

PANEL ONE—Scaling Up Social Housing

Eva Bauer, Head of Housing Economics, Austrian Federation of Limited-Profit Housing Associations

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Ines da Silva Magalhães, former Minister of Cities, Brazil

Moderator: Enrique Silva, Director, International and Institute-Wide Initiatives, Lincoln Institute of Land Policy

Housing in Austria

Boston Initiative on Cities
Meeting the Challenge: Global Innovations in Urban Housing
Conference April 2019

**Eva Bauer/Österreichischer Verband gemeinnütziger
Bauvereinigungen**

Austrian Federation of Limited Profit Housing Associations



AUSTRIA in a NUTSHELL



- Small country in the center of Europe
- 8.960 million inhabitants; (1/2019); + 4% last 5 Years; 84,000 km²
- Capital: Vienna; 1.9 million inhabitants (1/2019); +7,5% last 5 years
rank 6 in the European Union
- EU-member since 1995
- Republic since 1918; 9 federal provinces
- Actual government: Conservative Party + Right Wing Populists
- Wealthy country; GDP/capita 20% above EU-15 level
Consumers' expenses 10% above EU-15 level
- Settlement Patterns: predominance of urban center +
predominance of thinly populated areas
- „Extern Qualification“:
Corporatist Welfare Regime/Unitary Housing Regime (large integrated rent sectors)

} Recent trend: urban
centers gain weight





Vienna ... past times and today,
different providers



Housing in Austria outside the big cities:
old forms and new compact housing



HOUSING in AUSTRIA: Key Features



- **Low share of owner occupation (< 60%)**
 - ⇒ low level of private households' debt; low risk in financing of housing
- **Public Sector (Municipality Housing)**
- **Limited Profit Sector - Third Sector beyond Market and State**
- **Housing Promotion: Housing Subsidies on a broad base (Non-residualized)**
 - ⇒ subsidized housing open for all until 1970; since then for 60 – 80% of population
 - ⇒ high share of subsidized housing including home ownership (long term average about 50% in new construction since 1950)
- **Subsidization: comparatively low level of public expenditure; persistent model,**
 - ⇒ bias on object-related subsidies
 - ⇒ 0,5% of GDP for object related subsidies (predominant: soft loans generating repayments)
 - ⇒ 0,1% of GDP for individual subsidies (Housing allowances)
- **Comparatively intense rent control in the private rental sector**
 - ⇒ But several steps of liberalisation since 1982/1994 (new contracts are quasi-market rents); old contracts remain in old regulation



High share (20%+)



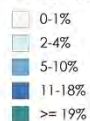
HOUSING in AUSTRIA Long Term Outcome



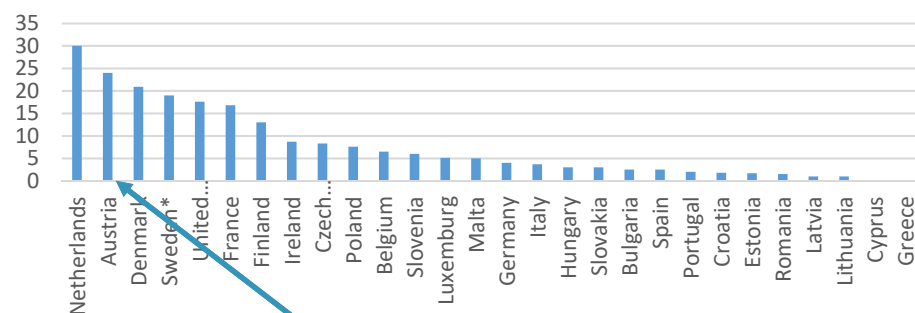
- **Low share of housing of consumers' expenditures/income**
(2017: 18,9% of expenditure without energy; 18 – 22% rent share of income)
 - ⇒ But rising – especially for young households in rental accommodation
1995 20 % below EU-average – today 10% below
- **No Real estate crisis 2008/2009**
(no bursting house price bubble and consequences)
 - ⇒ On the contrary: Investors are driven toward real estate because of the lack of investment alternatives
 - ⇒ Strong price increases in Vienna and other metropolitan areas after 2008
- **Mixed Neighbourhoods; „Social housing“ is not stigmatised**
- **Provision of affordable accommodation is „business as usual“**
- **Benefits for Private (old) tenements:**
Upgrading + rent increases as side effect of subsidised housing supply
- **High level of housing production**



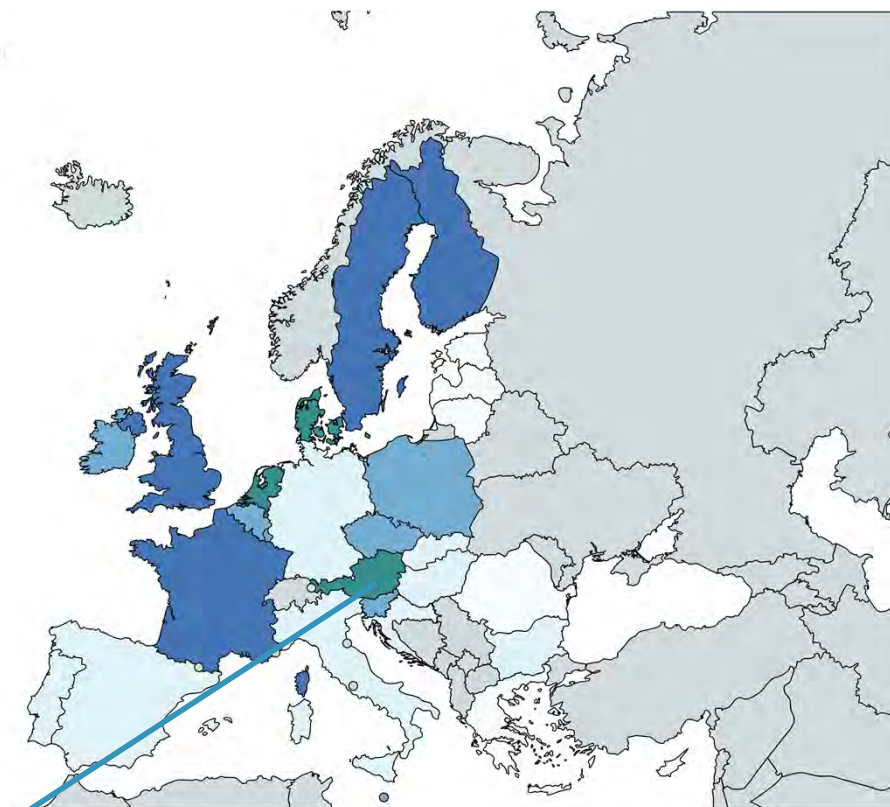
Percentage of social housing



Social rental housing as a share of total housing stock, EU 28 (2017)



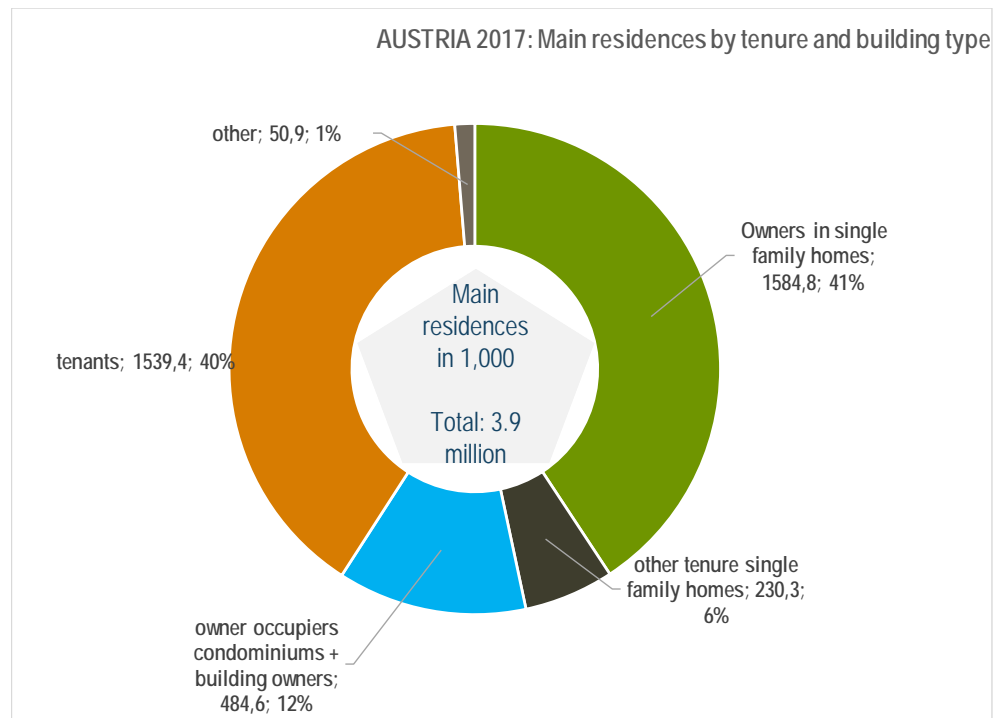
Created with mapchart.net ©



AUSTRIA



HOUSING in AUSTRIA : Housing Typology



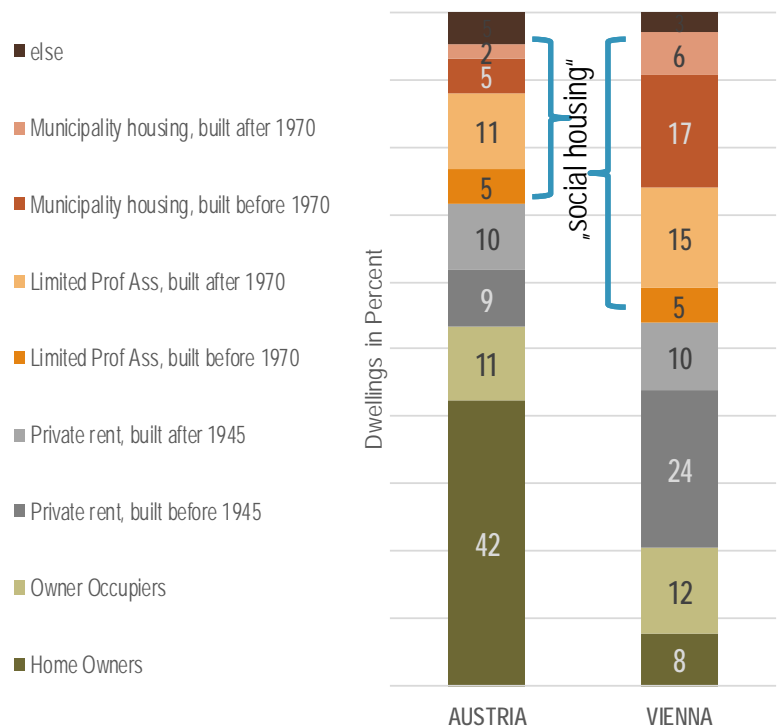
- 43% tenants = Rank 3-4 in Europe;
recent trend: increasing
- High share of single family homes – detached housing predominant
recent trend: decreasing
- Average share of accommodation in bigger housing blocks (10+ dwell)
- Low share of owner occupiers in condominiums (introduced 1948)
trend: stable
predominant outright ownership





HOUSING in AUSTRIA/VIENNA: Providers – Tenure – Legal Framework – Housing Promotion

MAIN RESIDENCES 2017
by PROVIDER, TENURE and BUILDING PERIOD



Private Landlords: few companies/inst.; majority private persons; before 1945: building owners; after 1945: owner occup.

Municipality Housing: rental housing provided by local authorities

Limited Profit Housing: rental housing + housing for sale by private bodies working under non-profit regulation

Rent Regulation

General relations between tenants and landlords
Rent ceilings for stock built before 1945

Condominium Law

General relations between co-owners and obligation for administration

Provincial Promotion Schemes

Subsidisation – Building Quality – Entitled Providers -Target Population

Housing in Austria/Vienna: Actors – Institutions – Instruments in loose historical order of emergence



Private Landlords
[tenement owners] in
cities
Since ever

[Rural] tradition of
individual home building
Later mixing with
suburbanisation

[Limited Profit] Coops
and Companies,
from 1900;

Housing Promotion and
Limited Profit regulation
from 1910;
national

Rent Regulation
from 1920
national

Municipality [Public]
Housing
from 1920
Local

Owner Occupation in
Condominiums from 1948

Housing Promotion –
Intensified from 1950
national => regional

Private Landlords – New
Type [Owner Occupiers]

Planning,
land
regulation,
zoning
Local /
regional



185 Limited Profit Providers today

Type of organisations:

Co-operatives
Limited companies
Joint stock companies

Owners and shareholders:

Private persons (co-operatives)
Co-operatives as owners of limited companies
Local authority (Municipality, federal province)
Body of interest representation (unions, chambers, churches)
Banks and insurances, others

Average Provider: manages **4.450** dwellings (1970: 860),
biggest group: 50.000 dwellings
new construction: **100** dwellings per year

Roots of today's organisations:

Co-operatives (self help)
Staff-Housing Companies
Outsourced Public Housing



Different customers,
target groups,
beneficiaries



HOUSING in AUSTRIA: Regulation of Limited Profit Housing



DIE
GEMEINNÜTZIGEN

- Restricted shareholder position – tie-up of assets:
 - limited income on shares (max. 3,5%)
 - assets are bound in the company
- Re-investment of profits
- Limited rents/prices: principle of cost coverage, statutory limits on fees
- Continuous building activities
- Restricted business activities (housing)
- Public approval of limited profit bodies and public supervision
- Specific audit:
 - formal and material examination of annual account („normal audit“)
 - regular audit of business conduct as regards **efficiency, economy and expediency** as well as **compliance** with limited profit housing act
- Exemption from corporation (income) taxes

First Definition + Regulation came along with promotion scheme 1910: subsidies in exchange for limitations

Average rent in LPH vs. Private rent:
Contracts before 1994: + 20%
After 1994: - 20%
Last year: - 25%



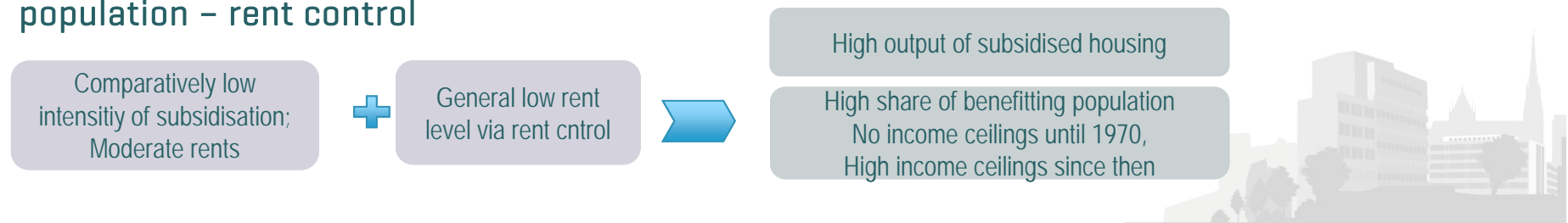
HOUSING in AUSTRIA: Details on Housing Promotion



- Main instruments: „brick and mortar“ subsidies (soft loans; 50% construction costs)
- Background: Very poor housing conditions for majority of population
- Functions:



- Interaction between intensity of subsidisation – quantity of subsidised housing – favoured population – rent control



HOUSING in AUSTRIA: Conclusions in respect to replicability



- The most successful feature – **the interaction between limited profit providers and „open“ promotion/subsidisation** - is not completely replicable ...
- ... because limited profit providers evolved within a certain historical framework;
- But partially there are features which are transferable:
Subsidisation – in exchange for limitations – for housing estates open for a wider range of population ...
- ... which is acceptable/desireable for providers of any type and (future) residents



HOUSING in AUSTRIA: General Debate – Issues, Pros and Contras



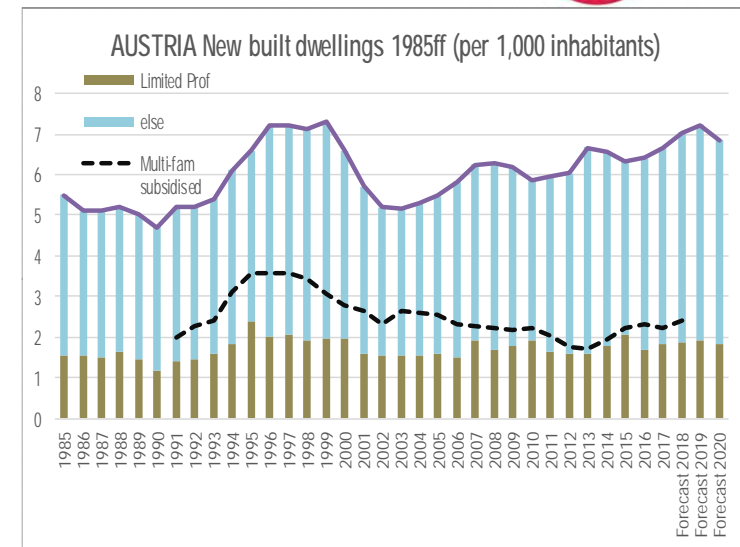
- **Housing promotion + target group: RESIDUAL MODEL vs. BROAD MODEL**
shall we lower income ceilings, increase rents/tax for high-income tenants ...
 - PRO: higher middle-income is overrepresented in new subsidized housing;
 - CONTRA: subsidized ownership is not under discussion,
filter effects (filtering down) in older limited profit stock;
social mix makes subsidized housing desirable, prevents stigmatisation
middleclass trap
- **Object-related subsidies („brick and mortar“) vs. subject related allowances**
 - PRO: Allowances have more accuracy as regards social needs
 - CONTRA: allowances disadvantageous for public spending, problematic in social regard;
little impact on housing production
- **Impact on rents: via rent control or increasing offer**
- **Rent control: too much or too loose**
- **Owner occupation/home ownership vs. rent**



HOUSING in AUSTRIA: Recent Trends + Challenges ...



- **Increasing demand for affordable Housing**
 - Intense immigration (bias on EU-migration, partially refugees)
 - Growing younger population in need for rental accommodation
 - Increasing rents in private sector: + 33% in 8 years (3.6% p.a.)
- **Building boom**
 - due to demand for housing out of demographic reasons
 - parallel: demand of investors for owner occupation housing, partially not designed for permanent accommodation or/and too expensive
- **Consequences + Barriers**
 - High costs of construction: market related factors (overheated building industry), high building standards
 - Lack of land + high land prices due to competition with for profit housing



HOUSING in AUSTRIA: ... and solutions?



- **Building costs:**
 - lobbying for general lowering of standards in new construction (thermic requirements, garages ...)
 - „smaller housing“ programmes
 - compensation via financing: longer maturities of mortgage loans
- **Land:**
 - inclusionary zoning:
 - in some provinces new concepts of mix between non-subsidized and subsidized housing with upper limits for land prices (introduced very recently, no experience)
- **Rents**
 - Diversification of subsidization schemes along different target groups (different levels subsidy-intensity, smaller units, quality ...)
 - „waiting for the market impacts“
 - Debate on rent control



Example of inner city brownfield development Wien Nordbahnhof

10.000 dwellings until 2025; mix of providers, tenure, financing



Scaling up Social Housing in Singapore

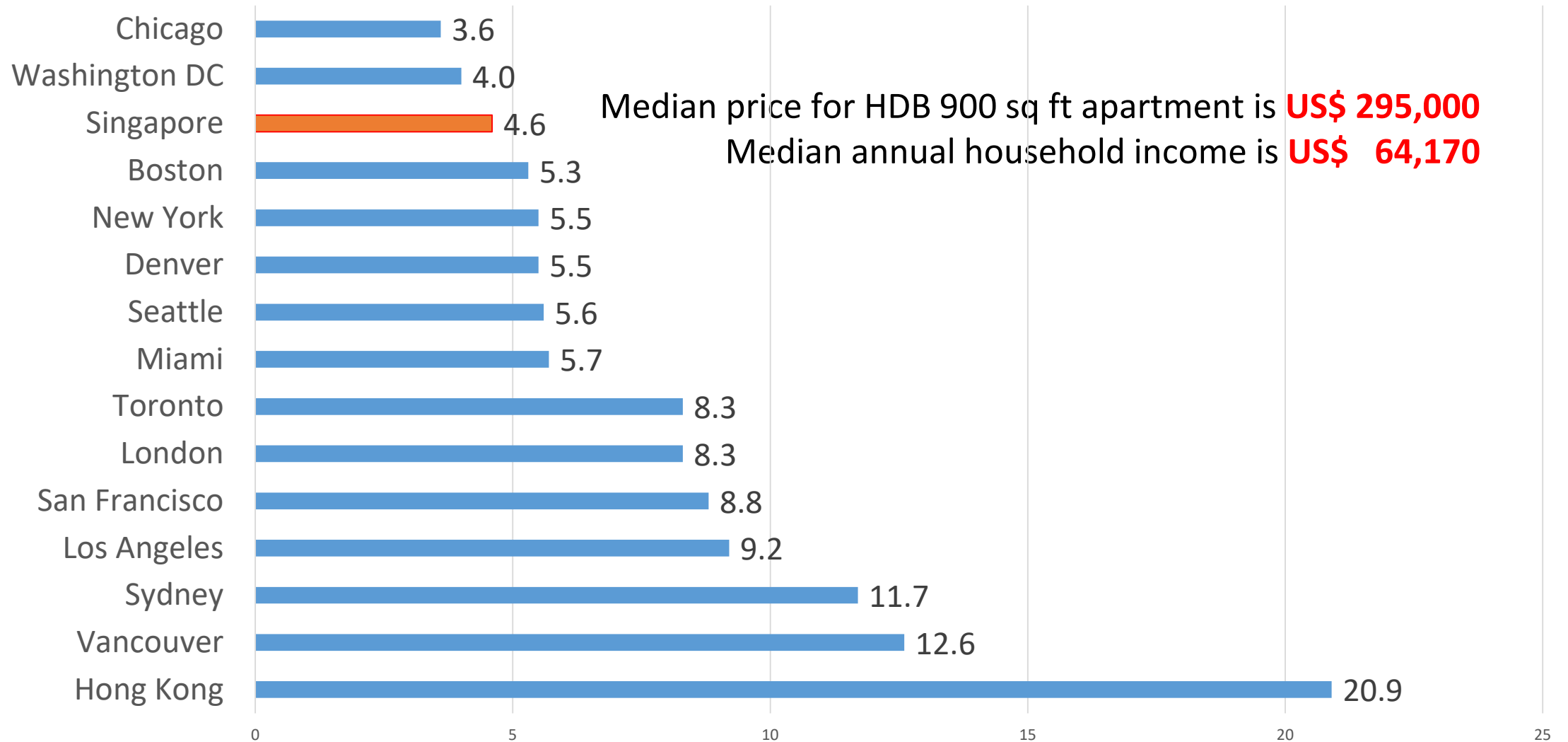
Sock-Yong Phang

Singapore Management University

8 April 2019

Boston University Initiative on Cities

2018 Median House Price / Household Income



Source: Demographia 2019

Mechanism design / Market design Approach

“The theory of mechanism design can be thought of as the “**reverse-engineering**” side of economics.

We begin by identifying our desired outcome or social goal.

We then ask whether or not an appropriate institution (mechanism) could be designed to attain that goal.

If the answer is yes, then we want to know what form that mechanism might take.”

Eric Maskin, Harvard University, Nobel Laureate 2007

Social Goals

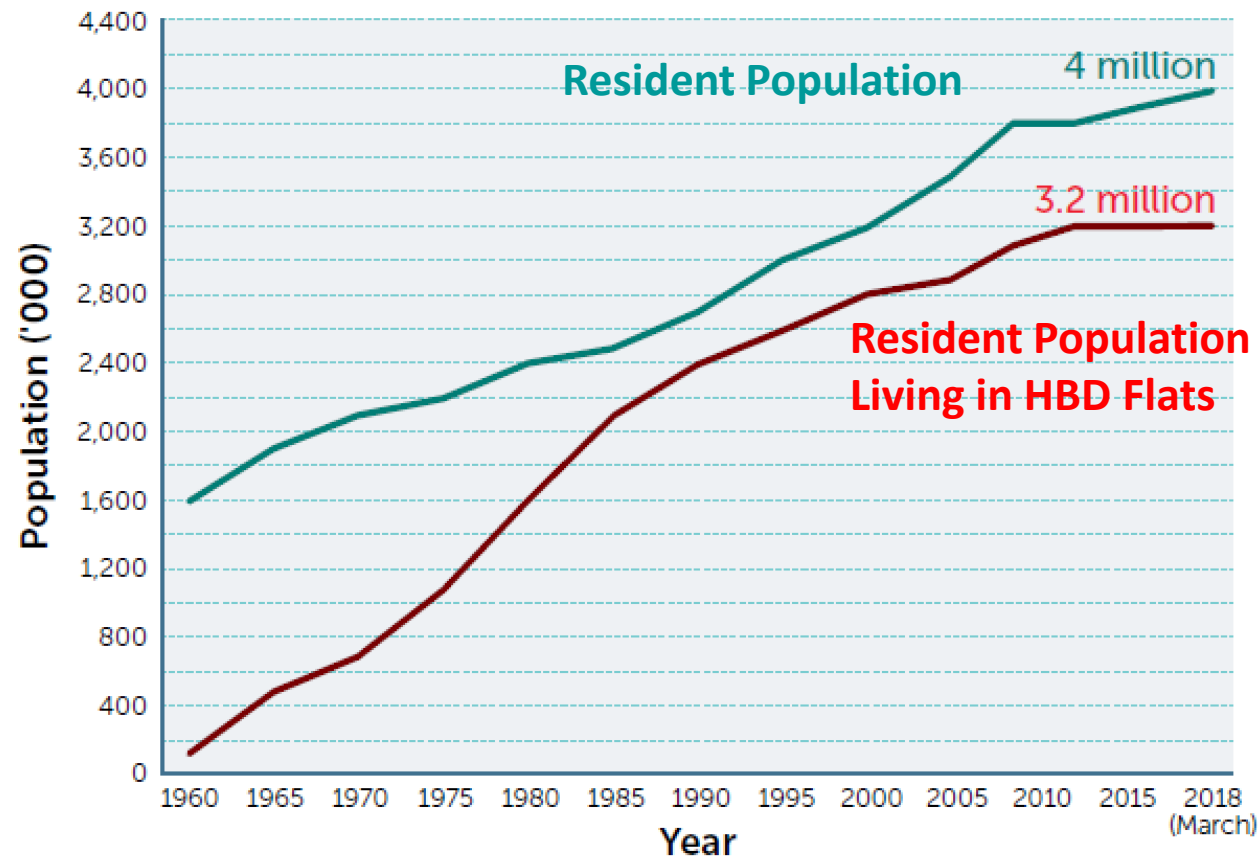
1	1950s	Decent homes with modern amenities for all
2	1960s	A Home Owning Society
3	1970s	An Inclusive Society
4	1990s	Privatisation & Asset Enhancement
5	2010s	A stable and sustainable housing market
6	Throughout	Fiscal prudence for macroeconomic stability

Mechanisms?

Goal: Decent Homes For All



**HOUSING &
DEVELOPMENT
BOARD**

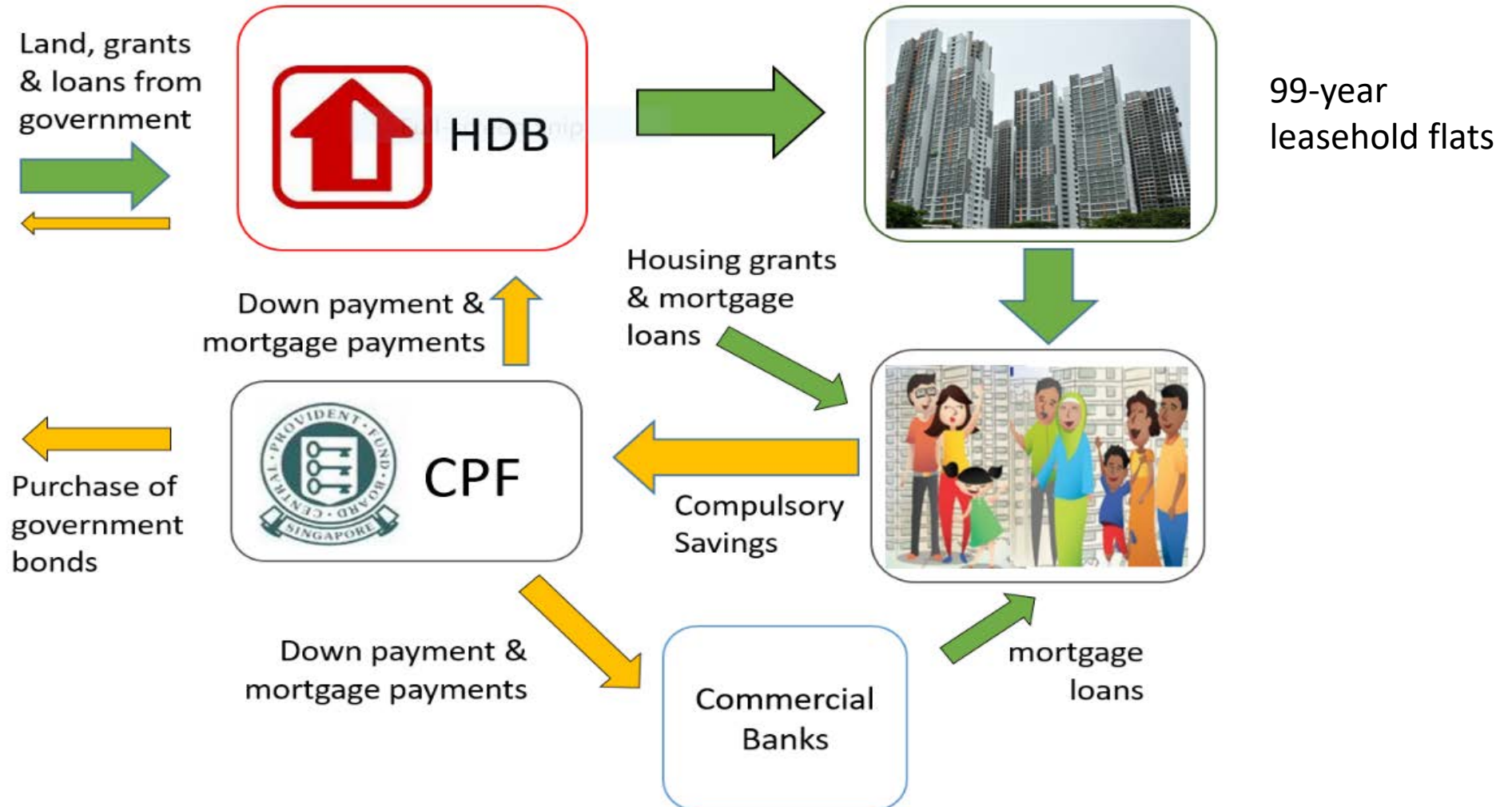


Land policy in “the most Georgist place on earth...”

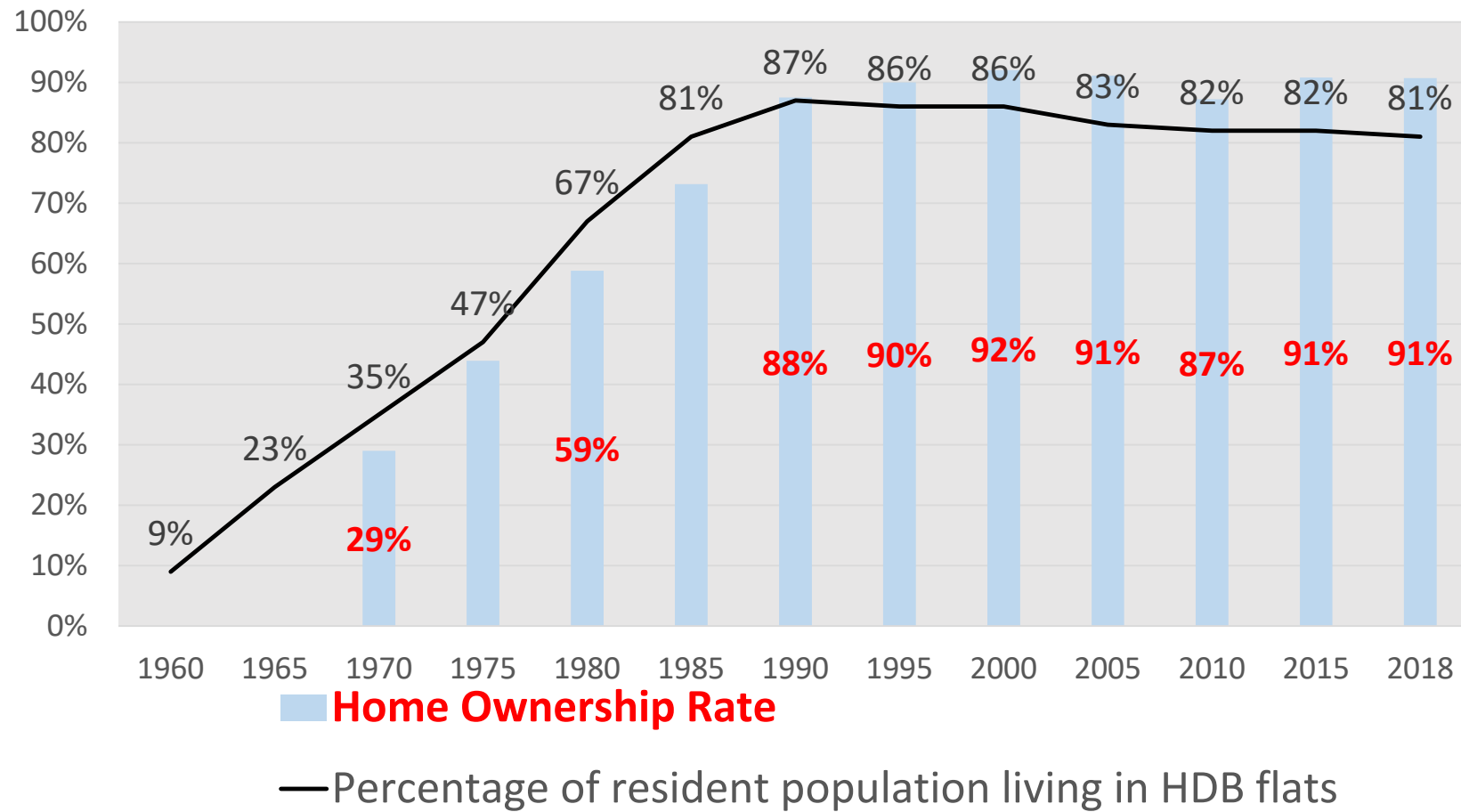
- 1964 Development Charge legislation
- 1965 Singapore Constitution omitted right to property
- 1966 Land Acquisition Act gives state powers to acquire land for
 - (a) for any public purpose;
 - (b) by any person, corporation or statutory board, for any work or an undertaking which, in the opinion of the Minister, is of public benefit or of public utility or in the public interest; or
 - (c) for any residential, commercial or industrial purposes.
- 1973 amendment - government acquires land at value on a date fixed at 30 Nov 1973 ... (at market rates since 2007)
- Land is 90% state-owned

Goal: A Home Owning Society

Central → Housing Provident Fund



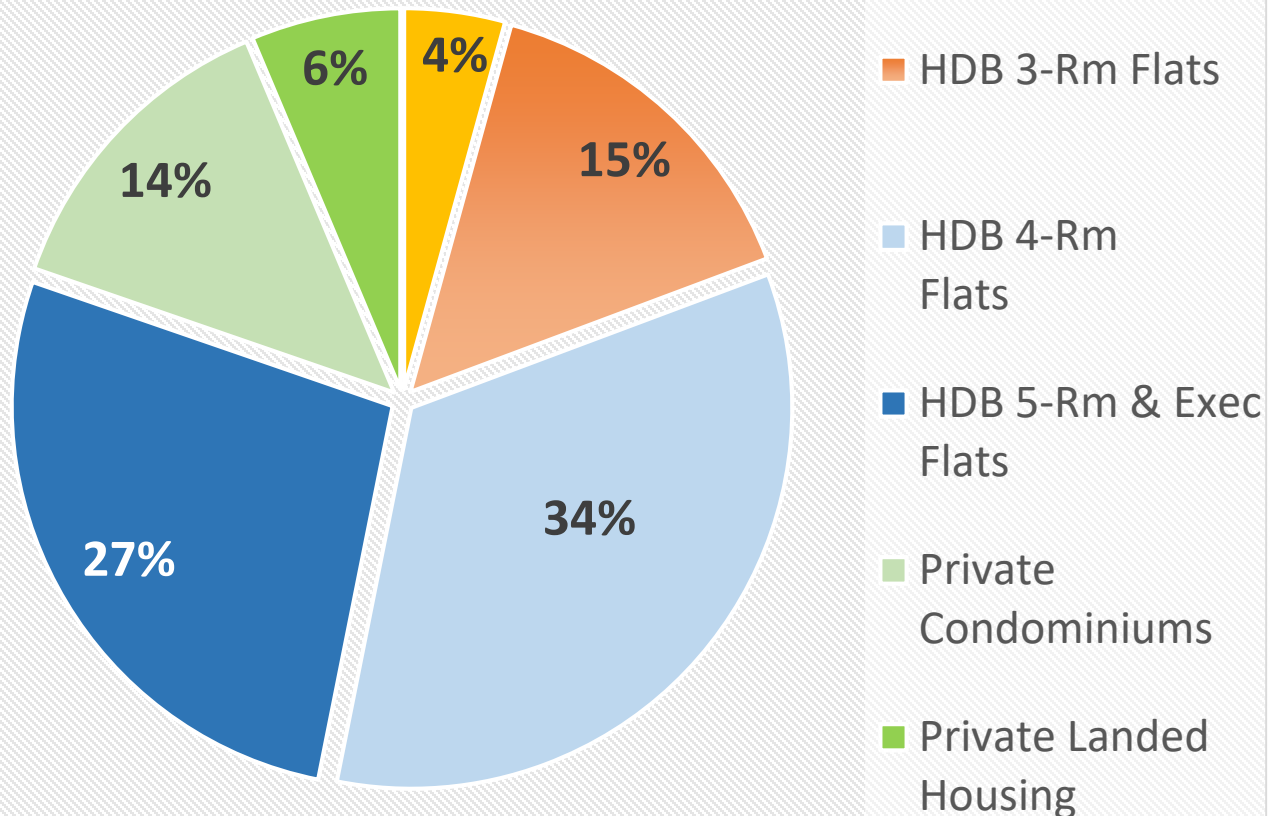
91% Home ownership rate



Goal: No disadvantaged neighborhood

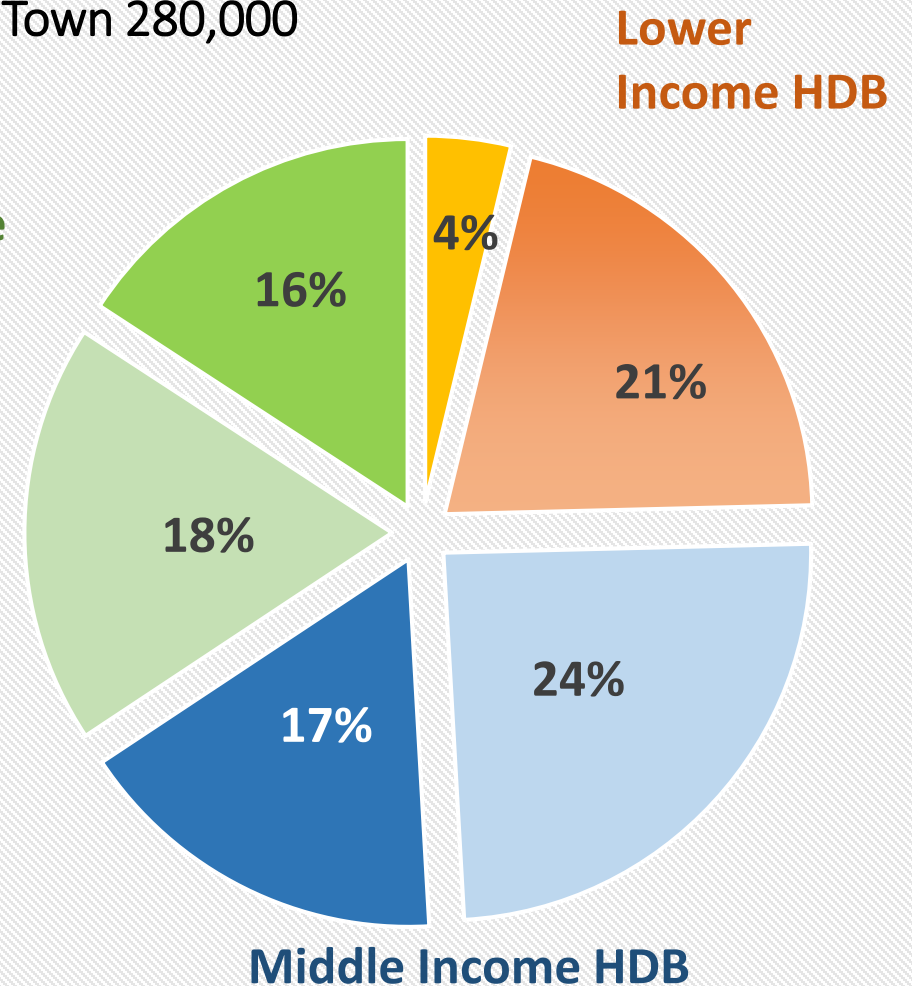
Land use & HDB town planning

Total Population 3.97 m



Bedok Town 280,000

Higher
Income
Private



Goal: No racial enclaves

HDB Ethnic Integration Scheme

	Resident population	Neighbourhood Quota	Block Quota
Chinese	74.3%	84%	87%
Malay	13.4%	22%	25%
Indian and others	12.3%	12%	15%
Singapore Permanent Resident (SPR) HDB Homeowners		5%	8%
Non-citizen and SPR HDB tenants		8%	11%

Goal: Privatisation

1990s

- Rent control phased out completely
- Deregulating the HDB Resale Market
- Radical change in Land Use Master Plan from passive updating to future permitted land use and density (55 Development Guide Plans)
- Executive Condominium Scheme
- Legislation amended to remove gridlock and facilitate private sector en-bloc sale for redevelopment
- Government Land Sales and 3Ps

Government Land Sales and PPPs

Government's Role

- Release state lands sales program every 6 months
 - Confirmed list
 - Reserve list
- Regulate land development:
 - Detailed planning
 - Zoning regulations
 - Detailed sales conditions



Private Developer's Role

- Purchase land for
 - Commercial
 - **Residential**
 - Industrial
- Design, build, sell developments while abiding by planning rules, regulations, and sales conditions

Reference: <https://www.clc.gov.sg/research-publications/publications/urban-systems-studies/view/public-private-partnership-in-real-estate>

Methods of PPP

Single-use site

White site – Mixed Use

Fixed price – Best proposal

Two Envelope Tender System
(concept and price)

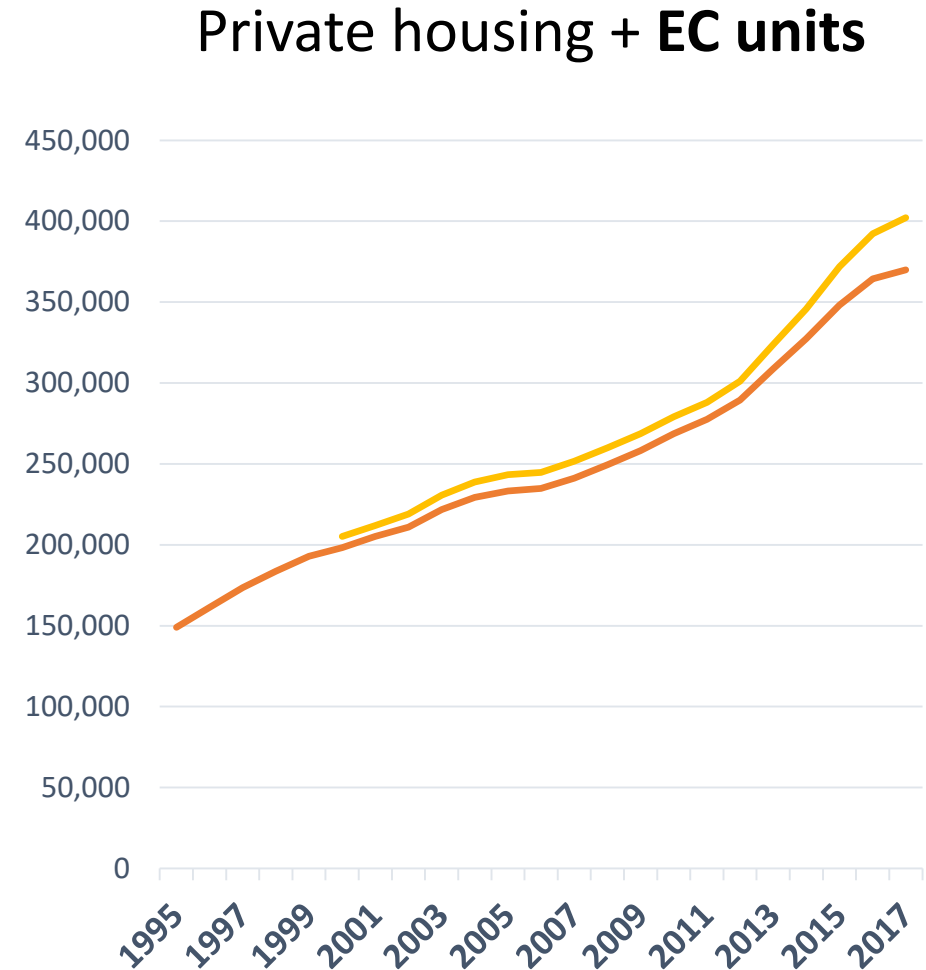
Master Developer – Large Scale Dev

Master Plan Proposals

Sources: <https://www.clc.gov.sg/research-publications/publications/urban-systems-studies/view/public-private-partnership-in-real-estate>;
<https://www.ura.gov.sg/Corporate/Land-Sales>

Executive Condominium Scheme 1996

- 3Ps GLS - Private developer
- household monthly income ceiling US\$10,300
- Minimum Occupation Period – 5 years
- 5th – 10th year: Buyer must be Singaporean or PR
- After 10th year, **considered private properties**



Transformation through 3Ps

1960s: CBD, General Post Office,
sea, Singapore River and Anderson
Bridge

Today: Marina Bay Sands, Marina Bay
Reservoir, MBFC, Fullerton Hotel,
Singapore River, Anderson Bridge

Draft Master Plan 2019

CBD Incentive Scheme

Goal: encourage conversion of office developments to mixed uses that will include hotel and residential

Incentive: increase in plot ratio

Conditions: at least 20 year old development; intensification or lease top-up will be subjected to development charge/ differential premium

Strategic Development Incentive Scheme

Goal: encourage redevelopment of older commercial or mixed-use buildings in strategic areas

Incentives: increase in gross plot ratio & flexibility on other development controls

Conditions: redevelopment proposal should include a minimum of 2 adjacent sites; must be bold, innovative and will potentially transform a whole area, street or precinct; developments with predominantly residential uses not eligible

Goal: Affordable & stable house prices

Market Segmentation

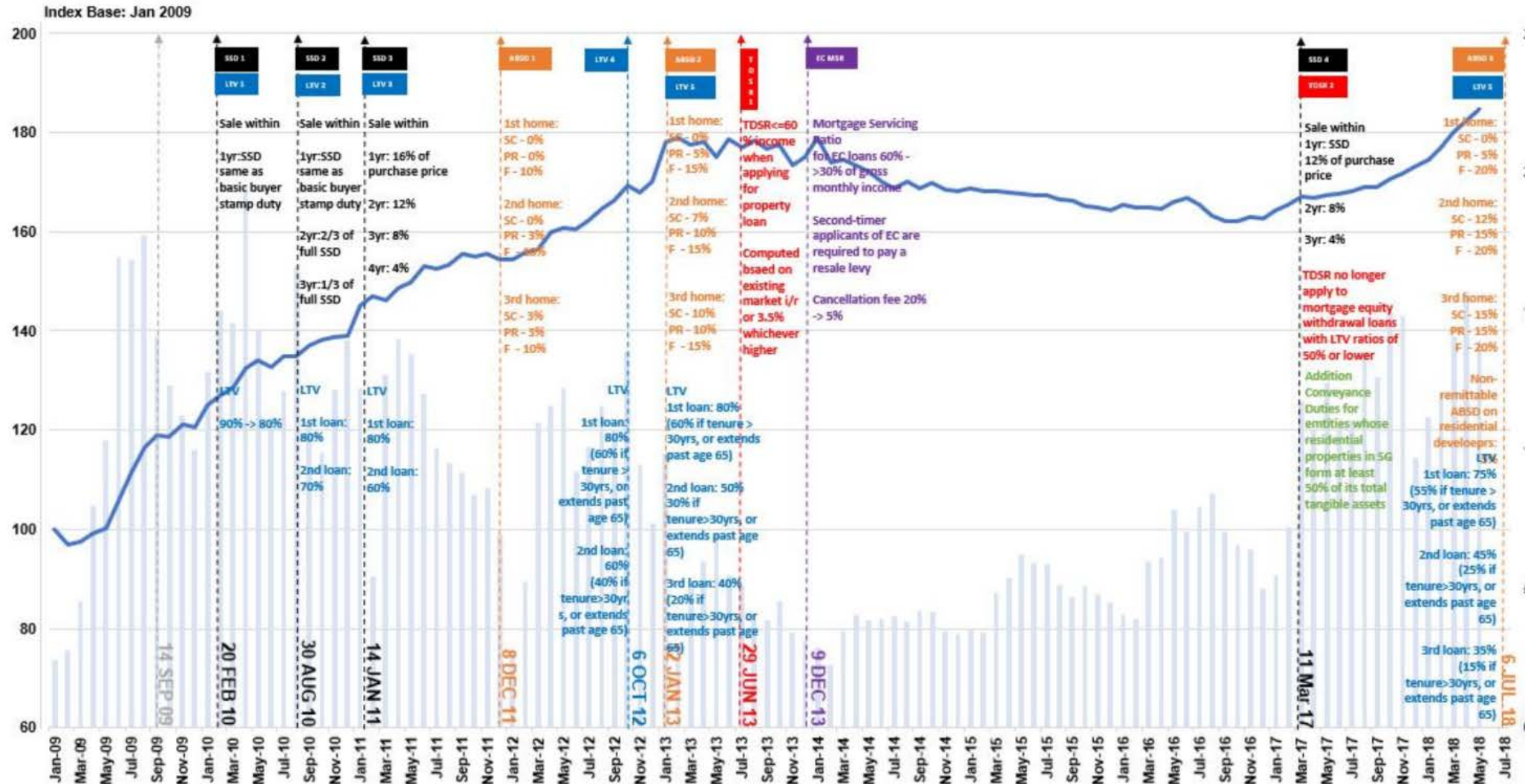
Housing segment	Citizens	Permanent Residents	Foreigners
HDB Public Rental Scheme	Income < S\$1,500	Not eligible	Not eligible
Buy a new HDB flat	Income < S\$12,000		
Buy a new Exec Condominium	Income < S\$14,000		
Buy a <u>resale</u> HDB flat	No income ceiling	PR for at least 3 years	
Rent HDB or private housing at market rates	Yes	Yes	Yes
Buy private apartments & condominiums	ABSD: 0% for 1 st property; 12% for 2 nd ; 15% for additional	ABSD: 5% for 1 st property; 15% for additional	ABSD: 20%
Buy private <u>landed</u> properties		Not eligible*	Not eligible*

* S\$1 = US\$0.75

ABSD Additional Buyer Stamp Duty

* With exceptions

House price targeting



Source: <https://www.srx.com.sg/cooling-measures>

Goal: Fiscal prudence for macroeconomic stability

Government revenue FY2017

Revenue Item	% of Total
Property taxes	4%
Stamp duty (property transactions)	5%
Rental income	1%
Development Charge* (70% of enhancement)	3%
Sales of Land	12%
Motor vehicles taxes and premiums	9%
Investment & Interest Income Contribution	17%
Income Taxes (corporate:17%)	30%
Goods and Services Tax (7%)	10%
Others*	10%

**50%
Revenue
Land-
related**

**RESERVES
invested**

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MAYORS
FORUM

LEE KUAN YEW
WORLD CITY
PRIZE



YOUNG
LEADERS

CITY
SOLUTIONS
SINGAPORE

World Cities Summit 2020

The World Cities Summit 2020 will be held from 5 - 9 July 2020 in Singapore. Mark the dates in your diary.

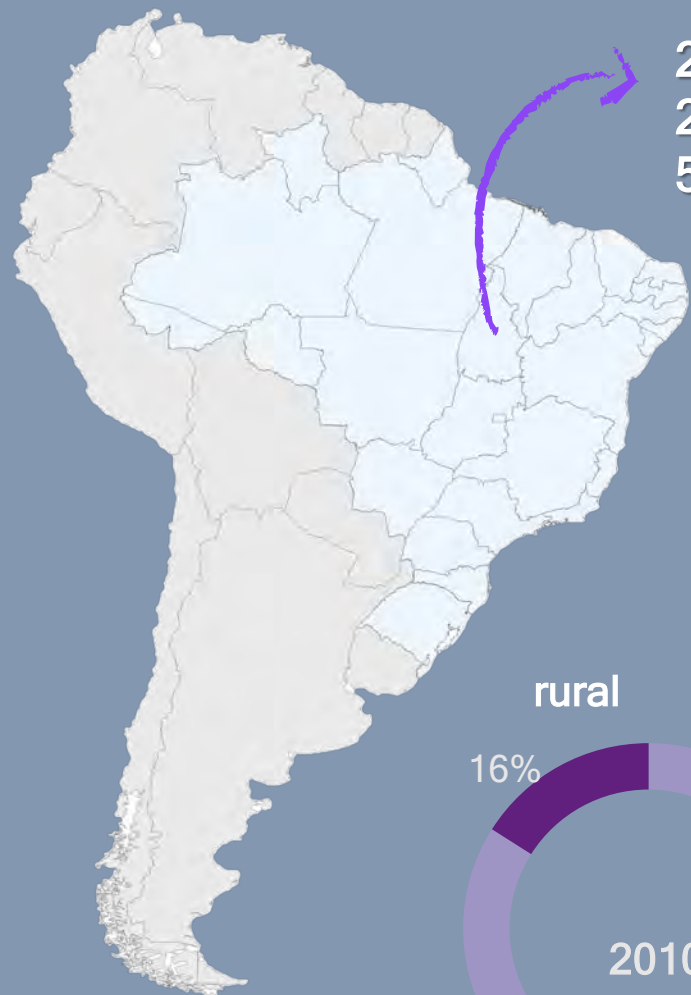
[REGISTER YOUR INTEREST TO ATTEND](#)

July 5 – 9, 2020
Singapore

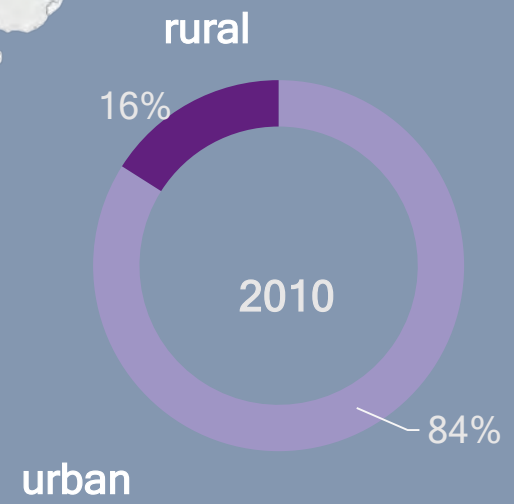
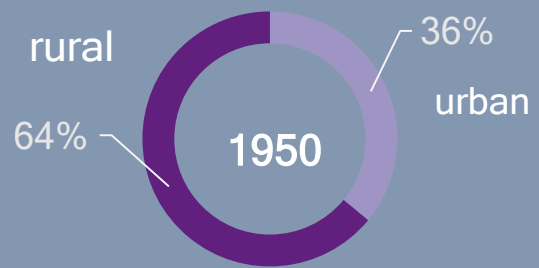
MEETING THE CHALLENGE : GLOBAL
INNOVATIONS IN URBAN HOUSING

April 8-9 - 2019
Boston University

Ines Magalhaes
Consultant



206 M. Inhabitants
26 States & DF
5570 Municipalities

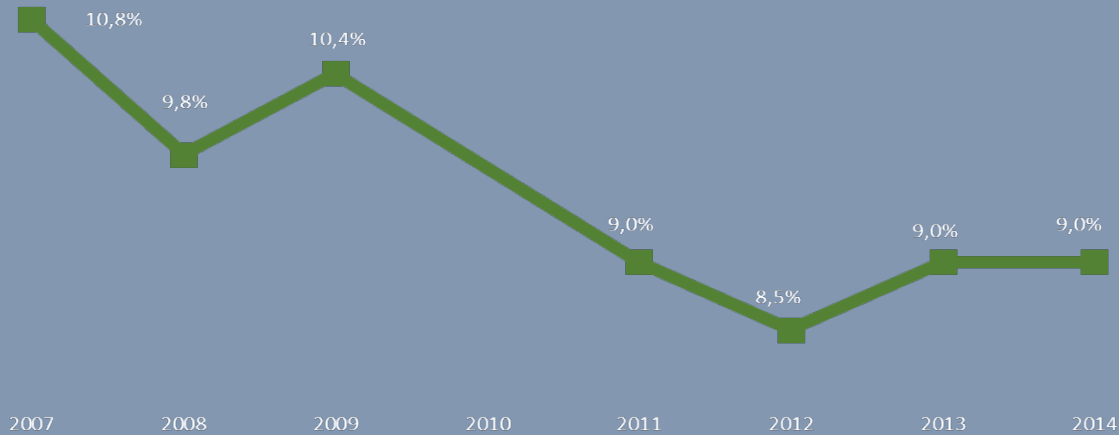


Accelerated urbanization with regional and intra-urban inequalities



HOUSING NEEDS

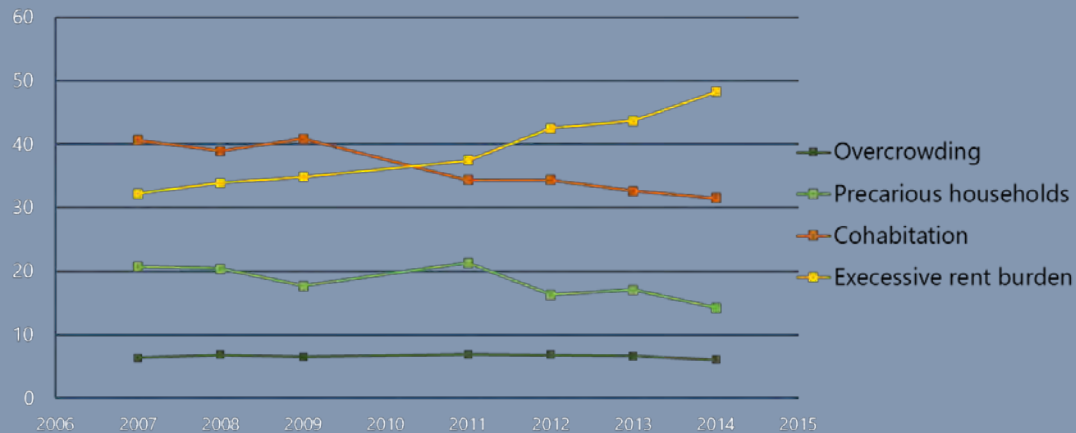
% DÉFICIT X STOCK



- 6,3 million housing deficit – 9% stock
- Over 3 million households in slums*: 85% in metro areas
- 3 million housing in Slums favelas *: 88% in metropolitan areas

✓ Per capita household income is U \$ 400/m

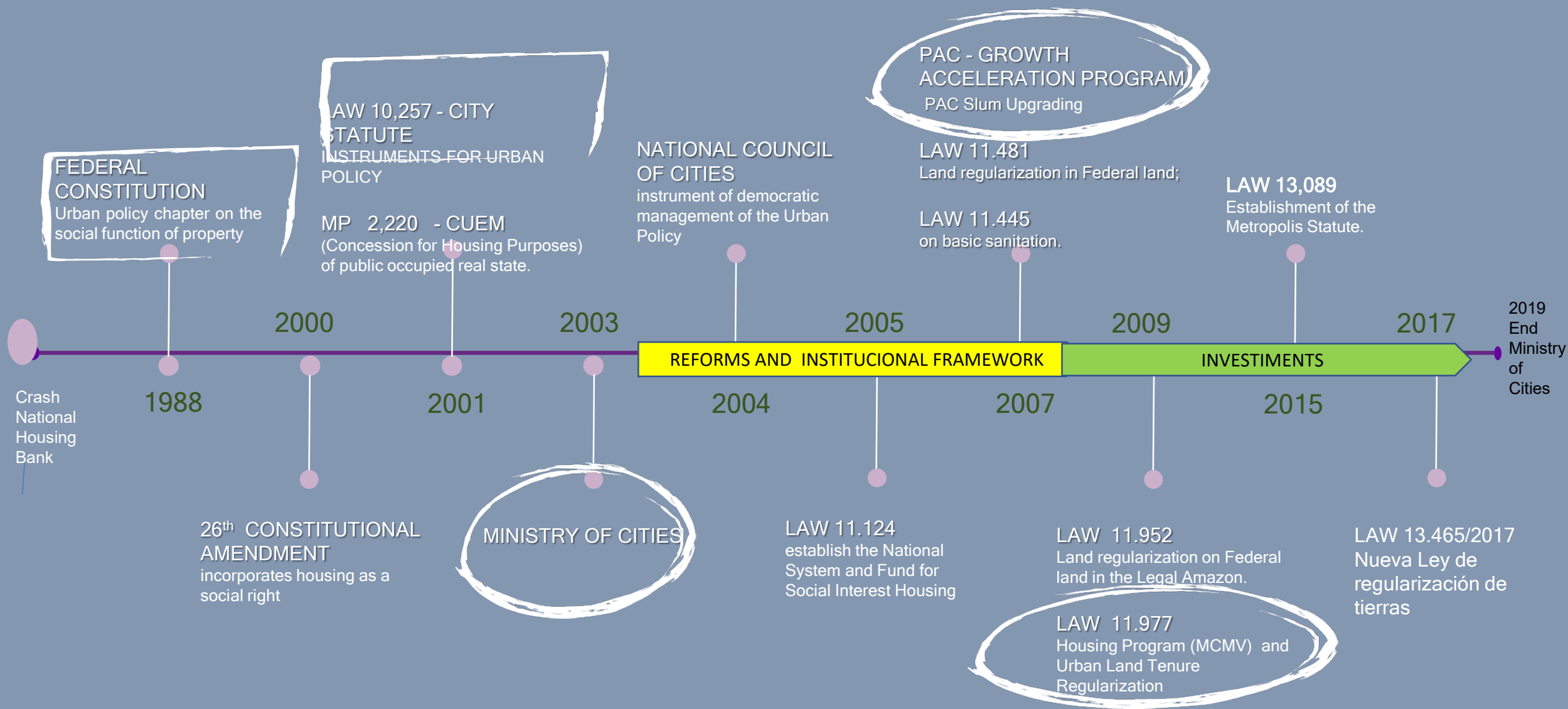
DEFICIT BY COMPONENT



- ✓ 9.6 million **16.5% Stock** (2017) stock inadequate housing that means lacking at least 1 component: sanitation, water, energy or waste collection
- Estimated annual growth of **1.2 million new households**;

SOCIAL HOUSING IN BRAZIL

LEGAL AND INSTITUTIONAL MILESTONES



NEW INSTITUTIONAL FRAMEWORK

INITIAL CHALLENGES FOR THE NATIONAL SECRETARIAT

NATIONAL SOCIAL HOUSING SYSTEM

The SNHIS regulates federative cooperation on housing: Establishing the Conditions and counter participation of states and municipalities

PRIVATE SECTOR

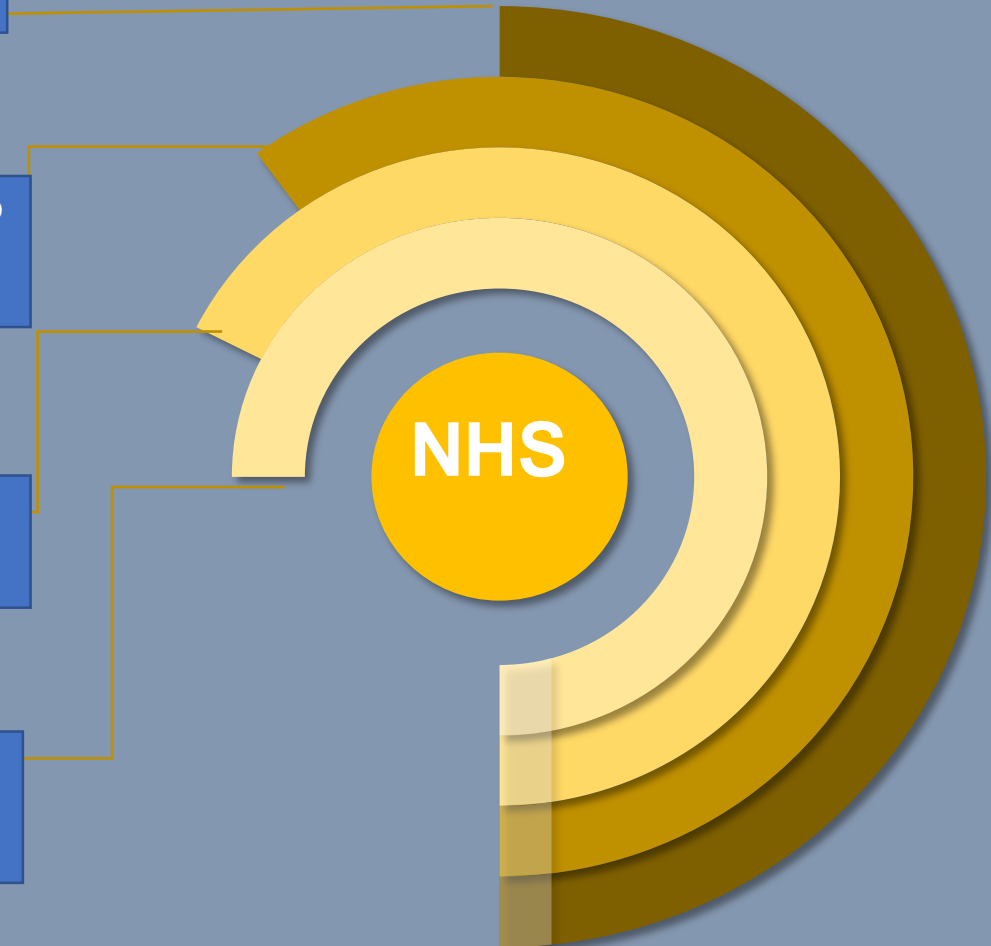
Improvement in the regulatory framework for Real Estate Financing System to increase the legal security of contracts and investments to stimulate private investments in social housing

SOCIAL PARTICIPATORY PROCCESS

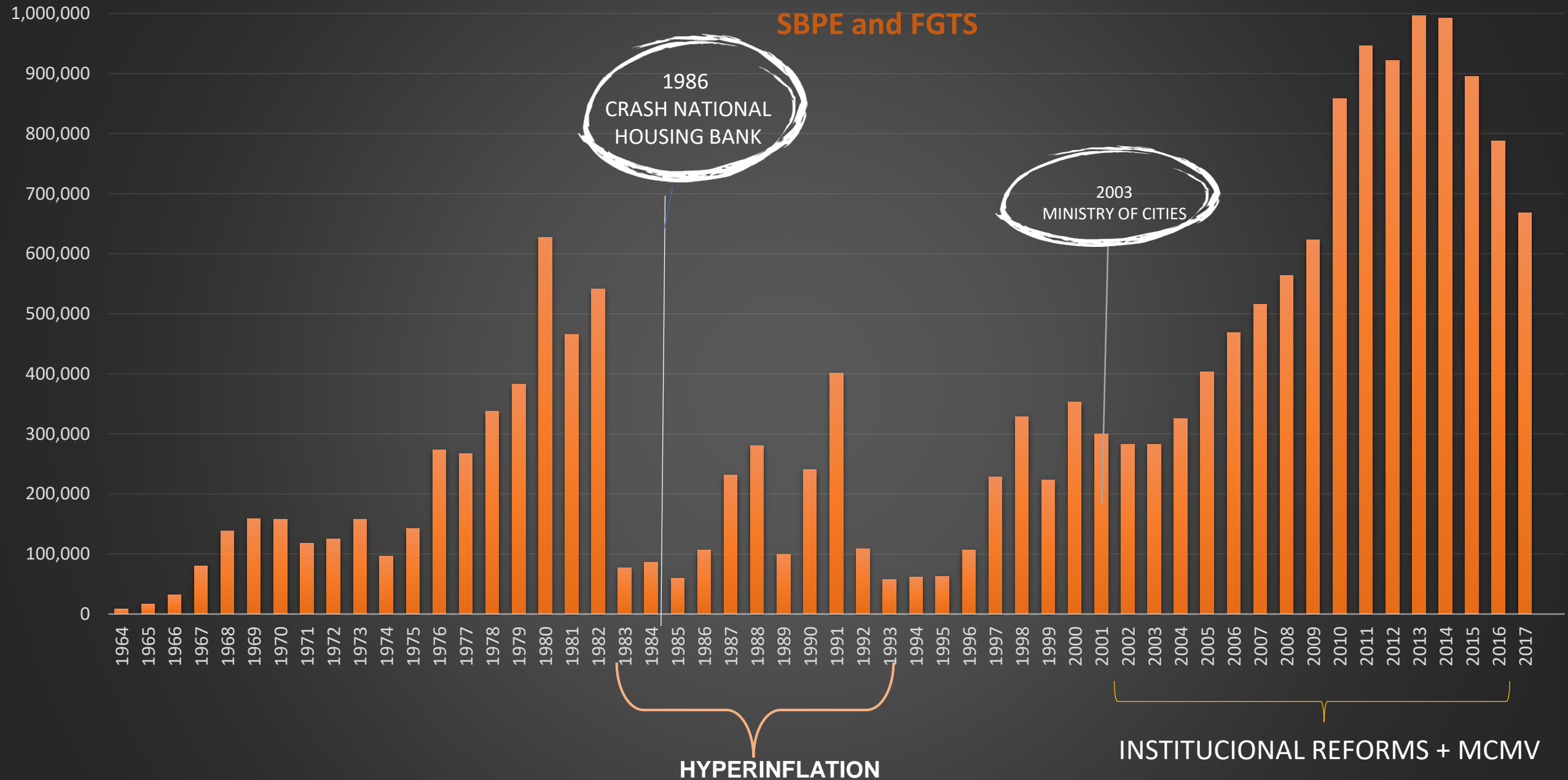
Created new spaces for social participation : Cities Council and Cities Conferences (bottom -up process, Local, State and Federal level)

CAPACITY BUILDING

Supporting state and local government to develop/implement instruments for housing policy



NUMBER OF HOUSES CONTRACTED BY THE SFH- SBPE and FGTS



COMPETENCES OF THE FEDERAL LEVELS

POST 88's CONSTITUTION

The Brazilian Federal Constitution designates that housing is a common competence at all three levels of government, that is National, States and Local governments can implement housing programs.

On the other hand, regarding the urban policy, each of them has its own competencies:

LOCAL GOVERNMENT

Promote adequate land-use planning, through planning and *control of the use, parceling and occupation of urban land*.


Property tax

STATES

Establish metropolitan regions and urban agglomerations
Environmental Licenses

NATIONAL

Establish guidelines for urban development policies, including housing, sanitation and mobility policies.
Legislation on expropriation



All housing projects from National Government must obey local legislation and must be previously approved by Local Government

HOUSING PROGRAMS

Large Scale Housing Production

1



**Minha Casa
Minha Vida**

PAC - Slum Upgrading

2



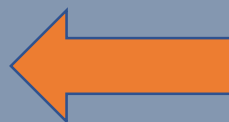
Risks Reduction

3



Land Regularization

4

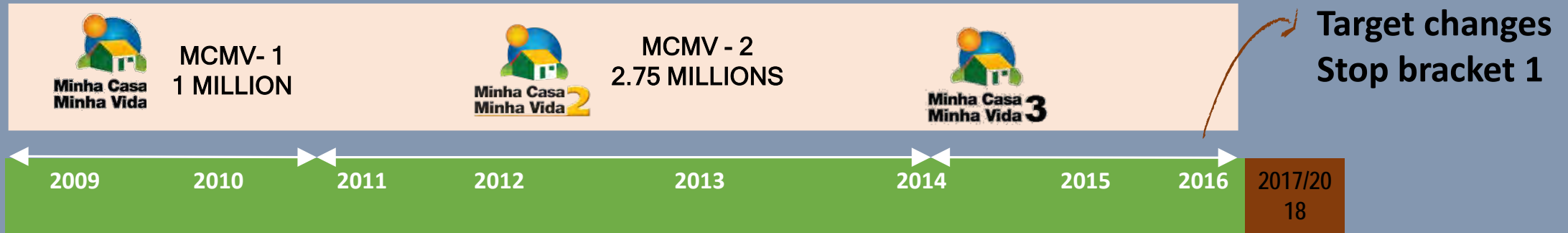


1



**Minha Casa
Minha Vida**

MINHA CASA MINHA VIDA RESULTS



CONTRACTED UNITS 5.3 million

income	units	2017/2018
Bracket 1: up to US\$ 695,00	1.6 million	60 thousand
Bracket 2: up to US\$ 1,423.00	2 million	644 thousand
Bracket 3: up to US\$ 2,500.00	518 thousand	75 thousand

Housing Delivered: 4.1 million

Programa MCMV REQUIREMENTS AND INITIAL CHALLENGES

Increase access to home ownership for low and middle-low income families

NEW NICHE : Mobilize the players and structure a low-income housing sector to offer housing in whole the country.

Create a sudisidy policy , an institutional arrangement and financing scheme for families that can not access the mortgage market.

Create a new modus operandi to give the Federal level more control over results, constructive standards and delivery times.

Respect the local level competencies over urban planning regulation on choices regarding development's location;

INSTRUMENTS AND BENEFITS

Supply Side

•Special Tax Regime - reducing federal tax rates for companies in low-income developments

Tax reduction for materials

•Registration Notaries Costs: costs and delays reductions

Simplified analysis of small developments

Fast track for licenses

Demand Side

New Subsidy Policy : varies according to family income, program modality and location / cities ;

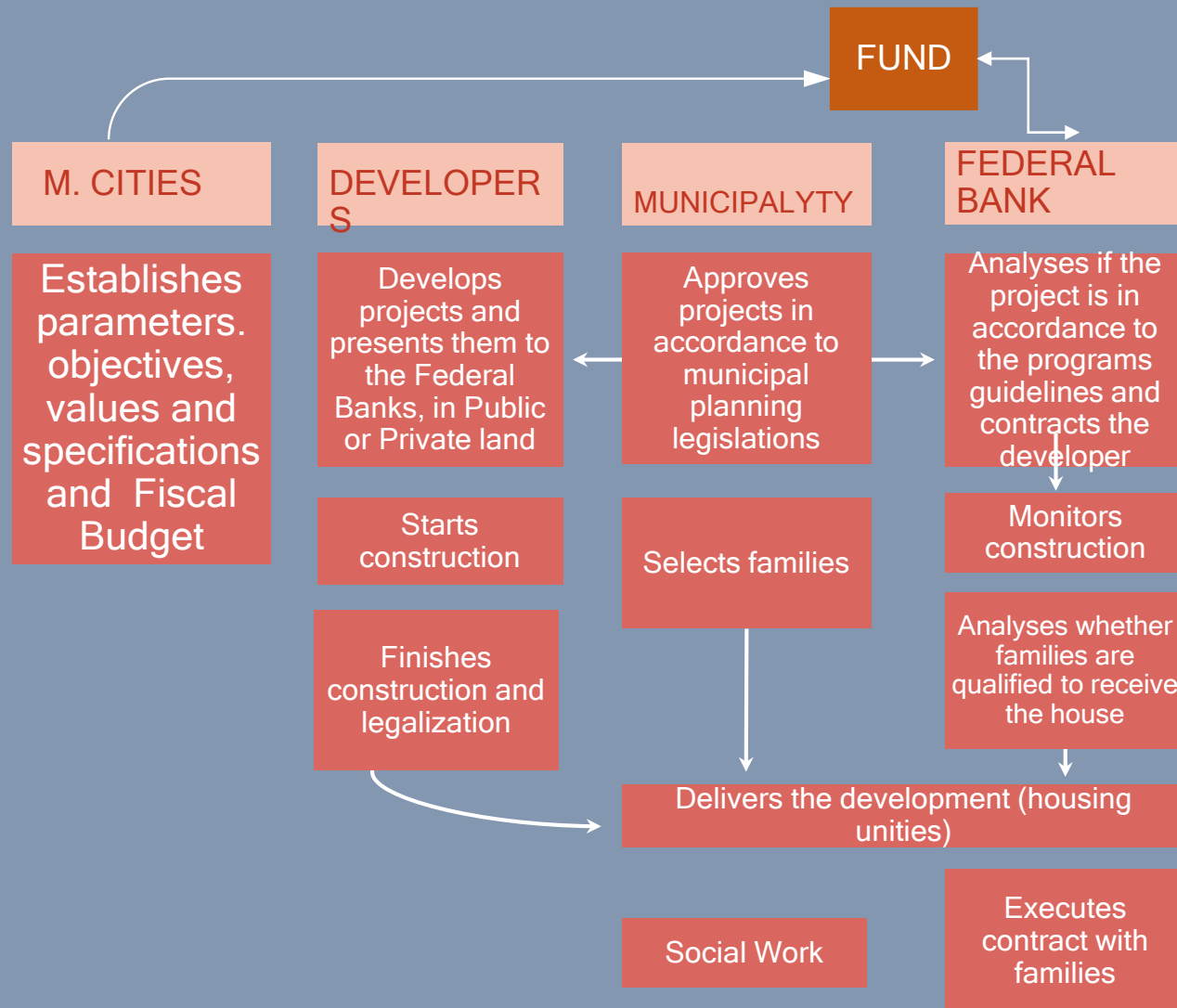
There is no mortgage scheme for RANK 1 - very low income families. They pay 10 to 15% of their income for 10 years

UP front + Balance Allowance: pays the administration costs of the loan and reduces the rate of interest paid by the family – Bracket 2

Guarantee Fund: refinancing of monthly installments - cases of unemployment or loss of income; **only first phase**

MCMV OPERATIONALIZATION AND KEY PLAYERS

BRACKET 1

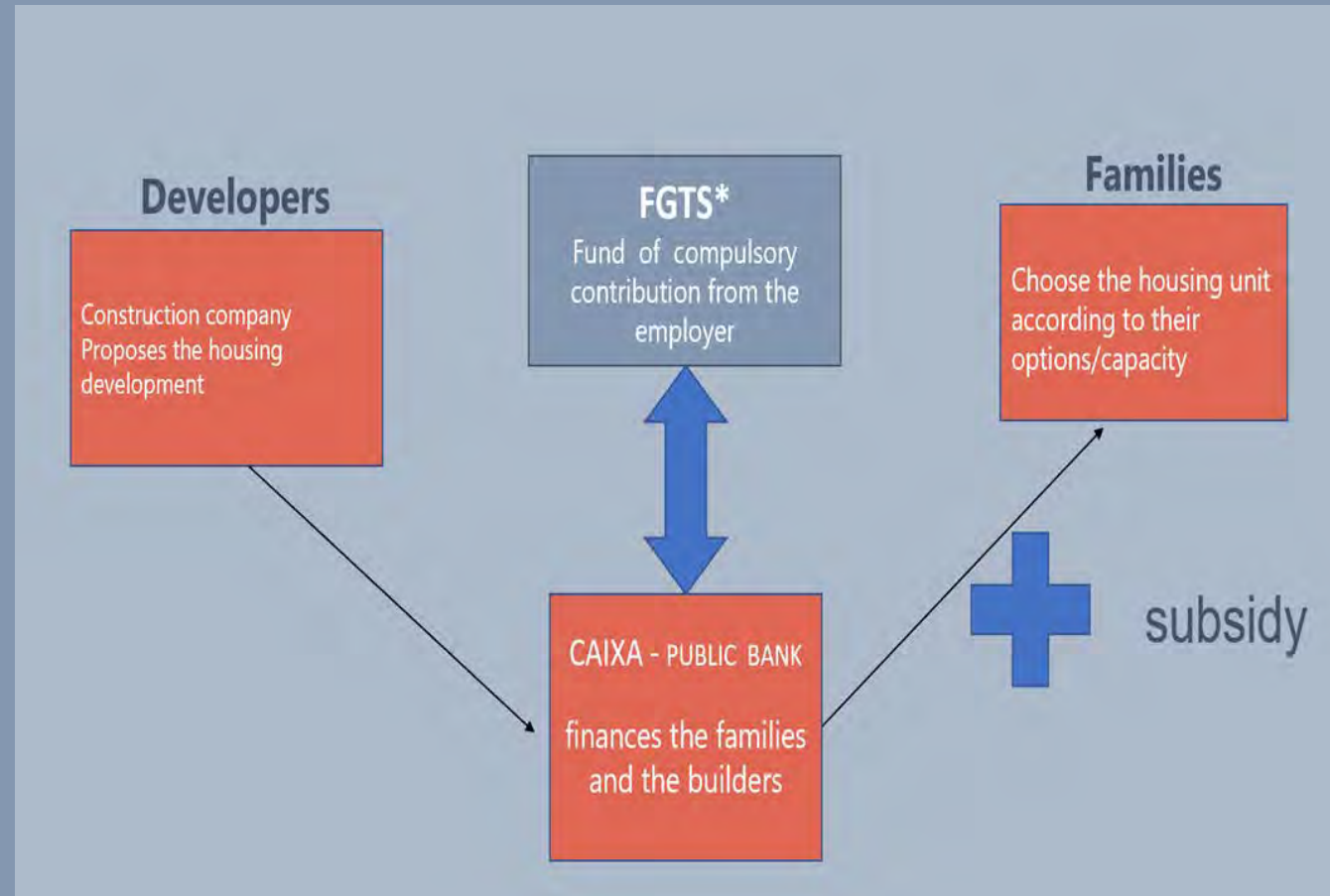


- The federal government puts funds into a Fund (FAR) that buys the housing developments from the developers and the families pay for houses to the fund.
- The maximum amount paid by the FUND to the developer is around US\$18.000 to US\$27.000. These values vary according to the location and population of the municipality.
- The target audience of bracket 1 is up to R \$ 1800 (520 US\$)
- Families pay the fund 10-15% of their income for 10 years
- The process of selection of families is carried out by municipalities using national and municipal criteria.

MCMV OPERATIONALIZATION AND KEY PLAYERS

BRACKET 2

- The Fund - FGTS * finances the builders as well as the families.
- The families finance a mortgage with upfront subsidy, depending on their income.
- The target audience of bracket 2 is up to US\$ 2.220
- Housing unit price: up to US\$ 84.400.00
- Maximum subsidy: US\$ 11.000
- Interest rates 5% to 7.16% year



The FGTS (1964) is a FUND composed of the compulsory contribution of 8% of the worker's salary paid by the employers with dual objectives: to be a source of financing for the housing and infrastructure system and to be a saving for the worker in case of unemployment, illness or purchase of your own home.

OUTCOMES AND CHALLENGES

- ✓ Territorial extent of the program and the income profile of families
- ✓ Private developers niche of social housing
- ✓ Very positive impact in terms of employment
- ✓ Increase innovation in the construction sector
- ✓ Positive experiences of social participation, generation of work and income.
- ✓ Gender - Women are 85% of contract holders in the first income bracket .

- Low regulation for location of housing developments.(improve it)
- ✓ Quality of urban design, and sustainability aspects of projects
- ✓ Time gap for providing education and health facilities. (fix in fase 2)
- ✓ Lack of land control tools to prevent blank urban environment
- ✓ Management instruments different from those used in the middle class condos

In my experience

- **Create spaces for dialogue with the different actors and build an agenda**
- **Review processes and create reforms - large or small based on recommendations determined through the discussions**
- **It is important to have a diversity of programs compatible with different housing needs, so try to have agreements that contemplate complementary actions with the municipalities.**
- **New programs : Improvement approach and make a cascade regulation: all new and greater dimension programs have a learning curve**
- **Create instruments to formalize the partnership with the municipalities or other actors, even if their responsibility is legally established.**
- **Social work is a fundamental factor for the sustainability and the creation of social fabric in the new developments**

GRANTS AND COOPERACION BETWEEN NATIONAL LEVEL

- In the MCMV Program , the implementation is the starting from the private sector.
- Another way to implement different national programs at the local and state level occurred through the PAC or Housing System .
- The federal government makes bidding each year for states and municipalities to submit projects related to housing, infrastructure and resilience.
- This modality is important because it allows municipalities to carry out works that they could not do with their own resource , as well as planning investments in the longer term.

RESULTADOS HETEROGÊNEOS

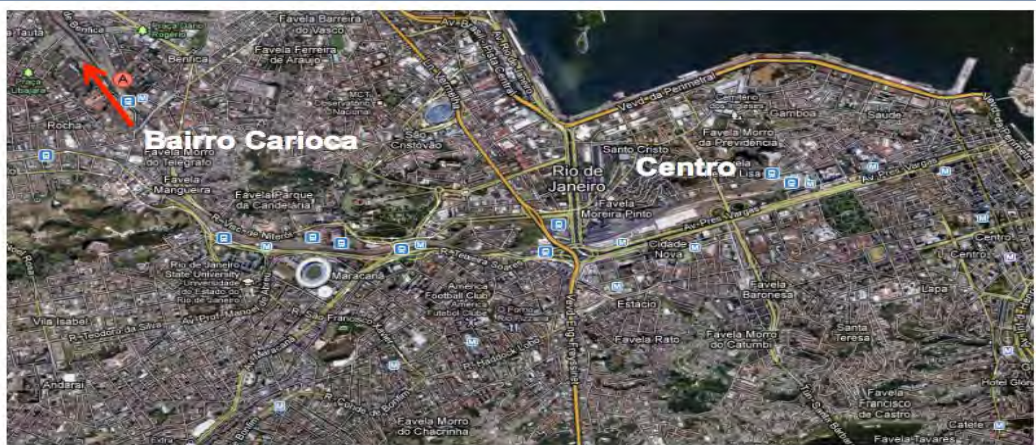


Figura 60 - Localização do Bairro Carioca. Fonte: Google



CARIOCA

Rio de Janeiro - RJ
2.240 housing

BAIRROunits



MY HOUSE, MY LIFE



JUAZEIRO/BA – Residential São Francisco

MY HOUSE, MY LIFE

.....



FEIRA DE SANTANA/BA – Residential Conceição Ville

PROGRAMA MINHA CASA MINHA VIDA

BAURU SP

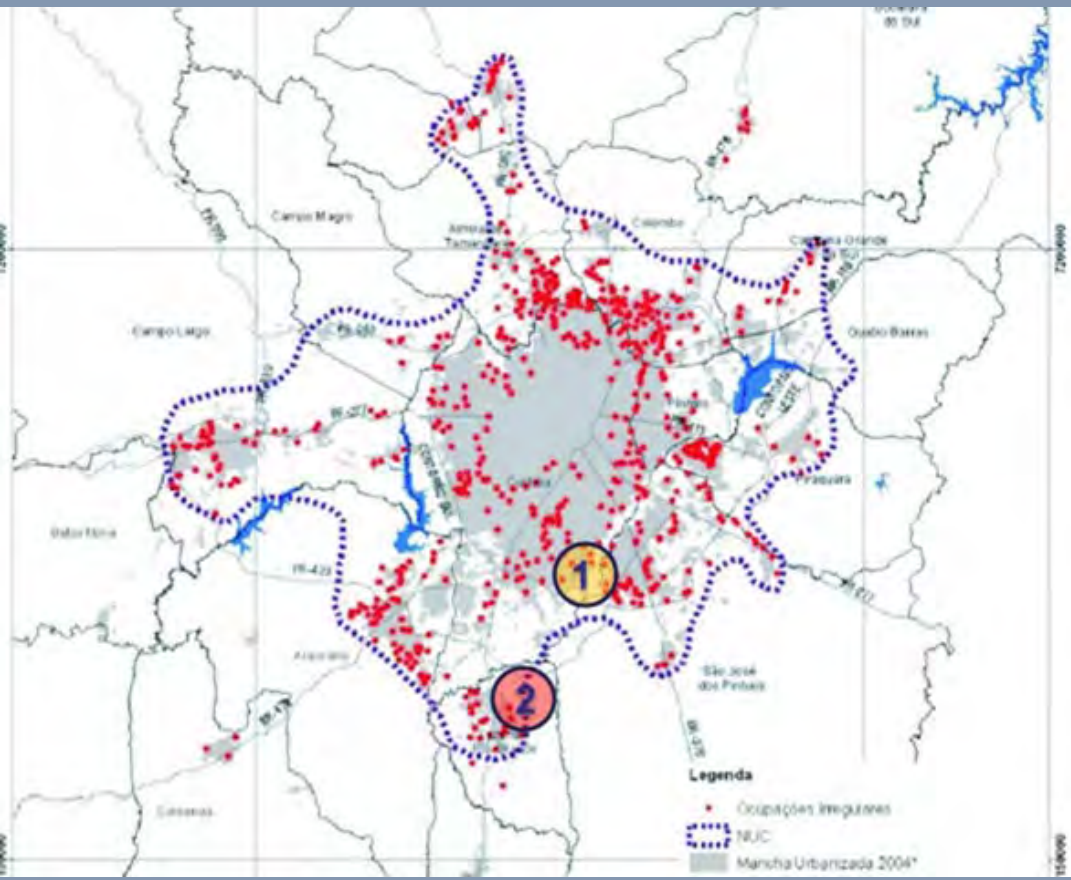


DEVELOPMENTS

RESIDENCIAL PARQUE IGUAÇU

Curitiba - PR

1.411 Housing Units





Formacion ciidadaana & profesional



PAC - SLUM UPGRADING

ALEMAO COMPLEX - RIO DE JANEIRO

Urban mobility (cable car), housing, mitigation of risk areas, infrastructure and facilities.



PAC - SLUM UPGRADING

PARAISOPOLIS COMPLEX- SÃO PAULO

