Providing Affordable and Adequate Housing Options for the Poor

Housing Policy Matters!

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United Nations Human Settlements Programme

Programme des Nations Unies pour les établissements humains - Programa de las Naciones Unidas para los Asentamientos Humanos
Session 5

Policy Formulation.
Problem Analysis. Assessing needs and demands
Defining the Strategy
Innovating and changing approaches
Initiate housing policy formulation

- Defining the housing problem
- Defining the housing needs
- Defining and estimating needed resources
- Defining the institutional framework
- Defining the time frame, targets and expected results

Mobilizing political support & social pact

- Consultation with market players
- Housing market surveys
- Debates with civil society actors

Draft Strategy Document

HOUSING POLICY DOCUMENT
Scarcity of Affordable Housing

CAUSES
1. Not enough housing is built
2. Not sufficient land for housing is available
3. Not sufficient building materials is produced or made available
4. No housing finance & People’s income is too low
5. Rate of new household formation is high and demand for housing does not meet the supply

CONSEQUENCES
1. Overcrowding
2. Increase of renting & sub-renting practices
3. Informal housing processes
4. Illegal building
5. Deteriorating living conditions
6. Problems in reproduction of labour
The Problem Tree Analysis

Consequences

Problem

Causes
CONSEQUENCES

PROBLEM

CAUSES
Housing shortage and poor housing qualities

- Socio-economic and political problems
- Overcrowdness
- Informal housing
- Streetism

Causes:
- Shortage of capital & consideration
- High cost of construction
- High population growth rate
- Limited land supply
- Low level of saving
- Shortage of finance source
- Absence of government policy in the past
- Shortage of infrastructure
- Exorbitant price of construction materials and components
- High imm. & birth rate
- Municipal inefficiency
- Low income
- Low propensity to save
- Inadequate Consideration
- Shortage of revenue from the sector
- Absence of clear legal frameworks
- Low tariff
- Poor housing management

Effects:
- Overcrowdness
- Informal housing
- Streetism

Source: Alemayehu Ademe, Deputy City Manager & Manager of Housing Agency, Dire Dawa City Administration, Ethiopia
Catch and income of fishing families in decline

Riverine ecosystem under serious threat, including declining fish stocks

River water quality is deteriorating

High incidence of water borne diseases and illnesses, particularly among poor families and under 5s

High levels of solid waste dumped into river

Most households and factories discharge wastewater directly into the river

Wastewater treated in plants does not meet environmental standards

Polluters are not controlled

Population not aware of the danger of waste dumping

Existing legal regulations are inadequate to prevent direct discharge of wastewater

40% of households and 20% of businesses not connected to sewerage network

Environment Protection Agency ineffective and closely aligned with industry interests

No public information/education programs available

Pollution has been a low political priority

Inadequate levels of capital investment and poor business planning within Local Government

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Catch and income of fishing families is stabilised or increased

Threat to the riverine ecosystem is reduced, and fish stocks are increased

Incidence of water borne diseases and illnesses is reduced, particularly among poor families and under 5s

River water quality is improved

The quantity of solid waste dumped into the river is reduced

Polluters are effectively controlled

Environment Protection Agency is effective and more responsive to a broad range of stakeholder interests

Population more aware of the danger of waste dumping

Public information/education programs established

No. of households and factories discharging wastewater directly into the river is reduced

New legal regulations are established which are effective in preventing direct discharge of wastewater

Pollution management is given a higher political priority

Increased % of households and businesses are connected to sewerage network

Wastewater treatment meets environmental standards

Increased capital investment

Improved business planning within Local Government is established, including cost recovery mechanisms
19.

A Common Understanding about Policy, Programs, Projects.
Understanding Peculiar Differences

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<th>POLICY</th>
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<td>COMPROMISES</td>
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<td>FEEDBACK</td>
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1. Reflects Government Intentions
2. Defines political commitments
3. Establishes institutional structure
4. Reflects Government views of the problems
5. Sets broad objectives of Government action
6. Makes explicit resource allocation
7. Define target areas & beneficiaries
8. Links various sectors of Gov
9. Sets priorities

1. Defines procedural steps
2. Makes explicit policy strategies
3. Operationalise policy goals
4. Establishes institutional mechanisms
5. Guides policy implementation
6. Sets qualitative targets
7. Defines time schedule
8. Specify sources of funds, direct beneficiaries and disbursement plan
9. Provides guidelines for projects
10. Defines responsibilities

1. Converts policy into concrete action
2. Policy implementation tools
3. Materialises facets of programmes
4. Reach programmes’ targets
5. Achieve final policy goals
6. Delivers policy and programme outputs
7. Turns government commitments tangible
8. Materialises resource allocation
9. Success criteria for policy evaluation
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<tr>
<td>Higher political decisions</td>
<td>Legislative, political and technical decisions</td>
<td>Technical &amp; professional decisions</td>
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<tr>
<td>Macro level</td>
<td>Intermediary and macro level of concern</td>
<td>Micro and very local level</td>
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<tr>
<td>Multi-period</td>
<td>Continuous &amp; multi-period</td>
<td>Precise period of time</td>
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<tr>
<td>General problem definition</td>
<td>Problem solving strategies</td>
<td>Solution / alleviation oriented</td>
</tr>
<tr>
<td>General sources of finance</td>
<td>Explicit budget allocation</td>
<td>Strict budgetary restrictions</td>
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<tr>
<td>Entire Government responsibility</td>
<td>Sector-based responsibilities</td>
<td>Field &amp; specific responsibility Co-ordination</td>
</tr>
<tr>
<td>Government / State</td>
<td>Institutions</td>
<td>Local units and organisations</td>
</tr>
<tr>
<td>General aims and goals</td>
<td>Priorities Defined</td>
<td>Action oriented</td>
</tr>
<tr>
<td>Programme guidelines</td>
<td>Project guidelines</td>
<td>Action * operational guidelines</td>
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20. Defining the Need for Housing

Demand, Deficit or Needs? How to Assess?
How to Define the Actual Housing Needs of a Given Population?

- Housing Shortage
- Housing Deficit
- Housing Backlog
- Housing Shortfall
- Housing Needs
- Housing Demand: effective demand
- Social Demand
Shortage is Often a Deficit.

- Housing shortage: often shows the difference between the number of households and the number of residential units.

- COUNTRY X:
  Survey depicts 10 million housing units and 11.2 million households.

  Shortage is the Difference: number of households minus the number of dwellings.

  \[11.2 - 10 = \text{1.2 million houses}, \text{or in percentage: } \frac{1.2}{10} = 12\%\]
Shortage is Different than Needs.

- COUNTRY X: housing needs was much greater:

1. many households lived in overcrowded units
2. many units had no facilities
3. ‘housing needs’ survey found 30% of the urban population living in substandard housing
Housing Demand x Housing Needs

- **Housing demand** refers to the willingness and ability to purchase a house.
- **Housing need** refers to the number of houses required, given growth in households, itself derived from household size and population growth.
HOUSING NEEDS

• “the quantity of housing required to accommodation of the agreed minimum standard and above for a population given its size and household composition without taking into account the household`s ability to pay for the housing assigned to it” (Robinson, 1979:56-57).

• An individual or household has an unmet housing need when they fail to exercise effective demand for decent housing (Oxley, 2009:6).

HOUSING DEMAND

- housing demand which is defined as the relationship between “the price of housing and the quantity and quality of housing for which people are able and willing to pay” (Shucksmith, 2002:61).

Do’s and Don’t’s of Housing Policy Makers

1. Inaccurate understanding of housing needs leads to misguided housing interventions and inadequate policies;

2. Supply driven approaches often overestimates public financial resources and underestimates market forces;

3. Adopt a feasible ambition, define real housing needs linked to actual physical and financial capabilities of the future beneficiaries

4. Housing supply should result from the housing demand

5. Define what people actually need, not what you think they need …
Example South Africa
Calculating Housing Demand

CONVENTIONAL APPROACH

• **Housing Needs** = all households require a standard, adequate housing

• **Housing Backlog** = Number of households – Number of adequate housing

• **Housing Demand**: Backlog + growth of household

What is Housing Needs Assessment-HNA?
What is a “Housing Needs Assessment”? 

• A study of the current and future relationship between demand and supply & related issues underlying supply and demand for housing;  
• Baseline information in support to policy interventions  
• Assessment can be short-term (3-5 years), long-term (10-15 years or longer) or both;  
• Level – country, region, city, community 
• Quantitative and qualitative 
• Must be linked to ongoing monitoring and housing indicators
Housing Needs Assessment-HNS

FACTORS TO CONSIDER:

1. Actual Housing Shortage as per today.
2. Actual Population Growth: actual size of the Market
3. Actual Rate of New Household Formation (present and future demand)
4. Effective Demand: ability to pay (affordability)
5. Different types of Housing Problems (different needs) & the Social Demand
6. Delivery and Construction Capacity
7. Special Needs Group (elderly, women, very poor…)
8. Availability of Housing Finance
5. Assessing Housing Demand

- New units needed for anticipated new families
- New units needed to reduce overcrowding
- New units needed to remove substandard housing that cannot be upgraded.
- New units needed to compensate for regular demolitions. This could be about 2% per year if the average building life is 50 years. In Eastern Europe this ratio is as high as 9% because of poor maintenance and repair
- Vacant stock. In urbanised market economies, there typically is a ‘vacancy rate’ of about 1 to 4%
- Need for replacement of unit types. Replacing larger flats with more smaller flats as family size reduces
5. Calculating Housing Demand

Step 1:
• Population by age group x headship rate = projected number of households.

Step two:
• Projected households x dwelling type propensities (plus vacancies, demolition replacements) = projected household demand.

A projection that uses this approach reflects what might reasonably be anticipated in the context of a gradual evolution of market demand in a given context, based on recent demographic and housing market trends / propensity data. A higher headship rate means fewer adults per households – or, equivalently, more households for a given population. For instance: if every household had two adults, the headship rate would be 50%.
22. New Household Formation

Headship rate and housing starts triggers economic growth
New Household Formation

- **Household formation**: The number of new *households* that will be *formed* over the long term. Based on projections of population by age cohort and age-specific headship rates, *household formation* is the underlying driver of long-term demand for new housing and thus new home construction.
Estimated Household Formation, by Age Group
2014 vs 2015, first half; 000's

Age of household head
See text for data sources and methodological details
Exhibit 6: Finally Moving Out of the Basement

Share of 18-34 Year Olds Living with Parents*

* Derived from CPS micro data and seasonally adjusted.

Headship Rates

The share of the population identified as heads of households.

For nearly 50 years, the rate of growth in headships in the USA exceeded population growth by 0.2 % per year. Since 2007, that has dropped to −0.5% per year.

Headship Rate

• A higher headship rate means fewer adults per households – or, equivalently, more households for a given population. For instance: if every household had two adults, the headship rate would be 50%.

• For two groups—ages 18 to 24 and ages 25 to 29—headship rates have declined appreciably in recent years. Headship rates among older age groups have been more stable. Source: U.S. Census Bureau, CPS Annual Social and Economic Supplement and Annual Population Estimates. May 23, 2016
Headship Rate

• **Adult population growth:** All else equal, a growing population means more households. If the headship rate doesn’t change, then the adult population and the number of households grow proportionately.

• **Shifts in the age distribution:** older adults have a higher headship rate than younger adults. Young adults often have roommates or live with their parents rather than heading their own households. Therefore, household formation would increase as the population ages, even with no change in the overall adult population.

• **Changes in the headship rate:** the headship rate can change due to changing norms or behaviors, such as young adults marrying later and spending more years with parents or roommates, which would lower the headship rate. Short-term economic fluctuations also can swing the headship rate: in tough times, for instance, many people double up with relatives or roommates if they can’t afford to rent or own themselves.
Exhibit 2: Headship Rate of the 25-34 Age Group is Increasing

Source: IPUM-CPS. GS Global ECS Research.
Housing Metrics and the Economy

• Strong signs that actual housing starts/sales will be a major positive contributor to GDP. It's actually astonishing how much new housing starts can add to the economy says Deutsche Bank's Joe Lavogna.

• Additionally, higher consumption of housing-related services coupled with the indirect effects from home price appreciation (i.e., wealth effects) could easily raise the housing contribution to one full percentage point per quarter.

• In short, housing could provide a meaningful (and critical) lift to overall economic activity at a time when other growth drivers, like exports, are slowing.

• Household formation has started to rebound from its post-crisis lows and housing starts have shown notable gains in recent months.

https://www.businessinsider.com/goldman-sachs-on-household-formation-2012-11
23.
Assessing Affordability

Ability and Willingness to pay for housing.
6. Assessing Affordability

• ‘Total’ Versus ‘Effective’ Demand

• Everyone says they would like a large new house

• However, can they pay for it?
  – what can people afford?
  – what would they be willing to pay for?
4. Determining Affordability (1)

- Median household income for each decile of the population
- Average household income for each of 10 segments with same number of households
- Estimating effort ratio (maximum spending on housing as % of annual household income)
  - How much do people currently spend on housing?
  - What is the maximum that they can spend on housing after food, school, taxes, etc.? 20% - 30%?
4. Determining Affordability (2)

- What housing can households buy for this money?
- Is housing finance available?
- Is housing finance accessible?
  - If yes, determine housing product based on lenders’ guidelines (maximum loan amount, maximum loan-to-value ratio, debt service coverage ratio, …)
  - If not, analyze how do households finance housing acquisition
- How does each income group’s affordability fare relative to existing supply products?
A Housing Europe campaign that builds on what works. After evaluating the “State of Housing in the EU” in 2015, Housing Europe launches the campaign “Housing for All” that serves as an invitation for cooperation at EU level between the European Union institutions, the member states, the local authorities and the housing providers with the overall aim to boost the supply of affordable homes for liveable communities. At a time when many European countries have to adapt their housing policies to the changing needs we call for EU institutions, EU member states, local authorities and housing providers to work together to boost the supply of affordable homes for liveable communities bearing three key principles in mind:

(1) Producing more flexible and evidence-based policies – (2) Protecting the increasing numbers of the vulnerable groups of the population (3) Making space for emerging alternatives, such as Community Land Trust, Shared Ownership etc.

The campaign will generate concrete policy suggestions on issues that directly or indirectly affect the housing policies of all member states 1. migration 2. energy 3. urban policy 4. housing finance and 5. EU regulation, including the framework for SGEI.
24.

Housing Policy Formulation:

Defining the problem, identifying the problem areas, and defining the objectives of policies
Problem Definition
Priority Setting
Needs Assessment

Policy Document
Goals and Targets

Programmes

Progrm1
Progrm2
Progrm3
Progrm4
Progrm5

Projects
Projects
Projects
Projects
Housing Task Force - Policy Formulation Objectives
Setting Problem Analysis

Setting Up Programs & Program Management
Resources allocation; setting responsibilities.

Target Group
Selection & Selection Criteria

Market Surveys; Existing Cadastre Beneficiaries Surveys / Database; housing lists; Demand setting.

People’s Needs
Demand

Programme Design, Allocation of Budget, Priority, Target, Benchmarks

Market Players; Community Involvement & Consultations

Design of Strategic Projects; location, target.

Project Implementation; Monitoring and Evaluation. Impact

Housing POLICY CYCLE
1. Political Decision to Initiate Process
2. Set up a Housing Task Force Team
3. Identify Key Housing Problems
4. Community-City Profile, Map needs
5. Estimate Demand, assess Supply capacity
6. Set Public Policies Goals, Objectives, Strategies
7. Design Housing Strategies, Housing Policy, Action Plans
8. Implement, Evaluate, Monitor Progress, Indicators
## Components of Housing Demand

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<th>HOUSING DEMAND</th>
<th>Explanations</th>
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<tr>
<td>New Households</td>
<td>Newly married, newcomers, population growth, increasing demand</td>
</tr>
<tr>
<td>Replacement of Substandard Housing</td>
<td>Inadequate housing. Define substandard (minimum quality and standards) and crowding norms (persons per room).</td>
</tr>
<tr>
<td>Alternative Housing – existing stock</td>
<td>Households changing tenancy status (owner to renter or vice-versa), larger or smaller living, single family to town housing and multi-family, and vice-versa.</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td>Minimum vacancy rate of 5-6%. Allows a community to have sufficient housing available for both new and existing residents.</td>
</tr>
<tr>
<td>Renter/Owner Cost Overburden</td>
<td>Persons paying more than 25% of their income towards housing.</td>
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What role plays the existing housing stock in achieving SDG11/NUA?

Stock of housing opportunities

Locational and infrastructural advantages

Stock of secondary housing market

Transferable Stock of Properties

Aging & Renewing Housing Stock

Rental Housing Options

Home Ownership Options

Supply of Affordable Housing Options at Scale

Government Policies

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The Problem Identification

**SOCIAL GROUPS**

- Do the different social economic segments of society face the same type of housing problems?

**TYPE OF HOUSING PROBLEM**

- Are the different housing problems identified systematically where, when and how they manifest itself?
Problem Definition
Priority Setting
Needs Assessment

Different Problems
- Squatters
- Tenement Occupants
- Homeless Street residents
- Squatters Risk Areas
- Illegal Subdivision
- Risk Areas
- Dilapidated Public Housing Estates
- Rented Housing
- Newly Married

Different Demands
- Low Income
- Very Poor
- Middle Income
- High Income

Different Solutions

Programmes
25.
The Housing Policy Document.

How does it look like?
The Housing Policy Document:

An instrument to support government intervention, promote accessibility to affordable housing and mechanisms for housing delivery.
What is “Housing Policy”??

• Set of policies and government interventions that gives incentives, motivates, constrain and enable actions of different actors in the housing field like dwellers, builders, lenders, landowners, developers, brokers, etc. directly affecting housing outcomes via the market and through government assistance and producing impacts on the performance of the housing sector as a whole.
Government Actions vary in form and content:

1. Design regulatory measures to enable housing markets to work more equitably and efficiently

2. Promote urban property registration and establish incentives for lenders to boost housing finance in more flexible and cheaper forms

3. Increase law enforcement capacity but reduce regulatory complexity

4. Making housing allowances and targeted subsidies available

5. Monetary policies to make mortgages affordable

6. Land-use and regulatory measures to safeguard neighbourhoods and boost existing housing stock improvements

7. Provide incentives for the building industry and construction sector to decrease production costs and cleaner technologies
Problem Definition
Priority Setting
Needs Assessment

Different Problems
- Squatters
- Tenement Occupants
- Homeless Street residents
- Risk Areas
- Illegal Subdivisions
- Rented Housing
- Squatters
- High-rise
- Dilapidated Public Housing Estates
- Newly Married
- Low Income
- Very Poor
- Middle Income
- High Income

Programmes
Different Problems

- Homeless
- Crowded Housing
- Risk Areas Occupants
- Tenement Occupants

Different Demands

- Very Poor
- Low Income
- Middle Income
- High Income

Programmes

Existing Stock

- Maintenance Management
- Homeowner
- Dilapidated Public Housing
- Rented Housing

NEW Stock

- Newly Married
- Population Growth
- Migrants

Different Solutions

- Programs

Different Needs

- New Stock
- Existing Stock

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INNOVATION

• Brainstorming
• Means
• Strategies
• Identification of Problem Areas (Housing Barometer)
• Inter-connection
• Obligations of the State (Housing Rights Index)
• Institutions and capacity
• Legal and financial instruments
## Problem Analysis: scope of policy field

**Goal:** long term achievement

**Targets:** benchmark results & beneficiaries

**Strategy:** mechanisms to achieve goal and targets

**Institutional Arrangements:** who does what, when & how

**Finance:** sources of funding & resource mobilisation

**Programmes:** operational, institutional and financial arrangements

**Instruments:** implementation, participation, cost recovery, delivery, eligibility, etc.
Different Problems

- Squatters
- Tenement Occupants
- Homeless Street residents
- Elderly Housing
- Crowded Housing
- Maintenance Problems
- Squatters Risk Areas
- Illegal Subdivision

Different Demands

- Low Income
- Very Poor
- Middle Income
- High Income

Different Solutions

- Flexible Mortgages
- Building Materials Loans
- Serviced Land
- Self-help Housing
- Housing Stock Improvement
- Slum Upgrading
- Rental Housing
- Cooperative Housing

Programmes

Critical Policy Choices

Critical Policy Choices

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Do’s and Don’t’s of Housing Policy Makers

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- Supply driven approaches often overestimates public financial resources and underestimates market forces;
- Adopt a feasible ambition, define real housing needs linked to actual physical and financial capabilities of the future beneficiaries
- Housing supply should result from the housing demand
- Define what people actually need, not what you think they need …
THE END

Thank you.