

THE BIG QUESTION

HOW CAN GOVERNMENTS COLLABORATE WITH THE PRIVATE SECTOR TO PROVIDE AFFORDABLE HOUSING?

UNITED KINGDOM: BUILDING BLOCKS

NICK MATHIASON

Successive U.K. governments have collaborated with the private sector to make housing unaffordable for ordinary citizens. Since 2011, U.K. government spending on social housing has fallen by over 60 percent, and rents for newly built affordable homes have risen significantly.

At the same time, policymakers have reduced developers' obligations to generate affordable housing. Benefits to subsidize escalating private rents for the unemployed, the disabled, and those on low incomes have been cut, and tenant evictions have increased. As a result, the U.K.'s homelessness rate is rising.

Developers, who routinely complain that the planning system is overly restrictive, are actually sitting on a record number of homes with full planning consents waiting to be built.

Instead of facilitating the supply of genuinely affordable accommodations, the government, mindful that rocketing house prices have locked out millions of younger people from homeownership, is offering first time homeowners discounts on new homes. Sadly, these rebates have not only failed to reduce underlying prices, they have bumped up costs for everyone else.

At the top end of the market, foreign investors, including a sizable number of oligarchs

and overseas political figures, buy up expensive London properties that become, in effect, safety deposit boxes.

So what's to be done? The first, most obvious thing to do is to increase public spending on housing so more affordable homes can be built.

Beyond this, local and public authorities that own land fit for housing construction should become equity partners with the private sector on new housing schemes. In this way, local authorities can invest profits back into the development of affordable homes under their own supervision.

In the U.K., local councils face restrictions on raising capital. But these councils should be allowed to raise bonds to finance housing, with rents used to pay back investors.

When it comes to refurbishing old social housing estates, particularly near city centers, the recent trend has been to transfer development rights to private companies, move tenants out, and offer an increasing number of units for private sale. There are many who argue that this amounts to economic and social cleansing.

These damaging policies need to be rethought to ensure affordable housing numbers in city centers are retained. When a social estate is redeveloped, there should be no loss of affordable homes.

Rather than building homes, developers sometimes prefer to retain land even when it has planning permission in the hope that prices increase. But if they do so beyond a certain time frame, they should lose their planning consent. Such a policy would encourage swifter construction.

In the U.K., like in most advanced economies, the proportion of a bank's overall loan book earmarked for mortgage lending has risen dramatically. The scale of mortgage finance has helped create a wall of money that has contributed to the steep increases in housing prices. Likewise, pensions in the U.K. are increasingly reliant on real estate investment.

Banks, pension investors, and the government need to find alternative vehicles beyond property to achieve returns. This will reduce the amount of money chasing a limited supply of bricks and mortar.

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CHINA: BRINGING DOWN THE HOUSE

VICTOR CLEMENS

In response to discontent over high housing costs, China's central government has made the construction of more affordable urban housing an official goal. But clearing land in a city to build new homes has a human cost. To make way for high-rise apartments, countless city dwellers have been forced from their homes, have not received adequate compensation, and are now homeless. In China and elsewhere, creating affordable housing should not come at the expense of human rights.

There are corrupt partnerships in China between local government officials and private developers. With the state as the de facto

owner of land, officials have sold off permits to the private sector and ordered the demolition of city blocks. In 2010, central authorities for the first time made low-cost housing construction part of the performance evaluations of local officials. To help meet these housing targets, officials with an eye on their own political careers have often found it convenient to forcibly evict residents and punish victims who seek remuneration.

Regulations from 2011, which were ostensibly meant to ameliorate problems of forced demolitions, have also allowed local governments to decide how land is used under the pretext of providing for "the public good." The provisions have been a green light for officials to undertake development plans as they see fit. Though the Chinese government has claimed that forced evictions and demolitions are on the wane, the U.N. Committee on Economic, Social, and Cultural Rights expressed regret in 2014 that China had not eliminated such incidents.

One civil society response to the scourge of illegal home demolitions has been the ascent of housing rights advocacy. Perhaps no one has embodied this work more than activist Jia Lingmin, herself a victim of a home demolition in Zhengzhou, a rapidly transforming city in Henan province. While seeking justice for her own loss, Jia has also taught other evictees to fight for their rights. Her courageous toil has been fraught with peril; Jia is now serving a 4-year prison sentence for "picking quarrels and provoking troubles," a common charge against Chinese activists who seek accountability when citizens' rights are violated. That housing activists face such persecution underscores how vital it is for affordable housing plans in China to attend to citizen rights.

The Chinese Communist Party has made affordable housing a talking point in its propaganda, laying out a vision of a so-called "comfortable society" by 2020. In the party's view,

this will entail protecting the “basic housing rights of all people.” While this sounds good in slogans, it is far from reality. For affordable urban housing initiatives in China, success cannot only be measured by the number of residences. The government needs to take into account how citizens are protected in development schemes that have been tainted by the self-serving interests of public and private entities. Safeguards should include the right to pursue justice when housing rights are violated, and citizens should be able to do so without the threat of state retaliation.

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PERU: HOUSING DIVIDED

DENISSE MIRALLES

Affordable housing policies in Peru have been mainly based on direct subsidies to the consumer. The government simply provides cash and mortgage credits to low-income families to cover the gap between what they are able to pay and the cost of a home on the formal housing market. While the affordable housing market in Peru has grown, the lack of urban development reform has impeded social integration and ceded too much control to the private sector.

Over the past 10 years of impressive economic growth, Peru’s real estate and construction sectors have boomed. The housing supply in Lima increased from 5,000 houses in 1998 to 22,225 in 2012. Land prices increased four-fold between 2006 and 2011.

In 2002, the government established a subsidized housing policy, which grants low-interest loans and funds programs to promote affordable housing. One program, called Mivivienda, is targeted at the middle class; another,

Techo Propio, is for those with lower incomes. Both programs have been largely successful. According to the Ministry of Housing, the central areas of the city have been repopulated, the housing supply has increased, and the mortgage credit market has grown. Housing prices have not dropped, which is fortunate given the way this would harm the construction industry and informal economy.

Still, there are issues of land scarcity, a result of several waves of rural to urban migration in the mid-20th century. Migrants established unplanned settlements that failed to provide health services, housing, and sanitation. The failure of housing policies to accommodate these workers has led to the growth of social inequality. In 2012, the government launched the Urban Land Program to satisfy the demand for land for affordable housing and private initiative projects. It created a land bank of nearly 360 square miles with access to basic city infrastructure. The government planned to auction it at low prices to private developers and builders. Unfortunately, this program was not supplemented with land-use regulations or measures to control land speculation.

Moreover, the central government conducted these measures with little input from the local governments that actually set urban development policies. According to official statistics, only 10 percent of local governments have an Urban Development Plan, and 54 percent don’t even have a cadastral map. City governments must become more active in planning and create proper institutional arrangements to carry out comprehensive urban development reform.

Governments have promoted public-private collaboration in Peru, expanding the affordable housing market. But, by playing a mere facilitating role in this process, the government has given the private sector too much power. Since the public and private sectors have different incentives, the public goal of greater social integration will not be fulfilled without the

government taking a more active role in leading urban development reform.

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NIGERIA: GIMME SHELTER

BOB MAJIRIOGHENE ETEMIKU

After independence in 1960, Nigeria began to earn a tidy income from crude oil sales. With the allure of petrodollars pulling people to the cities, agrarian economies collapsed. The rural to urban drift stretched unplanned cities to the breaking point as populations increased faster than the housing stock. The government formulated terrific-sounding development policies and tried to execute them with the construction of homes managed by mortgage banks. But without reliable population data and with political patronage determining the distribution of the housing units, homes remained scarce in the places they were needed most.

Following this failure, policymakers went back to the drawing board and emerged with a two-part plan. After tearing down homes built on government land and pushing people into the streets, former Minister of the Federal Capital Territory Nasir El-Rufai embarked on part one of the strategy, digitizing the cadastral and land registry of Abuja. This step also involved allocating land to individuals seeking to erect houses. While the land redistribution could now be done more efficiently, it favored politicians, celebrities, and the *crème-de-la-crème* of Abuja society.

Under the plan's mass housing component, the government allocated tracts of land—which had previously been reserved for agriculture, public parks, and utilities—to private developers with the understanding that the houses would be affordable even for some of Nigeria's poorest residents. This hasn't been the case. Given the need of companies to make a profit and the high cost of building materials, the condominiums are too expensive for the needy and sit largely empty. Many Nigerians living in Abuja do not reside near the city center but are instead forced to live in slums on the outskirts.

Although redistribution and allocation of land for housing failed to yield the desired results, one initiative remains that could resolve Nigeria's housing crisis—part two of El-Rufai's housing plan, a land swap policy. Under this scheme, the government will grant land to developers to provide homes with good roads, electricity, parks, and public amenities. The whole project will cost the government around \$900 million. There's one snag, though: The government is not enforcing the conditions of the deal. The success of this project requires the government to be firm, transparent, and responsive to the public. A determined and open government working with good data could work with developers to create an affordable rent regime for Nigeria's poor. But first, leaders will have to develop some political will.

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