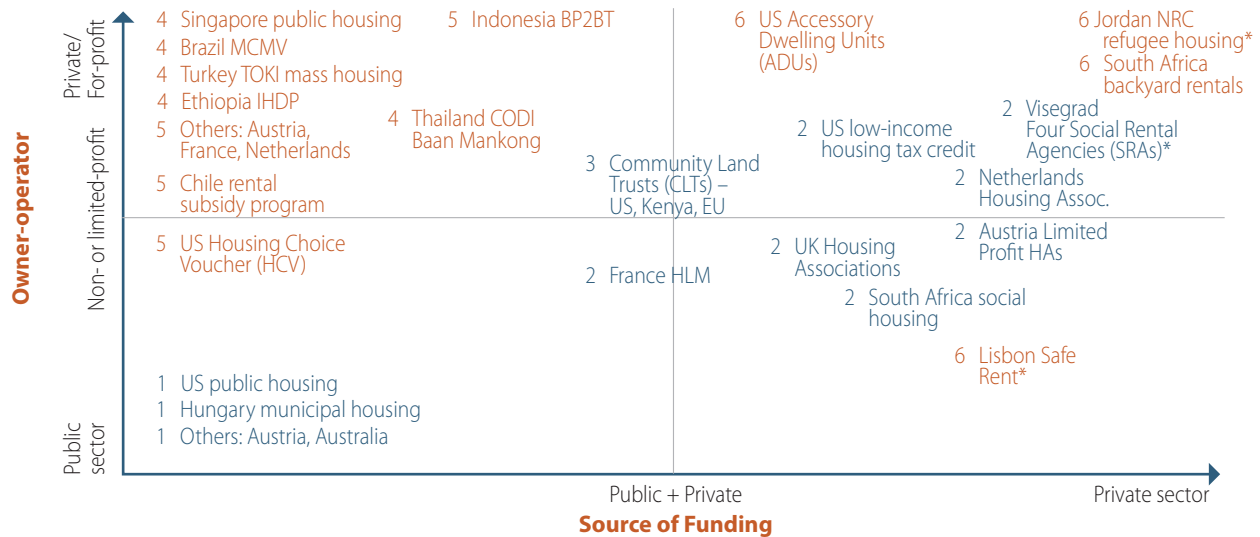
Source: Author.

in ownership and financing of social housing and social assistance for housing over time, from the bottom left to the top right quadrant. Over the last half-century, many governments have been transitioning to an enabling role and private sector stakeholders have taken a more active role in the development, management, and financing of social housing.

The following sections detail the six models—three on *social housing*, and another three on *social assistance for housing*—along with a few case examples of each. Each has its advantages and disadvantages, but the aim here is to use the examples to illustrate the different models rather than delve into their strengths and weaknesses, which are presented in Annexes 2–6 in the detailed descriptions of the individual cases.

FIGURE 4

SOCIAL HOUSING 2X2 MATRIX



LEGEND:

- 1. Government agencies (national, regional, municipal)
- 2. Non- or limited-profit housing organizations
- 3. Community-led nonprofit organizations
- 4. Government assistance for housing production (supply-side)
- 5. Government financial assistance to households (demand side)
- 6. Private rentals and small-scale landlords

Blue text represents social housing models; Orange brown text represents social assistance for housing models
 *Pilot projects or new programs; not yet integrated or established in country's overall housing policy

Source: Author.

Social Housing: Models and case examples

Government agencies

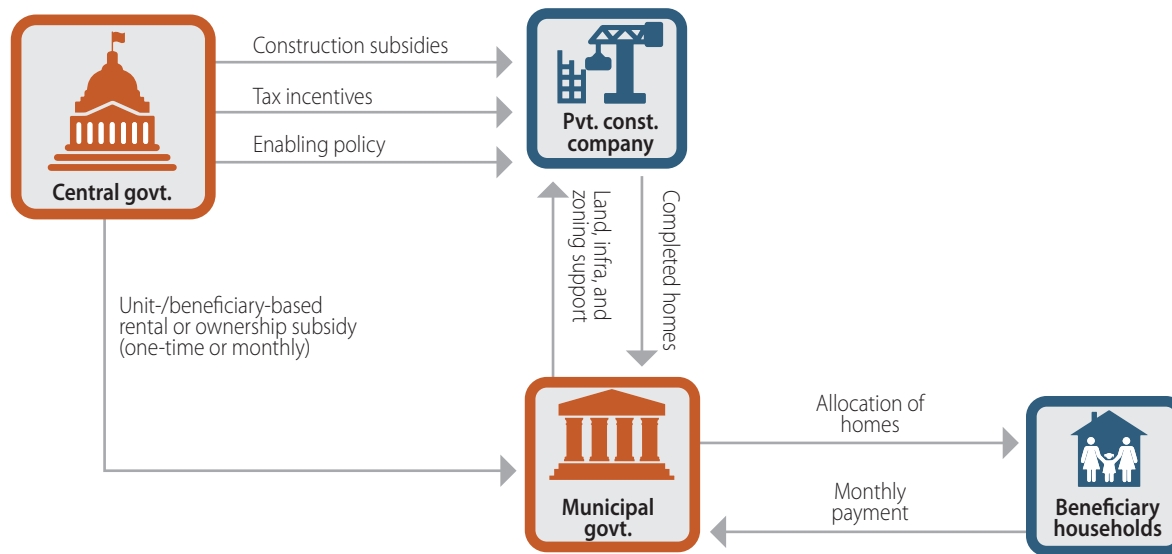
The beginnings of *social housing*, as we know it today, were in the post-World War II period when governments in Europe and USA were drawing up plans for reconstruction. To address housing shortages, governments instituted large-scale housing programs whereby public agencies funded, built, and managed subsidized rental housing for the working class, poor, and returning war veterans.

At the helm of this model is the central/national government that not only sets the policy framework but also provides funding for hous-

ing development. The funds are generally routed through municipal governments (or an instrument thereof); in addition, municipalities provide assistance that could include grants, and access to cheap or free land. The construction is typically contracted to private construction companies that hand over the completed homes to municipalities, who then allocate them to beneficiary households for (subsidized) rent.

While this model was successful in delivering social rental housing and bridging quantitative deficits, they were expensive and proved to be an inefficient use of government resources. Government entities were unable to manage the properties resulting in operating deficits and a backlog in improvements and repairs over time. As a result, the majori-

FIGURE 5
TYPICAL MODALITY OF GOVERNMENT-LED SOCIAL HOUSING



Source: Author.

ty of these programs have been either discontinued or modified (USA, Netherlands, France, Austria) or significantly scaled back (UK).

The US and UK continue to manage legacy government-owned rental housing stock today; however, the stock has shrunk considerably due to large-scale demolitions, sale to sitting tenants, and/or wholesale transfer to non-profit housing associations, and there is little to no new construction. In most Western European countries, this model has evolved over time and non-/limited-profit housing associations are the main providers of social housing. In Austria, local governments continue to operate legacy municipal housing stock, but limited profit housing associations have been at the forefront of new social housing construction since the 1980s. Since the mass privatization of social housing in the 1990s, most Eastern European countries have relatively small government-owned social rental housing sectors, usually concentrated in large cities.

Example 1: USA: Public housing

Established in 1937, the goal of the public housing program was to “build decent and safe rental housing for eligible low-income families, the elderly and persons with disabilities.”¹⁴ After World War II, the Housing Act of 1949 expanded the public housing program and it was **targeted primarily at the working class**. The **federal government provided loans to Public Housing Authorities (PHAs) for the construction** of public housing projects across the country.

However, as middle- and working-class households started to move out in the 1950s and 60s, public housing became home to primarily low-income households. Additionally, the program’s targeting criteria was revised, pegging rent contributions to tenants’

¹⁴ https://www.hud.gov/topics/rental_assistance/phprog.

incomes. As tenant incomes were low, so was the rental revenue, leading to difficulties in covering the cost of maintenance, and eventually, concentration of poor households in public housing. As a result, although the program worked well for the first three decades until the mid-1960s, the subsequent **federal funding moratoriums, poor maintenance, and revised targeting criteria led to the deterioration, and subsequent demolition**, of several public housing projects across the country.

Further, **inferior planning** led to poorly constructed public housing projects (largely) being built in poor locations without employment opportunities, thereby leading to **poverty concentration**. Further, **ineffective management and maintenance** has hastened their deterioration. New programs over the years have not been able to cover the funding needs of public housing stock, and with **government focus shifting to other social housing programs**, public housing has become a step-child of the system.

There has been virtually no new public housing constructed since the 1970s, and much of the existing stock managed by PHAs across the country is lacking in terms of quality and quantity. At present, there are 1.2 million public housing units managed by 3,300 PHAs across the country.¹⁵

Eligibility for public housing is based on pre-determined income limits; qualification as elderly, person with disability, or as a family; and US citizenship or eligible immigration status.

To ensure affordability for tenants, who are in the low-income and very low-income categories, public housing follows an **income-based rent setting method**. The Total Tenant Payment (TTP) is based on gross household income minus deductions (if applicable); this is called adjusted gross income. The federal government provides funding to PHAs through a **Public Housing Capital Fund for capital needs,**

and the Public Housing Operating Fund for ongoing maintenance and repairs.

Example 2: Hungary: Municipal housing

Social housing in Hungary refers to “**rental units owned by municipal governments and allocated based on social criteria**” (Pittini and Laino, 2012). Mass privatization of government-owned social rental housing in Hungary in the 1990s¹⁶ led to a reduction in social housing stock from 20% (as a percentage of total housing stock) in 1989 to 3.7% in 2012. Previously managed by the central government, the **stock was transferred to municipal governments in 1990 who continue to manage social housing today**. Most of the roughly 160,000 social housing units in Hungary are concentrated in municipalities with populations greater than 100,000 (Hegedüs, 2013).

Municipal governments are responsible for deciding policy, rent setting, management, subsidy schemes, and all details pertaining to social housing. Since the sector is financed from municipal budgets, there is wide variation in the quality and management of social housing stock across the country. There is **no central government body that sets housing policy**; the last central government program was from 2000 through 2004 wherein it provided grant support to local authorities for social rental housing. The grant covered up to 75% of the investment for construction or acquisition of social rental housing, cost-based rental, housing for young families, elderly housing, and retirement homes. The program ended in 2004 due to fiscal con-

¹⁵ https://www.hud.gov/topics/rental_assistance/phprog.

¹⁶ As also in other Central and Eastern European Countries (CEECs).

straints, and the government proposed a rent allowance program as a substitute.

Municipal housing is to be **allocated on the bases of 'social criteria,'** as per the Housing Law, but in the absence of any overarching guidance, **municipalities determine allocation criteria.** In addition to an income criterion, other criteria include asset ownership, household composition and size, and length of stay in the municipality. Local authorities **usually target young married couples, single parents, and low-income families.** However, there have been reports of preferential treatment and discretionary allocation, for instance, the highly sought after social housing in central Budapest.¹⁷

Rents for municipal social housing **are not standardized; they differ across properties** depending on the age of the building and the condition of facilities, among other characteristics. Rents typically vary between 20–40% of private market rents, but **barely cover 30–40% of actual costs** (Hegedüs, 2013). Low rental revenues combined with under-investment from local authorities has led to the continued **physical deterioration of social housing stock.** In some cities, as much as 10% of social housing stock is vacant because of inhabitable living conditions.¹⁸

Since the mass privatization drive in the 1990s, the tenants left in social housing have typically been low-income and the most needy. While there is far from enough social housing to meet demand, **housing policy is fragmented and not oriented toward expansion of the sector.** In the absence of central government support and limited local resources, and the low rents, much of this housing is loss-making, and it is not conducive for municipalities to adequately manage and maintain even the small social housing stock under their purview. As a result, local governments have been selling or **plan to sell much of the remaining so-**

cial housing stock.¹⁹ Some local nonprofits are working to address the housing gap facing the poorest and most vulnerable, but they are limited in their reach in the absence of policy and financial support from government.

Non- or limited-profit housing associations

Since World War II, many social housing models have evolved with non- or limited-profit housing associations leading social housing provision. These mission-driven entities need to be simultaneously adept at what can sometimes be conflicting ideals—financial discipline, technical (development) know-how, and community engagement. Building capacity in all of these areas takes years, if not decades, as evidenced by the cases of US and European countries; and even so, the sector is a mix of housing associations of different scales and capacities. This model of social housing provision is now common in advanced economies, and is generally seen to be more sustainable than direct government provision.

Pilots such as the HomeLab EU project implemented in the Visegrad Four (V4) countries recently demonstrate the potential of (re-)integrating private and municipal housing stock into the social housing sector. By shifting management responsibilities to social rental agencies (SRAs) that are specialized non-profit agencies, these currently vacant and uninhabitable units can be upgraded to meet the housing needs of many. After a successful pilot (that ended in 2019), some of the V4 governments are consid-

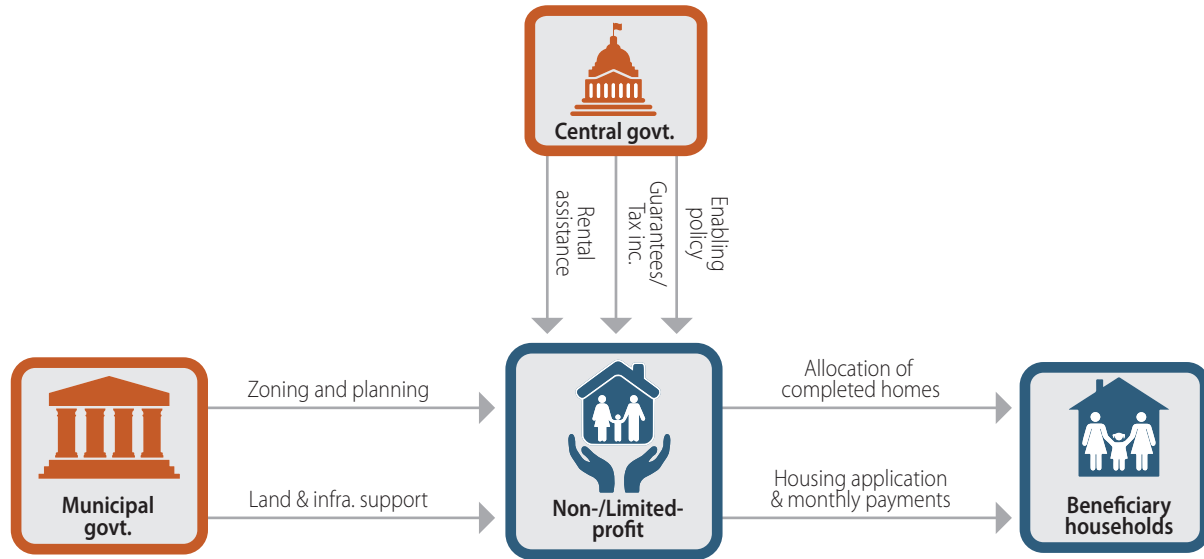
¹⁷ <https://hungarytoday.hu/nearly-4000-of-budapests-publicly-owned-apartments-are-uninhabited/>.

¹⁸ <https://hungarytoday.hu/nearly-4000-of-budapests-publicly-owned-apartments-are-uninhabited/>.

¹⁹ <https://www.reuters.com/world/europe/hungary-govts-plan-sell-municipal-flats-draws-fire-2021-05-14/>.

FIGURE 6

TYPICAL MODALITY OF NON-PROFIT HOUSING ASSOCIATION-LED SOCIAL HOUSING



Source: Author.

ering formalizing these programs to make available much needed social housing stock.

Among emerging economies, South Africa instituted a social (rental) housing program in 1998. Forming the second rung of the country's subsidized housing ladder, the program is beset by several challenges that have prevented scale-up so far, but the government implemented changes in recent years to help scale the program. In India, non-profit community-based organizations²⁰ have partnered with private developers and financiers to build and manage social housing, but these are independent projects that have not been institutionalized at a programmatic or policy level.

While program details vary across countries, the fundamentals remain the same—i.e. housing associations develop and manage social housing, with different degrees of government support (financial and other), and raise capital—mix of debt, equity, and grants—from a number of public and private sources. Hous-

ing associations or other relevant non-profit entities set eligibility criteria based on government guidelines, and are responsible for allocation of completed homes to beneficiary households as well as for the maintenance of homes.

Example 1: Netherlands: Social housing associations (*Woningcorporaties*)

Since the mid-1990s, social housing in the Netherlands is a **decentralized sector** wherein **private non-profit housing associations and municipalities play the key roles in its provision**. Housing associations build, own, and manage social rental housing stock in accordance with national and local regulations. Historically a system that was targeted at a broad swathe of the population, social housing in the

²⁰ Such as Mahila Housing SEWA Trust (MHT) and the Society for the Promotion of Area Resource Centers (SPARC).

Netherlands has **become more narrowly targeted over time**, now focusing primarily on low- and low-middle-income households.

Housing associations **finance social housing construction with a mix of private debt and equity, backed by a three-tier government guarantee system.**²¹ All revenues are **reinvested** into new construction and maintenance of existing housing stock. Since social housing is targeted at households who cannot afford housing in the private market, **rents are set at affordable below-market levels.** Additionally, **households might be eligible for a housing benefit** (also called rent benefit) if they meet pre-determined income and rent criteria. This housing/ rent benefit is meant to plug the gap between rent and the tenant's ability to pay; since social housing rent is strictly regulated,²² the gap tends to be small and the rent benefit usually covers only a small amount.²³

Close cooperation between HAs, municipalities, tenant organizations, and other local groups ensures that **priorities and targets are decided upon collectively.** Further, **oversight and regulation by the Housing Association Authority (Aw)** ensures the sector's financial stability.

Despite its successes, the Dutch social housing sector faces **several challenges** including—(i) increasing concentration of low-income and vulnerable households; (ii) decreasing affordability of market-rate housing for middle-income households who do not qualify for social housing; and (iii) increasing costs (particularly land) leading to lesser new social housing being constructed.

Example 2: USA: Low Income Housing Tax Credit (LIHTC) program

Since its inception in 1986, the Low Income Housing Tax Credit (LIHTC) program has

become the most important resource for social housing production in the US. The program is designed to **encourage private investment in social housing development** in exchange for federal tax credits.

The program is managed primarily by state housing agencies,²⁴ which allocate tax credits based on published guidelines and priority areas. **Private developers that qualify for tax credits sell them to investors in return for upfront capital for the project;** this helps lower their debt obligation. **The investor gets a dollar-for-dollar tax reduction** spread over the ten years once the project is complete and rented out.

Tax credit equity is seldom enough to cover development costs, particularly in large cities where the demand for housing and construction costs are high. **Federal, state, and local government soft loan and grant programs help further subsidize development costs.**

Developers are required to **keep the units income-restricted and rents low for 30 years** after project completion. **Rents are to be maintained at 30 percent of tenant household incomes;** in some cases, **renters are eligible for housing choice vouchers** to supplement rent payments.

Developers are responsible for renting out completed units, and managing the buildings. **Day-to-day maintenance and capital repairs are paid for from the project's cash flow.**

²¹ The guarantee is backed by three levels of government—the Housing Association Authority (Aw) at federal level, the Social Housing Guarantee Fund (WSW), and finally, central and local governments.

²² The government sets ceilings for social housing rent every year.

²³ This is unlike the US where rents are set at Fair Market Value (FMV)/Fair Market Rent (FMR), and the gap between rent and tenant's ability to pay tends to be high. Therefore, housing vouchers in the US often cover nearly all of the rental payment.

²⁴ In a few large cities such as New York and Chicago, local agencies also allocate a portion of the federal tax credits.

The program has been criticized for being **economically inefficient**, owing to the time-consuming and expensive processes of tax credit allocation and of raising funds from myriad other sources. Further, the program **provides low-rent housing for only 30 years**, beyond which additional funding is needed to maintain affordability for target populations. Finally, the program has led to a **concentration of social housing in some low-income neighborhoods**, thus contributing to concentration of poverty.²⁵ This is due to a combination of factors: (1) most projects set aside 100% of their units as ‘affordable’ (low-rent) to maximize the equity investment;²⁶ (ii) land prices are lower in high-poverty areas; and (iii) developers are encouraged to build in Qualified Census Tracts (QCTs) or Difficult Development Areas (DDAs), which are usually in or near existing low-income communities.

Example 3: Vienna, Austria: Limited Profit Housing Associations (LPHAs)

Social housing in Vienna consists of stock **owned and managed by the municipal government as well as limited-profit housing associations (LPHAs)**, and is home to **low- and middle-income households** alike.

Since the 1980s, LPHAs have developed the bulk of social housing in Vienna, supported by **subsidies and fiscal incentives from the government**. These subsidies are in the form of long-term low-interest loans for construction, with repaid loans rotated back into the sector.

LPHAs are required to **re-invest their profits back into social housing** (akin to housing associations in the Netherlands) (Forster, 2013). **Another source of financing is deposit from tenants**, which developers refund to tenants, with interest, when they move out (Forster, 2013).

Rents are strictly regulated, to roughly 25% of household income in the social housing sector. **Rents are based on the costs of construction and financing**, and do not include a profit component. Additionally, **the city offers payment assistance—*wohnbeihilfe*** (housing benefit)—to those who cannot afford rent.²⁷ **A portion of rent is earmarked for day-to-day building maintenance**, while **government grants cover the costs of periodic capital repairs**.

The high quality of Vienna’s social housing stock is a result of the **social, economic, and environmental sustainability principles that are deeply embedded in the system**. Broad targeting has helped create **mixed-income communities** in social housing projects. Furthermore, there is an **even spatial distribution of social housing across the city**, thereby preventing the creation of concentrated pockets of poverty. However, increasing construction costs and land prices make **new social housing less affordable for low-income and vulnerable households**, as a result of which new stock is more heavily weighted toward middle-income households.

As the social housing sector in Vienna has evolved from being government-led to LPHA-led over the last century, one of the strongest drivers of success has been the continued prioritization and support from city and national governments. The City of Vienna invests roughly €500 million every year for housing construction, rehabilitation, and direct financial support to low-income households. It is the longest running social housing system in the world, the foundation for which was set in

²⁵ This is more so in big cities where centrally located land is expensive.

²⁶ This is because only affordable units qualify for tax credits.

²⁷ <https://www.wien.gv.at/english/living-working/housing/grants-funding.html>.

the decade after World War I. The sector has evolved over time and adapted to changing macro conditions, with unwavering commitment from stakeholders, all of which has resulted in social rental units becoming the housing of choice for residents.

Example 4: South Africa: Social housing institutions (SHIs)

Social housing is the second rung of the subsidized housing ladder in South Africa,²⁸ and is a **rental or cooperative housing option** provided by accredited Social Housing Institutions (SHIs) in specific urban areas.

SHIs are responsible for project design, development and management. Grants from the Social Housing Regulatory Authority (SHRA) cover part of the development costs, while SHIs cover the rest with a combination of private debt and equity.

With **affordability being the key objective, rents are set at below-market levels**, and are based on unit size, location, and amenities, among other criteria. Rental income is used to cover ongoing maintenance costs. However, **low rental collections and increasing maintenance costs pose challenges to the financial sustainability of this model.**

The program is **targeted at low- and middle-income households** with a monthly income between R 1,500 and R 15,000,²⁹ and who can rent social housing at no more than 33% of their income. The income range is large to **facilitate mixing of tenants from different income groups.** However, it is unclear from the literature how SHIs verify tenants' incomes, especially for those who are informally employed and may not have the usually accepted proof of income (such as income statements or salary slips).

The social housing sector in South Africa is small, and its weak institutional structure

has been a barrier to scaling up delivery. Limited and often inconsistent support from local governments has constrained social housing development. Further, **commercial banks are reluctant to lend to low-capacity SHIs**, thereby making the sector overly reliant on shrinking government funding. Although the regulator, SHRA, was placed under administration³⁰ (lifted in July 2017) to stabilize its operations, recruit new leadership, and improve organizational performance, the sector has a long way to go to improve capacity and meet its targets.

Example 5: France: Habitation à loyer modéré (HLM)/ Housing at moderated rents

Social housing in France is **built and managed by Habitation à loyer modéré (HLM) organizations**, with the State defining housing needs and subsidy amounts, and approving projects. It is **broadly targeted at all income groups**, and covers three categories: (i) high-income or *Prêt Locatif Social, PLS*; (ii) middle-income or *Prêt Locatif à Usage Social, PLUS*; and (iii) low-income or *Prêt Locatif Aidé d'Intégration, PLAI*. Qualification criteria, including income ceilings, are set by municipalities, and depend on the type of housing (PLAI, PLUS, or PLS) and location.

Financing for social housing construction is a mix of grants from state and local authorities, equity from HLM organizations, and long-term low-interest loans from the Caisse des Dépôts et Consignations (CDC), a public state bank. CDC loans are funded by Livret A savings, an individual savings account that can

²⁸ The first rung is a fully subsidized 40 sq.m. home available to households earning less than R 3,500 per month, under the government's housing program.

²⁹ 1 USD = R 14.20.

³⁰ Due to challenges in fulfilling its mandate, the Minister of Human Settlements appointed a new Council for the SHRA in March 2015.

be opened by anybody in France with tax-free interest on earnings.³¹ **Local authorities co-finance social housing, supervise HLM organizations, provide long-term loan guarantees, and make land available for the construction of social housing.**

Demand-side subsidies are intended to reduce the rent burden for households below a certain income threshold; this Aide Personnalisée au Logement (APL) is given to renters in the social and private rental housing sectors. **Rents are regulated through state decree and are set on cost-basis.** There are no time limits on rental contracts, but if tenants' incomes rise beyond a fixed ceiling, rents increase accordingly (Schaefer, 2003).

Two of the biggest challenges facing the social housing sector in France today are—(i) the degradation of big suburban social housing estates, and (ii) the concentration of the poorest households in social housing in disadvantaged neighborhoods. **Despite the government's urban renewal programs and efforts to prioritize social mixing, they have had limited success and the unequal distribution of social housing persists.**

Example 6: *Visegrad 4 (or Visegrad Four or V4): HomeLab pilot project*

The EU Programme for Employment and Social Innovation launched **HomeLab, a three-year pilot project** that ran from October 2016 through September 2019. The program's aim was to integrate housing and employment support, two major social services, in the unstable welfare environment in the V4 countries (Czech Republic, Hungary, Poland, and Slovakia). The project assisted 245 households in the three-year period.

The project was **narrowly targeted at vulnerable and marginalized groups**, including

people at risk of homelessness, single parents, migrants, refugees, young people leaving foster care, and families escaping domestic violence, among others. The reason for targeting these groups was to **create an adaptable and scalable solution that could break the cycle of poverty and constant danger of eviction that vulnerable households face.**

Implementing partners (local NGOs) set up a **Social Rental Enterprise (SRE) that managed the cases, supervised client journeys, and connected with public and private stakeholders.** This support included liaising with public and private property owners willing to rent their housing units through this program, building connections with employers, working with local partners to provide social services, providing necessary training to tenants, and helping tenants fully integrate into new housing and jobs.

Housing was secured through municipal and private sector, although the former constituted the bulk of it. SREs **negotiated below-market rents** that would be affordable for target households. To alleviate landlords' concerns about participating in the program, **SREs provided a range of incentives, including renovation support, property management services, and rent guarantees.**

HomeLab was an **entirely grant-funded pilot project, with 80% of the financing coming from the EU (roughly €1.3 million annually)**, and the rest contributed by the implementing partners.

While grant funding covered the expenses of the three-year pilot project, **long-term sustainability requires stable financial, legislative, and operational support at local and EU-levels.** The position of **social rental spe-**

³¹ The Livret A savings program was started in France in 1818 to finance public infrastructure and since 1945, has been used to finance social housing construction as well.

BOX 1

SOCIAL RENTAL AGENCIES (SRAS) IN POLAND

HFH Poland and SRAs: Habitat for Humanity Poland (HFH Poland) has been strategically advocating for SRAs since 2013, including conducting feasibility studies, publications, and designing a strategy for implementing the model in the country. It is estimated that as many as 30,000 apartments in Poland can be leased via SRAs. Since its participation in the HomeLab EU project, implemented in Warsaw, SRA has become the flagship program for HFH Poland.

The pilot: Through the HomeLab EU project, HFH Poland set up an SRA, a non-profit intermediary that negotiates between property owners and households in need of housing. To the owners, it guaranteed regular rent payments and proper use of the housing unit in exchange for a discounted rent (roughly 10–20% lower than market rates). For tenants, it offered long-term and affordable leases, generally up to two years, and apartments in good conditions.

Additionally, the SRA offered social support to the tenant to prevent defaults on monthly payments and accumulating debt. Social rental specialists were responsible both for rent administration and social services support. HFH Poland partnered with Caritas of Warsaw, The Open Door Association, Association for Legal Intervention, Salvation Army Social Welfare for the Wola District, Monar Associations in Wyszkow, and “Spoza” Society to provide social support services. It also partnered with Mzuri Property Management who provided property management know-how and promoted the project amongst landlords.

The SRA's portfolio in the Warsaw pilot project comprised 38 housing units, 14 of which were owned by the municipality and the remaining 24 were privately owned. HFH Poland refurbished 12 of the municipal flats to bring them up to habitable standards (7 at its own expense, and 5 at Warsaw Municipality's expense).

The project targeted the following groups: people at risk of homelessness; people at risk of exclusion (single parents, migrants, refugees, young people leaving foster care); people living in substandard conditions; people with unmet housing needs; and low-income households.

What next: The definition of SRAs was written into the National Housing Fund Act, and the government agreed to provide grants to establish SRAs. In the scaling up phase, HFH Poland is working on the following areas: portfolio risk management, applying for public subsidies, broadening the target groups, decreasing risk, and increasing guarantee fund reserves.

Source: Habitat for Humanity, Poland.

cialists is particularly critical to program longevity, since they are the main point of contact for tenants and assist them in all aspects. While funding streams for the future are as yet unclear, all implementing partners have made significant progress in building private and public sector partnerships that has helped lay the groundwork for scale-up.

Community land trusts

Although not quite as prevalent as the government-led social rental model or the non-profit housing association model, community-led social housing development has been around for many decades. In the US, it emerged from the civil rights movement in the 1960s, and in Thai-

land, since the 1980s (it has since evolved). An EU-funded project, started in 2017, Sustainable Housing for Inclusive and Cohesive Cities (SHICC), “seeks to support the establishment of more successful Community Land Trusts (CLTs) in cities across the North-West European (NWE) region.”³² The project is being implemented in seven NWE countries—England and Wales (UK), Scotland (UK), Republic of Ireland, Belgium, France, Netherlands, and Germany—and aims to create an enabling policy and financing environment to scale up CLTs in the region.

This model is based on the premise that communities are best positioned to devise solutions to their housing (and other) problems, and that these solutions must arise out of a collaborative process rooted in the local context. Therefore, there is no single universal community-led social housing model; rather, it takes on very different forms in different contexts, as evidenced by the two case examples described below. Similar to the non-profit housing association model, the CLT model must also straddle multiple worlds at the same time, and government support is critical to its continued functioning.

Example 1: USA: Community Land Trusts (CLTs)

Established in the US in the 1960s, the community land trust (CLT) movement advocates for **collective land ownership and a change in established property rights systems**.³³ CLTs are “non-profit community-based organizations designed to ensure community stewardship of land.”³⁴

To achieve its **goal of maintaining housing affordability in perpetuity**, CLTs **sell the house to the buyer, but not the land**; instead, the homebuyer enters into a long-term renewable ground lease (typically 99 years) for the land,

which is permanently owned and maintained by the CLT.³⁵ **The purchase price is more affordable since the buyer is only paying for the house**; and the homeowner pays a monthly (or annual) fee to the CLT for the land lease. Additionally, when homeowners sell, they are bound by CLT rules in establishing the sale price.³⁶

CLTs **generally target low- and moderate-income households** who are unable to purchase market-rate housing. However, **each CLT draws up its own specific eligibility criteria**, such as income limits based on household size, ability to fund closing costs, and value of other assets, among others.

CLTs **raise money from a mix of public and private sources, including equity, debt, and grants, for housing development and ongoing operations**. Federal and state grants are the biggest source of funding; when mandated by local governments, private developers provide support in the form of land or development fees. Private financial institutions and foundations also fund CLT activities, as do individual donors.³⁷

The CLT model has been **successful in enabling homeownership for households that do not have other opportunities to enter the market**. The principal benefit of this model is that the **initial subsidy related to**

³² <https://www.nweurope.eu/projects/project-search/shicc-sustainable-housing-for-inclusive-and-cohesive-cities/#tab-1>.

³³ “Urban Community Land Trust in Europe: Towards a Transnational Movement,” SHICC, October 2020. Available at: <https://www.nweurope.eu/projects/project-search/shicc-sustainable-housing-for-inclusive-and-cohesive-cities/resources/european-clt-guide-towards-a-transnational-movement/>.

³⁴ <https://community-wealth.org/strategies/panel/clts/index.html>.

³⁵ <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>.

³⁶ Each CLT sets its own formula and conditions regarding sale price.

³⁷ https://www.burlingtonassociates.com/files/2813/4523/7678/Chapter_7_-_Funding.pdf.

BOX 2

DUDLEY NEIGHBORS, INC. (DNI) COMMUNITY LAND TRUST (CLT) IN BOSTON, USA

Dudley Street Neighborhood Initiative (DSNI) was formed in 1984, in response to the devastation wrought on the Roxbury neighborhood by massive disinvestment, arson, and dumping of toxic waste. Community leaders and residents worked with local foundations and city government to revive the neighborhood. DSNI created Dudley Neighbors, Inc. (DNI), a CLT in 1988 to take control of the 1,300 vacant parcels in the area, and to “realize a vision of development without displacement.” The formation of the CLT prevented – (i) low-income households from being pushed out, and (ii) the area from being swept up in the wave of urban renewal ongoing at the time.

DNI got eminent domain powers to acquire privately owned vacant land in the 62-acre area called the Dudley Triangle. DSNI created a bottom-up development plan, with support from local entities including community development corporations (CDCs) and foundations. Today, more than 30 acres of formerly blighted land has been developed into more than 225 permanently affordable homes (mix of rental and ownership), a 10,000 sq.ft. community greenhouse, urban farm, playground, gardens, and other amenities.

In keeping with CLT principles, DNI is governed by a board comprised of local residents, members of non-profit agencies and CDCs in the area, representatives from small businesses and religious organizations, and youth (aged 15–18 years) from the area. DNI has been pivotal in preserving affordable housing in the area – 50% of homeowners earn between USD 20–40,000 per year, and 80% of the families earn less than USD 70,000 per year.

Combining vacant privately owned land with City-owned parcels, DNI leases land to private and non-profit developers to build affordable housing aligned with the community’s master plan. Additionally, DNI conducts training sessions for aspiring CLT homeowners, and provides ongoing support to homeowners in areas such as home maintenance and repairs, refinancing, financial planning, and taxes, among others.

The only CLT in the US to have eminent domain powers, DNI is one of the oldest and most successful CLTs in the country, and “serves as a model for other communities organizing to promote development without displacement and long-term control of the land.”

Sources: <https://www.dudleyneighbors.org/dni-today.html>.

<https://community-wealth.org/content/dudley-street-neighborhood-initiative>.

<https://labgov.city/theurbanmedialab/community-land-trust-dudley-street-neighborhood-initiatives-development-without-displacement/>.

the land gets passed on to subsequent owners while allowing owners to benefit from the appreciation in the house value. Grassroots participation and tripartite governance help maintain **community control of assets**. At the same time, low ground lease fees and limited grant funding make it **difficult to maintain financial sustainability**. To address this, some CLTs are partnering with housing cooperatives and mutual housing associations (MHAs) wherein the former focuses on community-led development and the latter on construction and property management.

Land for the CLT may be acquired from public or private sources, but it is important to note that there may be limitations with respect to applying eminent domain, and particularly its potential misuse in countries without the proper controls in place.

Example 2: Voi, Kenya: Tanzania-Bondeni CLT

The Tanzania-Bondeni CLT was implemented between 1991 and 2004 as part of a settlement upgrading project in Voi, Kenya. The **CLT model**

was chosen because of the tenure security it provides to residents, a severe challenge for the urban poor in Sub-Saharan Africa.

The project was a **collaboration between multiple parties**: the Ministry of Local Government (MoLG), the German Development Agency (GTZ), the municipal council, and resident representatives. While the MoLG provided policy direction and liaised with other state agencies, GTZ provided financial and technical assistance to design and implement the CLT. Other partners included—(i) the two land owners (Kenya Railways Corporation and Voi Sisal Estates Ltd.) who donated the land for the project; (ii) the National Co-operative Housing Union (NACHU) that provided subsidized loans to finance housing development; and (iii) the University of Nairobi's Housing and Building Research Institute (HABRI) that developed cheap building technology to lower housing construction costs.

Project financing was based on the **principle of cost sharing** wherein community members paid for infrastructure and housing development (the land was free) and GTZ paid for developing the CLT instruments. GTZ also provided grants to residents to reduce their out-of-pocket expenses. Cheap building technology developed by HABRI and subsidized loans provided by NACHU further helped lower development costs and allay residents' cost burden.

Community members were actively involved throughout the planning process, and the master plan included commercial and community facilities in addition to residential plots. Even the choice to go with a CLT (as opposed to the other tenure options of co-operative or individual ownership) was picked by community members.

A **key hurdle was developing a CLT within Kenya's land law and administration system**, which is not designed to support CLTs. The project team created two entities—a set-

tlement society and a trust—to fit within the local legal framework. The board of trustees had resident representatives and was responsible for managing the CLT, and was funded by annual contributions from the CLT members.

The **key achievement** of the project was that it **gave poor residents access to urban land**. Already a tightly knit community, the CLT further united the residents and **helped create a vibrant community**. Building on the social cohesion among residents, there was **community participation in the running of the CLT**. By giving residents access to land and obliging residents to live on their property, the CLT framework prevented post-project displacement thereby **improving stability**. Finally, the project also **facilitated systematic access to housing finance** for residents; working with NACHU, the residents formed four housing co-operatives over the years to finance incremental housing construction.

While the project achieved some of its key objectives, it was plagued by **issues of absentee landlordism and declining commitment from residents over time**, (Bassett, 2005) thereby leading to questions about the longevity of the CLT. The key challenge, however, has been the **lack of proper legal frameworks and lack of government support** for the model. Nearly two decades after project completion, Kenya's land laws still do not support CLT formation, which (in part) has prevented meaningful scale-up of the model.

Comparing social housing models across framework dimensions

Using select case examples from each of the models described in section 2.2, Table 4 provides a comparative analysis of the examples across the six dimensions of the proposed social housing framework.

TABLE 4

COMPARING SOCIAL HOUSING MODELS ACROSS FRAMEWORK DIMENSIONS

	GOVERNMENT AGENCIES	NON- OR LIMITED-PROFIT HOUSING ASSOCIATIONS	COMMUNITY LAND TRUSTS
	Public housing in the US^a 1937 onwards (no new construction since the 1970s)	Social housing in Vienna, Austria^b 1920 onwards (approximately 90 years, including a 10-year break in the WW II period)	Community land trusts in the US^c 1960s onwards
Tenure: Terms of arrangement	<ul style="list-style-type: none"> Rental Annual income certification of tenants to ensure continuing qualification for public housing vis-à-vis program eligibility criteria 	<ul style="list-style-type: none"> Predominantly rental; some ownership No limit on duration 	<ul style="list-style-type: none"> Ownership; no limit on duration Land is permanently owned and maintained by the CLT; owner is allowed to sell only the house to maintain affordability
Institutional structure and data: Alignment of complementary strengths and responsibilities between multiple stakeholders	<ul style="list-style-type: none"> Public housing authorities (PHAs) are responsible for building and managing public housing PHAs are instrumentalities of municipal government 	<ul style="list-style-type: none"> Limited Profit Housing Association-led (LPHA-led) system but in close cooperation with and supervision by regional government Other stakeholders such as architects, building contractors, and private banks, are all well-embedded into the system 	<ul style="list-style-type: none"> Community land trust (CLT) leads the provision, but in close cooperation with local government, other community organizations, developers, building contractors, and architects
Financing and costs: Capital stack/sources used to maintain affordability for target segments	<ul style="list-style-type: none"> Funded almost entirely by federal government In recent years, programs such as HOPE VI and Rental Assistance Demonstration (RAD) have given PHAs access to private financing to rehabilitate and maintain public housing 	<ul style="list-style-type: none"> Mix of supply- and demand-side assistance <i>Supply side:</i> City of Vienna provides low-interest rate loans (1%), and bank loans at 2.5% to developers – together, these account for roughly 85% of development costs; also, some public grant such as for renewable energy (approx. 5%). Repaid loans as well as LPHA profits are reinvested into new social housing construction and maintenance <i>Demand-side:</i> Rents are strictly regulated and capped at 25% of household income to ensure affordability for tenants; and the city provides rental assistance^d to make up the difference between tenant contribution and actual rent 	<ul style="list-style-type: none"> Mix of equity, debt and grants, raised from public and private sources Local, state and federal governments provide resources in the form of free or cheap land, grants, or tax credits Private financing includes grants and loans

(continued on next page)

TABLE 4 *(continued)*
COMPARING SOCIAL HOUSING MODELS ACROSS FRAMEWORK DIMENSIONS

	GOVERNMENT AGENCIES	NON- OR LIMITED-PROFIT HOUSING ASSOCIATIONS	COMMUNITY LAND TRUSTS
Subsidies and targeting: Intended beneficiaries	<ul style="list-style-type: none"> Narrowly targeted at low- and very low-income households (defined as those earning less than 80% and 50% of Area Median Income—AMI—respectively) Initially targeted at working class households 	<ul style="list-style-type: none"> Broad targeting driven by the goal of social mixing^a Relatively high income limit; about 80% of the population is eligible for social housing 	<ul style="list-style-type: none"> Low- and moderate-income households that are unable to afford market-rate housing Each CLT develops its own specific eligibility criteria
Planning, regulation, and sustainability: Connectivity to public infrastructure, and integrated design principles	<ul style="list-style-type: none"> Poor planning and design Projects built in minority neighborhoods or peripheral locations leading to poverty concentration Poor construction quality led to deterioration of housing stock 	<ul style="list-style-type: none"> Planning and design is integrated with the City Development Plan to ensure that social housing is well-located with access to amenities, and is not designed or built in isolation Project proposals are evaluated by a jury for, among other aspects, design innovation and environmental sustainability, which helps maintain high design standards 	<ul style="list-style-type: none"> CLTs work with local community groups and local government representatives to identify and prioritize community needs, and align them with available resources (including land)
Operations & maintenance (O&M): Ongoing and capital repairs	<p>Initially, rental income covered O&M</p> <p>With tenant mix getting poorer, rental income decreased, and was not enough to cover O&M</p> <p>Decreased federal funding meant that PHAs deferred capital repairs which accelerated the deterioration of housing stock</p> <p>PHAs have several billions of dollars in capital repairs backlog</p>	<p>O&M is part of the long-term asset management strategy</p> <p>Funded by two sources: (i) Part of rental revenue goes to a fund dedicated to O&M; and (ii) City of Vienna provides grant funding for major rehabilitation projects</p>	<p>Homeowner is responsible for the maintenance of the house</p> <p>CLT is responsible for the maintenance of land and common areas</p> <p>Homeowners pay CLT a monthly land lease fee</p> <p>CLT can intervene if homes are dilapidated</p>

Source: Author.

^a Other case example covered includes: Hungary.

^b Other case examples covered include: France, Netherlands, South Africa, US, and UK.

^c Other case example covered includes: Kenya.

^d Provided for social housing as well as private sector rental, and in some cases, ownership too.

^e When the program was first instituted in 1919, low- and middle-income households alike were suffering from poor housing conditions in the aftermath of World War I.

Social assistance for housing: Models and case examples

Government-led housing production (supply-side)

Among the forms of *social assistance for housing*, financial assistance by government for production is a common model. Starting in the 2000s, such programs were launched in several emerging economies but focusing on homeownership (not rental), for example, in Colombia, Egypt, Ethiopia, Mexico, and Turkey. While some of these programs may have contributed to bridging the quantitative deficit, they have been criticized for falling short in other aspects. For instance, some programs have quickly fallen into disrepair due to poor construction quality and inadequate infrastructure (Mexico),³⁸ or have remained vacant because they are located too far from economic opportunities and services (Brazil, India, Thailand). At the same time, learning from the challenges faced in the past, some countries are modifying their approach to accurately target and meet the social housing needs of their populations.

Singapore is an exception in this category in that its social housing program is widely regarded as a success in terms of meeting quantitative and qualitative gaps. The cornerstone of the program is continued financial and legislative support from the government, which is difficult to replicate in many emerging economies where government budgets are already strained, and the policy and regulatory environment is not amenable for such a large program.

Example 1: Singapore: Public housing/ Housing Development Board (HDB) housing

Social housing in Singapore is **entirely funded, developed and managed by the Housing**

and Development Bank (HDB), a government entity. HDB's public housing program started off as rental housing but soon pivoted to **ownership** by 1964³⁹ to align with the government's ideologies of nation building and to enhance social cohesion among Singaporeans. More than 80% of the country's population lives in HDB flats, with 90% of them owning the flats.⁴⁰ HDB's more than 1 million units constituted 75% of the country's total housing stock in 2018 (Arora et al., 2019).

HDB acquires land from the Singapore Land Authority (SLA), typically on a 99-year lease term. The **planning process for HDB estates** includes connecting the planned development to the public transportation network, and the planning of neighborhoods and precincts within an estate that includes commercial, recreational, education, health and other amenities.

HDB calculates sale prices of its units on a cost-based model, i.e. based on the total, construction, financing, and soft costs. **HDB sells flats at below development costs** to maintain affordability for end users; **land costs are not factored into the sale prices** of HDB housing. In addition to a **discounted sale price**, buyers can **also access grants** that are made on the basis of a progressive subsidy schedule.

HDB builds **housing for households across the income spectrum**; regardless of the income group, all HDB flats are cheaper than those in the private market. Eligible citizens buy units directly from HDB and are bound to the Minimum Occupation Period (MOP) before they can sell the units in the open market. The

³⁸ <https://www.latimes.com/projects/la-me-mexico-housing/>.

³⁹ <https://eresources.nlb.gov.sg/history/events/2ab696d3-d9f5-4970-9108-e0f95919cc98>.

⁴⁰ <https://www.hdb.gov.sg/about-us/our-role/public-housing-a-singapore-icon>.

MOP varies between 0 and 7 years depending on the type of unit and other criteria.

Consistent government support to housing development and an integrated planning and design approach are the hallmarks of HDB's successful social housing program. Town Councils are responsible for the maintenance of common areas in HDB's for-sale properties.⁴¹ HDB oversees renovation works for all its properties, including those carried out inside the units by homeowners, to ensure that the structural integrity of the work and property is maintained.

However, the **rising resale prices of HDB units in recent years have been a matter of concern**. After the lapse of the MOP period, unit owners are able to resell their units; there is no income ceiling to buy an HDB resale flat, although there are other eligibility conditions including citizenship, age, and family size, among others.⁴² **Demand for resale flats increased in 2020**, particularly as construction of new units slowed down due to pandemic-induced lockdowns. Although HDB expects to launch 17,000 new flats in 2021,⁴³ construction delays might lead to further price increases for resale flats and exacerbate the situation.⁴⁴

Example 2: Turkey: Mass housing, TOKI

Since 2003, the **Housing Development Administration (TOKI) leads social housing delivery** in Turkey. TOKI is a subsidiary of the Prime Ministry that is attached to the Ministry of Environment and Urbanization.⁴⁵

Focusing solely on home ownership, TOKI builds **housing for all income groups**, including low- and middle-income households that cannot afford housing on the private market. The program is based on a cross-subsidy model wherein TOKI builds high-end units

to pay for the low-cost housing. To ensure affordability for target groups, TOKI adopts **several measures depending on target groups' household income**. These include **sale prices that exclude land costs**, and **favorable below-market mortgages** (low down payment, low/zero interest rate, long term) for low-income and vulnerable households.

This **centralization of land, infrastructure, urban planning, and housing finance functions** (in TOKI) has enabled the government to build housing at scale. That said, a common criticism is that projects targeted to lower income households give **little to no consideration to the planning and design of buildings or their surroundings**. Residential towers built on city outskirts are often poorly connected to transportation networks and job opportunities, and largely unresponsive to traditional Turkish neighborhood culture. In contrast, developments targeted at middle- and high-income households are typically located on prime well-located government-owned land, and have been criticized for enriching the wealthy.

Example 3: Brazil: Minha Casa, Minha Vida⁴⁶

From 2009–2016, **Minha Casa Minha Vida (MCMV)** was the **Brazilian government's**

⁴¹ HDB is responsible for the maintenance of its (few) rental properties.

⁴² <https://www.hdb.gov.sg/residential/buying-a-flat/resale/eligibility>.

⁴³ <https://www.channelnewsasia.com/news/singapore/hdb-resale-prices-transactions-flats-bto-sold-2020-14017640>.

⁴⁴ <https://www.straitstimes.com/singapore/housing/hdb-resale-prices-climb-for-4th-consecutive-quarter-volume-dips>.

⁴⁵ <http://i.toki.gov.tr/content/entities/main-page-slider/20191011095737969524-pdf.pdf>.

⁴⁶ Conversions are based on foreign exchange rates during program implementation; roughly 1 USD = 1.85 BRL. In 2021, the conversion rate is 1 USD = 5 BRL.

largest social housing program. The program was part of the government's push to drive economic growth and upgrade infrastructure.⁴⁷ Over two phases, the **government invested nearly BRL 160 billion/ USD 86 billion with the goal to build three million units.**

The program was **targeted at households earning up to 10x minimum wage**, with nearly 80% of housing provision focused on the poorest and low-income. Geographically, the program focused on **metropolitan areas in Brazil** including all state capitals and municipalities with a population greater than 50,000. In urban areas, the modality consisted of **construction or acquisition of new housing** for families earning up to 10x minimum wage per month; in rural areas, the program supported **construction, acquisition and refurbishment of housing units** for families with a monthly income up to BRL 5,000 (USD 2,704).

Since cost recovery was not the program's goal, **sale prices were determined on the basis of household income.** Financial assistance was calibrated based on the target group's income. For instance, for those in the lowest income category, the program subsidized between 60 and 90 percent of the property value. **Financial support was also provided in terms of low interest rate mortgages, tax exemptions, and exemptions from property registration and insurance payments.** In addition to the federal subsidies, states and municipalities also provided finances, land, and tax rebates to facilitate delivery of social housing under this program.

Although the MCMV program **delivered housing at scale (nearly 3 million units)**, it was expensive and **heavily dependent on government funding.** In 2016, the program stalled abruptly as a result of the budget deficit and recession in Brazil. Additionally, the program has been criticized for **poor planning and de-**

sign that resulted in projects being located on urban peripheries, far from jobs and amenities and lacking in adequate infrastructure.

Example 4: UK: Rent to Buy⁴⁸

While the bulk of social housing in the UK is that built and managed—in perpetuity—by housing associations or local councils, **Rent to Buy is an alternative tenure aimed at easing the transition from renting to homeownership by subsidizing rent.** Also referred to as Rent to Save, Rent to Own, or Intermediate Rent, this government program in England, Scotland, and Northern Ireland is slightly different from that in Wales. While the former provides homes at reduced rent, roughly 20% below market rates, the latter rents homes at market rates.

Designed to **help first-time homebuyers who cannot afford the upfront down payment**, through the Rent to Buy program, housing associations provide **homes at roughly 80% of local market rents.** The lower rent gives households a chance to save for a down payment. **The lease period typically lasts for anywhere between six months up to five years.** At the end of the rental period, households have to either purchase the property or move out. Households that need additional assistance have the option to buy the home on shared ownership terms. The number of units available under the Rent to Buy program are limited, and varies by local authority.

The **Rent to Own program in Wales** provides **homes for rent at market rates**, for up to five years. Households can apply to buy the home between the second and fifth years of tenancy. To assist households in making the

⁴⁷ This was in the aftermath of the global financial crisis of 2007-08.

⁴⁸ <https://hoa.org.uk/advice/guides-for-homeowners/i-am-buying/rent-to-buy/>.

upfront down payment, at the time of application to purchase, they **receive 25% of the rent paid and 50% of any increase in the property value since they moved in.**

Since **eligibility criteria are set by housing associations** that offer homes under this program, these vary across HAs. Basic eligibility criteria include: (i) household income less than £60,000 per year; (ii) first-time buyer, or used to own a home and cannot afford one on the open market now; and (iii) good credit history. Housing associations generally **prioritize existing social housing tenants and those that meet the priority criteria set by local authorities.**

One **advantage** of the Rent to Buy program is that it **gives households access to properties that they otherwise might not be able to afford.** However, households bear the **risk of home prices rising during the rental period,** sometimes beyond their affordability. Wales' Rent to Own program and the shared ownership option are designed to help households weather (dramatic) house price increases.

Example 5: Thailand CODI: Baan Mankong (Secure House) Program, Community Organizations Development Institute (CODI)

The Community Organizations Development Institute (CODI) is a Thai Government institution. Its mission is to support communities and their organizations as key agents of change and as central actors in development which affects their lives and communities. CODI is funded by the government for many of its ongoing programs. Its main financial tool is the CODI revolving fund, which provides soft loans to community cooperatives and community networks to undertake a variety of development initiatives that they plan and implement themselves.⁴⁹

CODI's *Baan Mankong* Program (BMP) marked a **dramatic shift in the Thai government's approach to housing** in that its role transitioned from direct housing provision to **enabling a community-led process of housing development.** The BMP **targets the urban poor living in informal settlements,** and aims to provide decent and secure housing.

The **core elements of BMP are community savings, large-scale networks of poor communities, and community-driven development.** The first step is the setting up of a 'City Development Committee' that includes representatives from poor communities, local governments, professionals, universities and NGOs. Simultaneously, poor communities in the city come together to form a 'Community Network.' The formation of these two collective platforms is the cornerstone of the BMP approach—it fosters collaboration between different stakeholder groups, and enriches the housing development process. CODI plays a supportive role in this process, leaving the reins in the hands of the two committees.

Once land has been secured, the **committees jointly plan and implement the housing project(s), with financing support from CODI.** The BMP allows for different forms of development, including on-site upgrading, land sharing and reconstruction, re-blocking and re-adjustment, and resettlement.

Financing from CODI is in two forms—a subsidy and a loan—both of which are given to the community cooperative, not to individual families. Additionally, each community is required to have savings equal to at least 10% of the loan amount, which must be maintained throughout the loan repayment period.

Buoyed by the success of the first ten pilot projects, BMP scaled rapidly in the first six

⁴⁹ <https://en.codi.or.th/about/what-is-codi/>.

years and projects were launched across the country. **However, BMP project finances are almost entirely contingent on government funding**, and as funds almost dried up by 2009, the program momentum slowed down despite some infusion of funds from the government. Furthermore, decentralization of CODI into regional offices and implementation challenges also slowed down the program. Thailand's government is in the process of drafting a 20-year National Housing Strategy, and CODI is **working with the government and other stakeholders to renew and refine BMP**.

Government financial assistance to households (demand-side)

All of the supply-side programs described above lower development costs using some combination of government subsidies, free or low-cost land, and below-market rate financing. Costs are intentionally kept low to ensure affordable rents (or sale prices, in the case of homeownership programs). However, despite lower costs, rents (or sale prices) are often not affordable for the target segment of social housing. To reduce the payment burden on households, governments offer demand-side assistance to complement supply-side initiatives. Demand-side assistance can take the form of vouchers/benefits for tenants, or down payment assistance or low interest-rate loans for home buyers.

In some countries, including the Netherlands, Austria, and France, beneficiaries are eligible to receive rental benefits for not only social housing but also for housing in the private market. In the US, the Housing Choice Voucher (HCV) program is designed to enable households find housing in the private market. Chile's rental subsidy program, instituted in 2013, is the country's first rental housing initiative (previous efforts focused on improving access to home-

ownership for low-income households). In Indonesia, where the policy focus is on homeownership, the government has been implementing multiple demand-side subsidy programs to reduce the country's quantitative backlog. In collaboration with the World Bank, the government launched a credit-linked housing assistance program in 2018 to assist lower-income households with a down-payment assistance to help first-time homeowners buy or build their homes.

Example 1: Chile: Rental housing vouchers

Pivoting away from its historic singular focus on homeownership, the Chilean government **introduced a rental subsidy program in 2014** targeted at low- and moderate-income young families throughout the country.

Realizing that more than a third of homeownership subsidies were mis-targeted at young families whose housing needs would likely change in the short-term, the rental subsidy program was **designed to support young households' residential mobility and changing housing needs in the short-term**. The subsidy is intended as **bridge assistance until young households decide on their long-term, more permanent housing needs**.

The program provides a **flat subsidy of USD 140 per month** across all municipalities. The subsidy amount does not vary with the amount of total rent paid, but **eligible rents are capped at USD 400 per month**. At the same time, subsidy-to-rent ratio is capped at 0.8. The subsidy is offered for a maximum of eight years. In line with the government's enduring focus on homeownership, **after the first three years, the subsidy is reduced to USD 110 per month, to encourage residents to start considering homeownership**. Additionally, the goal is to have renters become self-sufficient

by paying an amount that more closely reflects typical monthly payments if they enrolled in the government's homeownership programs.

Dwellings must meet minimum quality standards, and are checked by regional service providers called *Servicios de Vivienda y Urbanización* (SERVIU).

Given that the program is relatively new and is yet to complete its first cycle of eight years, there is **little information on program implementation and outcomes**. However, the government is contemplating next steps for the rental subsidy program as well as the rental housing sector at large, both of which will be particularly relevant in a post-Covid context.

Example 2: USA: Housing Choice Voucher (HCV) program

Introduced in 1974 as a project-based subsidy, the **Section 8 voucher program marked a shift of US federal assistance from production to demand-side programs**. The program has since been amended (in 1983) to make the vouchers tenant-based, and renamed the Housing Choice Voucher (HCV); **it helps about 2 million low-income households annually**.⁵⁰

The HCV program is one of the largest housing programs, designed to assist “very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.”⁵¹ **Voucher recipients are free to choose any housing that meets program requirements, and are not restricted to subsidized housing**.

The US Department of Housing and Urban Development (HUD) provides funding to local bodies called public housing agencies (PHAs) to administer the program. The PHA sets minimum quality standards for housing that can be rented under this program. Households apply to their local PHA. Once approved and if vouch-

ers are current, the PHA issues an HCV to the family. Once the selected unit is approved, the PHA executes a contract with the landlord, and directly pays him/her the subsidy amount. Tenants pay the remainder, i.e. the difference between the actual rent and the subsidy amount.

PHAs set eligibility criteria for the HCV program, such as **annual gross income, family size, and US citizenship status**. In general, household income must be less than 50% of area median income (AMI), i.e. very low-income households. Additionally, PHAs are permitted to establish **priority eligibility criteria**, which are based on local conditions and housing needs.

The HCV program has helped improve housing outcomes for low-income families in a variety of ways. However, there is a **severe shortage of vouchers**, with only a quarter of eligible households receive housing assistance as of 2017.⁵² Further, participation by landlords in the voucher program is not always guaranteed, especially in locations where housing is in high demand. So, while increasing voucher funding can be helpful, it is **important to simultaneously increase the effective supply of housing**.

Example 3: Indonesia: Credit-linked housing finance assistance (Bantuan Pembiayaan Perumahan Berbasis Tabungan – BP2BT)

The Government of Indonesia has historically provided policy, institutional, and financial support to the housing sector, yet these efforts have been partially hindered by poor program design and inefficient implementa-

⁵⁰ HCV Data Dashboard, available at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard.

⁵¹ https://www.hud.gov/topics/housing_choice_voucher_program_section_8.

⁵² <https://www.cbpp.org/research/housing/federal-rental-assistance>.

tion. Its two main housing finance programs in recent years (Subsidi Selisih Bunga – SSB, an interest rate buy-down program and Fasilitas Likuiditas Pembiayaan Perumahan – FLPP, a liquidity facility cum interest subsidy program) subsidized mortgage interest rates at a high fiscal and economic cost and being distortive to the mortgage market with low interest rates. Moreover, they disproportionately benefited salaried middle- and upper-middle-income households purchasing developer-built units, while leaving behind 60% of the Indonesian population that work informally.

With assistance from the World Bank (WB), the Ministry of Public Works and Housing (MPWH) launched a mortgage-linked housing finance assistance program (Bantuan Pembiayaan Perumahan Berbasis Tabungan – BP2BT) in 2018 targeted at lower-income households. Through BP2BT, the government provides a one-time down-payment assistance, ranging from approximately 25% of the house price for home purchase, 33% for self-construction, and 49% for home improvement. The exact subsidy amount is determined by the housing type, household income, geographic location, and other criteria.

Unlike the SSB and FLPP's heavily subsidized interest rate, BP2BT is a market-friendly scheme by mandating that mortgages be provided at market interest rates. Recognizing that the vast majority of Indonesians build their own homes, the subsidy applies to purchase, self-construction, reconstruction, and improvement of a home. Furthermore, the program is targeted at households between the 30- and 60-income percentiles, including salaried and non-salaried households.

BP2BT has been designed to be market-friendly while maintaining the same affordability levels (in terms of monthly housing payments) as the FLPP program, while signifi-

cantly reducing the burden on the government budget through one-time assistance instead of a large upfront capital allocation. As the program is relatively new (launched in 2018) and is still under implementation (slated for completion in February 2023), there are no conclusive results on its effectiveness.

Private and small-scale landlords

Small-scale and private landlords are the dominant providers of rental housing the world over, in advanced and emerging economies alike. This private rental stock caters to renters across the income spectrum, and constitutes a sizeable proportion of the naturally occurring affordable housing (NOAH) market.⁵³ In the United States, NOAH units are the most common affordable housing available.⁵⁴ In its current form, private rental stock presents an opportunity, especially in places with an available stock of rental housing, or otherwise underutilized or vacant housing that can be converted to rental.

Although housing policies have not yet tapped the potential of this private rental sector, there are examples of pilot projects that provide support to small-scale landlords and make affordable rental housing available to tenants (focusing on the low-income and vulnerable segments). This model entails renting out privately owned units, but managed either by non-profit, mission-driven organizations (as in Jordan, South Africa, and the US) or by municipalities (as in Lisbon and Barcelona). Amongst advanced economies, private sector-led provision of social housing is the norm in Germany; private in-

⁵³ Distinct from social housing in that naturally occurring affordable housing units are not subsidized by any government programs, do not have any specific eligibility criteria or allocation mechanisms.

⁵⁴ <https://gmhf.com/finance/noah-impact-fund/>.

dividuals and non-listed private housing companies own nearly half of the social housing stock in the country. In South Africa, backyard rentals have grown tremendously in recent years, and play an important role in plugging the housing gap in the country. Although not yet a regulated sector, in the absence of other affordable options, backyard rentals are a popular housing type, and have given rise to a specialized ecosystem of small businesses catering to it. In the US (and Canada), accessory dwelling units (ADUs) have gained momentum, especially in the last few years. With social housing development not keeping pace with demand, there is huge unmet demand that ADUs are beginning to meet. Several cities and states across the country have updated their laws to enable faster and cheaper ADU construction; however, these are early days, and more needs to be done to fully integrate ADUs into the larger housing ecosystem and meet its full potential.

In addition to the Jordan, South Africa, and US projects described below, several governments are looking toward this sector to provide housing to vulnerable citizens in a post-Covid world. Lisbon's Safe Rent program offers private landlords up to three years of rent upfront and tax exemptions in exchange for converting their short-term rental units for tourists to long-term rentals for locals.⁵⁵ Barcelona's housing department has warned owners of vacant apartments to find tenants or risk having their units possessed by the city at half their market value, which the city would then rent out to low-income tenants.⁵⁶

Example 1: Jordan: Norwegian Refugee Council's (NRC's) Urban Shelter Program

The Norwegian Refugee Council (NRC) implemented the Urban Shelter Program in Jordan

with the **twin goals of addressing the immediate housing needs of refugees while also supporting host communities**. The project was **implemented** in the Governorates of Irbid, Jerash, and Ajloun⁵⁷ **between 2013 and 2015**.

For this project, NRC **prioritized extremely vulnerable Syrian refugee households**, measured against criteria such as household size and composition, female-headed households, people with disabilities, health status, economic conditions, risk of eviction, and shelter conditions.

Building on existing practices, NRC **provided technical and financial support to Jordanian homeowners to facilitate the completion of additional units atop their existing homes to be rented to Syrian refugee households, rent-free, for a period of 12–24 months**. NRC also provided legal assistance to landlords and renter households throughout the contract period, and provided relocation assistance (grant of JD 100/USD 141).

In addition to providing (short-term) housing for vulnerable refugee households and improving their integration with host communities, the project also **positively impacted the local economy** by creating jobs and **helped add good quality rental housing stock** that will be useful to host communities even after the refugees leave. While the model has applicability in non-refugee situations as well, **scalability will depend on program redesign and government support**, among other things, to make it cost-effective and sustainable. One challenge faced during the refugee inflow was

⁵⁵ <https://www.bloomberg.com/graphics/2020-airbnb-short-let-reforms-lisbon/>.

⁵⁶ <https://www.bloomberg.com/news/articles/2020-07-16/to-fill-vacant-units-barcelona-seizes-apartments>.

⁵⁷ These were home to more than 25 per cent of registered Syrians in Jordan in 2015.

the displacement of low-income renters in the host community by refugees whose effective rental payments⁵⁸ were higher than what the locals could afford. Creating an additional pool of housing for the refugees is likely to have ameliorated that problem to some extent.

Example 2: South Africa: Backyard rentals

In the face of huge unmet housing demand in the country, **informal renting** is a common practice, of which **backyard rental is the fastest growing house type** (Brueckner et al, 2019). Originally started in the 1920s, backyard rentals first became widespread in the 1970s and 1980s; in the 1990s, the **government's housing program (referred to as Reconstruction and Development Program (RDP) housing) enabled the intense growth of the practice** (Scheba and Turok, 2020).

Backyarding refers to the practice where (typically) **the original house is retained as is, and the owner rents out backyard space to one or more tenants**. Renting out extra yard space generates **additional income for landlords**, many of whom are often low-income earners themselves. There are **multiple modalities**, including—(i) renting out backyard space to tenants wherein they build their own **shacks**; (ii) the owner himself/herself builds the backyard rental units (**micro-flats**)—these are one or more blocks comprising multiple rooms, each of which is rented separately; and (iii) the owner demolishes the original structure altogether and builds a new multi-story rental structure, called a **boarding house**.

Backyard rentals **appeal to a broad range of users**, including informal workers, young professionals, and white-collar workers, with **income ranging from below ZAR 3,500 to ZAR 10,000**. At present, there are no

subsidies for the practice of backyard rentals, since it is a **market-based intervention** and not regulated by any policy or law. However, municipalities—such as the Khayelitsha Planning Council—are beginning to recognize the need for backyard rental development.⁵⁹ Depending on the modality of the backyard rental, either tenants or owners are responsible for the construction and maintenance of the structures.

Backyard rentals plug in the housing gap, and offer a market-based solution for those who are not eligible for free government housing, but also cannot afford market-rate housing. There is high demand for these, as evidenced by the rapid growth of the sector in the last two decades. Furthermore, recognizing the viability of the business proposition (of backyard rentals) and with the goal to help landlords and tenants overcome the challenges they face, **several small businesses have sprung up in recent years**. These businesses provide a range of services including assisting owners get access to finance, overseeing the design and construction process, and managing backyard rental properties.

Despite its positive impacts, the sector faces certain **challenges that prevent scaling up of the model**. **Limited access to capital** lengthens the construction time, with owners often building backyard rental units incrementally over time, which often results in a haphazard appearance. Without little or no previous construction experience, **owners struggle with the construction process that ends up bring fragmented and inefficient**. Depending on the owner's fi-

⁵⁸ Since the refugee households did not directly pay rent, but NRC provided financial assistance to landlords in exchange for rent-free accommodation for Syrian refugee households for 12-24 months.

⁵⁹ <https://housingfinanceafrica.org/documents/innovations-in-backyard-rental-models-for-the-2020s/>.

nancial situation, construction could take anywhere between two months and several years.

Example 3: California, USA: Accessory Dwelling Units (ADUs)

Accessory dwelling units (ADUs) have **proliferated across the US** in recent years, especially so on the West coast where housing affordability is a severe challenge.⁶⁰ **California's state and city governments have been loosening restrictions** on ADU construction since 2016. The most recent changes, effective January 01, 2021, further reduced barriers, streamlined approval processes, and expanded capacity to build more ADUs.

"An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e. detached) single-family home."⁶¹ Referred to by many names—granny flats, secondary suites, and in-law units, to name a few, ADUs have several variations: detached; attached; converted existing space; and junior ADUs (JADUs).

Although there is no specific targeting or eligibility for ADUs, they are most **popular amongst singles and couples, followed by adult children and senior citizens.**⁶² Responding to the tremendous interest and demand for ADUs, governments across the country are beginning to offer financial incentives and subsidies. At present, these are all targeted at homeowners to encourage ADU construction; there are no subsidies for tenants.

Although ADUs are not a silver bullet to California's housing crisis, they have the potential to make a dent in it. **As a result of changing regulations, there has been a tremendous increase in ADU permits and completions since 2018.** These changes are not confined to California alone; **other state and city governments across the country are also enacting**

laws to enable and encourage ADU development, albeit slower than California.

One of the key advantages of ADUs is that they provide an **additional income source for homeowners.** This is a big motivating factor, especially for low- and moderate-income homeowners. Another motivating factor to build ADUs is the **ability to have extended family members live together while maintaining everyone's privacy.** ADUs also enable senior citizens to age in place while they rent out the main house (that they lived in earlier). Finally, the rise of ADUs has **led to a rise in companies offering services to ease the ADU construction process** and address challenges faced in the areas of design, engineering, permitting, and construction.

As ADUs scale up, one area that needs to be addressed is **limited access to financing, especially important for low- and moderate-income homeowners.** Although state and city governments have instituted programs to finance ADU development, there is a pressing need for ADU-specific construction lending programs.

Comparing social assistance for housing across framework dimensions

Using select case examples from each of the models described in this section 3.3, the table below provides a comparative analysis of the examples across the six dimensions of the proposed social housing framework.

⁶⁰ <https://www.bloomberg.com/news/articles/2018-01-16/the-rise-of-the-backyard-granny-flat?sref=QFCZ3YPm>.

⁶¹ <https://www.planning.org/knowledgebase/accessorydwellings/>.

⁶² <https://www.bloomberg.com/news/articles/2021-03-25/can-granny-flats-fill-california-s-housing-gap>.

TABLE 5

COMPARING MODELS OF SOCIAL ASSISTANCE FOR HOUSING ACROSS FRAMEWORK DIMENSIONS

	GOVERNMENT-LED HOUSING PRODUCTION (SUPPLY SIDE)	GOVERNMENT VOUCHERS (DEMAND SIDE)	PRIVATE RENTALS AND SMALL-SCALE LANDLORDS
	Social (public) housing in Singapore^a 1960 onwards (approximately 60 years)	Rental housing vouchers in Chile^b 2014 onwards	Backyard rentals in South Africa^c 19070s onwards (scaled up after 1994)
Tenure: Terms of arrangement	<ul style="list-style-type: none"> • Predominantly ownership; some rental (driven by political ideology of nation-building and social cohesion) • No limit on duration 	<ul style="list-style-type: none"> • Rental • Maximum eight years; subsidy amount reduced after first three years to encourage households to consider ownership • Intended as bridge assistance until households decide on long-term housing needs 	<ul style="list-style-type: none"> • Rental • No limit on duration
Institutional structure and data: Alignment of complementary strengths and responsibilities between multiple stakeholders	<ul style="list-style-type: none"> • Government-led system wherein HDB, a government agency, sets policy, designs, builds, and runs the entire process 	<ul style="list-style-type: none"> • Program administered by the central government, working in coordination with municipal governments and private landlords 	<ul style="list-style-type: none"> • Led by individual owners and small-scale landlords • Owners/ Landlords hire private sector materials and service providers, such as building contractors
Costs and financing: Capital stack/sources used to maintain affordability for target segments	<ul style="list-style-type: none"> • Mix of supply- and demand-side assistance • <i>Supply side:</i> Land costs are not included in the sale price; HDB sells homes at below development costs to maintain affordability for end users^d • <i>Demand side:</i> Grants for low- and middle-income Singaporeans using a progressive subsidy schedule, and buyers can access CPF savings for down payment or monthly payments 	<ul style="list-style-type: none"> • Government-funded 	<ul style="list-style-type: none"> • No government assistance/ subsidies for supply- or demand-side • Owners/ Landlords cover construction costs via their own resources (in the case of micro-flats and boarding houses); and tenants build units with their own resources (in the case of backyard shacks)
Subsidies and targeting: Intended beneficiaries	<ul style="list-style-type: none"> • <i>Covers the entire income spectrum:</i> Started with low-income only but soon expanded to middle-income and eventually high-income 	<ul style="list-style-type: none"> • Young low- and middle-income households • Monthly household income between 2nd and 6th decile of income distribution 	<ul style="list-style-type: none"> • No government subsidies (since not currently regulated) • No specific targeting, but popular among singles and young professionals, with

(continued on next page)

TABLE 5 (continued)

COMPARING MODELS OF SOCIAL ASSISTANCE FOR HOUSING ACROSS FRAMEWORK DIMENSIONS

	GOVERNMENT-LED HOUSING PRODUCTION (SUPPLY SIDE)	GOVERNMENT VOUCHERS (DEMAND SIDE)	PRIVATE RENTALS AND SMALL-SCALE LANDLORDS
	<ul style="list-style-type: none"> as well (driven by the aim to enhance social cohesion among Singaporeans and in line with the government's ideology of nation-building) 		<ul style="list-style-type: none"> monthly incomes ranging from below ZAR 3,500 to 10,000
Planning, regulation, and sustainability: Connectivity to public infrastructure, and integrated design principles	<ul style="list-style-type: none"> Estate planning is a core tenet of the social housing system HDB responsible for planning and design: Includes planning of the estates, connection to public transportation networks, and inclusion of commercial, health, educational and other uses/amenities within estates 	<ul style="list-style-type: none"> N/A Dwellings must meet minimum quality standards and are checked by regional service providers 	<ul style="list-style-type: none"> Design and construction of backyard rental units is theoretically governed by municipal zoning and building codes; but not necessarily followed in practice New small businesses assist owners design and build durable backyard rentals that are code-compliant
Operations & maintenance (O&M): Ongoing and capital repairs	<ul style="list-style-type: none"> O&M is an important consideration baked into the program^e Designated entities for O&M: Town Councils to maintain common areas in for-sale properties, and HDB in rental properties HDB supervises all renovation works to ensure structural integrity is maintained, including inside ownership units Large-scale renovation programs every 20-30 years, funded in large part by HDB 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Landlords and tenants are responsible for O&M

Source: Author.

^a Other case examples covered include: Brazil, Turkey, UK, Thailand, and Ethiopia.

^b Other case example covered includes: US and Indonesia.

^c Other case example covered includes: Jordan, South Africa, USA, and Germany.

^d HDB acquires land from Singapore Land Authority (SLA), typically on 99-year leases.

^e Since the 1970s.

Looking Forward: Some Guiding Principles

4

There is no one-size-fits-all solution to the thorny challenge of housing, or for that matter, that of social housing provision. Macro conditions and available resources differ from place to place, and since these directly influence a given government's approach to social housing, it is not possible to prescribe one particular model to address the diverse housing needs across the world. Learning from the case examples covered in this study, below are some general guiding principles that the World Bank could use to assist client governments with respect to social housing delivery—starting with the definition of social housing, followed by the rationale, prerequisites, and broad challenges and trade-offs associated with its delivery.

Definition of Social Housing

To recap, social housing may be defined as:

“Subsidized residential accommodation provided at below-market prices, targeted on the basis of socio-economic and/or vulnerability criteria, and operating under some form of (public) administrative oversight in the medium/long term.”

As mentioned earlier, these elements differentiate between social housing versus

other forms of social assistance for housing that are often referred to as ‘social housing’, but in fact are not (per the above definition). Accordingly, the models presented in section 3.2—government-owned subsidized rental housing, and housing owned and/or managed by non- or limited-profit housing associations or community land trusts—are all forms of *social housing*. In contrast, models presented in section 3.3—government-subsidized housing for sale, demand side subsidies, including vouchers, or other forms of assistance to increase the supply of rental by small landlords—are forms of *social assistance for housing*, not social housing, per the definition recommended in this paper.

Prerequisites for social housing development: An enabling environment

Government capacity and accountability

The government has a crucial role to play in enabling the delivery of social housing, at national, regional, and local levels. Proactive government involvement is necessary in the areas of policy-making, regulation, data collection and monitoring, financing, and

subsidies, and to incentivize other stakeholders to provide social housing. Public policies set the objectives and overall direction for the sector, and regulatory and legal frameworks govern stakeholder roles and responsibilities as well as access to financial instruments. Regional and local governments that are legally responsible for meeting people's housing needs can provide active policy, operational, and financial support to developers and financiers. This support can take the form of: (i) free or cheap land for social housing development, (ii) property, corporate or other tax exemptions, (iii) fast-track permitting processes, (iv) development subsidies, and (v) collectively setting targets for social housing. With increasing private sector involvement in social housing development and financing, it is important to develop institutional structures that align the complementary strengths of different stakeholders.

Private and non-profit sector interest and capacity

The development of social rental housing entails all the same skills as developing market housing, or any other urban real estate asset class. Development in turn combines technical elements, risk tolerance, capital deployment, decision speed, and adaptability. These skills and capacities are almost antithetical to the business of government, which depends on predictability and high certainty, and which is often deliberate in its decision-making. Few government entities are suited—or inclined—to take on the role of a social rental housing developer. On the other hand, government entities are very well-suited to the administrative oversight role of such a development, and market-based residential developers are clear candidates to play the risk-taking role in social

rental housing development if appropriate pre-conditions are in place.

In addition to being financially sustainable, social housing must also deliver positive social impact (to residents as well as society). Non-profit housing developers have proven adept at delivering this double bottom line objective, by placing communities' needs at the center of their mission and partnering with social services providers as needed, while working within the ambit of policy and regulatory frameworks. That said, it is crucial for governments to provide capacity-building support to such organizations, as needed, to enable them to scale up and become an effective social housing provider over time.

Challenges and trade-offs: A Balancing Act

As governments explore innovative approaches to meet the increasing demand for social housing, especially in a post COVID-19 environment, the case examples in this study shed light on global experiences, innovations, as well as challenges faced in social housing provision. This much is clear: there is no silver bullet and no perfect social housing model that can be readily transferred from one country to another. Each model has its advantages and disadvantages, but there are some common challenges and dilemmas that are worth highlighting here, particularly in the context of developing countries.⁶³ These require a balancing act by project managers, leaders, decision-makers, and designers of social housing, to minimize any unintended effects of otherwise well-intended programs.

Below is a checklist that can help clients and project teams as they evaluate the

⁶³ The detailed case studies in Annexes 2-6 describe case-specific contexts, successes, and limitations.

TABLE 6
CHECKLIST TO EVALUATE PROPOSED SOCIAL HOUSING PROGRAMS

	ATTRIBUTES	CONSIDERATIONS
1	Tenure	<ul style="list-style-type: none"> • Market environment for rental <ul style="list-style-type: none"> • What is the affordability gap in market-based rental housing? • What is the real demand for rental housing (youth, poor, elderly other vulnerable groups)? • Need for social rental <ul style="list-style-type: none"> • What are the pros and cons of a government-funded program of social rental housing versus one for ownership (including rent-to-own)? • Where does the proposed social housing program fall on the housing continuum? Does it support people/beneficiaries to climb the housing ladder in their lifetime?
2	Institutional structure and data	<ul style="list-style-type: none"> • Institutional structure <ul style="list-style-type: none"> • How much social rental housing is in the public versus private domain? • What is the role of public and private sector stakeholders in the proposed program? • What additional support, if any, is needed to build their capacity? • Data <ul style="list-style-type: none"> • What data is available (at local and national levels) on income (formal, informal), household characteristics, and the housing stock (cost/ price, quality, quantity, typology etc.)? Is the data updated? • How does the program propose to fill in data gaps, especially re: informal income and affordability?
3	Financing and costs	<ul style="list-style-type: none"> • Public funds and private capital mobilization <ul style="list-style-type: none"> • Are there any public/ private funds to finance social housing, and if not, what is the potential to set one up? • How much debt are private banks/lenders providing; and at what terms? • How much equity are developers required or willing to contribute? • What is the percentage split between public and private sources of funding/ capital? • Investors <ul style="list-style-type: none"> • Who are the prominent donors / international organizations investing in the social housing space? • How can the World Bank partner with them, or set up similar channels to invest in social housing? • Costs <ul style="list-style-type: none"> • What are the 'true' development costs (including land, infrastructure, etc.) that may be subsidized by government? • How are development costs estimated? • Do costs (development and O&M) align with income/affordability levels of the target segment(s)? If not, how is the gap covered?
4	Subsidies and targeting	<ul style="list-style-type: none"> • Subsidies <ul style="list-style-type: none"> • What is the mix of supply- and demand-side subsidies for housing development? • What is the average subsidy per beneficiary? • How much of the subsidy is upfront versus long-term, and what is the overall cost to the government? • Targeting <ul style="list-style-type: none"> • Who is the targeted beneficiary? • How wide is the target group and what implications does this have on the mix of residents in the proposed program/ project? • What is the data to back the targeting criteria? • How does targeting impact the financial viability of the project in the long term?

(continued on next page)

TABLE 6 *(continued)*

CHECKLIST TO EVALUATE PROPOSED SOCIAL HOUSING PROGRAMS

	ATTRIBUTES	CONSIDERATIONS
5	Planning, regulation, and sustainability	<ul style="list-style-type: none"> • Planning <ul style="list-style-type: none"> • How does the planning and design of the project (at unit, building, and neighborhood levels) respond to the needs of the target segment(s)? • How does the program provide room for/ encourage innovation in planning and design? • Is the project well located? i.e. does it have access to jobs, schools, and other necessary infrastructure? • Building codes and regulation <ul style="list-style-type: none"> • Is there a legal framework for social housing? • Is there sufficient regulation and enforcement to ensure adequate building quality and safety? • Environmental sustainability and resilience <ul style="list-style-type: none"> • Does the planning and design address concerns of climate change, disaster risk, and environmental sustainability? • What is the legal framework to incorporate 'green' and energy efficient elements into housing design? • What is the added cost of 'greening' the buildings, and its benefit in terms of energy savings in the long term? • What is the potential to make social housing more resilient from climate disasters?
6	Operations and maintenance (O&M)	<ul style="list-style-type: none"> • Programming O&M <ul style="list-style-type: none"> • Is O&M factored into project planning? • How does the program propose to pay for O&M (day-to-day and periodic capital repairs)? • How do the proposed O&M costs compare with those for other residential properties?

Source: Author.

strengths and weaknesses of potential social housing project requests, and provide support to design new or update existing social housing programs.

Tenure

What is the rationale to choose between social housing for rental and social housing for ownership? The argument in favor of social rental is that low-income *renters* face some of the worst and most severe housing challenges, largely because there is never 'enough' naturally occurring affordable (rental) housing produced by the private market. Where it does exist, naturally occurring affordable rental is likely to be the least desirable asset class: the

oldest, the least structurally safe, the most crowded or overcrowded. Informal rental housing, prevalent in many developing countries is a good example, as is in some ways, much of the older multifamily housing stock in former Soviet Union countries. A proactive and effective social housing program can help close this gap by being more accessible to lower income households with low or informal incomes as compared to a housing assistance program for homeownership.

The argument also extends to who finally retains ownership of this social housing. When too little is in the social sector compared to the market sector, a (low) supply and (high) demand imbalance is very likely to bid up market prices. A housing subsidy program

BOX 3

THE HOUSING CONTINUUM IN FRANCE

To stem the dwindling stock of private rental housing, and to develop an affordable housing option for middle-income and mobile young families and singles, France instituted a number of tax incentives in 1984 and 1996. With caps on rent and tenants' incomes and strict regulations, private affordable rental housing has become permanent, and forms an appropriate intermediate option between social rental and owner-occupied housing. In 2018, the distribution of housing stock in tenure was as follows: owner-occupied – 58%, private rental – 25%, and social rental – 17%. At the same time, while 43% of housing subsidies went toward social rental housing, 36% went toward private rental housing, and 21% to homeowners.

Source: The Private Rental Sector in France | Presentation by Claude Taffin | Center for Policy Research Policy Lab 3 | November 2020. Available at: <https://cprindia.org/events/policy-labs-webinar-on-private-sector-investment-in-rental-housing-challenges-opportunities/>.

is such a scenario will require deeper subsidies to make housing affordable, rendering public housing assistance much more costly. This is true whether the form of public subsidy is tax breaks, cash/grants, vouchers, or deals with developers to set aside some percent of units as affordable.⁶⁴ In contrast, social housing in the public domain can be protected from rising prices, particularly in places where housing is expensive and unaffordable.

Finally, social housing is part of the housing continuum, i.e. a ladder of tenures that people ascend throughout their younger life, and potentially descend when they become elderly. Ideally, a household should be able to move out and up to homeownership when ready and capable to do this. For example, youth and young adults are more likely to rent, starter households are more likely to purchase a small first home, mature adults with growing children are likely to up-size/ upgrade their house, and seniors or empty nesters are more likely to be at a down-sizing stage. These needs can be predictable, and this is where demographic trends provide very useful information about housing need.

Designing social housing policy as part of the housing continuum and providing tax in-

centives to private owners can also help increase the stock of affordable private rental housing (Peppercorn and Taffin, 2013). Affordable housing in the private market, for rent and ownership, will help facilitate turnover of social housing residents whose socio-economic conditions improve over time.

Institutional structure and data

Social housing cannot be built and managed by public or private sector alone. Experience shows that while it is not efficient for public sector to be the leading provider of social housing, government has an indispensable enabling role in shaping policy, defining objectives and stakeholder roles, providing financial support, and regulating the sector. On the other hand, specialized non-profit associations that are driven to achieve the dual goals of social impact and financial sustainability are best suited to lead social housing development and management. To build a strong social housing sector, it is therefore important that the com-

⁶⁴ Peter Dreier (2018). Why America Needs More Social Housing, American Prospect, 2018. <https://prospect.org/infrastructure/america-needs-social-housing/>.

plementary strengths of each are aligned and that they work together, in any given context.

In countries with well-developed social housing ecosystems, governments used to be the main social housing provider, but the systems have evolved over time. For instance, although the US government used to be the main provider of social/public housing from the 1930s through the 1970s, it has since been replaced by specialized private housing associations as the main providers of social housing in the country. The government continues to play an integral role, including setting policy, providing funding, and regulating the sector, which is a complement to the private sector's role in leading the development, financing, and management processes.

Data: Many countries lack a robust and streamlined system for collecting and managing income—disaggregated data on housing production, which is critical to inform the structuring of targeted, effective national housing programs, including social housing. In a complex urban society, different levels of government play distinct roles within urban policy. National government defines the macroeconomic environment, national tax policy and interest rates, and national housing programs. These are necessarily independent of place; they apply everywhere in the country. But cities are place-specific, and housing is the most place-specific asset there is. For this reason, provincial and local government are always much closer to the granular challenges of cities, neighborhoods, and housing, and hence the entities best placed to collect housing related data in their cities.

Further, given the vast extent of informality—in housing and in employment—it is critical to consider creative ways to collect data on income that is largely informal or may be underreported.

While improving the reliability of available data and building up databases is a long-term proposition, the Government of Chile's (GoC's) approach offers a possible way forward. In designing its first ever rental housing subsidy program, the GoC carried out a diagnostic survey to assess where the need was the greatest, and developed a means-tested subsidy targeted at a very specific target group (young low- and middle-income households).

Financing and costs

Driven by the goal to minimize development costs and therefore maintain low rent levels, providers typically use multiple sources to finance social housing development, typically a mix of public and private sources. Public sources take the form of non-cash subsidies (for example, land), tax incentives, and low-interest loans, among others. Private financing is a mix of equity, debt, and grants, from various sources. The availability and costs of these different financing sources varies based on laws and regulations in different contexts, and therefore, there is no standard or ideal financing mix (across countries).

For instance, the LIHTC program in the US was designed to enable social housing providers to raise upfront equity for development so as to reduce their debt commitment, and therefore maintain affordable rent levels. As a result, tax credit equity accounts for the bulk of social housing development costs in the US, ranging from 50–80% of total development costs. Private debt (for example, bank loans) cover anywhere between 10–30% of development costs, while public loans and grants cover the rest.

In Vienna, where there is no LIHTC program, equity refers to contributions from housing associations' own reserves, and typ-

BOX 4

THE HOUSING FINANCE CORPORATION (THFC) IN THE UK

THFC raises funds solely for on lending to registered providers of affordable housing, and on lent to HAs on a substantially identical maturity, interest and repayment profile, ensuring best possible terms for HAs and no material mismatch risk. No currency risk is taken by the group or passed on to its borrowers. THFC has a track record of innovation including the introduction of EIB funding to the sector, some of the earliest green finance products for retrofit and sustainable developments, the hugely successful Affordable Homes Guarantee Scheme which saw some of the lowest rates of funding ever achieved for HAs, and the establishment of bLEND to provide easy access to funding. In 2019, THFC's Funding no.3 bond reached a £1 billion threshold, five years after it was launched. It remains one of the largest public bonds in UK's social housing sector, and it is the second THFC Group bond to exceed £1 billion, after the £1.3 billion AHF bond.

Source: www.thfcorp.com.

ically covers only 5% of development costs. The bulk of development costs are covered by debt—subsidized public loans from the City of Vienna⁶⁵ and private bank loans⁶⁶ each account for 42% of total development costs. The remaining 11% is covered by tenant contributions and public grants.

Public funds and private capital mobilization: Another way to finance social housing projects is through dedicated funds that finance developers and housing associations. Two such funds, in the UK and South Africa, are described in brief below.

In the UK, until the 1980s, most social housing was built by local authorities through direct public subsidy or the Public Works Loan Board. After a succession of reforms culminating in the 1988 Housing Act, housing associations (HAs) were able to access private finance to maintain and expand their stock of social housing. Over the following decades, HAs have grown to be sizeable and professional businesses. The Housing Finance Corporation (THFC) is the UK's leading affordable housing aggregator. Set up in 1987 as a non-profit, THFC issues long-term bonds in the Sterling capital markets

and on-lends the proceeds to HAs. It currently has some 160+ HA borrowers.⁶⁷

International Housing Solutions (IHS) is another fund and property manager in the affordable housing sector, in Sub-Saharan Africa. IHS partners with real estate developers to provide equity finance for affordable residential properties. IHS finances the development of energy efficient, affordable housing communities. It manages three multi-investor funds, one single investor fund, and a publicly traded REIT:

- South Africa Workforce Housing Fund (“SAWHF”) – IHS' first multi-investor fund
- IHS Fund II SA – A multi-investor fund focused on investments in South Africa
- IHS Fund II SSA – A multi-investor fund focused on investments in Namibia and Botswana
- IHS Residential Partners – A single investor fund, focused on investments in middle-income residential properties in South Africa

⁶⁵ At 1% interest rate.

⁶⁶ At 2.5% interest rate.

⁶⁷ www.thfcorp.com.

- Transcend Residential Property Fund – A REIT publicly traded on the AltX of the Johannesburg Stock Exchange⁶⁸

Investors: International institutions work with governments to support social housing development, often investing in the sector. Two such examples—European Investment Bank (EIB) and KfW Development Bank—are described in brief below.

The European Investment Bank (EIB) works closely with the Committee of the Regions as well as with a wide array of local and regional governments and federations of housing associations to promote investment in social and affordable housing as part of their wider collaboration on the Urban Agenda for the EU. Social and affordable housing loans are a major element of EIB's €150 billion in urban lending over the last seven years and of its support for EU urban policy. EIB lends to a wide range of social and affordable housing clients, from cities and government agencies to housing companies in the public and private sectors. The focus is on:

- Social and affordable rental housing (market-rate housing is excluded except in cases of strong energy performance)
- Projects aimed at improving social cohesion and the quality of life of vulnerable groups whose housing needs are not met by the market.⁶⁹

Housing eligible for EIB financing includes all non-market or regulated accommodation and housing. That includes social housing, affordable housing, student accommodation, as well as care homes and assisted living.

KfW's Development Bank is also promoting the construction of new energy-efficient homes, the energy-efficient refurbishment of

older residential buildings, the expansion of renewable energies, and the creation of barrier-free housing. For example, KfW, working in tandem with other donors, is investing €15 million in the construction of new homes in South Africa. On the one hand, this money is being used to finance more than 25,000 new homes for the lower middle classes. Additionally, technology to conserve energy and water is also being installed in 5,000 of those units. The South African housing fund International Housing Solutions II (IHS II), discussed earlier, is acting as a partner to KfW and the other investors on this project. IHS II brings together the funds contributed by various donors, such as KfW and the International Finance Corporation (IFC), as well as South African banks and pension funds, and invests them in the housing construction projects. It is the first-ever African fund to specialize in financing affordable and energy-efficient housing.⁷⁰

Subsidies and targeting

Subsidies: Globally, rising development costs, particularly land, construction and financing costs, have resulted in a slowdown in social housing development. While increased public financial support would help address the issue of rising development costs, it is a challenging proposition in emerging economies where public funds are limited. Governments often provide other forms of support (non-financial) to reduce development costs—such as free or cheap land or infrastructure for social housing

⁶⁸ <https://www.ihsinvestments.co.za/>.

⁶⁹ Source: Social and Affordable Housing with the EIB: Advanced Finance for a Basic Need https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf.

⁷⁰ <https://www.adfiap.org/news/members-news/kfw-promotes-affordable-sustainable-housing-south-africa/>.

TABLE 7
EIB'S FINANCIAL PRODUCTS IN THE HOUSING SECTOR

INSTRUMENT	BORROWER	PURPOSE
Investment Loan	Housing associations Cities and municipal companies Approved/regulated social and affordable housing providers	Direct loan for a specific investment project or program All investment components identified/appraised up-front
Direct Framework Loan	Housing associations Cities and municipal companies Approved/regulated social and affordable housing providers	Finances a three to five-year slice of an investment program Multi-scheme investment that meets defined criteria, including those not completely prepared at time of signing
Framework loan via an intermediary	National and local promotional banks Dedicated financial organizations backed by governments Commercial banks	Facility for financing housing associations Relies on a good intermediary that applies financing criteria agreed with the EIB
Investment platforms	National and local promotional banks Dedicated financial organizations backed by governments	An umbrella framework under which different financing products can be used within the platform, tailored to different sizes or types of housing project Different sources of co-financing can be combined, including national or EU grant funding A national promotional bank can apply thematic focus to windows under the platform: e.g. focusing on energy efficient housing or housing prioritized according to specific urban or social criteria
Advisory	Any client	URBIS is already used in Ireland and Poland, and is under discussion in Malta. It helps countries to pilot social housing programs or design innovative financing approaches to social housing

Source: Social and Affordable Housing with the EIB: Advanced Finance for a Basic Need.
https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf

development. For example, local governments in the US provide land for free or for a nominal amount for social housing development under the LIHTC program. Similarly, CLTs either get land donations from public or private sources, as in the case of the Tanzania-Bondeni CLT in Kenya, and in some CODI *Baan Mankong* projects in Thailand, which help reduce overall development costs.

Other supply-side subsidies can help reduce construction costs of rental buildings and/ or reduce operating costs such as property management and building maintenance.

These may be up-front grants and/ or recurrent tax incentives. The former are a direct, simple, and most transparent form of subsidizing the provision of new rental housing. Loan guarantees and tax breaks are long-term budgetary commitments, but are often more manageable in terms of budgetary burden. In exchange for subsidies, landlords make social commitments in terms of below-market rents and income limits of their tenants for an agreed period of time.

These subsidies impose a cost to government and the taxpayer, and are why

government-funded social housing projects should be designed as rentals rather than for sale. As a general rule, therefore, it is recommended that in social housing construction programs funded with government resources, most of this housing be for rental use, and be retained under public / quasi-public / non-profit ownership and/ or administration through its lifespan. This is so that the subsidy is retained in the unit, and can be passed on, over time, to multiple households in need, rather than to a single beneficiary household.⁷¹

Targeting: The setting of eligibility criteria and prioritization of beneficiaries are political and policy issues that need to be decided by government. Decisions about eligibility and priority will need to be made both programmatically (that is, via a list of attributes that either include or exclude households, or score points on a priority scale) and then individually, one household at a time. It is important to ensure that such decisions are made in a fair, equitable and transparent manner, by an entity with public accountability, and appropriate checks and balances in place.

Deciding on which beneficiaries to target can be a difficult balancing act. On the one hand, broadening social housing eligibility to include a wide swathe of the population encourages income mixing thereby decreasing stigmatization (though this approach has been criticized for directing public resources away from those who need it most). On the other hand, targeting a very narrow segment of the population, particularly the poorest, as is the case in many social housing programs, leads to poverty concentration and requires higher public subsidy.

While the target group is likely to vary across countries, as a general rule, social (in

particular, rental) housing, where a fixed rent payment is expected, is not well suited for households facing extreme poverty (say, the bottom income quintile) unless other forms of complementary social assistance programs or rent subsidy are available. This is evident from some of the social rental housing programs in Eastern Europe: by targeting the poorest households, many social housing projects have become pockets of concentrated poverty that are extremely difficult to administer. Further, a program targeted solely to the poorest households will be significantly more expensive per housing unit. In other words, social rental housing at below-market rents may be best-suited to households that are 'too poor' for homeownership and 'too rich' for public housing. These are usually households in the second and third quintiles of household income distribution.

While income has typically been the primary characteristic on the basis of which targeting is determined, it is also important to factor in household characteristics such as household size and beneficiary age. There are experiments that aim to broaden the concept of social mixing to improve livability and social cohesion among resident communities. For instance, a 500-unit social housing development in Amsterdam (called Starblok Riekerhaven) is home to young people aged between 18 and 27 years, half of whom are asylum seekers and the other half are Dutch. The assumption is that living close to Dutch people will aid newcomers better integrate into the city. Similarly, a Swedish housing company is running an experiment wherein the residents are nearly

⁷¹ That said, given the prevalence of government-funded housing projects for sale/ homeownership, it is important to note that, at a very minimum, all real costs (of land, construction, infrastructure etc.) be factored into the sale price.

evenly split between young people (under the age of 25) and pensioners.

Housing associations in UK certainly also provide ‘assisted living,’ which is housing designed for the elderly to live independently but with some care on site. This also extends to housing for those with disabilities, as well as student housing in some cases.

That said, effective targeting, however, requires stable fiscal commitment and an effective means-testing administration capable of collecting and updating relevant information on a household’s financial situation (both income and assets), and on other household characteristics.

Planning, regulation, and sustainability

Planning for social housing provision alongside citywide infrastructure such as schools, health facilities, and public transportation, is essential from the perspective of creating integrated neighborhoods. This can include the identification of well-connected and serviced land, in partnership with local government. For example, in Vienna, social housing plans are included in the City Development Plan that is revised and adopted by the City Council every ten years. Amongst other rules, the plan focuses urban development (residential and other uses) along public transportation corridors and green areas. Similarly, planning of Singapore’s social housing is based on the principles of mixed-use town planning.

In order to ensure that social housing responds to target segments’ needs, they should be included in the planning and design process, alongside other relevant stakeholders. Social housing models in Thailand and the Netherlands include a tri-partite planning process, including local government, commu-

nity-based organizations, and tenant/target groups. Although the two models differ in other aspects, the user-centered planning process has been successful in creating thriving communities.

Location: Due to high land prices in central urban neighborhoods (especially in large cities), new social housing is often built in areas where land is cheaper; such land tends to be poorly located, far from city centers, and far from employment opportunities, schools, and other essential services. Further, due to limited availability of social housing, it is often targeted to the lowest income groups, which can end up creating pockets of poverty, and the ‘ghettoization’ of social housing. That said, building new social housing on prime land within cities is unlikely to be financially viable for municipalities, unless there is sustained financial support by the national government or public land available for that purpose. Socio-spatial segregation remains an ongoing challenge, even in countries with well-developed social housing systems. Stigmatization and discrimination (on the basis of class, race, caste, etc.) against social housing residents adds another layer of complexity in addressing this challenge.

Governments have used different approaches to address the issue of socio-spatial segregation, including changing regulations, targeting criteria, and planning approaches. Mandating minimum percentages of social housing in each municipality/city, France and some states in the US aim to distribute social housing to reduce spatial inequality and give social housing residents the opportunity to integrate with the rest of society and reap the benefits of living in good locations. Further, experiments (primarily in Western Europe) have shown that it is possible to broaden the mixing

criteria to include, for example, lifestyle (students) and ethnicity (status holders, migrant workers).⁷²

Building codes and regulation: Further, there is a need to have a regulator that can enforce a set of basic minimum housing standards in social housing—pertaining to health and safety. In the UK, this role is taken on by the Regulator for Social Housing which oversees 4 million social housing units, mostly from housing associations. And yet, the system is not foolproof: the Grenfell Tower case in 2017 where 72 people tragically lost their lives due to inappropriate cladding being applied to the outside of a tower block for energy efficiency purposes is a stark reminder of the need for extreme vigilance in housing standards and design. That said, setting the standards unreasonably high could significantly increase costs, and make social housing unviable. The basic premise is to incorporate basic hygiene, health and safety standards, while keeping costs (for construction and O&M) viable.

Environmental sustainability and resilience: Where possible, provision of new housing should include some policies related to energy efficiency, and green construction methods and materials. After all, social housing is an opportunity for public sector to instill some of the objectives of sustainable development in housing production.

For instance, in 2012, Mexico's National Housing Commission (CONAVI) developed the world's first National Appropriate Mitigation Action (NAMA) in the housing sector. Unlike previous programs that focused on specific technologies, Mexico's Housing NAMA adopts a 'whole house approach' that focuses on the total energy performance of a building. The pro-

gram targets Mexico's well-established mortgage market which finances roughly 600,000 new homes every year.⁷³ NAMA provides financial incentives to homeowners/ homebuyers as well as construction companies through a points-based system to incentivize incorporation of energy efficiency measures. Since 2016, 300,000 low-income homes have been built as per NAMA requirements.

Further, incorporating green elements into social housing may also open up avenues for financing from green funds. For example, compliance with international standards allowed Belhar Gardens, a social housing project in Cape Town, to access South Africa's Green Fund.⁷⁴ In this PPP model, the City of Cape Town made land available for development, to make rental costs more affordable. Due in part to significant utilities bill reduction, households were able to save more on their utility bills, allowing them to buy extra food and clothing, or save money.^{75,76}

Similarly, the Global Climate Partnership Fund (GCPF) provides financing to local financial institutions who then on-lend to their developers, along with free technical assistance

⁷² Case studies in the Netherlands including two social housing projects—Startblok Riekerhaven in Amsterdam and Majella Wonen in Utrecht.

⁷³ https://www.conavi.gob.mx/images/documentos/sustentabilidad/2_NAMA_for_Sustainable_New_Housing_with_Technical_Annex.pdf.

⁷⁴ The project was funded by the Sustainable Affordable Housing finance facility that was put in place through the collaborative efforts of Nedbank's Affordable Housing Development Finance division, and South Africa's Green Fund. <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/news/corporate-and-investment-banking-news/press-releases/2017/nedbank-funding-makes-green-affordable-housing-a-reality.html>.

⁷⁵ Rusmir Music (2021). Building the business case for green affordable housing, IFC.

⁷⁶ BBC (2020) 'Building a better future: green social housing in Cape Town' www.bbc.com/storyworks/building-a-better-future/ifc-sa.

and subsidized certification fees. ProCredit Bank offers interest rate reduction and technical assistance. Reall, a UK-based affordable housing investor, found that although the local developers intend to build green, they lack a standardized approach. Offering technical assistance, along with preferential finance rates, allowed for a transition to a green portfolio, with commercially viable homes starting at USD 7,500.⁷⁷

Density: The promotion of denser housing developments with smaller and higher numbers of units would help to drive down per unit costs. Higher density developments within the city make more efficient use of existing trunk infrastructure (to offset the additional cost of land) as well as spreading the cost of new networks among a greater number of housing units. To promote denser developments in underdeveloped parts of the cities, instruments such as flexible and mixed-used zoning and up-zoning or allowing greater floor-area ratio (FAR) can be utilized in certain areas, especially in infill sites and areas that already have access to roads and other basic infrastructure.

In the case of limited budgetary resources, the government could also increase the volume of social housing by purchasing—or facilitating the non-profit sector to purchase—low-demand or underutilized housing in the market for renovation and use as social housing. This will be a more gradual, but over time, could lead to a more diverse stock of social housing that is better integrated within the city.

Operations and maintenance (O&M)

Current policy for social housing in many countries subsidizes the rent payable, by setting it

at a certain percentage of the family income, irrespective of the cost of the dwelling (including operations and maintenance, major capital repairs etc.). This means that buildings designed for social housing are a net drain on the finances of the administrative authority, which in many cases is the local government. This is not only a significant disincentive to develop more units; it also makes the basic upkeep and management of these units impossible.

Hence, instead, rents should be set at a level sufficient to recover all costs of the development and day-to-day maintenance and management costs. This will make such projects financially viable. Tenants in such developments whose income is insufficient to pay the rent should receive a subsidy from the national government to make up the difference. Whether the rent of such families is paid directly to the landlord, or whether it is paid to the family will depend on the local administrative arrangements.

Many government-led models have been unsuccessful in managing the properties over time. An essential component of successful operations and maintenance (O&M) is budgeting for regular upkeep and periodic capital repair costs, which should happen at the project planning stage, but often does not. This is what explains the poor condition of much of the social housing in some Eastern European countries, such as Hungary, Poland, and Slovakia.

At the same time, it may not be viable to cover periodic capital repairs (which are significantly higher than regular maintenance) through rental payments, and without additional government resources. Therefore, as in

⁷⁷ Rusmir Music´ (2021). Building the business case for green affordable housing, IFC.

Vienna and Singapore, the government provides grants for large-scale renovations, generally required every 20 years. However, this could be challenging in emerging economies where government budgets are already strained.

Another point to note is that the government is not always in a good position to manage (social) rental housing. This task may be better done by the non-profit sector or entities that are closer to the people and better understand their needs. For instance, housing associations in the US, UK, Netherlands, and Austria, among other countries where the non-profit-led model is prevalent, manage their social housing properties. Large housing associations have in-house property management capacity (typically as a line of business distinct from their development business), while smaller housing associations outsource property management to specialized companies.

End Note

This paper attempted to clarify the definition of social housing, and distinguished it from other forms of social assistance programs in housing, which are often loosely termed social housing. In doing that, it laid out the broad typologies of *social housing* versus *social assistance for housing*, illustrating them with global examples, and highlighting some of the good practices, challenges, and trade-offs that come into play while designing such programs.

Overall, the paper makes the case that there is a vast amount of experience in social housing that can be leveraged to explore social housing more widely, especially in developing countries. At the same time, it is important to reiterate that **social housing is not—and cannot be—a stand-alone solution for the challenges facing any country.** It needs to be seen as one element of a broader agenda that encompasses the range of issues for the entire population distribution.

ANNEXES

Annex 1:

Definitions of social housing

TABLE 8

ADDITIONAL DEFINITIONS OF SOCIAL HOUSING

COUNTRY	TERM ¹	DEFINITION
Czech Republic ²	Municipal rental housing	No official definition, but in practice refers to: <ul style="list-style-type: none"> • Pre-1990 rent-regulated units in municipal housing as well as in the private rental sector (independent of the social and economic status of tenants) • Some new municipal rental flats that are subsidized by the state, let at non-profit rents, and are socially targeted to households with defined incomes and persons disadvantaged due to health, social and other reasons
Egypt	Social housing	No official definition, but in practice refers to: <ul style="list-style-type: none"> • Housing (for rent or ownership) built under the Social Housing Program and affordable for low- and middle-income households
France ³	Housing at moderate rent (<i>habitations à loyer modéré - HLM</i>)	No official definition, but in practice refers to: <ul style="list-style-type: none"> • Housing provided by HLM organizations, which are specific actors entrusted by the state to fulfill a mission of general interest
Hungary ⁴	Social housing for rent (szociális bérlakás)	Rental housing owned by municipal governments and allocated based on social criteria
Jordan ⁵	Low-income or low-cost housing	No official definition, but in practice refers to: <ul style="list-style-type: none"> • Housing for which the monthly finance cost is no more than a third to half of household income
Netherlands ⁶	Social housing (<i>woningcorporaties</i>)	No official definition but in practice refers to: <ul style="list-style-type: none"> • Provision of housing at below market price to a target group of disadvantaged people or socially less advantaged groups, as well as to certain categories of key workers
Poland ⁷	Municipal housing or non-profit TBS housing or State-owned housing ⁸	No official definition, but refers to the following three types of housing: <ul style="list-style-type: none"> • Rental dwellings and social rental dwellings with regulated rents provided by non-profit housing associations (called TBS), and dwellings provided by state-owned companies or the state treasury for their employees

(continued on next page)

TABLE 8 (continued)

ADDITIONAL DEFINITIONS OF SOCIAL HOUSING

COUNTRY	TERM ¹	DEFINITION
		<ul style="list-style-type: none"> • Cooperative dwellings with tenement title (as opposed to owner-occupied title) • Protected dwellings and owner-occupied housing built with state aid
Portugal ⁹	Social housing	Legal concept based on 1983 legislation defining social housing as housing built and bought with the financial support of the state , through fiscal benefits and financing for acquisition of land, construction, and promotion of housing
CECODHAS, 2008 ¹⁰		Social housing is housing where the access is controlled by the existence of allocation rules favoring households that have difficulties in finding accommodation in the market ¹¹
UNECE, 2015 ¹²		Social housing has no one definition, it is in essence a key word used to enable governments and interested stakeholders to exchange knowledge about the part of their housing system that is aimed to satisfy the housing need, that is supported by the state and distributed through administrative process distinct to their local contexts
World Bank		No official definition, and is modified based on context, but generally refers to housing for low- and underserved middle-income populations. For example: <ul style="list-style-type: none"> • In the National Affordable Housing Program in Indonesia, the World Bank adopts the following definition: “Affordable housing is housing units that are affordable by the section of society whose income is below the Indonesian median household income.”¹³
Asian Development Bank		No official definition, and is modified based on context, but generally refers to housing for low- and underserved middle-income populations. For example: <ul style="list-style-type: none"> • In its Shapoorji Pallonji Affordable Housing Project in India, the Asian Development Bank adopts the following definition: “Affordable housing is that where the cost of housing should not exceed 40% of a household’s gross income. Income, size of dwelling, and affordability are the three key parameters used to define affordable housing”¹⁴

¹ Rosenfeld, Orna and UN.ECE, 2015; and Pittini, Alice and Laino, Elsa, 2012.

² Pittini and Laino, 2012.

³ Pittini and Laino, 2012.

⁴ Pittini and Laino, 2012.

⁵ <https://unhabitat.org/sites/default/files/download-manager-files/JAH%20%2003%20May%202015.pdf>.

⁶ Pittini and Laino, 2012.

⁷ Pittini and Laino, 2012.

⁸ Pittini, Alice and Laino, Elsa, 2012.

⁹ Pittini and Laino, 2012.

¹⁰ Now, Housing Europe.

¹¹ Rosenfeld, Orna. (2015). Social Housing in the UNECE region: models, trends and challenges.

¹² Rosenfeld, Orna. (2015). Social Housing in the UNECE region: models, trends and challenges.

¹³ <http://documents1.worldbank.org/curated/en/121201489975262694/pdf/Indonesia-NAHP-PAD-PAD1788-P154948-02282017.pdf>.

¹⁴ <https://www.adb.org/sites/default/files/project-document/162043/48341-001-rrp.pdf>.

Annex 2:

Government agencies

USA: PUBLIC HOUSING

Context The passage of the 1937 Wagner-Steagall Housing Act¹ marked the beginning of public housing in the US, and the government’s first foray in the sector. With a goal to eradicate slums and provide decent, safe, and sanitary dwellings for low-income families, the government provided loans for low-cost housing projects across the country. After World War II, the Housing Act of 1949 expanded the public housing program and it was targeted primarily at the working class. At present, there are 1.2 million public housing units managed by 3,300 Public Housing Authorities (PHAs) across the country.²

Key figures:³

Total population, 2019	328.24 million
Urban population (% of total)	82.46%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	65,850

Project description The federal government provided funding to PHAs for the construction of public housing, initially through the Housing Division of the Public Works Administration (PWA) when the program was initiated in 1937 and then through the Department of Housing and Urban Development (HUD) after it was set up in 1965. The goal of the program was to “build decent and safe rental housing for eligible low-income families, the elderly and persons with disabilities.”⁴ PHAs are responsible for the management of public housing properties.

The program worked well for the first three decades, until the mid-1960s, but federal funding moratoriums, renewed targeting, and new regulations led to the deterioration and subsequent demolition of several public housing projects across the country. There has been virtually no new public housing construction since the 1970s, and existing stock is (largely) in poor shape, managed by PHAs across the country.

Targeting Eligibility for public housing is based on the following criteria:

- Maximum annual gross income limits
 - (i) Lower-income limit is 80% of the area median income (AMI), and (ii) Very Low Income limit is 50% of AMI
- Qualification as elderly, person with disability, or as a family
- US citizenship or eligible immigration status

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USA: PUBLIC HOUSING

Subsidy features

To ensure affordability for tenants, who are in the low-income and very low-income categories, public housing follows an income-based rent setting method. The Total Tenant Payment (TTP) is based on gross household income minus deductions (if applicable); this is called adjusted income. The TTP is usually the higher of 30% of adjusted income or 10% of income, with utility expenses subtracted from the monthly amount.

PHAs are also required to maintain and publish flat rents for each apartment, based on size, condition, location, and age, among other factors. Tenants can choose to pay either 30% of the adjusted income or flat rent. Since 2014, Congress has mandated that flat rents be at least 80% of the Section 8 Fair Market Rent (FMR) for the area.

The federal government provides funding to PHAs through Public Housing Capital Fund for capital needs, and the Public Housing Operating Fund for ongoing maintenance and repairs.

FIGURE 7

LA GUARDIA HOUSES ON MANHATTAN'S LOWER EAST SIDE



Source: City of New York: <http://nychanow.nyc/nextgen-neighborhoods-development-at-la-guardia-houses-moves-forward/>.

Project sustainability

When first formulated, the project was targeted at working class households and rental income streams were adequate to cover operations and maintenance (O&M) costs. Over time, however, amidst renewed targeting and segregationist policies, the tenant mix got poorer. At the same time, public housing stock started to age and with decreased rental income, it became more expensive to manage the properties and PHAs started to require federal assistance for regular O&M as well as capital repairs.

Both federal funds for public housing – the Public Housing Capital Fund and the Public Housing Operating Fund – have been chronically underfunded starting with drastic cuts to the HUD budget in the 1980s (under the Reagan administration). With the government shifting its focus to other housing programs, including the Section 8/ Housing Choice Voucher (HCV) and the Low-Income Housing Tax Credit (LIHTC) programs, since the 1970s, public housing has not been a focus area.

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USA: PUBLIC HOUSING

Since the 1990s, HUD has instituted new programs to revitalize public housing, including HOPE VI since 1992 and the Rental Assistance Demonstration (RAD) program since 2012. Both programs were designed to revitalize public housing projects by allowing PHAs to access private and public sector funds to make capital improvements to projects. Nearly 100,000 public housing units were demolished in the 1990s and 2000s as a result of the HOPE VI program.⁵

Despite these efforts, there is not enough funding to maintain public housing stock. In 2011, HUD estimated that there was a budget shortfall of nearly USD 26 billion for capital repairs,⁶ which had ballooned to approximately USD 70 billion by 2019.⁷

FIGURE 8

DEMOLITION OF THE PRUITT-IGOE PUBLIC HOUSING PROJECT IN ST. LOUIS IN THE 1970S



Source: US Department of Housing & Urban Development: https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_110314.html.

Key reasons for success	The program is widely regarded as a failure.
Limitations/ Constraints/ Lessons learned/ Scope for improvement	<ul style="list-style-type: none"> • Inferior planning and design of public housing projects from the beginning led to projects being built in minority neighborhoods leading to poverty concentration, and poor construction quality led to deterioration of housing stock • Inadequate and ineffective management by PHAs has led to deteriorating quality of the housing stock, with tenants facing issues ranging from water leaks and mold to lead paint and rodent infestations • Consistently decreasing federal funding, and shift of government focus (and funding) to other private-sector led housing programs has effectively left public housing projects to fall into disrepair and in many instances, demolition

¹ A part of the federal government’s New Deal legislation.

² https://www.hud.gov/topics/rental_assistance/phprog.

³ <https://data.worldbank.org/country/united-states>.

⁴ https://www.hud.gov/topics/rental_assistance/phprog.

⁵ <https://prospect.org/infrastructure/housing/public-housing-is-going-private-and-its-congress-fault-HUD/>.

⁶ https://www.housingfinance.com/news/public-housing-faces-26-billion-in-capital-repairs_o.

⁷ <https://nlihc.org/resource/public-housing-where-do-we-stand>.

Annex 3:

Non- or limited-profit housing associations

NETHERLANDS: SOCIAL HOUSING ASSOCIATIONS/ *WONINGCORPORATIES*

Context The Housing Act of 1901 led to the establishment of housing associations for the purpose of developing and managing social housing in the Netherlands. The Act delineated the roles of public and private sector in the social housing sector. Initially, with the aim of stimulating private sector involvement, the central government made concessionary loans through municipalities to government-approved housing associations.¹

Since its establishment in 1901, social housing in the Netherlands has evolved from a government-led sector to being private sector-led. With the passage of two acts in the mid-1990s, the Dutch social housing sector became administratively (1993) and financially (1995) independent of the central government.

Most social housing was built between 1945 and 1990 (Elsinga and Wassenberg, 2007). Today, social housing units make up approximately 75% of the 3 million rental homes in the Netherlands,² and one-third of the total housing stock. Non- or limited-profit housing associations manage 2.4 million rental homes in the country, home to 4 million people.³

Key figures:⁴

Total population, 2019	17.33 million
Urban population (% of total)	91.87%
Poverty ratio at national poverty rate (% of total population)	13.6%
GNI per capita, 2019 (USD)	53,100

Project description Social housing in the Netherlands is a decentralized sector wherein private non-profit housing associations (HAs) and municipalities play the key roles in provision. Housing associations build, own and manage social housing stock in accordance with national and local regulations. HAs work with municipalities, tenant organizations, and other local groups to decide collective priorities and set targets for social housing.

Social housing development is financed by a mix of HAs' equity and debt raised from private banks, backed by a three-tier guarantee system. All revenues are reinvested into new construction and maintenance of existing housing stock.

Housing associations allocate social housing units based on government regulations and guidelines. Households register with HAs who conduct income and other checks to verify eligibility for social housing. Households that have an urgent need might qualify for priority, depending on the rules set by the relevant municipality. Households must approach the municipality to check if they qualify for priority and if so, to get a priority declaration letter.

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NETHERLANDS: SOCIAL HOUSING ASSOCIATIONS/ WONINGCORPORATIES

FIGURE 9

THE ZAANHOF SOCIAL HOUSING IN AMSTERDAM, BUILT IN 1910



Source: Author, 2020.

Targeting

The Netherlands is one of only three EU countries⁵ that have traditionally had a universalist model, i.e. targeted at a broad swathe of the population. This, in part, explains the high percentage (32%) of social housing stock in the country.⁶

However, social housing in the Netherlands has transitioned to a targeted model over time, as a result of country- and EU-level decisions. That said, more than half the Dutch population is eligible for social housing under current income limits (reviewed and published annually).

Housing associations are required to allocate most of the units to low- and low-middle-income households. They allocate units based on joint/household income, and with the aim of social mixing, social housing stock is allocated as follows:⁷

ANNUAL SUPPLY OF SOCIAL RENTAL UNITS FROM HOUSING ASSOCIATIONS	JOINT INCOME LIMITS (2021)
Minimum 80%	Up to and including €40,024
Maximum 10%	More than €40,024 up to and including €44,655
Maximum 10%	More than €44,655

Subsidy features

On the construction/supply side, housing associations finance construction with a mix of debt and equity, and do not receive direct construction subsidies from the government (details in next section).

On the demand side, since social housing is targeted at households who cannot afford housing in the private market, rents are set at affordable below-market levels. Every year, the government sets minimum and maximum rent levels - for 2021, the minimum rent level is €225 and the (initial) maximum rent is €752.33.

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NETHERLANDS: SOCIAL HOUSING ASSOCIATIONS/ *WONINGCORPORATIES*

Additionally, households might be eligible for a housing benefit (also called rent benefit) if they meet pre-determined income and rent criteria. The Tax and Customs Administration manages the rent benefit program, and the exact amount is calculated based on income and rent levels.⁸

Rent increases are tied to household income, and the percentage increase (reviewed every year) depends on whether the income is lower or higher than the set income limit.⁹

Project sustainability

Housing associations are private independent entities that are responsible for project design, finance, construction, and maintenance. Associations use a combination of equity and debt (from private banks and capital markets) to finance construction of new housing. Revenue from non-SGEI (Services of General Economic Interest) activities¹⁰ and rental income from social housing is ploughed back into new construction and maintenance of the existing portfolio.

FIGURE 10

SOCIAL HOUSING IN THE BIJLMERMEER (AMSTERDAM), BUILT IN THE 1970S AND RENOVATED IN THE 1990S



Source: Author, 2020.

While the government does not provide direct subsidies for construction or maintenance, it is responsible for financial supervision of the sector, through the Housing Association Authority (Aw). Additionally, a three-tier guarantee system – the Aw, the Social Housing Guarantee Fund (WSW), and central and local governments – contribute to the financial stability of the sector.

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NETHERLANDS: SOCIAL HOUSING ASSOCIATIONS/ WONINGCORPORATIES

Key reasons for success	<ul style="list-style-type: none"> • Alignment and cooperation between municipalities, housing associations and tenant organizations: In accordance with the regulations laid out in the Housing Act, these three groups create multi-year performance agreements. These agreements are based on local discussions and cover goals/targets and a range of topics including, for instance, energy savings, and accessible living for vulnerable living and people with disabilities. • Financial oversight and government guarantees ensure financial stability of the sector: The Dutch Housing Association Authority (Aw) supervises individual housing associations as well as the sector as a whole, including reporting on the financial situation.¹¹ Furthermore, the government's three-tier guarantee system enables housing associations to get cheap loans, thereby supporting financial viability.
Limitations/ Constraints/ Lessons learned/ Scope for improvement	<ul style="list-style-type: none"> • Poverty concentration: Increased targeting of social housing to low-income and vulnerable groups over the last several years has led to a concentration of low-income households in certain neighborhoods, thereby decreasing social mixing and creating pockets of concentrated poverty. • Decreasing affordability for middle-income households: Lower income limits in the social housing sector (to address the needs of those on the lowest incomes), and higher rents in the private unsubsidized rental sector, are putting affordable housing out of reach for an increasing number of middle-income households in the country. • Low(er) levels of new construction: Declining (rental) income,¹² higher construction costs, and landlord levies have increased operational costs for housing associations thereby slowing new construction of much-needed social housing.

USA: LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

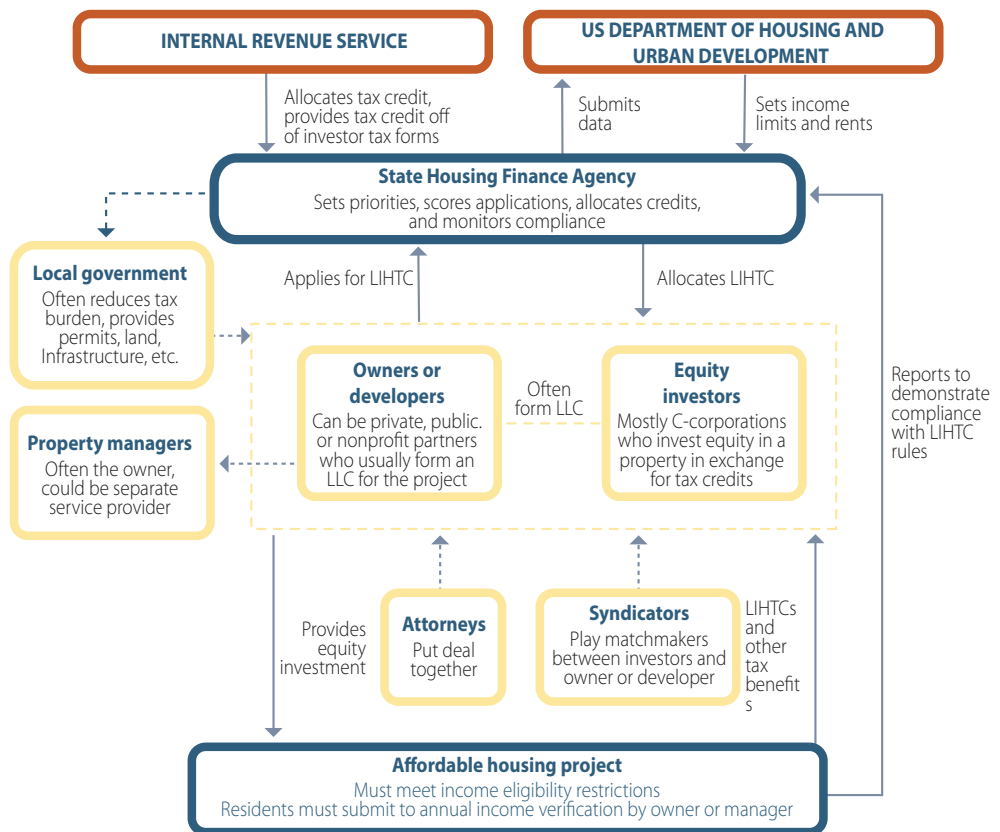
Context	<p>With the passage of the Tax Reform Act of 1986, the US government instituted the LIHTC program, designed to encourage the use of private equity in the development of social housing for low-income households.¹³ The Internal Revenue Service (IRS) runs the program, with minimal involvement from HUD.</p> <p>It is the most important resource for social housing production in the US today, and has provided financing for 3.23 million units between 1987 and 2018.¹⁴ On average, the LIHTC program supports the acquisition, construction, and rehabilitation of more than 100,000 housing units each year.</p> <p>Key figures:¹⁵</p> <table border="0"> <tr> <td>Total population, 2019</td> <td>328.24 million</td> </tr> <tr> <td>Urban population (% of total)</td> <td>82.46%</td> </tr> <tr> <td>Poverty ratio at national poverty rate (% of total population)</td> <td>N/A</td> </tr> <tr> <td>GNI per capita, 2019 (USD)</td> <td>65,850</td> </tr> </table>	Total population, 2019	328.24 million	Urban population (% of total)	82.46%	Poverty ratio at national poverty rate (% of total population)	N/A	GNI per capita, 2019 (USD)	65,850
Total population, 2019	328.24 million								
Urban population (% of total)	82.46%								
Poverty ratio at national poverty rate (% of total population)	N/A								
GNI per capita, 2019 (USD)	65,850								
Project description	<p>The IRS allocates tax credits annually to state and local LIHTC-allocating agencies, which are responsible for administering the program and adapting it to the housing needs under their jurisdiction. Each year, each allocating agency publishes a Qualified Allocation Plan (QAP), which details qualification guidelines and priority areas.</p> <p>State and local housing agencies allocate tax credits to private developers through a competitive process (as laid out in the QAP). Developers then sell the tax credits to investors in return for upfront capital for the project; this helps lower their debt and debt service. The investor gets a dollar-for-dollar tax reduction spread over the ten years once the project is complete and rented out. Investors are attracted to the LIHTC program because it gives them an absolute reduction in taxes owed as opposed to tax incentives that reduce taxable income.</p>								

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USA: LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

FIGURE 11
PARTNERS IN A LIHTC DEAL



Source: Urban Institute.

Targeting

State and local housing agencies set qualifying criteria in the QAP, including priority groups (if any). In general, however, the program is targeted at low-income households, and projects must meet the income test to qualify:

- At least 20 percent of the units are occupied by tenants with an income $\leq 50\%$ AMI; or
- At least 40 percent of the units are occupied by tenants with an income $\leq 60\%$ AMI; or
- At least 40 percent of the units are occupied by tenants with an income $\leq 60\%$ AMI, and no units are occupied by tenants with income $> 80\%$ AMI.¹⁶

Subsidy features

On the supply side, the program subsidizes development costs by providing upfront equity to developers, thereby reducing debt obligations. However, tax credit equity is seldom enough to cover development costs, particularly in large cities where the demand for housing and construction costs are high. Federal, state, and local government soft loan and grant programs help further subsidize development costs; for example, HOME and CDBG grant funding.

On the demand side, developers are required to keep the units income-restricted and rents low for 30 years after project completion. Rents are to be maintained at 30 percent of tenant household incomes; in some cases, renters are eligible for housing choice vouchers to supplement rent payments.

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USA: LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

Project sustainability

Developers are responsible for renting out completed units, and managing the buildings. Day-to-day maintenance and capital repairs are paid for from the project's cash flow, throughout the life of the project. Large developers (i.e. those with more than a few thousand units in their portfolio) typically have an in-house property management arm, while smaller developers (i.e. those with a few hundred units) typically contract with specialized property management firms.

In addition to property management, several developers/owners also offer resident services to support tenants in finding employment, organizing community events, and other services.

FIGURE 12

A 72-UNIT LIHTC-FUNDED DEVELOPMENT IN SAN FRANCISCO



Source: <https://bridgehousing.com/properties/1101-connecticut/>.

Key reasons for success

- **The LIHTC program has been the longest running social housing program in the country:** Public housing and project-based Section 8 were the two largest federal programs to subsidize social housing construction, but neither ran for as long or produced as many units as the LIHTC program has.
- **Strong performance, ease of administration, and bipartisan support have helped the program's durability:** The program devolves responsibility from federal to state and local agencies, and requires minimum involvement from HUD. Further, it leverages private investment and is not dependent on government funding; and investors benefit from dollar-for-dollar tax deductions.

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Units produced with LIHTC funding are not permanently affordable:** The program requires that LIHTC-funded projects be kept income-restricted and affordable to target populations for 30 years. To extend affordability beyond the 30-year mark, additional funding is needed, which often comes in the form of subsidies or more LIHTC investments.
- **The program is economically inefficient:** The tax credit allocation and award process is lengthy and complex, as is the process of pooling capital from multiple investors. The intricate processes and professional fees associated with them can cost between 10 and 27 percent of project equity making the program economically inefficient.

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USA: LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

- **The program has led to the concentration of units in high-poverty areas:** Since only the affordable units in a given project qualify for tax credits, most projects are developed with affordability restrictions on all units. Additionally, the program also prioritizes development in low-income neighborhoods classified as Qualified Census Tracts (QCTs) or Difficult Development Areas (DDAs), which leads to a clustering of LIHTC units. Finally, lower land prices in low-income neighborhoods are another reason for concentration of LIHTC units in high-poverty areas.

VIENNA, AUSTRIA: LIMITED PROFIT HOUSING ASSOCIATIONS (LPHAS)

Context

Known globally for its success in the provision of affordable housing, Vienna's social housing system is characterized by continuing government support, a combination of supply- and demand-side subsidies, established limited profit housing associations, and a large rent regulated private sector housing stock.

Unlike other European countries and cities, the foundation for Vienna's social housing system was laid before World War II, in the period between 1919 and 1934, also called 'Red Vienna.' The Social Democratic Workers' Party launched a large-scale housing program to address the quantitative and qualitative housing deficits in the city after World War I, building roughly 65,000 units.^{17,18} With the same party coming to power after World War II, the government embarked on another large-scale housing program as part of a wider post-war welfare state program.

Social housing in Vienna consists of stock owned and managed by the municipal government as well as limited-profit housing associations (LPHAs), and is homes to low- and middle-income households alike. While the government led the first two waves of housing development (inter-war and post-World War II), they transitioned to an LPHA-led model in the 1980s.¹⁹ In addition to social housing, regulation helps keep rents in the private sector²⁰ low as well.²¹

FIGURE 13

THE KARL MARX-HOF SOCIAL HOUSING PROJECT IN THE 19TH DISTRICT IN VIENNA, BUILT 1927–30



Source: <https://www.wien.info/en/sightseeing/red-vienna/museum-in-the-laundry-room>.

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VIENNA, AUSTRIA: LIMITED PROFIT HOUSING ASSOCIATIONS (LPHAS)

The City of Vienna is Austria's biggest landlord, owning 220,000 social housing units, and has supported the development of another 200,000 units by LPHAs. Together, these 420,000 units house nearly 60 per cent of Vienna's population.²²

Key figures (Austria):²³

Total population, 2019	8.87 million
Urban population (% of total)	58.5%
Poverty ratio at national poverty rate (% of total population)	13.3%
GNI per capita, 2019 (USD)	51,460

Project description Since the 1980s, LPHAs have developed the bulk of social housing in Vienna, supported by subsidies and fiscal incentives from the government. LPHAs are required to re-invest their profits back into social housing (akin to housing associations in the Netherlands) (Forster, 2013). LPHA housing stock is primarily targeted at middle-income households.

The city buys land and stipulates conditions for the type and nature of development; then invites proposals from LPHAs who will build and manage the units. The proposals are evaluated by an interdisciplinary jury on the basis of four criteria – (i) architectural quality; (ii) environmental performance; (iii) social sustainability; and (iv) economic parameters such as rent and costs.²⁴ Once the developer is selected, the city sells the land to them at an affordable price, and also provides low-interest long-term loans for development.²⁵

In addition to government financing, another source of financing is down payment from tenants – not to exceed 12.5% of total construction costs which developers refund to tenants, with interest, when they move out (Forster, 2013).

In response to rising rents and market pressures, the City of Vienna launched a new municipal housing construction program in 2015, called Municipal Housing NEW. The program aims to build 4,000 new units by 2020.²⁶ Additionally, an amendment to the Building Code adopted in November 2018 stipulates that all new projects that will have more 5,000 sq.m. of housing must include at least two-thirds social housing, the rents for which cannot exceed EUR 5 per sq.m.^{27,28}

Targeting Social housing in Vienna is known for its broad targeting, which arose from the goal to promote social mixing and create mixed communities. Under the high income limits, roughly 70–80% of the population is eligible for LPHA housing (Mundt, 2018).

Social housing in Vienna can be classified into two types, based on the provider: (i) council/municipal housing which is owned and managed by the city; and (ii) subsidized housing provided by limited-profit housing associations. The former is cheaper, has lower income limits, and stricter allocation rules. Given the increasing affordability challenges, new allocations of municipal housing are more strictly targeted at vulnerable groups.

Subsidized housing by LPHAs, which constitutes the bulk of new social housing, is increasingly targeted at middle-income households. LPHAs give a third of the units to the city for allocation (which follows the same allocation principles as it does for municipal housing) and the LPHA allocates the rest (a mix of rent and ownership) (Forster, 2013).

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VIENNA, AUSTRIA: LIMITED PROFIT HOUSING ASSOCIATIONS (LPHAS)

FIGURE 14

REUMANN-HOF SOCIAL HOUSING IN VIENNA



Source: <https://medium.com/la-fabrique-de-la-cit%C3%A9/affordable-housing-the-viennese-exception-50c58ccabe45>.

Subsidy features

Austria is one of the few countries in the world where the bulk of government spending on housing continues to be supply-side/production subsidies.²⁹ These subsidies are in the form of long-term low-interest loans for construction, with repaid loans rotated back into the sector.

Rents are strictly regulated, to roughly 25% of household income in the social housing sector. Income restrictions only apply when tenants first move in; and they are not required to move out if their income increases subsequently. Rents are based on the costs of construction and financing, and do not include a profit component. Rents decrease as the building gets older and financing costs reduce over time (Mundt, 2018).

Additionally, the city offers payment assistance – *wohnbeihilfe* (housing benefit) – to those who cannot afford rent.³⁰ This rent subsidy is granted for subsidized units as well as those rented on the private market; and in some cases, it is also granted to homeowners. Eligibility criteria for this housing benefit include: household size, household income, size of the flat, and housing expenditure.

Project sustainability

The high quality of Vienna's social housing stock is a result of the social, economic, and environmental sustainability principles that are deeply embedded in the system. Broad targeting has helped create mixed-income communities in social housing projects. Furthermore, there is an even spatial distribution of social housing across the city, thereby preventing the creation of concentrated pockets of poverty.

In LPHA properties, a component of rents are earmarked for building maintenance and periodic renovations/upgrading; this is in addition to cost-rents and increases with the age of the building. All new construction proposals are evaluated, among other things, on the economic sustainability of the project, which includes rents and cash flow. The city received special funds to refurbish and modernize the inter-war housing stock (built in the 1920s) (Mundt, 2018). Also, tenants are heavily involved in the day-to-day management of the building.

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*(continued)***VIENNA, AUSTRIA: LIMITED PROFIT HOUSING ASSOCIATIONS (LPHAS)****Key reasons for success**

- **Progressive planning policy and sustainable design:** Social housing is not planned or built in isolation, but is based on the City Development Plan which includes infrastructure development plans, to ensure that social housing is integrated into wider city development and has access to the necessary infrastructure (Forster, 2013).
 - With the design approach centered on building neighborhoods (not just dwellings), social housing includes commercial uses on the street level and social uses in the courtyard, including day care center, medical clinics, and libraries.³¹
- **Special focus on building operations and maintenance (O&M):** With special funds reserved for building O&M, the social housing stock in Austria is often of better quality than private rental stock. Rents in LPHA subsidized housing stock include a component reserved for regular maintenance as well as for periodic large-scale renovations as the building ages. The refurbishment of municipal housing stock built in the 1920s was funded by targeted government subsidies.
- **Continued government support:** With social housing being a priority for both city/state and national governments, the sector has received tremendous support for the better part of the last century. The City of Vienna invests roughly €500 million every year for housing construction, rehabilitation, and direct financial support to low-income households.³²

Limitations/ Constraints/ Lessons learned/ Scope for improvement³³

- **Supply of social housing is not adequate to meet demand:** In recent years, decreasing incomes, rising unemployment, and an increase in vulnerable households have been the driving forces behind the higher demand for social housing. At the same time, new subsidized housing built by LPHAs is more expensive due to rising construction costs, and is therefore less affordable for low-income and vulnerable households.
- **Newer housing stock targeted primarily at middle-income households:** With increasing market orientation and higher land prices and costs of construction, new stock built by LPHAs is more heavily weighted towards unsubsidized housing that is not affordable for low-income or vulnerable households.

SOUTH AFRICA: SOCIAL HOUSING INSTITUTIONS (SHIS)**Context**

The provision of affordable rental and social housing is one of the four the priority areas of the Department of Human Settlements (DHS) of South Africa. Social housing is the second rung of the housing ladder in South Africa,³⁴ designed to serve the upper end of the low-income market and the middle-income housing market. It is a rental or cooperative housing option provided by accredited SHIs in designated 'restructuring zones.' These are specific urban areas identified by local authorities for targeted investment.

There were 12 fully accredited SHIs as of January 2020, and 90 conditionally accredited SHIs.³⁵ As of 2017/18,³⁶ there were nearly 31,000 total social housing units in the country. The Medium Term Strategic Framework (MTSF) of 2019–2024 aims to build 30,000 additional units in this five-year period.

Key figures:³⁷

Total population, 2019	58.56 million
Urban population (% of total)	66.86%
Poverty ratio at national poverty rate (% of total population)	55.5%
GNI per capita, 2019 (USD)	6,040

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*(continued)***SOUTH AFRICA: SOCIAL HOUSING INSTITUTIONS (SHIS)****Project description^{38,39}**

To support the delivery of social housing, the DHS provides capital subsidies to accredited Social Housing Institutions (SHIs) and Other Delivery Agents (ODAs) to reduce construction costs and therefore the rental burden on tenants. The Social Housing Regulatory Authority (SHRA) regulates and invests in the social housing sector including managing the flow of investments into projects and accrediting SHIs.

SHIs are responsible for project design, development and management. The first step is to get an endorsement from the municipal or provincial official in the given area. Then, SHIs apply to the SHRA for a grant that covers part of the development costs; SHIs cover the rest of the costs through loan financing. Households apply directly to SHIs, which allocate units after reviewing prospective tenants' income and other documentation.

FIGURE 15**AMALINDA VILLAGE PROJECT, BUILT BY SOHCO SHI IN EAST LONDON**

Source: SOHCO, <https://www.sohco.co.za/our-complexes/east-london/>.

Targeting

Social housing in South Africa is targeted at low- and middle-income households with a monthly income between R 1,500 and R 15,000, and who can rent social housing at no more than 33% of their income.

To ensure income mixing of tenants, at least 30% of tenants in a social housing project must have a monthly household income between R 1,500 and R 5,500, and the remaining must earn between R 5,500 and R 15,000 per month.

Subsidy features⁴⁰

The state provides capital grant funding, called the Consolidated Capital Grant (CCG), to subsidize the cost of construction of social housing. The subsidy accounts for roughly 64% of the construction cost, based on current estimates of a total construction cost per unit of R 426,000. A mix of loan funding and equity from the SHI or ODA covers the rest of the construction costs.

There are no government subsidies for rent or operations and maintenance. Rents are a percentage of household income, and are based on unit size, location, and amenities, among other criteria. SHIs cover maintenance costs with rental income.

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SOUTH AFRICA: SOCIAL HOUSING INSTITUTIONS (SHIS)

Project sustainability

In its current form, social housing provision in South Africa is not a financially sustainable model. SHIs are required to maintain below-market rent levels so they are affordable for the target segment, and use rental income for property management. However, with average rental collection of 78%, revenue is not enough to cover operational costs or generate surpluses to fund new construction. On the other hand, increasing maintenance costs makes it financially unfeasible to set very low rents. Some SHIs have diversified their operations by building market-rate housing to cross-subsidize their social housing portfolio, such as Communicare in Western Cape.⁴¹

FIGURE 16

WESTGATE GRANGE SOCIAL HOUSING IN KWAZULU-NATAL PROVINCE



Source: Social Housing Regulatory Authority, <https://www.shra.org.za/node/36>.

Additionally, the sector’s weak institutional structure has been a barrier to scaling up social housing delivery. SHRA, the regulator, was put under administration (lifted in July 2017) to stabilize its operations, recruit new leadership, and improve organizational performance. Further, limited and often inconsistent support from local governments has constrained social housing development.

Key reasons for success

The social housing program in South Africa is small, and scale-up has been hindered due to several reasons. However, there are some small successes:

- Program mandate that projects be located in restructuring zones means that they are centrally located in cities close to job centers, schools, hospitals, and other infrastructure
- In addition to housing, some SHIs provide social development programs to help improve socio-economic outcomes for tenants

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Low capacity of new and small SHIs:** The majority of the 31,000 social housing units have been built and managed by a handful of large, experienced SHIs. Most SHIs in the country are new, small and do not have the capacity to help the sector meet its goals. Over the last few years, SHRA has enhanced its capacity building programs to support SHIs, but there is still a long way to go.

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SOUTH AFRICA: SOCIAL HOUSING INSTITUTIONS (SHIS)

- **Sector financial sustainability over-reliant on shrinking government funding:** In 2016–17, government subsidies accounted for 65% of development funding. On average, SHI equity accounts for only 3% of capital costs, and commercial lenders are reluctant to lend to the sector. Therefore, the bulk of debt financing in the sector comes from DFIs such as the National Housing Finance Corporation (NHFC) and the Gauteng Partnership Fund (GPF).
 - At the same time, government resources are stretched thin. For instance, in the 2014–19 MTSF period, government funding was equivalent to subsidies for roughly 17,800 units, short of the target of 27,000 units in the same five-year period.⁴²
- **Poverty concentration:** With few other affordable housing options, the lowest-income and most vulnerable populations end up renting in social housing projects, leading to poverty concentration.

FRANCE: HABITATION À LOYER MODÉRÉ (HLM)/ HOUSING AT MODERATED RENTS

Context

Like other Western European countries, social housing in France has its origins in the post-World War II era wherein a large-scale housing program was part of the government's recovery efforts. Social housing production was at its peak for the two decades between the mid-1950s and mid-1970s, driven directly by government. From the 1970s onwards, the responsibility of construction and management of social housing was transferred to private developers and landlords (HLM organizations of today).

FIGURE 17

CITY OF THE GRAND PARC, BORDEAUX



Source: <https://journals.openedition.org/crau/314>.

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FRANCE: HABITATION À LOYER MODÉRÉ (HLM)/ HOUSING AT MODERATED RENTS

Social housing in France comprises different types ranging from low (or very social) to intermediate (or standard) social housing. Comprised primarily of tower blocks built in large suburban estates (*grands ensembles*) outside cities, early social housing had a mix of tenants of different incomes. However, the combination of physical deterioration of the properties and the graduation of middle-income households to homeownership in the 1980–90s led to a higher concentration of low-income and vulnerable populations (though not exclusively) in social housing estates (Levy-Vroelant and Tutin, 2007). Today, social housing is generally perceived not as an option of choice but of necessity for those who cannot afford other options.

To address these issues, the government has prioritized social mixing and implemented several urban renewal programs since the early 2000s such as the Solidarity and Urban Renewal Law of 2000 (revised in 2013), which mandates a certain minimum percentage of social housing in each municipality.⁴³ However, these programs have had limited success and the unequal distribution of social housing across municipalities persists.

There are roughly 750 HLM organizations in France, including public housing offices (OPH), private companies/social enterprises for housing (ESH),⁴⁴ cooperatives (COOP'HLM),⁴⁵ and semi-public companies (SEM).⁴⁶ Together, they manage 4.6 million social housing units across the country, roughly 17% of the total housing units in the country, that are home to more than 12 million people.⁴⁷

In addition to formal social housing, a portion of rental housing in the private market is also affordable, as a result of tax incentives given to owners who adhere to rent (and previously income too) ceilings for a pre-determined duration.⁴⁸

Key figures:⁴⁹

Total population, 2019	67.06 million
Urban population (% of total)	80.71%
Poverty ratio at national poverty rate (% of total population)	13.6%
GNI per capita, 2019 (USD)	42,450

Project description^{50,51,52}

While HLM organizations are responsible for construction and management of social housing, the State defines housing needs, decides the amount of subsidy, and approves projects. Local authorities co-finance social housing, supervise HLM organizations, and guarantee long-term loans. Over the last two decades, local authorities have increasing power and responsibilities, including setting the scope of local policies and making land available for the construction of social housing.

Financing for social housing construction is a mix of grants from state and local authorities, equity from HLM organizations, and long-term low-interest loans from the Caisse des Dépôts et Consignations (CDC), a public state bank. CDC loans are funded by Livret A savings, an individual savings account that can be opened by anybody in France and the interest earnings on which are tax-free.⁵³ As of 2017, the ceiling for deposits in a Livret A account was €22,950 and the interest rate was 0.75%.⁵⁴ Livret A funds constitute the majority of financing for social housing in France, amounting to €231 billion in 2016.

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FRANCE: HABITATION À LOYER MODÉRÉ (HLM)/ HOUSING AT MODERATED RENTS

FIGURE 18

ATELIER DU PONT SOCIAL HOUSING IN IVRY, BUILT AS PART OF THE IVRY CONFLUENCES URBAN DEVELOPMENT ZONE



Source: <https://divisare.com/projects/369596-atelier-du-pont-social-housing-ivry-france>.

Targeting^{55,56}

Social housing in France is broadly targeted at all income groups, in line with the three categories of social housing: (i) high-income or *Prêt Locatif Social*, PLS; (ii) middle-income or *Prêt Locatif à Usage Social*, PLUS; and (iii) low-income or *Prêt Locatif Aidé d'Intégration*, PLAI. Approximately two-thirds of the population is eligible for the PLUS category housing, which constitutes nearly 90% of the total social housing stock in the country (Beaubrun-Diant and Maury, 2020).

Qualification criteria, including income ceilings, are set by municipalities, and depend on type of housing (PLAI, PLUS, or PLS) and location. However, the poorest households are concentrated in social housing in disadvantaged neighborhoods whereas higher income social housing tenants live in centrally located housing projects.

Subsidy features⁵⁷

Supply-side subsidies for social housing include grants and low-interest loans for construction. Over the years, demand-side subsidies have increased and are intended to reduce the rent burden for households below a certain income threshold. This Aide Personnalisée au Logement (APL) is given to renters in the social and private rental housing sectors, and is financed by a mix of social security funds, State budget (Ministry of Housing), and Employers Fund.

Subsidies for social ownership follow similar targeting criteria as for social rental. There are two types of assistance for social homeowners: (i) the Social Home Ownership Loan (PAS) is secured by a state guarantee, which covers payment defaults; and (ii) grant for home improvement (PAH).

Rents are regulated through state decree and are set on cost-basis. There are no time limits on rental contracts, but if tenants' incomes rise beyond a fixed ceiling, rents increase accordingly (Schaefer, 2003).

Project sustainability

HLM organizations are responsible for operations and maintenance of projects, and it is paid for through project cash flow.

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*(continued)***FRANCE: HABITATION À LOYER MODÉRÉ (HLM)/ HOUSING AT MODERATED RENTS****Key reasons for success**

- **Livret A funds have been a consistent and stable source of funding for social housing construction:** With the interest earnings being tax-free, Livret A savings accounts are an attractive investment for individuals and the French public has consistently invested in it since inception (Owen, Cady and Schijven, 2017).
- **Efforts to improve residential and labor mobility among social housing tenants:** As part of its efforts to promote social mixing, the Paris region collects information from 24 major social housing providers to enable social housing tenants to exchange their dwellings. The goal is to give households, especially vulnerable households, access to labor markets that offer employment opportunities.

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Degradation of big suburban social housing estates has created ghettos:** A combination of factors has led to lower-income populations inhabiting the large suburban housing estates since the 1980s-90s, creating concentrated pockets of poverty. Although the government has launched urban renewal programs to address this issue, these have had limited success thus far in promoting social mixing.
- **Upward drift of social housing:** In recent years, new social housing development has mostly been of the PLS and PLUS type, serving middle-income households more so than low-income households.
- **Lack of transparency on how social housing units are allocated:** The 2017 Equality and Citizenship Law aims to increase transparency on this front

UK: HOUSING ASSOCIATIONS**Context**

Social housing in the UK refers to below-market rate housing (for rent or ownership) provided by non-profit housing associations (HAs) or local councils. Social housing by local councils marked the government's first foray into the sector (starting in 1919); they were responsible for the majority of social housing construction in the years following World War II. Since the 1970s, social housing provision has been led by non-profit HAs.⁵⁸

FIGURE 19**PARK HILL ESTATE IN SHEFFIELD, COMPLETED IN 1961**

Source: <https://www.independent.co.uk/arts-entertainment/photography/council-estates-design-style-history-addison-act-1919-a9024646.html>.

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*(continued)***UK: HOUSING ASSOCIATIONS**

The three decades after World War II were the heyday of social housing in the UK, with roughly 126,000 units built every year. Since then, however, new social housing construction has decreased dramatically, to 44,000 homes in 1983 and less than 6,500 homes in 2018-19.⁵⁹ There are several reasons for this precipitous drop including declining public investment, rising land and development costs, and the government's focus on affordable homeownership, which have effectively reduced the stock of social rental housing.

At present, social housing accounts for 17% of the total housing stock in England, 24% in Northern Ireland, 24% in Scotland, and 16% in Wales.⁶⁰

Key figures:⁶¹

Total population, 2019	66.8 million
Urban population (% of total)	83.65%
Poverty ratio at national poverty rate (% of total population)	18.6%
GNI per capita, 2019 (USD)	42,220

Project description⁶²

Housing associations build social housing using a combination of government grants, own reserves, and private finance (including bank loans and funding raised on the capital markets). Some HAs also cross-subsidize social housing development through market-rate or affordable homeownership programs. Another major source of social housing provision has been Section 106 that mandates the inclusion of a certain percentage of affordable housing in large private developments.

Although the numbers are low, the majority of new social housing construction is by HAs. Combined with the large-scale stock transfer from local councils since 1988, HAs manage 54% of all social housing.

When government subsidies for social housing construction were first introduced in 1988, they accounted for more than 90% of total development costs. Since then, government funding has decreased, and subsidies account for roughly 35-50% of total development costs (Whitehead, Christine, 2007).

Targeting

The 1977 Housing Act obligates all municipalities to provide housing for those in need, provided they meet pre-determined objective criteria including priority categories. Social housing is targeted at vulnerable groups, with priority being given to certain categories such as the homeless. As is the case in several other countries, local authorities are permitted to develop eligibility criteria based on local market conditions, including defining priority categories (Pittini and Laino, 2012).

Subsidy features

Rents are determined on the basis of property value, area-based incomes, and dwelling size, and are set at lower than market rates to be affordable to the target segments. In general, social housing is rented at about 50% of the average local market rent.⁶³

Social housing tenants are eligible for housing benefits, based on their income and household characteristics. This assistance helps pay a proportion or all of their rent, and helps reduce the payment burden.

Project sustainability

Decades of disinvestment (financial and regulatory) have led to an acute shortage of social housing in the UK. Every year, the sector loses thousands of units, as a result of which there are 1.5 million fewer social housing dwellings today than there were in 1980. In response to the current situation, the government has, in recent years, pledged additional support to the sector, especially in the wake of the Covid-19 pandemic.

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UK: HOUSING ASSOCIATIONS

Key reasons for success

- **Re-investment of HA revenue into social services:** The mission of HAs is to support local communities, including building and maintaining social and affordable homes, and providing community services. Regulations mandate that HAs reinvest all revenue into these activities. Especially in the face of shrinking public investment, this has helped maintain a steady stream of financing for new social housing development (though it is not, by itself, adequate to cover all new development costs).
- **The social housing sector is driven by mature mission-driven entities:** With their roots in late 19th century Victorian philanthropy, HAs have grown over the last century, especially since the 1970s. The Housing Act of 1974 made HAs eligible to receive public funding to build social housing, catalyzing the first at-scale growth of the sector. Since then, HAs have been at the forefront of social housing innovation, including adapting to changing funding programs.⁶⁴

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Decreasing government support to sector:** Since the 1980s, consistently decreasing public investment and rising development costs have contributed to a shrinking social housing sector. The government's Right to Buy act in the 1980s resulted in the sale of social housing (at heavy discounts) to sitting tenants, resulting in a drastic reduction of social rental housing. Without government subsidy, HAs' own funds and private debt are not adequate to build enough new social housing, resulting in a situation where demand far exceeds supply. To address this severe lack of social housing, the government has recently announced a number of programs. Such intervention is even more important in the post-pandemic scenario, but their effectiveness is yet to be seen.
- **Increasing spatial concentration of economic and social problems:** The policy to target social housing to those in urgent/priority need has resulted in a concentration of low-income and vulnerable families in social housing estates (some more so than others). The government has instituted regeneration programs to address the issue, including Section 106, which led to mixing of tenants at different income levels. However, this program is set to end amidst a slew of recent reforms, and the alternative is as yet unclear. Moreover, while Section 106 promoted mixed incomes in new developments, (many) existing social housing estates continue to suffer from the social and economic problems arising out of poverty concentration.
- **Physical deterioration of older housing stock:** Some of the old council housing stock has suffered from neglect and lack of investment in maintenance. Although the government has periodically emphasized the need to improve the quality of existing housing stock, funding for such programs has been limited, thereby leaving much room for improvement in a significant percentage of housing stock. In recent years, the government has prioritized the renovation and 'greening' of social housing, and has allocated upwards of £100 million for renovations and retrofits.⁶⁵

VISEGRAD GROUP (OR VISEGRAD FOUR OR V4):⁶⁶ HOMELAB PROJECT

Context

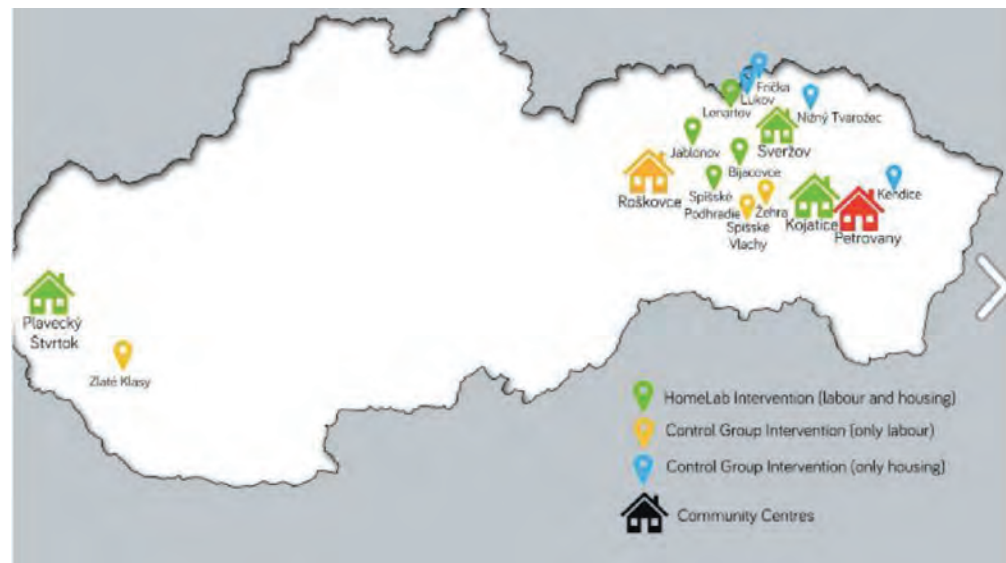
Like much of the rest of the Central and Eastern European Countries (CEECs), the housing market in the Visegrad Four - Czech Republic, Hungary, Poland, and Slovakia - is dominated by owner-occupied stock, upwards of 90%. Mass privatization and right-to-buy legislation passed in the 1990s enabled sitting tenants to purchase social/public housing stock at deep discounts (10-15% of market value) (Pittini and Laino, 2012). Czech Republic and Poland were the exceptions to the rule resulting in - (i) relatively larger social housing stock today (around 9-15%) compared to other CEECs; (ii) lower percentage of owner-occupied stock; and (iii) other forms of social housing, such as cooperatives, forming part of the overall housing sector.

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*(continued)***VISEGRAD GROUP (OR VISEGRAD FOUR OR V4):49 HOMELAB PROJECT**

Regardless of the size of the social housing sector today, the stock is predominantly owned and managed by municipalities in all of the V4 countries, is targeted at vulnerable populations, and is generally not well maintained due to budget constraints. With little new construction of social housing and under-regulated and over-priced private rental markets, low- and low-middle income households are forced to live in overcrowded or otherwise inadequate housing.⁶⁷ Precarious employment situations and low wages have fueled the difficulties of housing affordability and stability.

In this context, the EU Programme for Employment and Social Innovation launched HomeLab, a three-year pilot project that ran from October 2016 through September 2019. The program's aim was to integrate housing and employment support, two major social services, in the unstable welfare environment in the V4 countries. The pilot was implemented in the Moravian Silesian, Olomouc, and Pardubice regions (Czech Republic), Budapest and Veszprém (Hungary), Warsaw (Poland), and three micro-regions in Eastern Slovakia. The project assisted 245 households in the three-year period.

FIGURE 20**HOMELAB PROJECT LOCATIONS IN SLOVAKIA**

Source: <https://homelab.mri.hu/slovakia/>.

Key figures (Poland):⁶⁸

Total population, 2019	37.97 million
Urban population (% of total)	60.04%
Poverty ratio at national poverty rate (% of total population)	15.4%
GNI per capita, 2019 (USD)	15,350

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VISEGRAD GROUP (OR VISEGRAD FOUR OR V4):49 HOMELAB PROJECT

Project description^{69,70,71}

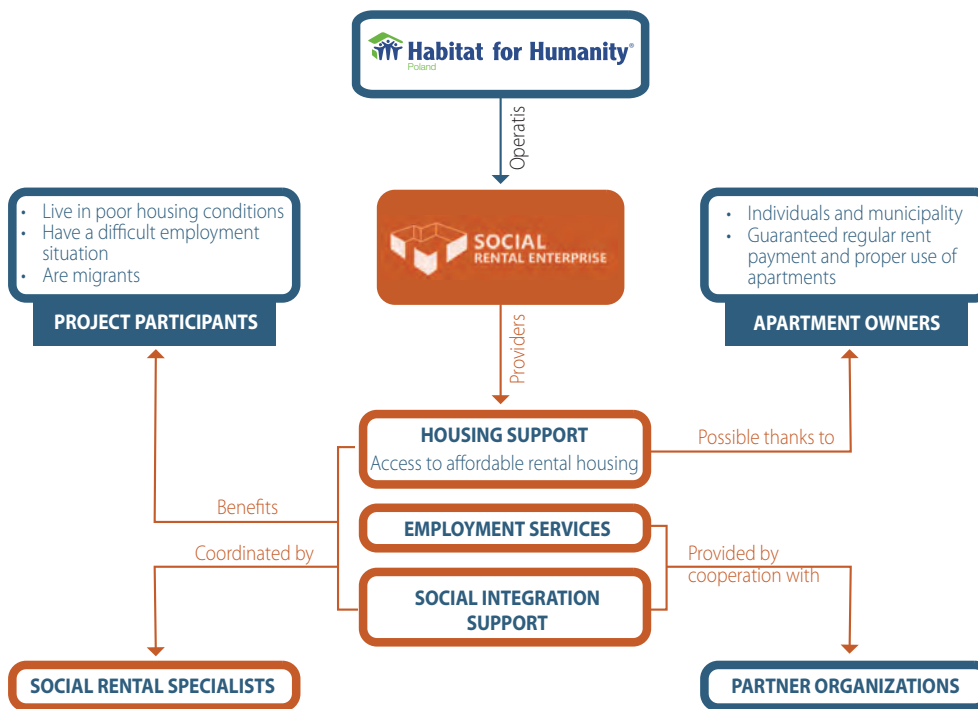
The HomeLab pilot project was rooted in the principle of innovative service design and delivery, specifically the two areas of housing and employment, aligned with strategic EU goals regarding economic growth and jobs. Based on the principle that integrated housing and employment services mutually reinforce each other, the project piloted the Social Rental Enterprise (SRE) model in the V4 countries. The project objectives were two-fold:

- “Establish and test the efficiency of integrated service provision in the fields of housing, employment, and social integration through the SRE model; and
- In-depth evaluation of the model to see how it can perform under current market circumstances in the V4 countries.”

Implementing partners (local NGOs) in each of the locations set up an SRE that managed the cases, supervised client journeys, and connected with public and private stakeholders. This support included liaising with public and private property owners willing to rent their housing units through this program, building connections with employers, working with local partners to provide social services,⁷² providing necessary training to tenants, and helping tenants fully integrate into new housing and jobs.

FIGURE 21

HFH POLAND'S HOMELAB PROJECT STRUCTURE



Source: <https://homelab.mri.hu/poland/>.

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*(continued)***VISEGRAD GROUP (OR VISEGRAD FOUR OR V4):49 HOMELAB PROJECT**

Housing was secured through municipal and private sector, although the former constituted the bulk of it. SREs negotiated below-market rents that would be affordable for target households. To alleviate landlords' concerns about participating in the program, SREs provided a range of incentives, including renovation support, property management services, and guarantees. In Poland, HFH's partner – Mzuri Property Management – provided property management know-how and promoted the project amongst landlords.⁷³

Targeting⁷⁴

The project was narrowly targeted at vulnerable and marginalized groups, including:

- People at risk of homelessness
- People at risk of exclusion (single parents, migrants, refugees, young people leaving foster care)
- People with unmet housing needs
- Families escaping domestic violence
- Special emphasis on Roma population (in Czech Republic and Slovakia pilots)

The reason for targeting this group was to create an adaptable and scalable solution that could break the cycle of poverty and constant danger of eviction that vulnerable households face.

Subsidy features

HomeLab was an entirely grant-funded pilot project, with 80% of the financing coming from the EU (roughly €1.3 million annually), and the rest contributed by the implementing partners. The project marked the first time that most partners provided the project services, and therefore required tremendous effort to build up institutional capacity. Further, since the project was in incubation stage, cost efficiency was not measured.

The EU grant covered most project activities including employment training and support and social services, while partner funding usually covered the costs of renovating housing units and/or served as a guarantee fund.⁷⁵ In Poland, HFH received €320,000 from the EU Programme for Employment and Social Innovation, and HFH contributed another 20%.⁷⁶

Project sustainability⁷⁷

Grant funding covered the expenses of the three-year pilot project, but long-term sustainability requires stable financial, legislative, and operational support at local and EU-levels. The position of social rental specialists is particularly critical to program longevity, since they are the main point of contact for tenants and assist them in all aspects.

While funding streams for the future are as yet unclear, all implementing partners have made significant progress in building private and public sector partnerships that has helped lay the groundwork for scale-up. HFH Poland's advocacy has led to a national call to fund similar projects and also helped initiate a legislative process at the national level to include SRE/SRAs in housing legislation.⁷⁸ In Hungary, other municipalities have expressed interest in implementing this model, and in Slovakia, the regional government is supporting the established of a social employment agency and employers are willing to fund it, based on the training provided by People in Need (PIN).

Additionally, HFH Poland has introduced SRE as a permanent program and in the scaling up phase, they are working on the following areas: portfolio risk management, applying for public subsidies, broadening target group, decreasing risk, and increasing guarantee fund reserves.

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*(continued)***VISEGRAD GROUP (OR VISEGRAD FOUR OR V4):49 HOMELAB PROJECT****Key reasons for success^{79,80}**

- **Program structured to build on existing market dynamics:** The integrated provision of housing, employment, and social services to vulnerable populations has been effective (and is much needed) in a region where individual service provision has been uncoordinated. Additionally, the program taps into the potential of large stock of vacant housing⁸¹ in the pilot countries (and CEECs, in general) by offering below-market rentals to target households while also guaranteeing revenue to property owners.
- **Flexible project design that harnessed the strengths of different implementing partners:** With the basic structure and goals of the project in place, the different NGO partners in each country tweaked the details based on local market conditions and played to their individual strengths. For instance, HFH Poland worked with the municipality (City of Warsaw) from the beginning, building on existing relationships; and PIN Slovakia developed a strong network with employers.
- **Knowledge exchange between partners in different countries was critical in ensuring a successful pilot:** The project included periodic peer-to-peer learning opportunities throughout the three-year period. In addition to the conferences, there was regular dissemination of project progress and reporting on conferences. These knowledge transfer opportunities enabled the partners to learn from and assist each other, strengthening overall project implementation.
- **Expanded suite of services and increased capacity of local NGOs:** All implementing partners have expanded and diversified their service portfolio, and the project managed to successfully lay the groundwork to scale up the SRE model in the pilot locations.

**Limitations/
Constraints/
Lessons learned/
Scope for
improvement^{82,83}**

- **Local and national government support is essential for scale-up:** While local NGOs are key to implementing the SRE model, owing to their work with vulnerable populations, their efforts are constrained by limited resources. In addition to funding, policy and planning support from government at local and national levels is critical to scaling up the HomeLab pilot. Finally, as demonstrated through the pilot, municipal government aid in the form of social housing is an important contribution to make housing available to target groups.
- **Tapping into private sector housing has been challenging:** The HomeLab project struggled with convincing private homeowners to participate in the program. Owners either preferred to let their units sit vacant than rent them out at below-market rents, or expressed concern about the stability of rental revenue. Another common concern related to the poor regulation of the private rental sector, which exposes owners/landlords (and tenants) to risks. While municipal housing units filled the gap in the pilot project, scaling up the project will require large-scale participation from private homeowners as well.
- **Strong links with employers and assistance throughout the job search process is a critical element:** As evidenced in the pilot project, program participants were at different stages in the job search process, and required different types of assistance. Implementing partners provided assistance ranging from resume writing, job leads, interview preparation, and post-job support. Going forward, in addition to such support, it will also be important to sensitize employers.
- **Dropping out of tenants/project participants:** Due to insurmountable or previously undisclosed issues such as high indebtedness or rent arrears, participants dropped out of the project at various stages. Implementing partners addressed this by developing a careful selection process, which helped minimize the risk of participant drop out. However, as the project scales up, partners might have to adopt other measures as well to tackle the issue.

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- ¹ There were two types of associations – (i) municipal housing organizations that provided housing for the lowest-income households; and (ii) private housing associations that provided housing for their members, usually lower-middle income households.
- ² <https://www.government.nl/topics/housing/rented-housing>.
- ³ <https://www.aedes.nl/algemeen/over-aedes#About>.
- ⁴ <https://data.worldbank.org/country/netherlands>.
- ⁵ The other two being Austria and Denmark.
- ⁶ <https://www.government.nl/topics/investing-in-dutch-housing/basics-dutch-housing>.
- ⁷ <https://www.rijksoverheid.nl/onderwerpen/huurwoning-zoeken/vraag-en-antwoord/wanneer-kom-ik-in-aanmerking-voor-een-sociale-huurwoning>.
- ⁸ https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belastingdienst/individuals/benefits/moving_to_the_netherlands/i_live_in_a_rented_house/i_live_in_a_rented_house.
- ⁹ <https://www.rijksoverheid.nl/onderwerpen/huurwoning-zoeken/vraag-en-antwoord/welke-regels-gelden-er-voor-een-huurverhoging>.
- ¹⁰ Housing associations are permitted to undertake non-SGEI activities subject to certain conditions, including a connection to their core task which is the provision of social housing. More information available at: <https://www.woningmarktbeleid.nl/onderwerpen/niet-daeb>.
- ¹¹ <https://www.ilent.nl/onderwerpen/themas/autoriteit-woningcorporaties>.
- ¹² <https://www.ilent.nl/actueel/nieuws/2020/01/31/woningcorporaties-maken-korte-termijnplannen-weer-niet-waar>.
- ¹³ Housing produced through the LIHTC program is referred to as ‘affordable housing,’ but in keeping with the definitions we are using in this report, we refer to it as ‘social housing’.
- ¹⁴ <https://www.huduser.gov/portal/datasets/lihtc.html>.
- ¹⁵ <https://data.worldbank.org/country/united-states>.
- ¹⁶ <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>.
- ¹⁷ “Municipal Housing in Vienna. History, facts & figures.” Available at: <https://www.wienerwohnen.at/wiener-gemeindebau/municipal-housing-in-vienna.html>.
- ¹⁸ The government instituted an aggressive tax regime, including taxing luxury goods and services and private property, to pay for this social housing building boom.
- ¹⁹ https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_011314.html.
- ²⁰ For units built before 1945; in 2017, rents per sq.m. were as follows: Municipal housing: €6.30; LPHA housing: €6.60; private sector: €8.60. Source: Mundt, 2018.
- ²¹ <https://citymonitor.ai/housing/red-vienna-how-austrias-capital-earned-its-place-in-housing-history>.
- ²² <https://www.wienerwohnen.at/wiener-gemeindebau/municipal-housing-in-vienna.html>.
- ²³ <https://data.worldbank.org/country/austria>.
- ²⁴ Housing in Vienna, Annual report 2018-19.
- ²⁵ https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_011314.html.
- ²⁶ Housing in Vienna, Annual report 2018-19.
- ²⁷ <https://www.equaltimes.org/can-vienna-s-model-of-social?lang=en#.YDYtcelKiSM>.
- ²⁸ Housing in Vienna, Annual report 2018-19.
- ²⁹ Unlike most countries where spending on housing mainly focuses on demand-side/housing benefits or indirect, tax-based support.
- ³⁰ <https://www.wien.gv.at/english/living-working/housing/grants-funding.html>.
- ³¹ <https://citymonitor.ai/housing/red-vienna-how-austrias-capital-earned-its-place-in-housing-history>.
- ³² <https://www.wienerwohnen.at/wiener-gemeindebau/municipal-housing-in-vienna.html>.
- ³³ Mundt, 2018.
- ³⁴ The first rung is a fully subsidized 40 sq.m. home available to households earning less than R 3,500 per month, under the government’s housing program.
- ³⁵ <https://www.shra.org.za/node/80>.
- ³⁶ SHRA – State of the Social Housing Sector Report 2017, available at: https://shra.org.za/sites/default/files/SHRA_State%20Sector%20Report_Final_OL.pdf.
- ³⁷ <https://data.worldbank.org/country/south-africa>.
- ³⁸ <https://www.gov.za/about-sa/humansettlements#>.
- ³⁹ <https://shra.org.za/node/9>.
- ⁴⁰ <https://www.shra.org.za/node/74>.
- ⁴¹ <https://communicare.co.za/>.
- ⁴² SHRA – State of the Social Housing Sector Report 2017, available at: https://shra.org.za/sites/default/files/SHRA_State%20Sector%20Report_Final_OL.pdf.
- ⁴³ <http://www.cohesion-territoires.gouv.fr/loi-solidarite-et-renouvellement-urbain-sru>.
- ⁴⁴ Public offices (OPH) and social enterprises (ESH) are the biggest HLM organizations in terms of the number of units they own and manage.
- ⁴⁵ Cooperatives deal primarily with social home ownership.
- ⁴⁶ <https://www.union-habitat.org/l-union-sociale-pour-l-habitat/annuaire-des-organismes-hlm>.
- ⁴⁷ <https://www.parishabitat.fr/Pages/Anglais-About-us.aspx>.

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⁴⁸ Schaefer, 2003 and Taffin, 2020.

⁴⁹ <https://data.worldbank.org/country/france>.

⁵⁰ Schaefer, 2003.

⁵¹ Levy-Vroelant and Tutin, 2007.

⁵² Owen, Cady and Schijven, 2017.

⁵³ The Livret A savings program was started in France in 1818 to finance public infrastructure and since 1945, has been used to finance social housing construction as well.

⁵⁴ The Ministry of Economy sets the ceiling and interest rates based on overall economic indicators.

⁵⁵ Levy-Vroelant and Tutin, 2007.

⁵⁶ Schaefer, 2003.

⁵⁷ Schaefer, 2003.

⁵⁸ The passage of a new Housing Act in 1974 made significant public funding available to HAs for social housing development. In the late 1980s, the transfer of social housing stock from local councils to HAs through Large-Scale Voluntary Transfer (LSVT) agreements and the freedom to raise private debt increased HAs portfolios. Available at: <https://www.housing.org.uk/about-housing-associations/the-history-of-housing-associations/>.

⁵⁹ https://england.shelter.org.uk/support_us/campaigns/story_of_social_housing.

⁶⁰ The State of Housing in Europe 2021, Housing Europe.

⁶¹ <https://data.worldbank.org/country/GB>.

⁶² Pittini and Laino, 2012.

⁶³ <https://www.housing.org.uk/about-housing-associations/what-housing-associations-do/>.

⁶⁴ <https://www.housing.org.uk/about-housing-associations/the-history-of-housing-associations/>.

⁶⁵ The State of Housing in Europe 2021, Housing Europe.

⁶⁶ Includes four Central European countries, namely Czech Republic, Hungary, Poland, and Slovakia.

⁶⁷ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

⁶⁸ <https://data.worldbank.org/country/poland>.

⁶⁹ <https://homelab.mri.hu/>.

⁷⁰ Owen, Cady and Schijven, 2017.

⁷¹ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

⁷² For instance, HomeLab's implementing partner, Habitat for Humanity Poland partnered with Caritas of Warsaw, The Open Door Association, Association for Legal Intervention, Salvation Army Social Welfare for the Wola District, Monar Associations in Wyszaków and „Spoza” Society.

⁷³ https://issuu.com/mri_budapest/docs/homelab_-_warsaw_workshop_habitat.

⁷⁴ <https://homelab.mri.hu/poland/>.

⁷⁵ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

⁷⁶ A Window of Opportunity: First Experience of a Social Rental Agency in Warsaw.

⁷⁷ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

⁷⁸ The government formally approved the draft bill in March 2021, and it will now proceed to the Polish parliament for approval.

⁷⁹ HomeLab: Project closure and Final conference document.

⁸⁰ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

⁸¹ In Hungary, vacant housing stock is 11% of the total housing stock.

⁸² HomeLab: Project closure and Final conference document.

⁸³ HomeLab - 'Integrated Housing and Labour Services in the Social Rental Enterprise Model': Final Report.

Annex 4:

Community land trusts

USA: COMMUNITY LAND TRUSTS (CLTS)

Context

Inspired by the US civil rights movement of the 1960s, the community land trust (CLT) movement advocates for collective land ownership and a change in established property rights systems.¹ CLTs are “non-profit, community-based organizations designed to ensure community stewardship of land.”² CLTs are governed by a board of directors comprised of CLT members, community/neighborhood residents, and local government representatives.

CLTs can be used for different types of development, including commercial and agriculture, but are primarily used to preserve long-term housing affordability or to prevent displacement of lower-income households in gentrifying neighborhoods. Since its establishment in the 1960s, the movement has grown to include more than 200 CLTs in the US, improving housing outcomes for a growing number of households, based on the shared equity homeownership principle.

Key figures:³

Total population, 2019	328.24 million
Urban population (% of total)	82.46%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	65,850

Project description

The CLT model is based on the premise of maintaining housing affordability for low- and moderate-income households in perpetuity. To achieve this, CLTs sell the house to the buyer, but not the land; instead, the homebuyer enters into a long-term renewable ground lease (typically 99 years) for the land, which is permanently owned and maintained by the CLT.⁴ Removing the speculative aspect of home purchases from the equation, the purchase price is more affordable since the buyer is only paying for the house. The homeowner pays a monthly (or annual) fee to the CLT for the land lease.

Additionally, when a homeowner sells, s/he is bound by CLT rules regarding sale price.⁵ The resale price is based on a formula whose aim is to balance the homeowner’s interest of reaping benefits from their investment and the CLT’s interest in maintaining affordability for future buyers. The seller typically gets 25-30% of the increase in the value of the home,⁶ while the CLT retains the rest in the property.

Homeowners have exclusive use of the property, the right to privacy, and the right to bequeath the property and lease. The CLT has the right to purchase the house when the homeowner wants to sell. Since the CLT is the landowner and has a stake even after the house is sold, it can force homeowners to make repairs if the building is dilapidated or step in if there is risk of default.

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USA: COMMUNITY LAND TRUSTS (CLTS)

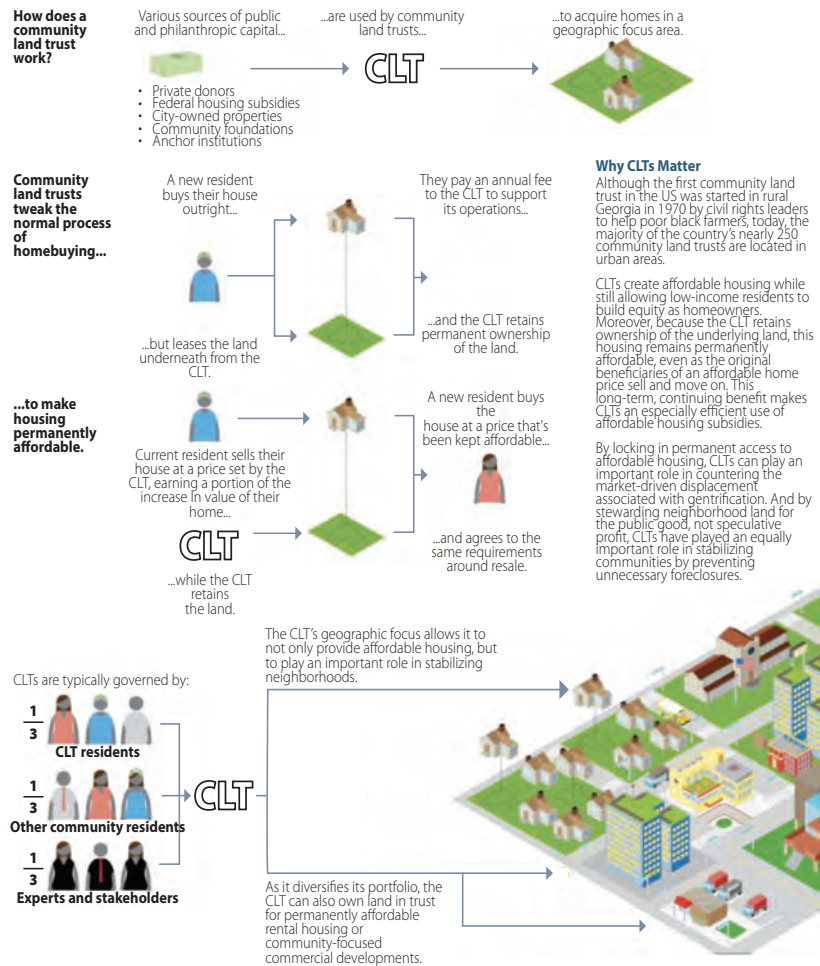
CLTs raise money from a mix of public and private sources, including equity, debt, and grants, for housing development and CLT operations. Federal Community Development Block Grant (CDBG) and HOME grants are the biggest source of funding. CLTs that build rental housing are also eligible for Low-Income Housing Tax Credit (LIHTC) and Historic Tax Credit (HTC) funding. State and municipal governments offer additional resources that could include grant funding and land at no cost or below-market prices. When mandated by local governments, private developers provide support in the form of land or development fees. Private financial institutions and foundations also fund CLT activities, as do individual donors.⁷

Finally, some organizations such as the Institute for Community Economics, part of National Housing Trust (NHT), provide – (i) acquisition loans to help CLTs expand, and (ii) foreclosure prevention loans to help CLTs stabilize troubled properties on their land.⁸

There is a wide variety in housing typologies, including single-family homes, townhomes as well as multi-family buildings.

FIGURE 22

HOW COMMUNITY LAND TRUSTS (CLTS) WORK



Source: <https://democracycollaborative.org/learn/blogpost/infographic-community-land-trusts>.

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*(continued)***USA: COMMUNITY LAND TRUSTS (CLTS)**

Targeting	<p>CLT priorities range from permanent affordability to asset building, and working in gentrifying neighborhoods to foreclosure-riddled areas.⁹</p> <p>CLTs generally target low- and moderate-income households who are unable to purchase market-rate housing. However, each CLT draws up its own specific eligibility criteria, such as income limits based on household size, ability to fund closing costs, and value of other assets, among others. Some CLTs, such as those in Europe, focus on special needs populations, eg: the elderly, those with mental health issues, etc.¹⁰</p> <p>Households must meet income and other eligibility criteria only at the time of purchase; CLT homeowners can stay as long as they please. Homeowners can also bequeath the house and the inheritors do not have to meet eligibility criteria; however, resale restrictions still apply.¹¹</p>
Subsidy features	<p>On the supply side, public and private grants help subsidize construction costs for CLTs.</p> <p>On the demand side, affordable home prices are maintained by – (i) removing the land price from the equation, and having buyers only pay for the house; and (ii) limiting the resale price to (generally) 25–30% higher than the original sale price.</p> <p>Additionally, some CLTs provide financial support for down payment.</p>
Project sustainability	<p>Most grant funding for CLTs is earmarked for land acquisition and housing development, not operations and maintenance (O&M). Therefore, CLTs must use land lease fees for maintenance purposes. At the same time, land lease fees must be kept low (typically \$25–50) to ensure it is affordable for homeowners. In most cases, the fees so generated is not enough to cover O&M costs; only the large CLTs that have a few hundred/thousand units are able to cover O&M costs through ground lease fees.</p> <p>However, most CLTs in the US are small (with less than 100 units) and struggle to make ends meet. Increasing development costs and high competition for limited grant funding has forced CLTs to become highly professionalized affordable housing organizations. In the process, the original focus on grassroots community organizing often takes a backseat. To address this, some CLTs are partnering with housing cooperatives and mutual housing associations (MHAs) wherein the former focuses on community-led development and the latter on construction and property management.</p>
Key reasons for success	<ul style="list-style-type: none"> • Enable homeownership for households that do not have other opportunities to enter the market: The separation of land and home ownership enables CLTs to sell homes at below-market prices, thereby making them affordable for the target segment that is priced out of the open market. Further, the limits on resale price and CLTs' stewardship of the land ensure that homes remain affordable and prevent the displacement of homeowners due to gentrification pressures. Finally, it also gives homeowners an opportunity to reap the benefits of built-up equity that in turn enables them to graduate to the open homeownership market when they are ready to do so. • The CLT model, along with community engagement and tailored mortgage products, keeps foreclosure rates low: The land trust model is structured such that the CLT remains a party to the deal, responsible for ensuring the structural integrity of buildings and the security of occupants. Moreover, the ground lease permits the CLT to step in in case of default, thereby forestalling foreclosure. Since homeowners are not over extended (due to the affordable home prices), they are protected in times of market downturns. For example, when the nationwide foreclosure rate for mortgages in 2010 was 4.63%, that for CLT homeowners was a mere 0.046%, a tenth of the national foreclosure rate.¹²

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USA: COMMUNITY LAND TRUSTS (CLTS)

FIGURE 23

BRIGHT STREET CO-OP IN BURLINGTON, VT BY CHAMPLAIN HOUSING TRUST



Source: <https://www.getahome.org/listings/37-bright-street-2/>.

**Limitations/
Constraints/
Lessons learned/
Scope for
improvement**

- **Low ground lease fees and limited grant funding make it difficult to sustain operational costs:** With monthly ground lease fees typically between USD 25–50, and a few hundred units (if that), CLTs are unable to cover operations and maintenance (O&M) costs. There is intense competition for limited grant funding, thereby forcing CLTs to become highly professionalized, similar to other affordable housing organizations. In several instances, this has led to mission drift, diluting the community-led aspect of the CLT model. Some CLTs have started to partner with housing cooperatives to address this.¹³
- **Fostering and maintaining community involvement is not easy:** Despite its democratic tri-partite governance structure, sustained grassroots participation and community engagement is not a given. In several cases, homeowners are not active in the community once they have purchased a home.¹⁴
- **Limited funding for land acquisition:** Most public funds for CLTs are in the form of repayable loans, so they cannot be used to fund land acquisition (which requires a permanent subsidy that stays in the project). Therefore, funds for land acquisition typically come in the form of grants from private foundations. However, although foundations are interested in funding CLTs when they're a novel idea, they move on to something else soon after. This forces CLTs to keep looking for alternative funding sources without any reliable source.¹⁵

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¹ “Urban Community Land Trust in Europe: Towards a Transnational Movement,” SHICC, October 2020. Available at: <https://www.nweurope.eu/projects/project-search/shicc-sustainable-housing-for-inclusive-and-cohesive-cities/resources/european-clt-guide-towards-a-transnational-movement/>.

² <https://community-wealth.org/strategies/panel/clts/index.html>.

³ <https://data.worldbank.org/country/united-states>.

⁴ <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>.

⁵ Each CLT sets its own formula and conditions regarding sale price.

⁶ <https://shelterforce.org/2019/08/30/are-we-diluting-the-mission-of-community-land-trusts/>.

⁷ https://www.burlingtonassociates.com/files/2813/4523/7678/Chapter_7_-_Funding.pdf.

⁸ <https://www.nationalhousingtrust.org/community-land-trust-lending>.

⁹ “Investing in Community Land Trusts: A Conversation with Funders of CLTs,” by Miriam Axel-Lute. Available at: https://98pg5li6v8-flywheel.netdna-ssl.com/wp-content/uploads/2010/12/Investing_in_CLTs_2010_final-1.pdf.

¹⁰ “Towards stronger EU support for Community Land Trusts,” SHICC, December 2020. Available at: <https://www.nweurope.eu/projects/project-search/shicc-sustainable-housing-for-inclusive-and-cohesive-cities/resources/european-clt-policy-paper/>.

¹¹ https://www.burlingtonassociates.com/files/4813/4461/1844/6-Community_Land_Trusts_-_The_Developer_That_Doesnt_Go_Away.pdf.

¹² “Community Land Trusts: An Overview,” Burlington Associates, LLC.

¹³ <https://shelterforce.org/2019/08/30/are-we-diluting-the-mission-of-community-land-trusts/>.

¹⁴ <https://shelterforce.org/2019/08/30/are-we-diluting-the-mission-of-community-land-trusts/>.

¹⁵ https://www.burlingtonassociates.com/files/2813/4523/7678/Chapter_7_-_Funding.pdf.

Annex 5:

Government-led housing production (supply-side)

SINGAPORE: PUBLIC HOUSING/ HOUSING DEVELOPMENT BOARD (HDB) HOUSING

Context Social housing in Singapore is synonymous with HDB housing. The Housing Development Board (HDB) is an instrumentality of the Ministry of National Development. Public housing in Singapore is entirely funded, developed and managed by the government, through HDB. HDB was formed in 1960 when Singapore got self-governance, and has built the bulk of the nearly 1 million public housing units in Singapore today. One of the key objectives of public housing in Singapore has been to give Singaporeans an asset that can appreciate in value over time.

Key figures:¹

Total population, 2019	5.7 million
Urban population (% of total)	100%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	59,590

Project description HDB's public housing program started off as rental housing but quickly pivoted to ownership by 1964² to align with the government's ideologies of nation building and to enhance social cohesion among Singaporeans. HDB acquires land from the Singapore Land Authority (SLA), typically on a 99-year lease term. The planning process for HDB estates includes connecting the planned development to the public transportation network, and the planning of neighborhoods and precincts within an estate that includes commercial, recreational, education, health and other amenities. Eligible citizens buy units directly from HDB and are bound to the Minimum Occupation Period (MOP) before they can sell the units in the open market.³ At present, HDB follows a Build-to-Order (BTO) model; it is a demand-led system wherein HDB does not start construction until 65-70% of the units have been sold. This is to avoid over-supply as was the case in the late 1990s. The waiting period for a BTO flat is roughly four years. For those who cannot wait, some units are available through the resale mechanism as well. More than 80% of the population (mainly Singaporeans but some permanent residents as well) lives in HDB flats, with 90% of them owning the flats.⁴

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SINGAPORE: PUBLIC HOUSING/ HOUSING DEVELOPMENT BOARD (HDB) HOUSING

FIGURE 24

HDB HOUSING AT MARINE PARADE BUILT IN THE 1970S



Source: Housing & Development Board, Singapore: <https://www.hdb.gov.sg/about-us/history/hdb-towns-your-home/marine-parade>.

Targeting

Initially, HDB targeted only low-income households, but soon expanded to targeting middle-income households as well. Over time, HDB has also included developments for high-income households. Regardless of the income group, all HDB flats are cheaper than those in the private market.

Subsidy features

HDB calculates sale prices of its units on a cost-based model, i.e. based on the total of land, construction, financing, and soft costs. HDB sells flats at below development costs to maintain affordability for end users; land costs are not factored into the sale prices of HDB housing. However, the exact formula for how HDB calculates sale prices is not available in the public domain.

In addition to a discounted sale price, buyers can also access demand-side subsidies such as – (i) the Special Central Provident Fund (CPF) housing grants for low- and middle-income Singaporeans, and (ii) the Step-up CPF housing grant. These grants are made on the basis of a progressive subsidy schedule wherein the grant amount decreases with higher incomes. All eligible CPF members can use their CPF savings for purchasing an HDB property, either for the down payment or for ongoing monthly repayments.

Project sustainability

Town Councils are responsible for the maintenance of common areas in HDB's for-sale properties; however, HDB is responsible for maintenance of its rental properties. HDB oversees renovation works for all its properties, including those carried out inside the units by homeowners, to ensure structural integrity of the work and property is maintained.

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SINGAPORE: PUBLIC HOUSING/ HOUSING DEVELOPMENT BOARD (HDB) HOUSING

FIGURE 25

THE PINNACLE@DUXTON, A PUBLIC HOUSING PROJECT BUILT IN THE 2000S



Source: Housing & Development Board, Singapore: <https://www.hdb.gov.sg/cs/infoweb/about-us/news-and-publications/press-releases/hdb-projects-voted-among-singapore>.

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SINGAPORE: PUBLIC HOUSING/ HOUSING DEVELOPMENT BOARD (HDB) HOUSING**Key reasons for success**

- **Strong government support (political, financial, legislative, and regulatory):** Linking good housing to the national ideology, in 1960, the People's Action Party (PAP) campaigned on a platform to solve the severe housing shortage in the country. Since then, the PAP has stayed in power and continued to provide support to housing development, including the Land Acquisition Act of 1966 that enabled HDB to acquire land from the state for public purposes.
- **Integrated planning and design approach:** HDB estates are designed to not only provide access to a house, but also to good living conditions and to promote social and communal interactions among residents. These principles are reflected in estate-, building- and unit-level design interventions, such as:
 - Town planning approach to ensure that HDB estates include commercial areas, schools, public transit, recreational areas such as parks and food courts, health care, and other amenities
 - In addition to public parks in the estates, each block (i.e. building) has “void decks,” i.e. empty spaces that can be used for communal activities and foster community interaction
 - Variety of unit types and layouts to cater to different income and affordability levels
- **Maintenance and upgrading programs:** HDB's maintenance and upgrading programs complement its planning and design approach. Recognizing that regular maintenance and timely capital repairs are critical to prevent its estates from deteriorating, it has instituted large-scale programs at regular intervals since the 1970s.

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- Increasing prices of resale flats over the years
- In recent years, questions have been raised about what would happen at the end of the lease period when land is to be handed back to the SLA. Does a homeowner lose their asset or will there be an opportunity to recoup the value?⁵

TURKEY: MASS HOUSING, TOKI**Context**

Government-led mass housing delivery in Turkey started in 2003 after the government passed the ‘Emergency Action Plan for Housing and Urban Development.’ Originally established in 1984, the powers and duties of the Housing Development Administration (TOKI) were expanded to include land and housing development, jurisdiction over public land, urban planning, financing for housing construction, and urban infrastructure development, among others.⁶ A subsidiary of the Prime Ministry, TOKI is attached to the Ministry of Environment and Urbanization.⁷

Key figures:⁸

Total population, 2019	83.43 million
Urban population (% of total)	75.63%
Poverty ratio at national poverty rate (% of total population)	14.4%
GNI per capita, 2019 (USD)	9,690

Project description

TOKI is tasked with building housing for low- and middle-income households that cannot afford housing on the private market. TOKI follows a demand-based production model in that it constructs housing only if there is sufficient demand, as ascertained by the ‘pre-demand collection method’ organized by Governorships, District Governorships, or Municipalities.

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*(continued)***TURKEY: MASS HOUSING, TOKI**

Focusing solely on home ownership, TOKI sets sales prices and loan terms based on the income of target groups (more details in 'Subsidy features' section below). Beneficiaries make a down payment at the beginning of the construction period and make monthly repayments through the loan term (ranging from 8–20 years), at the end of which they receive property title.

Sales prices are derived based on development costs (including land, construction, financing, and soft costs) but are determined without a profit motive, to ensure affordability for target groups.

FIGURE 26**TOKI SOCIAL HOUSING IN KOCAELI PROVINCE**

Source: TOKI Corporate Profile 2019: <http://i.toki.gov.tr/content/entities/main-page-slider/20191011095737969524-pdf.pdf>.

Targeting

Low- and middle-income housing is targeted at households in the 20–40% income group who do not own housing elsewhere. The net monthly household income ceiling for low-income households is set at 5,500 TL (6,000 TL for low-income households in Istanbul).

In social housing, disadvantaged groups are given priority including the disabled, martyr families, retirees, widows, and orphans. For housing sale lotteries:

- 10% of the dwellings are reserved for martyr families, war and duty individuals, and widows and orphans
- 5% of the dwellings are set aside for citizens with disabilities of at least 40%
- 25% of the dwellings are offered to retired citizens

Subsidy features

Subsidy features in TOKI's low-income and social housing programs differ by target group and include measures to – (i) reduce the sale price of homes, and (ii) to reduce the loan repayment burden as well.

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TURKEY: MASS HOUSING, TOKI

	<ul style="list-style-type: none"> • For social housing projects, the sale price of units does not include land costs • For low-income households, the down payment is 12% and the loan term is 15 years (compared to 10–25% and 8–10 years respectively for middle-income households) • TOKI offers interest-free housing loans to families of martyrs and terror and duty casualties, as well as to widows and orphans
Project sustainability	Households are responsible for maintenance of units after they move in. It is unclear if TOKI provides funding for capital repairs or if its responsibilities extend to property maintenance.
Key reasons for success	<ul style="list-style-type: none"> • Large-scale housing production: The aggregation of powers and duties into one central body has enabled TOKI to consistently achieve its housing delivery targets since 2003, which had reached nearly 850,000 units as of September 2019. • Revenue-sharing model: TOKI enters into public-private partnerships (PPPs) with private developers to build housing for high-income groups on TOKI-owned land. The resulting sales proceeds are shared between TOKI and the private stakeholder, and are used to establish a fund for TOKI's low- and middle-income housing programs.
Limitations/ Constraints/ Lessons learned/ Scope for improvement	<ul style="list-style-type: none"> • Financial viability of TOKI's housing programs cannot be ascertained: Land and construction costs for TOKI's housing programs is not publicly available information making it difficult to quantify the amount of subsidy or the financial viability of the program. • Quality at the expense of quantity: In an effort to meet the acute housing demand, TOKI has successfully deployed construction technology to deliver housing at scale over the last 17 years. However, in doing so, there has been little thought to the planning and design of the buildings or their surrounds. Housing towers dotting Turkish cities are considered an eyesore and have been criticized as “spoiling” the skylines of cities by President Erdogan himself.⁹ <ul style="list-style-type: none"> • To correct this, in announcing its 2023 vision to build 100,000 social housing units, the government announced its intention to combine project development with an urban transformation approach which will include a focus on building traditional neighborhood culture and low-rise building (maximum four stories) to achieve “horizontal urbanization” • Majority of housing development has been targeted at the higher end of the income segment: TOKI mass housing projects have mostly served middle- and high-income groups, missing their target of serving low-income households.

BRAZIL: MINHA CASA, MINHA VIDA (MCMV)¹⁰

Context	<p>The MCMV program, which ran from 2009–2016, was the Brazilian government's largest social housing program. The three decades prior to this program were marked by increasing decentralization and devolution of responsibilities from national to local governments. However, in the face of limited technical and financial resources, local governments were ineffective in responding to the housing demand that arose primarily from increasing rural-urban migration in this period. The creation of the Ministry of Cities in 2003 marked a turning point in the evolution of the country's housing sector.</p> <p>The MCMV program was instituted in 2009, as part of the government's push to drive economic growth and upgrade infrastructure,¹¹ funded through the Growth Acceleration Program (<i>Programa de Aceleração do Crescimento</i> - PAC). In 2007, Brazil's housing deficit was estimated at 6.2 million homes, of which nearly 83% was in urban areas.¹²</p>
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Key figures:¹³

Total population, 2019	211.05 million
Urban population (% of total)	86.82%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	9,130

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BRAZIL: MINHA CASA, MINHA VIDA (MCMV)

Project description To address the housing backlog and generate employment opportunities in Brazil, the MCMV program was launched in 2009 with a federal investment package of BRL 34 billion (USD 18.4 billion) aiming to build one million units in urban and rural areas. The second phase (2011–2014) aimed to build 2 million units with a federal investment of BRL 125.7 billion (USD 67.2 billion).¹⁴

In urban areas, the modality consisted of construction or acquisition of new housing for families earning up to 10 minimum wages per month; in rural areas, the program supported construction, acquisition and refurbishment of housing units for families with a monthly income up to BRL 5,000 (USD 2,704).

FIGURE 27

TARONI CONDOMINIUM IN RIO DE JANEIRO



Source: UN-Habitat, <https://unhabitat.org/scaling-up-affordable-housing-supply-in-brazil>.

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*(continued)***BRAZIL: MINHA CASA, MINHA VIDA (MCMV)**

CAIXA, the government-owned bank, managed the bulk of the subsidies and financing allocated by the federal government. It was responsible for – (i) awarding construction contracts, providing construction loans to developers, setting the technical criteria for project design, and supervising project implementation; and (ii) facilitating beneficiary selection along with municipal authorities and providing financing to beneficiaries.

Private sector companies built the bulk of the projects under this program, but a sub-component of the program – called *MCMV Entidade* – offered subsidies and financing for housing construction through cooperatives or community-based organizations. In this modality, the organizations were responsible for organizing demand, acquiring land, and for designing and building the projects.

Targeting

The program had a wide eligibility range, including households earning up to 10 minimum wages. However, target households were divided into the following three groups:

- Group 1: Household income up to 3 minimum wages (BRL 1,395/USD 754)
- Group 2: Household income from 3 to 6 minimum wages (BRL 1,395–2,790/USD 754–1,508)
- Group 3: Household income from 6 to 10 minimum wages (BRL 2,790–4,650/USD 1,508–2,513)

Within this range, the program focused on housing provision for the poorest and low-income by allocating 80% of the total units to Groups 1 and 2 (split equally), with the remaining 20% of units allocated to Group 3.

To qualify, households were required to meet the following conditions:

- Income requirements
 - Families with monthly incomes less than BRL 4,650
 - Priority to families with monthly incomes less than BRL 1,395
- Never benefited from a government housing program before
- Not be homeowners or have participated in another finance program

Geographically, the program focused on metropolitan areas in Brazil including all state capitals and municipalities with a population greater than 50,000.

Subsidy features

The financial assistance provided by the program was provided primarily in the form of subsidies, low interest rate housing finance, or tax exemptions.¹⁵ The subsidies were targeted at Group 1 beneficiaries, while the other assistance was targeted at beneficiaries in Groups 2 and 3.

For the poorest households in Group 1, the MCMV program subsidized between 60 and 90 percent of the property value. Since the goal was not cost recovery, beneficiary payments were not linked to construction cost, but to household income. Households were required to pay up to 10 per cent of their monthly income for 10 years, with a minimum payment of BRL 50 (USD 27). Additionally, beneficiaries in this group were exempt from property registration and insurance payments, and risk of eviction in the event of default was zero. However, beneficiaries were provided the title deeds only once the payments had been completed.

Households in Group 2 benefited from a partial subsidy as well as low interest rate (5% per year) loans, and reduction of insurance and property registration costs. Group 3 households benefited from reduced interest rate (8% per year) loans and reduction of insurance and property registration costs. Further, CAIXA set up a guarantee fund for Groups 2 and 3, which could be accessed in cases of insolvency, death or permanent disability of the borrower.

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*(continued)***BRAZIL: MINHA CASA, MINHA VIDA (MCMV)**

In addition to the federal subsidies, states and municipalities also provided financial resources, access to land, and reduction in taxes to facilitate delivery of social housing under this program.

Project sustainability

Although the program has been lauded for the large volume of housing units produced, the financing mechanism was not sustainable. Roughly 75% and 60% of the federal investment consisted of subsidies, in phases 1 and 2 respectively. While the program did increase the private sector involvement in the social housing sector,¹⁶ it remained heavily dependent on government funding either in the form of subsidies for construction or guarantees in the event of default on repayments. Therefore, the program flourished for the duration it was backed by the government, but the expected third phase was cancelled in 2016 as a result of the budget deficit and recession.¹⁷

Key reasons for success

- **Enabling regulatory, legislative and institutional frameworks**, including – (i) decentralization and increasing involvement of local governments in housing and urban development, and (ii) strong civil society in the urban realm, both from the 1980s
- **Delivered housing at scale, nearly 3 million units**: With strong backing from the federal government, the MCMV program made a “dent in the number of people needing secure housing”¹⁸
- **Created jobs and stimulated economic growth**, which in turn supported continued public sector investments in social housing production
- **Some resident cooperatives leveraged the MCMV program to create new innovative housing projects** that were designed with input from members and encouraged community-led development. Examples include Quilombo da Gamboa in the Port Region and Grupo Esperanca in Colonia Juliano Moreira (but only account for 5–10% of the MCMV budget)

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Poor planning and design**: Despite achieving program targets in terms of the number of units to be built, the MCMV program has been widely criticized for the location of the projects. Due to high land prices in city centers, most projects were located on urban peripheries, far from jobs and amenities and lacked adequate infrastructure. For example, 53% of the units delivered in Rio de Janeiro between 2009 and 2013 were built in the West Zone, 50 km from the city center where residents were up to four hours and multiple transfers away from employment centers and urban services¹⁹
- **Inadequate post-occupancy social support programs**: While the MCMV program budgeted for social development programs after occupancy, these programs ran for only six months. Social support programs must be integrated with housing provision to stimulate overall socio-economic development of beneficiaries.
- **Unsustainable development from environmental, social, and economic perspectives**: While the MCMV program included some environmentally sustainable features at the unit level, such as solar panels and solar water heaters, neighborhood and city-scale planning was not based on environmental sustainability principles. For instance, the location of most projects far from places of work and leisure imposes significant social, economic and environmental costs on residents as well as on the extensive infrastructure systems built to service these projects.

THAILAND: BAAN MANKONG (SECURE HOUSE) PROGRAM, COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI)**Context**

Despite the rapid economic growth in the 1980s, the living conditions of the urban poor in Thailand did not improve. The National Housing Authority’s (NHA’s) resettlement programs had failed to improve housing conditions, and informal settlements continued to grow. At the same time, there were some successful examples of community-led and participatory upgrading projects and financing schemes.

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THAILAND: BAAN MANKONG (SECURE HOUSE) PROGRAM, COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI)

Against this backdrop, CODI was set up in 1992²⁰ with an initial grant of USD 34 million, to be used as “a revolving fund to—(i) support urban community development activities, and (ii) provide low-interest loans to community organizations for housing, livelihood, and other purposes.”²¹

Since the early 2000s, the Thai government’s housing policy was channeled through two programs: (i) the *Baan Ua Arthorn* (We Care) Program, wherein the NHA designed, built, and sold flats and houses at subsidized prices to low-income households who could afford the monthly rent-to-own payments; and (ii) the *Baan Mankong* Program, wherein CODI channeled government funds directly to poor communities that planned and implemented housing and other development plans.

The *Baan Mankong* Program (BMP) marked a dramatic shift in the government’s approach to housing in that its role transitioned from direct housing provision to enabling a community-led process of housing development. Despite a slowdown since 2009, the BMP Urban program remains CODI’s largest housing program. As of May 2019, the program had approved 1,042 projects serving nearly 104,000 households in 343 cities across the country.²²

Key figures:²³

Total population, 2019	69.62 million
Urban population (% of total)	50.7%
Poverty ratio at national poverty rate (% of total population)	9.9%
GNI per capita, 2019 (USD)	7,260

Project description Launched in 2003, the structure of the BMP was the result of a process that had been evolving for more than a decade, and included core elements such as community savings, large-scale networks of poor communities, and community-driven development.

The premise of BMP is not individual projects but citywide housing development plans. The first step is the setting up of a ‘City Development Committee’ that includes representatives from poor communities, local governments, professionals, universities and NGOs. The committee works together and jointly oversees a process that includes surveys of poor communities, identification of land for housing development, land negotiations, and project planning. Simultaneously, poor communities in the city come together to form a ‘Community Network.’ This platform allows communities that previously had little/no connection to get to know each other and therefore, collective strength throughout the citywide housing development process.

The formation of these two collective platforms is the cornerstone of the BMP approach – it fosters collaboration between different stakeholder groups, and enriches the housing development process. CODI plays a supportive role in this process, leaving the reins in the hands of the two committees.

Once land has been secured, the committees jointly plan and implement the housing project(s), with financing support from CODI. Given the grassroots approach, solutions vary across communities. The BMP allows for different forms of development, including on-site upgrading, land sharing and reconstruction, re-blocking and re-adjustment, and resettlement.

Financing from CODI is in two forms – a subsidy and a loan – both of which are given to the community cooperative, not to individual families. Additionally, each community is required to have savings equal to at least 10% of the loan amount, which must be maintained throughout the loan repayment period.

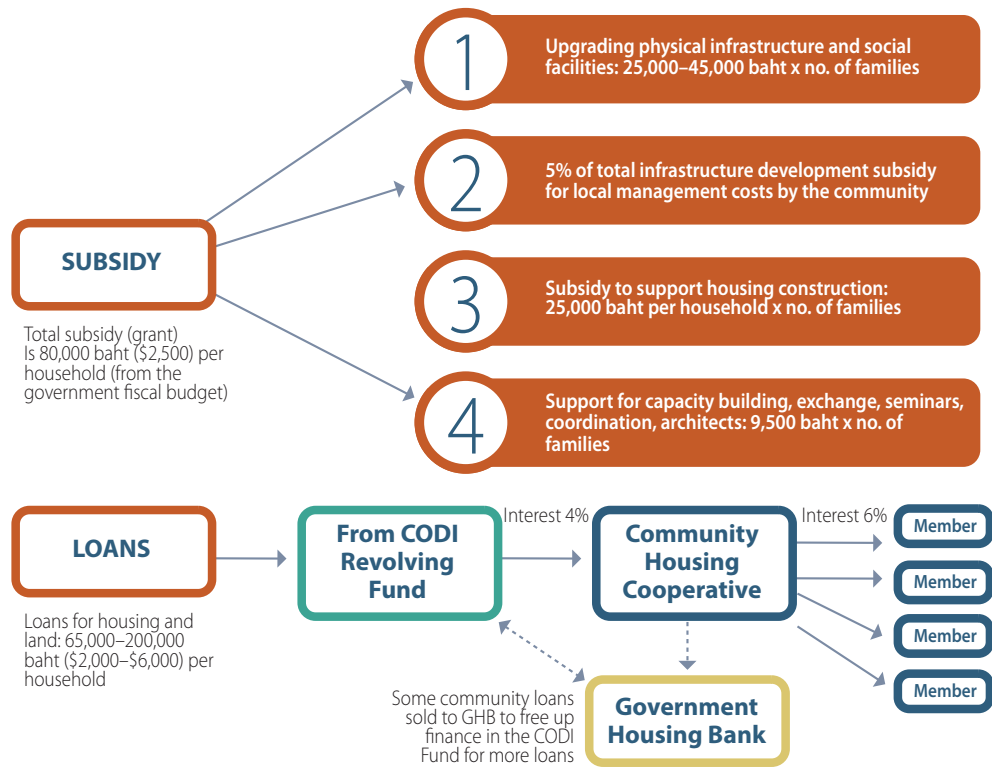
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THAILAND: BAAN MANKONG (SECURE HOUSE) PROGRAM, COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI)

FIGURE 28

FINANCING FOR HOUSING DEVELOPMENT UNDER THE BAAN MANKONG PROGRAM



Source: <https://en.codi.or.th/baan-mankong-housing/baan-mankong-rural/>.

Targeting	The BMP targets the urban poor living in informal settlements, and aims to provide decent and secure housing.
Subsidy features	In keeping with CODI's motto of community- and demand-driven development, financing for the BMP is also structured so that communities have a stake in financial management. The subsidy accounts for 10-20% of the total development cost per house/family. Instead of providing the subsidy and loan to individual families, CODI provides them to community cooperatives that then on-lend to individual families.
Project sustainability	<p>Buoyed by the success of the first ten pilot projects, BMP scaled rapidly in the first six years and projects were launched across the country. The program also reached agreements with the three largest public landowning agencies to provide land for BMP projects at nominal rates. Community cooperatives and savings groups were also strengthened.</p> <p>However, BMP project finances are almost entirely contingent on government funding. With funds almost dried up by 2009, program momentum slowed down, despite some infusion of funds from the government. Furthermore, decentralization of CODI into regional offices and implementation challenges also slowed down the program.</p> <p>Thailand's government is in the process of drafting a 20-year National Housing Strategy, and CODI is working with the government and other stakeholders to renew and refine BMP.</p>

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*(continued)***THAILAND: BAAN MANKONG (SECURE HOUSE) PROGRAM, COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI)****Key reasons for success**

- **BMP changed the perception and the way of addressing the issue of low-income housing in Thailand:** The coming together of different stakeholders and perspectives in the BMP made people view it as “a structural issue that relates to the whole city and that *can be resolved*.” The program helped integrate the housing needs of poor communities into overall city development plans, enabling holistic resolution of issues over time.
- **BMP encourages varied solutions and housing forms:** Recognizing that housing form is a result of context-specific conditions, community negotiations, and politics, BMP is structured to allow communities flexibility on project design and form. This has led to a variety of design typologies and materials across BMP’s multiple projects, rather than a standard design/form.
- **Collaboration and partnership building are deeply embedded in CODI’s DNA:** CODI implements projects in partnership with other actors – government agencies, NGOs, civil society organizations, activists, architects, academic institutions, and professionals. These partners are also represented on CODI’s board and joint committees that are an integral part of the organization’s management structure and guide decision-making. In addition to achieving a common understanding, this collaborative culture helped build a broad base for demand-driven development processes.
- **CODI’s methods created momentum and led to other demand-driven initiatives that addressed other aspects of poverty and development:** Even though BMP has slowed down in recent years, CODI continues to implement other programs based on similar principles. These include community welfare funds, community housing insurance funds, and community councils. These initiatives help link together and address multiple dimensions of poverty.

FIGURE 29**BANG BUA CANAL HOUSING IN BANGKOK**

Source: <https://en.codi.or.th/baan-mankong-housing/canal-upgrading-project/>.

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*(continued)***THAILAND: BAAN MANKONG (SECURE HOUSE) PROGRAM, COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI)****Limitations/
Constraints/
Lessons learned/
Scope for
improvement**

- **Lack of funds slowed down the program:** With CODI funds almost all tied up in long-term BMP housing loans, funding had nearly dried up by 2009. The Government Housing Bank (GHB) provided additional funds by refinancing 20 completed housing projects, and the government made a capital infusion of USD 94 million. However, despite this additional funding, other factors also contributed to the program's slowdown.
- **Decentralization of CODI and BMP were not accompanied by decentralized of knowledge and management capacity:** Although BMP had been run out of CODI's Bangkok office, by 2013, it had grown too large and it was agreed that management should be decentralized to regional CODI offices. However, the central team's historic knowledge of the citywide and community-driven process was lost in this transition, leading to capacity deficits and implementation problems.

ETHIOPIA: INTEGRATED HOUSING DEVELOPMENT PROGRAM (IHDP)**Context**

Much like other rapidly urbanizing countries in Africa, Ethiopia has a high urbanization rate (4.9 per cent).²⁴ This rapid urbanization, coupled with high population growth and urban poverty rates, has put enormous pressure on its cities and infrastructure. As a result, nearly 80 per cent of the country's population lives in sub-standard or inadequate housing.²⁵ Its capital and largest city, Addis Ababa, houses nearly 5 million people, ten times that of Ethiopia's second largest city, Dire Dawa.

Historically, the state has been the dominant player in the housing sector, while the private construction industry has been very small. However, the poor quality of housing supplied by the state and the extremely limited housing supplied by the private sector resulted in informal self-built housing becoming the dominant mode of housing supply. In Addis Ababa, informal housing accounted for 34 per cent of the city's total housing supply from 1996 through 2003. Rental has been the dominant tenure, with nearly 60 per cent of housing in Addis Ababa (in the 1994 census) being government rental, and only 30 percent being homeownership.²⁶

The country has a housing backlog of 1.2 million units, with demand projected to be 655,800 units between 2015 and 2025.²⁷

Key figures:²⁸

Total population, 2019	112.08 million
Urban population (% of total, 2020) ²⁹	21.7%
Poverty ratio at national poverty rate (% of total population, 2015)	23.5%
GNI per capita, 2019 (USD)	850

Project description

In response to the large unmet demand for housing, the government launched the Integrated Housing Development Programme (IHDP) in 2005. Initially planned as a five-year program, IHDP has since been extended and continues to this day (with some modifications). In addition to addressing the housing shortage, the program was designed to improve capacity in the construction sector as well as among micro and small enterprises. Some of the initial goals of the program were:

- Construct 400,000 condominium units
- Create 200,000 jobs
- Promote development of 10,000 micro and small enterprises
- Enhance capacity of the construction sector
- Regenerate inner city slum areas
- Promote homeownership for low-income households³⁰

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*(continued)***ETHIOPIA: INTEGRATED HOUSING DEVELOPMENT PROGRAM (IHDP)**

All of the projects built under the IHDP follow the same typology - multi-story condominium buildings with common areas being jointly owned and managed. The projects have been built on brownfield sites or cleared slum areas.

One of the most striking features of the program was its large scale, in contrast to the prevailing approach of small-scale slum upgrading and housing cooperative schemes. Furthermore, it marked a decided shift from rental housing (the dominant tenure) provided by government to homeownership. Funded by the government, the program was designed for 100 per cent cost recovery; construction costs would be recovered by sale of the condo units, and land and infrastructure costs would be recovered through the sale of the commercial units.

As of 2020, the government had built 400,000 units under this program.

Targeting

The program is targeted at low-income households, with special focus on female-headed households (30 per cent of units to be allocated to women). Beneficiaries are selected by randomized lottery. While one of the eligibility criteria is that beneficiaries should not own any other property, there are no credit or income checks.

The program has different unit sizes (studio, 1-, 2-, and 3-bedroom units) to suit households at different levels and to promote income mixing. Beneficiaries are not allowed to resell units for five years after taking ownership.

Subsidy features

Recognizing the limited affordability of the target population, the program kept construction costs low by – (i) using new technologies to reduce construction time, and (ii) providing unfinished units.

Furthermore, the program included cross-subsidy elements to enable full cost recovery:

- The commercial development subsidizes residential development in that the sale proceeds of the former fund infrastructure development for the latter
- 2- and 3-bedroom units are sold at higher than construction cost (5 and 10% respectively) to cross-subsidize studio and 1-bedroom units (sold at 30 and 10% below construction cost, respectively) to improve affordability for low-income households

Project sustainability

The project included features to help achieve financial and social sustainability. For instance, all developments included commercial and community uses to encourage mixing and activity, thereby improving security and discouraging unsociable behavior/petty crime. Furthermore, the community uses were intended to cater to the cultural needs of residents, be it communal space to cook extensive meals or hand wash laundry.

Although the project aimed for financial sustainability and 100 per cent cost recovery, evidence suggests that it is fiscally unsustainable. Estimates suggest that the program has cost the government upwards of USD 9 billion, as of 2018–19. Further estimates suggest that the government recovers approximately 35% of the cost of producing an IHDP unit, thereby putting the total government subsidy amount at roughly USD 5.3 billion.³¹

Key reasons for success

Although the IHDP has not met all of its stated targets, it has been successful in many respects:

- **IHDP has resulted in housing production at scale, delivering 400,000 units between 2005 and 2020.** Given the (previously) limited capacity of the Ethiopian housing sector, this is a remarkable achievement, and is one of the biggest housing production programs on the African continent.
- **Improved capacity in four sectors – construction, skilled labor, manufacturing, and transportation.** IHDP has helped improve technical capacity in these sectors and created significant employment opportunities, as evidenced by the growth (in size and number) of small and medium companies in these sectors.

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ETHIOPIA: INTEGRATED HOUSING DEVELOPMENT PROGRAM (IHDP)

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Improved the living conditions for many low- and middle-income households.** For those who are living in IHDP projects, they have access to better physical environments, infrastructure and services, thereby improving their quality of life. Furthermore, the program has brought previously excluded households into the formal financial sector by providing access to housing credit.
- **IHDP is not fiscally sustainable.** The program needs considerable funding and large capital outlays which strains already overstretched city government budgets. Additionally, there has been some criticism that city government has focused almost exclusively on financing condo development while ignoring other development needs (such as urban infrastructure and services) leading to imbalanced development.
- **Limited affordability for female-headed households.** Although the program focuses on women as a priority group by allocating 30% of units to female-headed households, it does not go far enough to address the affordability gap. Poverty levels are higher among female-headed households, including single mothers with little formal education or employment. This translates into a higher payment burden and lower affordability for down payment as well as monthly payments.
- **Unaffordable for target low-income groups.** Despite the program's focus on improving housing for low-income households, post-completion evaluations have shown that there has been an upward drift and these are serving middle-income households. Construction cost increases made the units unaffordable to low-income households, both in terms of down payment as well as monthly payments. This inability to pay monthly mortgage and service fees has forced many households to move out and rent their units (the program places no restrictions on this) rather than risk losing the unit to foreclosure.
- **Remote locations of IHDP project sites.** Many condominium sites are located on urban peripheries, with few employment opportunities close by, thereby limiting the earning potential for large numbers of households. This has placed additional strain on households in terms of higher transportation expenses. Further, the peripheral location translates into higher infrastructure provision costs thereby increasing overall project costs.
- **Unresponsive design and sub-standard construction quality.** IHDP project design has been criticized for being unresponsive to occupants' needs and activities; for example, some sites do not provide space (at all or adequate) for communal activities that are integral to Ethiopian culture (such as injera making, hand washing laundry or goat slaughtering). Further, poor quality construction has resulted in burst sewerage piped, cracking of wall plaster, and breaking of substandard fixtures/hardware.
- **No systems for operations and maintenance (O&M).** One of the most glaring gaps in the program is the lack of attention to post-occupancy O&M procedures. Most occupants are new to multi-story condominium living; this has resulted in problems such as noise and privacy issues because of the close proximity of neighbors, and management of communal facilities and common areas. In response, the government published and distributed written manuals but they have had limited effectiveness in terms of facilitating community cohesion and management of common areas.

¹ <https://data.worldbank.org/country/singapore>.

² <https://eresources.nlb.gov.sg/history/events/2ab696d3-d9f5-4970-9108-e0f95919cc98>.

³ The MOP varies between 0 and 7 years depending on the type of unit and other criteria.

⁴ <https://www.hdb.gov.sg/about-us/our-role/public-housing-a-singapore-icon>.

⁵ <https://www.straitstimes.com/singapore/housing/understanding-what-happens-at-the-end-of-a-99-year-lease>.

⁶ Prior to 2003, TOKI's primary role was to finance housing construction, and it had a limited role in housing production.

⁷ <http://i.toki.gov.tr/content/entities/main-page-slider/20191011095737969524-pdf.pdf>.

⁸ <https://data.worldbank.org/country/turkey>.

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⁹ <https://www.dailysabah.com/turkey/2019/12/12/turkeys-social-housing-project-reaches-out-to-low-income-families>.

¹⁰ UN-Habitat, 2013. Available at: <https://unhabitat.org/scaling-up-affordable-housing-supply-in-brazil>.

¹¹ In the aftermath of the global financial crisis of 2007-08.

¹² Ministerio das Cidades (2009) Deficit Habitacional no Brasil 2007. Fundacao Joao Pinheiro. Available at: <http://www.bibliotecadigital.mg.gov.br/consulta/consultaDetalheDocumento.php?iCodDocumento=50695>.

¹³ <https://data.worldbank.org/country/brazil>.

¹⁴ The total investment, in both phases, included federal subsidies (non-refundable) as well as refundable funds used for housing and infrastructure financing.

¹⁵ <https://www.archdaily.com/504114/minha-casa-nossa-cidade-brazil-s-social-housing-policy-and-the-failures-of-the-private-public-system>.

¹⁶ As was one of the goals of the program.

¹⁷ <https://www.reuters.com/article/us-brazil-politics-landrights-idUSKCNOZA03C>.

¹⁸ <https://www.reuters.com/article/us-brazil-politics-landrights-idUSKCNOZA03C>.

¹⁹ <https://www.urbanet.info/brazil-social-housing-shortcomings/>.

²⁰ The government set up the Urban Community Development Office (UCDO) in 1992, as a part of the NHA. UCDO was merged with Rural Development Fund (RDF) in 2000, and renamed CODI, an independent public organization within the Ministry of Social Development and Human Security.

²¹ <https://en.codi.or.th/about/history-of-codi/>.

²² <https://en.codi.or.th/baan-mankong-housing/land-reform-porgram/>.

²³ <https://data.worldbank.org/country/thailand>.

²⁴ <https://housingfinanceafrica.org/countries/ethiopia/>.

²⁵ UN-Habitat (2010) The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme. United Nations Human Settlements Programme: Nairobi.

²⁶ UN-Habitat (2010) The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme. United Nations Human Settlements Programme: Nairobi.

²⁷ <https://housingfinanceafrica.org/countries/ethiopia/>.

²⁸ <https://data.worldbank.org/country/ethiopia>.

²⁹ <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ET>.

³⁰ UN-Habitat (2010) The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme. United Nations Human Settlements Programme: Nairobi.

³¹ World Bank Group. 2019. Unlocking Ethiopia's Urban Land and Housing Markets: Urban Land Supply and Affordable Housing Study. World Bank, Washington, DC.

Annex 6:

Government financial assistance to households (demand-side)

CHILE: HOUSING VOUCHERS^{1,2}

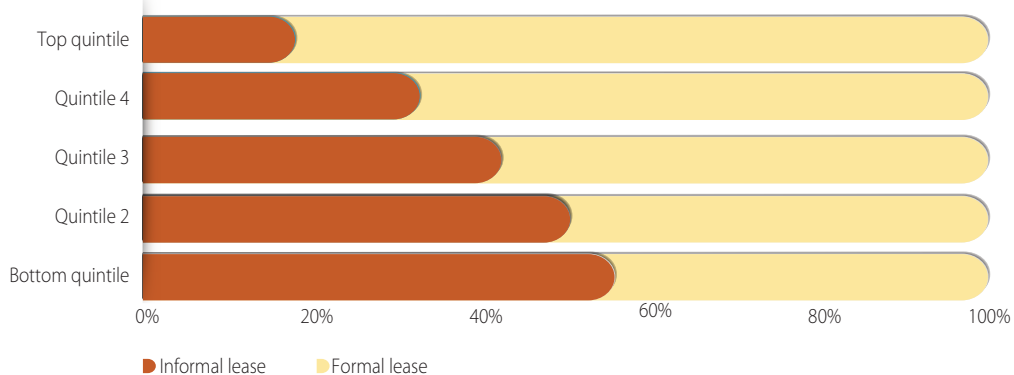
Context

The Chilean government's housing policy and programs since the 1990s helped halve the proportion of households without any housing or living in sub-standard housing. Focused on improving access to homeownership for low- and moderate-income households, the range of programs included subsidies for construction and home improvements, tax deductions for mortgage interest, household savings schemes, and rent-to-own subsidies, among others.

However, these programs had a singular focus on homeownership, and rental housing policy was largely absent. As a result, rental housing comprised only 18% of the housing stock in Chile in the early 2010s,³ all of it in the private sector. Amid growing demand for interventions in rental housing, Chile introduced a rental subsidy program in 2014 targeted at low- and moderate-income young families throughout the country.

FIGURE 30

INCIDENCE OF INFORMAL RENTAL BY INCOME QUINTILE IN CHILE, 2011



Source: Salvi del Pero, Angelica, 2016.

Key figures:⁴

Total population, 2019	18.95 million
Urban population (% of total)	87.64%
Poverty ratio at national poverty rate (% of total population)	8.6%
GNI per capita, 2019 (USD)	15,010

*(continued)***CHILE: HOUSING VOUCHERS**

Project description	<p>The subsidy is a “demand-side means-tested earmarked temporary rent subsidy directed at low- and middle-income young households,” (Salvi del Pero, 2016) specifically, young couples with or without children, or young single parents with one or more children.</p> <p>Chile’s Ministry of Housing and Urban Development (MINVU) conducted a diagnostic survey to inform the design of its subsidy program. The findings showed that more than a third of homeownership subsidies were going to young families whose family size and housing needs would likely change in the short-term. Therefore, the rental subsidy program was designed to support young households’ residential mobility and changing housing needs in the short-term. The subsidy is intended as bridge assistance until young households decide on their long-term, more permanent housing needs.</p> <p>The program provides a flat subsidy of USD 140 per month across all municipalities. The subsidy amount does not vary with the amount of total rent paid, but eligible rents are capped at USD 400 per month. At the same time, subsidy-to-rent ratio is capped at 0.8. The subsidy amount is paid into a bank account at Banco Estado (state-owned bank) as is the tenant’s portion of the rent – and together, the rent payments are transferred to the landlord.</p> <p>Dwellings must meet minimum quality standards, and are checked by regional service providers called <i>Servicios de Vivienda y Urbanización (SERVIU)</i>.</p>
Targeting	<p>The program is designed to support young low- and middle-income households, and provide bridge assistance until recipients are ready to transition to homeownership.</p> <p>Specific eligibility criteria include:</p> <ul style="list-style-type: none"> • A multi-dimensional vulnerability score in the <i>Ficha Protección Social (FPS)</i> below 13,484 points (i.e. the third quintile of the vulnerability distribution) • Monthly household income between USD 360 and 1,125 (i.e. between 2nd and 6th decile of the income distribution) • Households must have USD 180 in a special savings account, to be used as a guarantee for the rental contract (1 month’s rent)
Subsidy features	<p>Program participants are eligible to receive a flat subsidy of USD 140 per month. The subsidy is transferable, i.e. it moves with the recipient if they move residences. The subsidy is offered for a maximum of eight years.</p> <p>In line with the government’s enduring focus on homeownership, after the first three years, the subsidy is reduced to USD 110 per month, to encourage residents to start considering homeownership.</p>
Project sustainability	<p>Given that the program is relatively new and is yet to complete its first cycle of eight years, there is little information on program implementation and results. However, the government is contemplating next steps for the rental subsidy program as well as the rental housing sector at large, both of which will be particularly relevant in a post-Covid context.</p>
Key reasons for success	<ul style="list-style-type: none"> • Reduced rental payment burden and improved living conditions for program participants: Data on the pilot from MINVU showed that the subsidy enabled households living in overcrowded or otherwise inadequate housing to live independently with sufficient space. Further, the portion of income spent on rent fell from 40% to 16%. • The program has built in payment flexibility to avoid evictions in case of temporary loss of job/income: Intended to avoid the disruption of eviction, program participants are allowed to miss three rental payments without losing the subsidy. The government does not act as guarantor for missed payments, and withdraws support if the tenant does not pay after three months. The rental contract is not automatically terminated when the subsidy contract ends.

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*(continued)***CHILE: HOUSING VOUCHERS****Limitations/
Constraints/
Lessons learned/
Scope for
improvement**

- **Small size of the rental housing market might limit the reach of the rental subsidy program:** At the time of program launch, experts were concerned that the constrained supply of rental housing in the short run might inflate rental prices. Additionally, landlords are hesitant to rent units to tenants they are not familiar with because of weak enforcement of tenancy laws, such as long and expensive eviction processes for non-payment of rent. Providing subsidies to improve the supply of rental housing or providing government guarantees on subsidized rental contracts were floated as ideas to address this issue.
- **Rental housing subsidies can only go so far in meeting the housing needs of vulnerable households:** Although the subsidy program is a good first step in supporting the rental housing sector, it is unlikely to address the complex needs of the socially vulnerable. Additionally, Chile's housing policies are still geared towards improving access to homeownership, thereby hindering investment in the rental sector. Building a large social rental housing sector will require more supply-side assistance - including enabling policy and governance frameworks, and financial support - to encourage the development of rental housing.
- **Targeting of the subsidy may need to be revised:** Results from the pilot showed that 73% of the subsidy recipients were in the first quintile of the income distribution, 20% in the second, and the rest in the third quintile (Salvi del Pero, 2016). Given that the majority of the subsidy was helping households below the income eligibility threshold, it might need a review to ensure proper targeting.

USA: HOUSING CHOICE VOUCHER (HCV)^{5,6}**Context**

By the 1960s, the US government's public housing program (instituted in 1937) was widely regarded as a failure, and it was not achieving its intended goal of meeting the housing needs of low-income and working class households. Additionally, studies showed that rental housing produced by the private market provided good quality units as compared to the substandard quality of public housing units built by the government. Therefore, with the goal of encouraging private sector participation in the development and maintenance of affordable housing, Congress passed the Housing and Community Development Act in 1974. The Act included direct assistance to households for rental and homeownership through Sections 8 and 235.

The passage of the Act in 1974 was significant in that it marked the shift of federal programs from production to demand-side programs.⁷ The primary impetus for this shift was the failure of public housing in the decades immediately preceding it. Moreover, studies showed that the biggest housing problem was no longer poor housing quality⁸ but the high percentage of income that low-income households were spending on housing.⁹

Initially designed as a project-based subsidy, the Section 8 voucher program proved to be a drain on the public purse and was criticized for poverty concentration (since Section 8 projects were built primarily in low-income neighborhoods). The program was amended in 1983 to make the vouchers tenant-based, giving recipients the flexibility to choose housing in the private market and in any neighborhood.

Since renamed the Housing Choice Voucher (HCV), the federally funded program helps about 2 million low-income households annually.¹⁰

Key figures:¹¹

Total population, 2019	328.24 million
Urban population (% of total)	82.46%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	65,850

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*(continued)***USA: HOUSING CHOICE VOUCHER (HCV)**

Project description At a budget of nearly USD 18 billion in 2020,¹² the HCV program is one of the largest housing programs, designed to assist “very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.”¹³ Voucher recipients are free to choose any housing that meets program requirements, and are not restricted to subsidized housing.

The US Department of Housing and Urban Development (HUD) provides funding to local bodies called public housing agencies (PHAs) to administer the program. The PHA sets minimum quality standards for housing that can be rented under this program.

Households apply to their local PHA. Once approved and if vouchers are current, the PHA issues an HCV to the family. It is the responsibility of the voucher holder to find a unit that meets program requirements. The PHA inspects the selected unit, and if approved, executes a housing assistance payment (HAP) contract with the landlord. The PHA directly pays the subsidy amount to the landlord, while the tenant pays the remainder (i.e. the difference between the actual rent and the subsidy amount).

HCVs are portable, i.e. recipients can move residence without losing the rental assistance. Households are required to inform the PHA ahead of time, terminate their existing lease, and find new housing that meets program requirements.

Targeting

PHAs set eligibility criteria for the HCV program, including those such as annual gross income, family size, and US citizenship status. In general, household income must be less than 50% of area median income (AMI), i.e. very low-income households. PHAs are required to allocate 75 per cent of vouchers to households whose income is less than 30% of AMI.

HUD publishes AMI annually and they vary by location. For instance, median family income in FY2021 is USD 129,000. HCV program income limits for a 4-person family are as follows:¹⁴

Extremely Low-Income (ELI)	USD 38,700
Very Low-Income (VLI)	USD 64,500
Low-Income (LI)	USD 82,300

Additionally, PHAs are permitted to establish priority eligibility criteria, such as homeless families or families paying more than 50% of income on rent. PHAs set these priority criteria based on local conditions and housing needs. Families that meet these criteria move ahead on the waiting list compared to others that do not.

Subsidy features

Households are required to pay 30% of adjusted monthly gross income for rent and utilities, with the rest covered by the voucher. Each PHA sets a payment standard, which is the typical rent for a moderately priced dwelling unit in the local market. If the rent for the selected house is higher than the payment standard, the household must pay the difference. The maximum payment a household can make is 40% of adjusted monthly gross income.

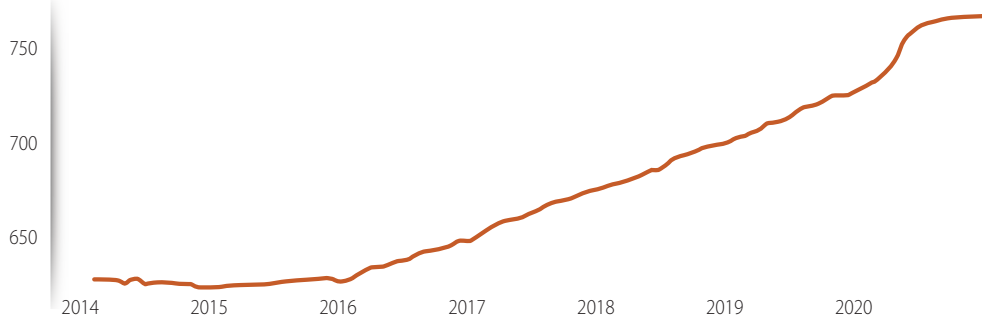
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USA: HOUSING CHOICE VOUCHER (HCV)

FIGURE 31

AVERAGE PER UNIT COST SINCE 2014



Source: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard.

Project sustainability

While the program assists roughly 2 million low-income households annually, there is a severe shortage of vouchers. As of 2017, only a quarter of eligible households receive housing assistance.¹⁵

Wait times of a few years is commonplace for applicants once they are on the waiting list and before they receive a voucher. This is a particularly acute challenge in big cities such as New York City where new applications have not been accepted since May 2007.¹⁶ The Housing Authority of Los Angeles (HACLA) opened its voucher waiting list in October 2017, the first time it did so in 13 years; the program was over-subscribed by 8.5 times.¹⁷

Key reasons for success

Beyond enabling millions of families to afford decent, stable housing, policy changes and pilot initiatives by PHAs have helped improve housing outcomes for low-income families in a variety of ways.

- **The Moving to Opportunity (MTO) experiment¹⁸ improved long-term economic outcomes for children and youth:** While previous research has shown that this experiment positively impacted the health and well being of adults as well as family safety, a 2015 study analyzed outcomes for children who were below the age of 13 and were part of the experiment. The study found robust evidence that these children had - (i) better educational outcomes (measured by the quality of college and attendance); (ii) substantially higher income as adults; and (iii) lived in better neighborhoods themselves as adults.¹⁹ Implementing this change widely could help improve outcomes for the 315,000 children (part of voucher families) living in high-poverty neighborhoods as of 2017.²⁰
- **Access to permanent housing subsidies (vouchers) improved outcomes for formerly homeless families:** A 2016 evaluation²¹ of HUD's Family Options Study²² found that participants who were given a permanent housing subsidy (SUB) saw a reduction in homelessness and doubling up. Compared to the other interventions, SUB had substantial impacts not only on housing stability but also in other areas such as improved family wellbeing (high school attendance for children and reduced intimate partner violence for adults) and reduced food insecurity.

Limitations/ Constraints/ Lessons learned/ Scope for improvement

- **Discrimination by landlords:** Across the country, being turned by reluctant landlords is a common experience for several voucher holders, even for the 50% that are protected by source-of-income laws²³ (that require landlords to treat voucher holders as they would other prospective tenants). As a result, vouchers end up unused or lapsed despite the urgent need, often exacerbating housing and health outcomes for voucher holders. To improve enforcement of these laws, some cities have brought lawsuits against landlords who discriminate against voucher holders, or provide additional support in the search for a

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*(continued)***USA: HOUSING CHOICE VOUCHER (HCV)**

rental unit. Experts recommend making the process more efficient and actively recruiting landlords to participate in voucher programs as possible solutions to address this issue.

- **Inaccurate rent calculations limit access to well-located housing and force voucher holders to live in high-poverty areas where rents are lower:** Since Fair Market Rent (FMR) is calculated at the metropolitan area level, it doesn't accurately reflect the actual rents in the private market, especially so in large cities. As a result, families are forced to rent housing in areas where rents are lower, leading to poverty concentration. To address this issue, HUD conducted a Small Area FMR (SAFMR) demonstration in 2011, in which FMR was calculated at zip code level. A 2017 study showed that the use of SAFMR led to increased voucher use in low-poverty neighborhoods that offer opportunities for upward mobility.²⁴
- **Demonstrations and pilot projects are helpful, but the HCV demand-side subsidy alone cannot address the affordable housing crisis:** The HCV program is premised on the availability of good quality, affordable housing in the private market. However, housing markets vary greatly across different locations, and the program in its current form does not account for these differences. Therefore, program performance and results have been uneven across the country. While increasing voucher funding is one solution, it is important to increase supply-side assistance and therefore housing production to meet low-income households' housing needs.

INDONESIA: MORTGAGE-LINKED DOWN PAYMENT ASSISTANCE (*BANTUAN PEMBIAYAAN PERUMAHAN BERBASIS TABUNGAN – BP2BT*)**Context**

The Government of Indonesia has a long history of providing policy and financial subsidy to support the affordable housing sector. Although the government has a home-improvement grant program to address qualitative deficit (*BSPS – Bantuan Stimulan Perumahan Swadaya*) and a public rental housing program (*Rusunawa*), homeownership has been the focus of the housing policy and subsidy. To support the Government's One Million Homes Program (*Satu Juta Rumah*) launched in 2015, there are several subsidy programs focused on homeownership which have supported approximately 200,000 first-time homeowners annually.

Before the National Affordable Housing Program (NAHP) was introduced in 2018, Indonesia's primary demand side intervention was an interest rate subsidy offered through two housing finance products: *Fasilitas Likuiditas Pembiayaan Perumahan – FLPP (liquidity facility cum interest rate subsidy)* and *Subsidi Selisih Bunga – SSB (interest rate buy-down)*. Both products brought down the mortgage market interest rate (10–12%) to a fixed 5% for the life of the loan. FLPP was designed to provide low-cost liquidity²⁵ support to participating banks, while SSB involved a monthly buy-down of the difference in the mortgage market rate and subsidized interest rate of 5%. While both programs succeeded in lowering costs for homebuyers, the SSB program also resulted in sizeable future liabilities for the government (estimated to be upwards of USD 2.5 billion). These future liabilities risk combined with the complexity of implementation of the SSB program have led to its termination in 2021.

Starting in 2018, with assistance from the World Bank, the Ministry of Public Works and Housing (MPWH) introduced a new credit-linked housing finance assistance program (*Bantuan Pembiayaan Perumahan Berbasis Tabungan – BP2BT*) through the NAHP. This program is designed to maintain the same affordability levels (in terms of monthly housing payments) as the FLPP program, while significantly reducing the fiscal burden on the government budget through one-time assistance instead of a large upfront capital allocation. Recognizing that most low-income Indonesian households cannot afford a housing loan without subsidy support, BP2BT provides one-time assistance for first-time home buyers, as well as for households building or rebuilding their home.

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*(continued)***INDONESIA: MORTGAGE-LINKED DOWN PAYMENT ASSISTANCE (BANTUAN PEMBIAYAAN PERUMAHAN BERBASIS TABUNGAN – BP2BT)**

Project description BP2BT is a credit-linked housing finance assistance targeted at lower-income first time homeowners. The assistance applies to (i) the purchase of a new home (landed and multi-story), and (ii) self-construction or reconstruction of a home. The program included improvement or expansion of a home after the COVID pandemic to support healthy homes, and also to address the government policy target toward reducing the country's sizeable qualitative housing deficit.

To ensure that the financed homes meet minimum basic living standards, the program defines property eligibility parameters such as location, access to services and amenities, and construction standards²⁶. Additionally, all properties must have a formal land title.

The program also defines a maximum property value (based on type of unit and geographic location) to prevent leakage to households that have greater purchasing power than those targeted by BP2BT.

The loan product linked to this one-time assistance must be provided at market interest rates – this is stipulated to ensure program sustainability (as opposed to FLPP's unsustainable interest rate subsidies). Additionally, the loan-to-value (LTV) ratio must be at least 50 percent, and households must provide a minimum 1 percent down payment.

Targeting

The BP2BT program goal is to support households that have limited purchasing capacity and need government assistance. Hence, it specifically targets households between the 30th and 60th income percentiles, including salaried and non-salaried households, all over the country. The program clearly defines income limits (maximum monthly household income) to prevent leakage to non-target beneficiaries; these limits vary across the country and have been defined as per the geographic zones.

Other eligibility criteria include:

- Households must demonstrate 3 months of savings, minimum savings amount varies by income tier
- Maximum equity of 50 percent of property value or construction cost (including savings and assistance)
- No prior homeownership (exception made for self/ re-construction and home improvement / expansion)
- Households should not have received any housing subsidy in the past

Subsidy features

The program specifies maximum assistance levels for its beneficiaries based on a matrix as shown in the figure below.

MAXIMUM ASSISTANCE BY MONTHLY HH INCOME

MONTHLY HH INCOME	LANDED HOUSE/ SELF-CONSTRUCTION/ RE-CONSTRUCTION/ IMPROVEMENT	MULTI-STORY
	IDR	IDR
< 5,000,000	40,000,000	60,000,000
5,000,001 - 6,000,000	38,000,000	58,000,000
6,000,001 - 7,000,000	36,000,000	56,000,000
7,000,001 - 8,000,000	34,000,000	54,000,000
8,000,001 - 10,000,000	32,000,000	52,000,000

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INDONESIA: MORTGAGE-LINKED DOWN PAYMENT ASSISTANCE (BANTUAN PEMBIAYAAN PERUMAHAN BERBASIS TABUNGAN – BP2BT)

Another unique feature of BP2BT is an Assistance Index of 49%, which is applied across all income groups and housing types. Households are eligible for the maximum assistance eligibility, or up to 49% of the purchase price / construction cost, whichever is lower (see Figure 33). For example, a BP2BT consumer with a monthly income of IDR 4.5 M and a self-construction loan for a total construction cost of IDR 80 million will qualify for an assistance of IDR 39.2 M (49% of IDR 80 M), even though his/her eligibility as per Income-Assistance matrix is IDR 40 M.

Project sustainability

The BP2BT program has been designed to be more cost-effective than the previous SSB and ongoing FLPP program, in terms of government budget allocation and per unit subsidy cost. However, as the program is relatively new (launched in 2018) and is still under implementation (slated for completion in February 2023), there are no conclusive results yet. Following the onset of the Covid-19 pandemic, the program has also undergone some modifications, including the addition of a home improvement product.

Key reasons for success

Although there are no conclusive results on program effectiveness yet, below are some key interim results from the World Bank's Implementation Status Report published on January 2022:

- The program is overachieving its target for percentage of beneficiaries in the bottom 60 percent of the income distribution; 93.46% (current) vis-à-vis a target of 80%
- >34% of program beneficiaries are from the non-salaried sector, compared to a target of 10%

Limitations/ Constraints/ Lessons learned/ Scope for improvement

Although there are no conclusive results on program effectiveness yet, below are some key interim results from the World Bank's Implementation Status Report published in January 2022:

- Only two lenders (Bank Tabungan Negara (BTN) and Bank Negara Indonesia (BNI)) have contributed to >5% of disbursements, compared to a target of three.
- 28% of housing units financed under this program fulfilled minimum construction standard requirements compared to the 2020 target of 35%.

¹ Salvi del Pero, 2016.

² Ross and Pelletiere, 2014.

³ Compared to 32% on average across OECD countries.

⁴ <https://data.worldbank.org/country/chile>.

⁵ https://www.hud.gov/topics/housing_choice_voucher_program_section_8.

⁶ https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/tenant.

⁷ Mallach, Alan. 2009. *A decent home: planning, building, and preserving affordable housing*. Chicago: American Planning Association Planners Press.

⁸ When the government first started to address housing issues in the early 1900s, they found that the biggest concern was the quality of housing and thus programs focused on improving the quality and provision of basic amenities. The aim was to set and maintain a minimum threshold for quality of housing units.

⁹ Grigsby, William G., and Steven C. Bourassa. 2004. "Section 8: The time for fundamental program change?" *Housing Policy Debate*. 15 (4): 805-834.

¹⁰ HCV Data Dashboard, available at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard.

¹¹ <https://data.worldbank.org/country/united-states>.

¹² HCV Data Dashboard.

¹³ https://www.hud.gov/topics/housing_choice_voucher_program_section_8.

¹⁴ <https://www.huduser.gov/portal/datasets/il/il21/Section8-IncomeLimits-FY21.pdf>.

¹⁵ <https://www.cbpp.org/research/housing/federal-rental-assistance>.

¹⁶ <https://access.nyc.gov/programs/section-8/>.

¹⁷ <https://housingmatters.urban.org/articles/role-housing-choice-vouchers-addressing-americas-rental-housing-crisis>.

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¹⁸ In the mid-1990s, HUD offered housing vouchers to 4,604 randomly selected families to move from high-poverty to low-poverty neighborhoods. The experiment was conducted in five cities – Baltimore, Boston, Chicago, Los Angeles, and New York.

¹⁹ Chetty, Hendren, and Katz, 2015.

²⁰ Sard, Rice, Bell, and Mazzara, 2018.

²¹ HUD Office of Policy Development and Research, October 2016.

²² Between September 2010 and January 2012, nearly 2,300 families across the country participated in HUD's Family Options Study. After spending at least seven days in emergency shelter, families were randomly assigned to four groups: (i) SUB – access to a permanent housing subsidy; (ii) CBRR – priority access to community-based rapid re-housing; (iii) PBTH – priority access to project-based transitional housing; and (iv) UC – access to usual care homeless and housing assistance but no priority access to any particular program.

²³ <https://prrac.org/pdf/AppendixB.pdf>.

²⁴ “Small Area Fair Market Rent Demonstration Evaluation: Interim Report,” HUD Office of Policy Development and Research, August 2017. Available at: <https://www.huduser.gov/portal/sites/default/files/pdf/SAFMR-Interim-Report.pdf>.

²⁵ 75% of loan amount is being provided to the banks by the GoI as upfront liquidity.

²⁶ The BP2BT program is the only demand-side subsidy program that requires construction quality standards monitoring and reporting.

Annex 7:

Private and small-scale landlords

JORDAN: NORWEGIAN REFUGEE COUNCIL'S (NRC'S) URBAN SHELTER PROGRAM

Context¹

The significant influx of refugees, migrants, and workers to Jordan has driven population growth in recent years. Between 2004 and 2015, annual population growth averaged close to 6 per cent. Over the same period, the private sector built over 1.1 million units, nearly doubling the housing stock; owner-builders built 60 per cent of this stock. With much of this new development targeted at high-income households, it exacerbated the mismatch between demand and supply, further reducing housing options for the bottom 40 per cent of households. The shortage has driven up rental prices, pushing households to live in overcrowded or inadequate conditions.

The Syrian refugee crisis has intensified the housing sector issues, particularly in the country's urban areas. Vulnerable refugee households outside camps lived in overcrowded or otherwise substandard housing, and had little tenure security. The lack of sufficient affordable housing stock drove up rental prices for refugees and locals alike. With more than 80% of refugees living in urban areas,² competition for limited resources (housing and otherwise) led to increased tensions between Jordanian host and Syrian refugee communities.

In this context, the Norwegian Refugee Council (NRC) implemented the Urban Shelter Program with the twin goals of addressing the immediate housing needs of refugees while also supporting host communities. Provision of legal support was an integral component of the project with the goal of strengthening landlord-tenant relationships and improving integration of refugees within host communities. The project was implemented in the Governorates of Irbid, Jerash, and Ajloun³ between 2013 and 2015.

Key figures:⁴

Total population, 2019	10.1 million
Urban population (% of total)	91.2%
Poverty ratio at national poverty rate (% of total population)	15.7%
GNI per capita, 2019 (USD)	4,410

Project description NRC provided technical and financial support to Jordanian homeowners to build new or complete unfinished housing to be rented to Syrian refugee households, rent-free, for a period of 12-24 months. Once matched, landlord and renter signed a standard tenancy agreement, in line with Jordanian law. NRC connected refugee households with other organizations providing legal and other help, and also provided relocation assistance (grant of JD 100/USD 141).

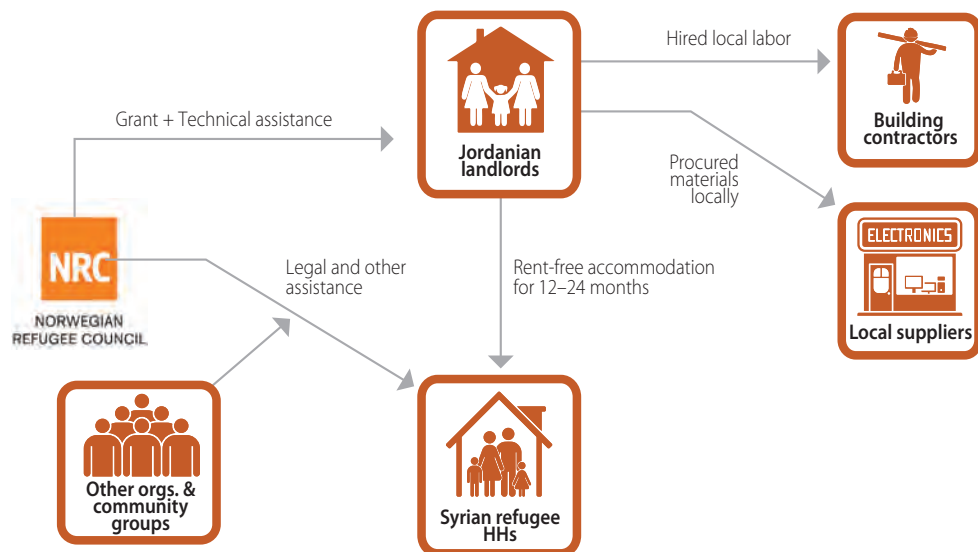
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JORDAN: NORWEGIAN REFUGEE COUNCIL'S (NRC'S) URBAN SHELTER PROGRAM

NRC conducted a technical assessment of all landlords' properties, including the state of each property, expected scope of work, location and accessibility, and due diligence of land documents and building permits.⁵ Minimum living space was set at 3.5 square meters per person, excluding kitchens and bathrooms. Participating landlords signed contracts for 1–4 units; the majority of contracts were for 2–3 housing units.

In addition to funding homeowners' home building/upgrading activity, NRC also provided legal assistance to landlords and renter households throughout the contract period, including contract negotiation, implementation of agreements, and dispute resolution.

FIGURE 32**NRC'S URBAN SHELTER PROGRAM**

Source: Author.

Targeting

For this project, NRC prioritized extremely vulnerable Syrian refugee households, measured against criteria such as household size and composition, female-headed households, people with disabilities, health status, economic conditions, risk of eviction, and shelter conditions.

Interested refugee households registered for the program through a national hotline or at NRC's offices, or were referrals from the UNHCR and other international and national partners. Using the information shared in this pre-registration phase, NRC identified households for full assessments to assess their vulnerability and suitability for the project.

Subsidy features⁶

NRC provided grant funding to landlords to build housing that was offered rent-free to vulnerable Syrian refugee households. NRC funding was contingent on two factors: (i) the condition of the property, and (ii) duration of the rental agreement (larger grants for longer rental periods). The grant amount varied between JD 1,000 for one unit rented for 12 months to JD 5,600 for four units rented for 18 months.

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JORDAN: NORWEGIAN REFUGEE COUNCIL'S (NRC'S) URBAN SHELTER PROGRAM

TABLE 9

NRC'S FINANCIAL INVESTMENT

	12-MONTH RENT-FREE PERIOD	18-MONTH RENT-FREE PERIOD
1 housing unit	JD 1,000 (USD 1,400)	JD 1,400
2 housing units	JD 2,000	JD 2,800
3 housing units	JD 3,000	JD 4,200
4 housing units	JD 4,000	JD 5,600

Source: Home Sweet Home: Housing Practices and Tools That Support Durable Solutions for Urban IDPs, March 2015.

Project sustainability

While the project was successful in meeting Syrian refugees' housing needs in the short-term, the 5,100 units it provided was a small percentage of the 120,000 housing units needed. Post-project evaluation showed that nearly half the refugee households would need to look for cheaper accommodation after the rent-free period. This is not a failure of the project (since it did not aim to provide durable housing solutions), but highlights the multi-dimensionality and resource intensiveness of interventions in refugee contexts.

In 2015-16, NRC implemented a modified version of this program in Aarsal, Lebanon, on a smaller scale; called the Sub-Standard Building Program (SSB).

The model has applicability in non-refugee situations as well, and could help inform governments' responses to housing and urban development challenges. NRC published a guide⁷ based on its experiences in the Urban Shelter Program to support its own programming and also advise other stakeholders. However, scalability will depend on program redesign and government support, among other things, to make it cost-effective and sustainable.

Key reasons for success

- **Innovative approach to addressing refugees' housing needs:** By shifting the focus from funding refugees to funding host communities, NRC's Urban Shelter Program in Jordan provides an innovative model that deviates from the cash-for-rent programs typically employed in humanitarian contexts. In doing so, the project helps add new and good quality rental stock that will be useful for host communities even if the refugees leave.
- **Stabilized housing conditions for refugee households:** The project assisted 1,100 landlords build 5,100 housing units that provided safe and affordable shelter to more than 18,000 refugees for the project duration. NRC's legal assistance strengthened tenure security for refugees, and technical assistance ensured that housing met (or even exceeded) habitability guidelines. Since the housing was located in well-established neighborhoods, it improved refugees' access to local markets and services.
- **Going beyond the direct outcomes of improved housing, the project had a positive impact on the local economy:** NRC's investment of nearly USD 10 million had an economic multiplier effect on local markets. The construction activity created more than 20,000 short-term jobs and increased demand for local building materials and contractor services.

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*(continued)***JORDAN: NORWEGIAN REFUGEE COUNCIL'S (NRC'S) URBAN SHELTER PROGRAM****FIGURE 33****NRC ENGINEERS INSPECT CONSTRUCTION WORKS IN JORDAN**

Source: NRC Jordan/ Rawan Bayabrs, March 2014.

**Limitations/
Constraints/
Lessons learned/
Scope for
improvement**

Though successful at the scale it was implemented, the project is resource-intensive and scalability in its present form is challenging: The project's success was a result of close oversight by NRC, legal assistance, and technical and financial support. While the model worked well to achieve short-term objectives, it would require significant redesign and more funding (which is challenging in itself) to achieve long-term economic stability for refugees.

SOUTH AFRICA: BACKYARD RENTALS**Context**

In the absence of adequate affordable housing provision by the formal private sector and severe backlogs in government-sponsored social housing, most housing in South Africa is self-built.⁸ This practice is especially prevalent among low-income households, who build their homes incrementally over time. In the face of huge unmet housing demand, informal renting is a common practice, and includes makeshift structures in low-income suburbs, inner city tenement buildings, or other people's backyards (Scheba and Turok, 2020).

Of the many forms of informal renting, backyard rental is the fastest growing house type (Brueckner et al, 2019). Between 2011 and 2016, the percentage of households living in formal or informal backyard rental units increased from 7.3% of the country total to 12.5%. Backyarding is predominant in urban areas, with 84.2% of households living in backyard rentals in 2011 residing in urban areas.⁹

Originally started in the 1920s, backyard rentals first became widespread in the 1970s and 1980s when legal occupants of council housing illegally provided rental space to relatives (in exchange for in-kind payments) or paying renters. In the 1990s, after the fall of the apartheid regime, the government's housing program (referred to as Reconstruction and Development Program (RDP) housing) enabled the intense growth of the practice (Scheba and Turok, 2020). Through the RDP program, the government provided large plots (up to 100 sq.m.) with a house of 40 sq.m. to households earning less than ZAR 3,500 per month. To supplement their income, households started to build backyard shacks to rent.

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SOUTH AFRICA: BACKYARD RENTALSKey figures:¹⁰

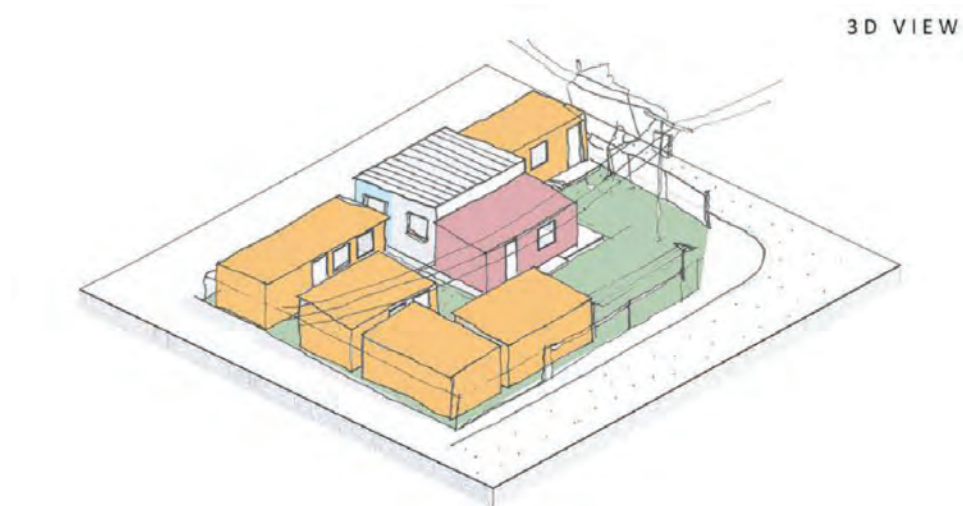
Total population, 2019	58.56 million
Urban population (% of total)	66.86%
Poverty ratio at national poverty rate (% of total population)	55.5%
GNI per capita, 2019 (USD)	6,040

Project description *Backyarding* refers to the practice where (typically) the original house is retained as is, and the owner rents out backyard space to one or more tenants. Renting out extra yard space generates additional income for landlords, many of whom are often low-income earners themselves.

One modality involves renting out backyard space to tenants wherein they are required to build their own shacks (rooms). As far as backyard rentals go, such an arrangement is on the informal end of the spectrum. Tenants pay the landlord a monthly land rent, and use materials depending on their income and affordability levels. Access to basic services (water and electricity) can sometimes be a challenge in such arrangements.

A second modality is one where the owner himself/herself builds the backyard rental units (sometimes called micro-flats) – these are one or more blocks comprising multiple rooms, each of which is rented separately. These type of backyard rentals are of better quality than shacks, built with durable building materials, finished walls, and access to basic services. Units could have shared or individual bath and toilet facilities; and generally have a separate electricity meter for each unit.¹¹ The better quality and access to services translates into higher rent for micro-flats than that for backyard shacks.

A third modality is one where the owner demolishes the original structure altogether and builds a new multi-story rental structure, called a boarding house. These are usually two-story buildings with multiple rooms of good quality construction and access to services.

FIGURE 34**3D VIEW OF BACKYARD SHACKS**

Source: <https://journals.sagepub.com/doi/full/10.1177/0956247819895958>.

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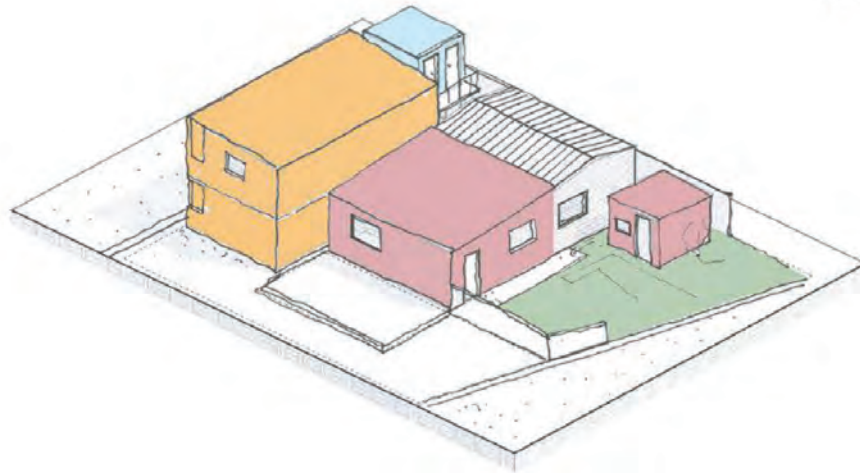
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SOUTH AFRICA: BACKYARD RENTALS

FIGURE 35

3D VIEW OF TWO-STORY MICRO-FLATS

3D VIEW

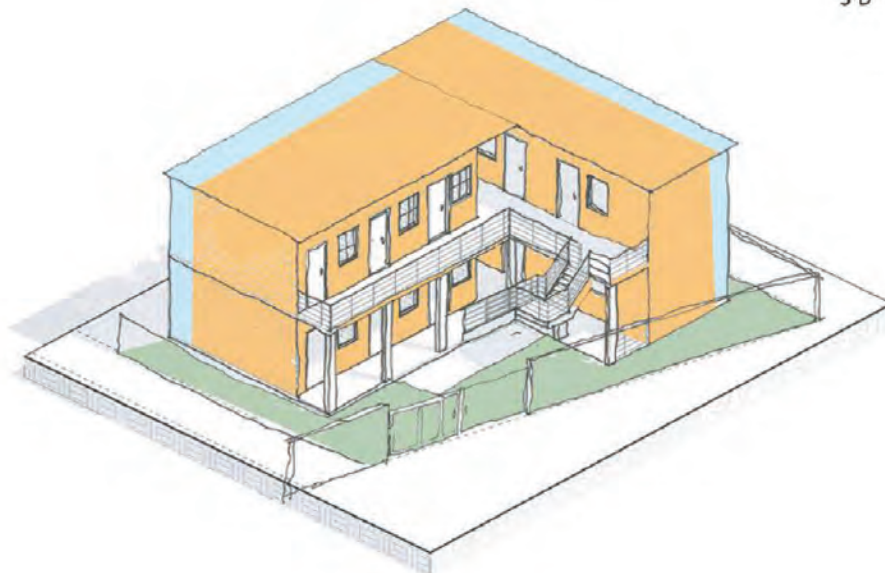


Source: <https://journals.sagepub.com/doi/full/10.1177/0956247819895958>.

FIGURE 36

3D VIEW OF A BOARDING HOUSE

3D VIEW



Source: <https://journals.sagepub.com/doi/full/10.1177/0956247819895958>.

When the practice of *backyarding* started to proliferate in the 1990s, several studies showed that owners were motivated not by profit but wanted to express solidarity with the homeless and excluded black population (Scheba and Turok, 2020). Later studies (since the 2000s), however, show the increasing commercialization of the sector as evidenced by the newer modalities of backyard rentals and the growth of new (small) businesses specifically to support this sector.

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*(continued)***SOUTH AFRICA: BACKYARD RENTALS**

Targeting	<p>Backyard rentals are targeted at a wide range of users, including informal workers, young professionals, and white-collar workers. Tenants' incomes range from below ZAR 1,000 to as high as ZAR 10,000, reflecting the broad appeal of backyard rentals. The different types of backyard rentals cater to the different income and affordability levels of the tenants, including those whose income is between ZAR 3,500 and ZAR 10,000, i.e. too much to qualify for a free government house and too little to affordable market-rate housing. Regardless of income, it is typically single and young adults that occupy backyard rentals.</p>
Subsidy features	<p>At present, there are no subsidies for the practice of backyard rentals, since it is a market-based intervention and not regulated by any policy or law. There is, however, municipalities – such as the Khayelitsha Planning Council – are beginning to recognize the need for backyard rental development.¹²</p> <p>Although there is no subsidy (to landlords or tenants) for backyard rentals, many of these units are built on plots that households have received for free through the government's RDP program.</p>
Project sustainability	<p>Depending on the modality of the backyard rental, there are various types of landlord-tenant relationships. For example, in the case of backyard shacks, tenants are responsible for the construction and maintenance of their own structures. In the case of micro-flats and boarding houses, which are more commercial arrangements, landlords are responsible for construction and maintenance. In micro-flats, the owner lives in the original house on the same plot, whereas in boarding houses, the owner lives elsewhere and appoints a caretaker who lives in one of the rental units.</p> <p>While backyard shacks are an informal arrangement, the other two modalities typically include lease agreements between tenant and landlord.</p>
Key reasons for success	<ul style="list-style-type: none"> • Market-based solution that accurately identifies and targets customer demand. Backyard rentals plug in the housing gap, and offer an in-between solution for those who are not eligible for free government housing, but also cannot afford market-rate housing. There is high demand for these, as evidenced by the rapid growth of the sector in the last two decades. Furthermore, demand comes from diverse segments, as evidenced by the different types, quality, and price points of backyard rentals. • The backyard rental industry has supported the proliferation of many small businesses that support sector growth. Recognizing the viability of the business proposition (of backyard rentals) and with the goal to help landlords and tenants overcome the challenges they face, several small businesses have sprung up in recent years. For instance, Bitprop provides an end-to-end solution for landlords and tenants, improving access to finance, securing land title, assisting in the design and construction process, signing on tenants, and managing the property.¹³ Other companies include isiDuli¹⁴ and Xtenda¹⁵ that are improving access to finance for owners.
Limitations/ Constraints/ Lessons learned/ Scope for improvement	<p>The backyard rental sector has been growing rapidly in recent years and has the potential to help meet the government's objectives related to poverty reduction, densification, and quality affordable housing. Despite its positive impacts, the sector is not regulated nor does it receive any government support. As such, it faces certain challenges that prevent scaling up of the model:</p> <ul style="list-style-type: none"> • Limited access to capital to build rental units. Owners typically use their savings, sell assets to get started, participate in savings groups, borrow from family members, or take personal loans from banks to finance backyard rental development. However, interest rates are high at 22%, so owners generally prefer to not use debt. As a result, backyard rental development is often done incrementally, one rooms at a time, resulting in a haphazard appearance.

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SOUTH AFRICA: BACKYARD RENTALS

- **The construction process is fraught with difficulties.** Few owners have construction experience, so the process gets split into smaller components thereby lengthening the construction time and cost. For example, although owners usually hire contractors to oversee construction, they buy building materials directly (which would typically be done via a building contractor). Depending on the owner’s financial situation, construction could take anywhere between two months and several years.
- **Unreliable construction quality.** Although there are official City Council laws regarding land use planning and building standards, few landlords follow those. From their perspective, building codes and permitting processes is costly and time-consuming. As a result, it is unclear if backyard rentals are structurally safe. Since the municipality does not have the capacity to monitor or enforce regulations, these issues mostly go unaddressed.

CALIFORNIA, USA: ACCESSORY DWELLING UNITS (ADUS)

Context

With social housing programs and naturally occurring affordable housing (NOAH) unable to meet housing demand, housing costs have spiraled in the US in recent years, especially so in coastal cities. At the same time that millions are *under-housed*, single-family zoning in most cities led to a situation where millions others being *over-housed*. Recognizing the need to explore non-traditional housing types, governments are increasingly targeting the potential of under-utilized land on single-family lots all over the country.

Accessory dwelling units (ADUs) have proliferated across the US in recent years, and can help achieve policy goals related to creating new affordable housing, reducing carbon emissions, and promoting resilient infrastructure.¹⁶

ADUs are especially popular on West coast where housing affordability is a severe challenge,¹⁷ and California has been the frontrunner in the US. Inspired by regulatory changes in Cascadia (i.e. Portland, Seattle, and Vancouver), California’s state and city governments have been loosening restrictions on ADU construction since 2016. The most recent changes, effective January 01, 2021, further reduced barriers, streamlined approval processes, and expanded capacity to build more ADUs.

Key figures:¹⁸

Total population, 2019	328.24 million
Urban population (% of total)	82.46%
Poverty ratio at national poverty rate (% of total population)	N/A
GNI per capita, 2019 (USD)	65,850

Project description

“An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e. detached) single-family home.”¹⁹

Referred to by many names – granny flats, secondary suites, and in-law units, to name a few, ADUs have several variations:

- Detached: separated from the main structure
- Attached: attached to the primary structure
- Converted existing space: space (such as a garage or storage area) on the lot that is converted to an independent living unit
- Junior ADU: Conversion of an existing space that is contained entirely within an existing or proposed single-family residence²⁰

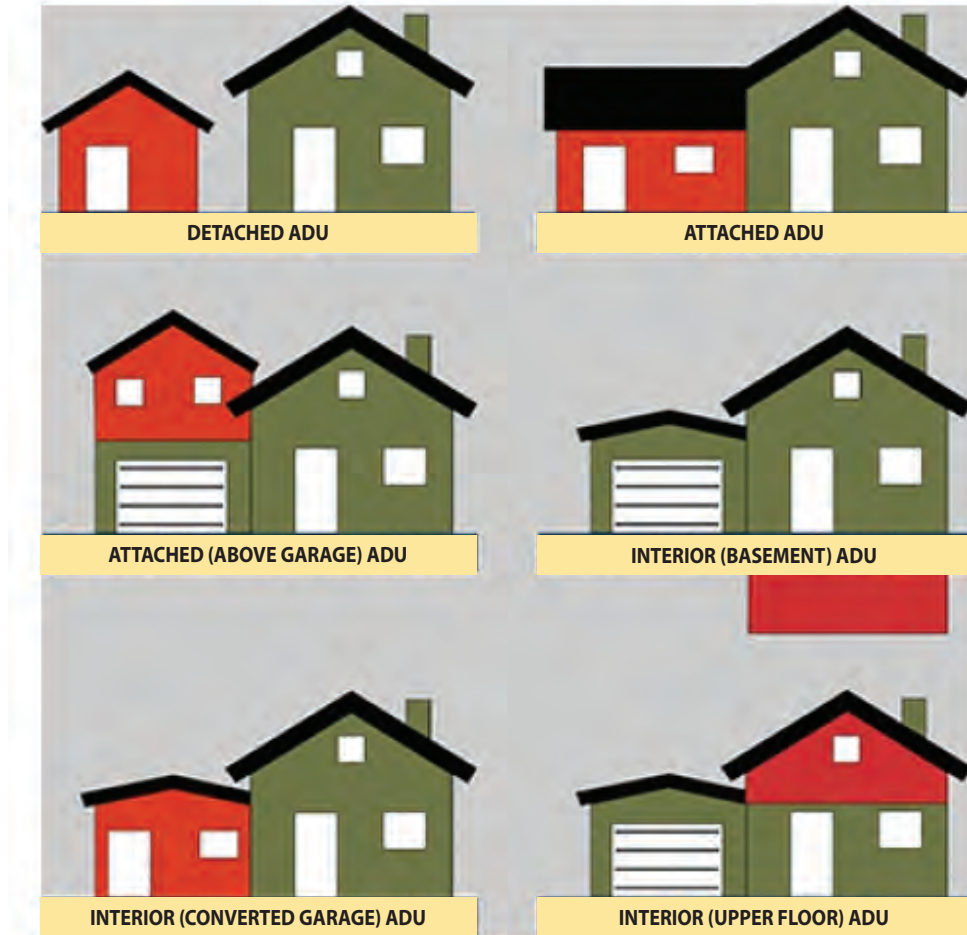
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CALIFORNIA, USA: ACCESSORY DWELLING UNITS (ADUS)

FIGURE 37

THE MANY SHAPES AND SIZES OF ACCESSORY DWELLING UNITS (ADUS)



Source: The ABCs of ADUs²¹.

People have been building ADUs for decades; the difference is that they were not in keeping with zoning codes (and several still are not). However, changing regulations are encouraging more people to build ADUs and to build them better and safer.²²

Targeting

Although there is no specific targeting or eligibility for ADUs, they are most popular amongst singles and couples, followed by adult children and senior citizens.²³

Subsidy features

Responding to the tremendous interest and demand for ADUs, governments across the country are beginning to offer financial incentives and subsidies. At present, however, there is no federal subsidy for ADUs. Some of the local and state subsidies include:²⁴

- **ADU Forgivable Loan Program, Santa Cruz County:** Provides loans of up to USD 40,000 to homeowners who rent an ADU to a low-income household at an affordable rent for up to 20 years.
- **Junior Unit Initiative Program, City of Napa:** Provides homeowners with technical assistance and up to USD 50,000 of below-market forgivable financing for converting or creating a JADU and renting it to a low-income tenant at an affordable rate.

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CALIFORNIA, USA: ACCESSORY DWELLING UNITS (ADUS)

- **Basement Apartment Conversion Pilot Program, New York City:** Provides homeowners with low-interest, no-interest, or forgivable loans and technical assistance to convert their basements into safe apartment-style JADUs.
- **ADU Loan Program, City of Boston:** The program grants no-interest loans of up to USD 30,000, and has set aside USD 650,000 to promote the construction of ADUs.

However, at this time, subsidies are targeted at homeowners to encourage ADU construction. There are no subsidies for tenants, to reduce the rent payment burden, but some municipalities are permitting tenants to apply other (existing) rent subsidies. For example, through the Backyard Homes Project, Los Angeles allows Housing Choice Voucher (HCV) recipients to rent ADUs.

Project sustainability

Although ADUs are not a silver bullet to California’s housing crisis, they have the potential to make a dent in it. A 2020 UCLA study estimates that enabling state legislation had created the potential to build nearly 1.5 million new ADU housing units.^{25, 26}

As a result of changing regulations, there was a nearly three-fold increase in ADU permits in the state between 2018 and 2019, from 6,000 to 16,000. In the same period, ADU completions increased 3.5x from 2,000 to 7,000 (Chapple, et al, 2020). These changes are not confined to California alone; other state and city governments across the country are also enacting laws to enable and encourage ADU development, albeit slower than California.

FIGURE 38

TYPES OF ADUS



Source: Accessory Dwelling Unit Handbook, California Department of Housing and Community Development, December 2020.

Key reasons for success

- **(Additional) source of income for homeowners.** Research by the Turner Center has shown that supplemental income is one the biggest motivating factors for homeowners to build ADUs. This is especially true for low-income homeowners.
- **Enables extended families to live together.** Another motivating factor for homeowners to build ADUs is to house family members. ADUs provide the flexibility to allow extended family members to live together while maintaining their own privacy, be it parents, adult

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CALIFORNIA, USA: ACCESSORY DWELLING UNITS (ADUS)

children, or caregivers. Additionally, ADUs allow senior citizens to age in place while they rent out the main house (that they lived in previously), and are cheaper than senior living facilities.

- **Rise in companies providing specialized services for ADU construction.** Spurred by an enabling regulatory environment and increasing demand for ADUs, several new companies have sprung up in recent years. The companies' goals are to address the challenges in the ADU delivery chain, and they provide services covering design, engineering, permitting, and construction. Examples include: Abodu, Habitat ADU, Mighty Buildings, and Cover.²⁷
- **Limited access to finance for low- and moderate-income homeowners.**²⁸ The bulk of ADUs in the Los Angeles (LA) area have been built by low- and moderate-income homeowners in low-resource areas. These homeowners have limited access to cash savings and cannot leverage home equity. To help address this issue, the Turner Center recommends that “the federal government create ADU-specific construction lending programs.”

**Limitations/
Constraints/
Lessons learned/
Scope for
improvement**

GERMANY: SUBSIDIZED HOUSING

Context

The social housing sector in Germany has followed, in large part, trends observed in other European countries – broad targeting in the 1950s and 60s to alleviate the general housing shortage, delegation from national to provincial and local governments over time, and the gradual reduction of subsidies. The key difference is that the German social housing system is not linked to a particular type of provider, but is instead based on the provision of subsidies (to all types of providers) in exchange for the use of a dwelling as social housing for a specific period of time (Pittini and Laino, 2012).

The transfer of social housing to private landlords and time-limited subsidy programs has resulted in a gradual depletion of social housing stock. At present, there are roughly 1.12 million social housing units in Germany, representing less than 3% of the total housing stock. These are units that are within the lock-in period and are therefore subject to rent and income limits. There are another nearly 4 million municipal and cooperative housing units that are not within the lock-in period, but generally continue to contribute to affordable (not necessarily social) housing stock in the country.²⁹

Key figures:³⁰

Total population, 2019	83.1 million
Urban population (% of total)	77.4%
Poverty ratio at national poverty rate (% of total population)	14.8%
GNI per capita, 2019 (USD)	48,600

Project description

With increasing decentralization over the years, provincial and local governments are responsible for social housing provision in Germany, while the national government sets the policies and provides housing allowances. With provincial and local governments implementing different programs, social housing models vary across the country. Therefore, the term generally refers to the provision of a public subsidy to housing providers that let dwellings to eligible households under regulated conditions for a fixed period of time.³¹

The public subsidy typically takes the form of grants or tax relief, which covers the gap between the rent (or mortgage) payment and cost rent. In exchange for public financial support, developers rent the dwellings as social housing for a given period of time, based on income and rent ceilings decided by the government. This lock-in period is traditionally 30 years, but has been reduced in recent years to as little as 12 years in some instances. Dwellings become part of the private rental market at the end of the lock-in period and can be rented out at market rates.

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*(continued)***GERMANY: SUBSIDIZED HOUSING**

Social housing used to be provided by an institutionalized nonprofit sector, but it was dissolved in 1989, and social housing owned by municipalities was transferred to private market-oriented owners (Pittini and Laino, 2012). At present, social housing providers include municipal housing companies, cooperatives, private landlords, as well as commercial developers and investors.

Targeting

Social housing in the post WWII era was broadly targeted and was meant to alleviate the general housing shortage. However, starting in the 1970s, targeting for social housing programs became more narrowly defined.

Target groups have been defined by legislation and include “households who cannot secure themselves with adequate accommodation and need support.” In particular, the policy supports low-income households as well as families with children, single parents, pregnant women, elderly, homeless, and other needy persons.³²

Subsidy features

Given the highly decentralized nature of social housing provision in Germany, it is difficult to provide a comprehensive picture of how it is financed. In general, public subsidies are designed to reduce the upfront capital costs for social housing developers and investors, in exchange for the dwellings being rented out to target groups at discounted rents on a temporary basis.

Supply-side subsidies have reduced over time, as has the lock-in period, leading to a reduction of social housing stock – from 19 percent of total housing stock in 1968 to less than 3 percent at present (Kofner, 2017). At the same time, government focus has shifted to demand-side subsidies, in the form of housing allowances/benefits.

Eligibility for housing benefits is determined on the basis of household size, household income, and the amount of rent or mortgage that qualifies for support. Households living in social housing as well as privately rented units are eligible for housing benefits (Droste and Knorr-Siedow, 2007).

Project sustainability

Declining subsidies have led to a shrinking of the social housing sector, especially in recent decades as new production has fallen and the number of social housing units leaving the lock-in period is higher than construction of new units. This decrease in social housing most acutely affects low- and middle-income households in big cities with tight housing markets such as Munich and Berlin. The tightening of rules governing social security and housing benefits payments has also increased the rent burden on many. As a result, there is increasing pressure for higher investment in social housing production across the country.

Key reasons for success

Social housing built in West Germany until the 1980s was generally known for its high quality, generous sizes, and broad targeting. However, social housing production has fallen drastically since the 1990s, with the sector losing roughly 100,000 units per year in the two decades thereafter. With the challenges around housing affordability and inclusive growth, the current regime of social housing provision is woefully inadequate to meet social housing needs in the country.

Limitations/ Constraints/ Lessons learned/ Scope for improvement

Socio-spatial segregation in social housing projects. Driven by the idea that social housing should provide for a majority of the population, projects built in the early years had a good social mix. In fact, well-located projects in high-growth cities continued to be attractive places to live in even for those whose incomes increased over time. At the same time, estates built in the 1960–70s or on urban peripheries were less desirable, and saw an exodus of the better-off residents. Misguided laws³³ and private landlords’ cherry picking of ‘desirable’ tenants further compounded socio-spatial segregation in social housing. Today, social housing in inner city locations in economically strong regions have only a minority of legally eligible residents, while that in stigmatized areas struggle with socio-economic problems accompanying segregation (Droste and Knorr-Siedow, 2007).

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GERMANY: SUBSIDIZED HOUSING

Recent increase in federal support is helpful, but far from enough to meet the estimated need. Increased financial assistance from the federal government helped increase social housing stock (new construction and renovations) in the 2016–2019 period; and the government also made changes to the constitution in 2019 to boost the supply of social and affordable housing. The Federal Association of German Housing and Real Estate Companies (GdW) estimates that 80,000 new social housing units are needed each year; the 25,600 units built in 2019 fall far short of that goal. Looking at current trends in social housing production, the government will need to provide significantly more funding to meet GdW estimates of social housing.³⁴

¹ Hamilton, et al, May 2018.

² Especially in urban areas in the north, close to the Syrian border.

³ Which were home to more than 25 per cent of registered Syrians in Jordan in 2015.

⁴ <https://data.worldbank.org/country/jordan>.

⁵ NRC adopted Sphere standards related to water, electricity, sanitation, ventilation, access to basic services and markets, and protection from the elements to determine suitability.

⁶ <https://www.internal-displacement.org/sites/default/files/inline-files/20150325-global-home-sweet-home-case-studies-en-case1-Incremental-housing.pdf>.

⁷ A Guide to Regulations governing Upgrading and Construction of Residential Properties in Irbid: Facilitating Improved Housing Responses for Syrian Refugees, March 2014.

⁸ By households themselves or by contractors/small builders hired by them.

⁹ Statistics South Africa.

¹⁰ <https://data.worldbank.org/country/south-africa>.

¹¹ Electricity is supplied by hooking up to the main house or to a nearby utility pole; sometimes, owners follow formal procedures to get an electricity connection for backyard rental units.

¹² <https://housingfinanceafrica.org/documents/innovations-in-backyard-rental-models-for-the-2020s/>.

¹³ <https://www.bitprop.com/>.

¹⁴ <https://vc4a.com/ventures/isiduli-financial-solutions/>.

¹⁵ <http://www.xhf.co.za/>.

¹⁶ <https://www.boston.gov/departments/neighborhood-development/addition-dwelling-units>.

¹⁷ <https://www.bloomberg.com/news/articles/2018-01-16/the-rise-of-the-backyard-granny-flat?sref=QFCZ3YPm>.

¹⁸ <https://data.worldbank.org/country/united-states>.

¹⁹ <https://www.planning.org/knowledgebase/accessorydwellings/>.

²⁰ Accessory Dwelling Unit Handbook, California Department of Housing and Community Development, December 2020.

²¹ <https://www.aarp.org/content/dam/aarp/livable-communities/livable-documents/documents-2019/ADU-guide-web-singles-071619.pdf>.

²² <https://www.bloomberg.com/news/articles/2018-01-16/the-rise-of-the-backyard-granny-flat?sref=QFCZ3YPm>.

²³ <https://www.bloomberg.com/news/articles/2021-03-25/can-granny-flats-fill-california-s-housing-gap>.

²⁴ 'Reaching California's ADU potential: Progress to Date and the need for ADU Finance,' Terner Center for Housing Innovation, August 2020.

²⁵ <https://escholarship.org/uc/item/8gh2x0tj>.

²⁶ This figure might have increased since publication, since California enacted sweeping new legislation in January 2021, six months after the publication of this report.

²⁷ <https://www.bloomberg.com/news/articles/2021-03-25/can-granny-flats-fill-california-s-housing-gap>.

²⁸ 'Reaching California's ADU potential: Progress to Date and the need for ADU Finance,' Terner Center for Housing Innovation, August 2020.

²⁹ The State of Housing in Europe 2021, Housing Europe.

³⁰ <https://data.worldbank.org/country/Germany>.

³¹ "Social housing: A key part of past and future housing policy", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, <http://oe.cd/social-housing-2020>.

³² Law on State Funding of Housing and Housing Construction (Wohnraumförderungsgesetz, WoFG).

³³ Such as rent increases to induce those with higher incomes to leave social housing, and free letting for all income groups from the late 1990s onwards.

³⁴ The State of Housing in Europe 2021, Housing Europe.

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