Providing Affordable and Adequate Housing Options for the Poor

Housing Policy Matters!

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UN HABITAT
FOR A BETTER URBAN FUTURE

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 Analsysis. 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

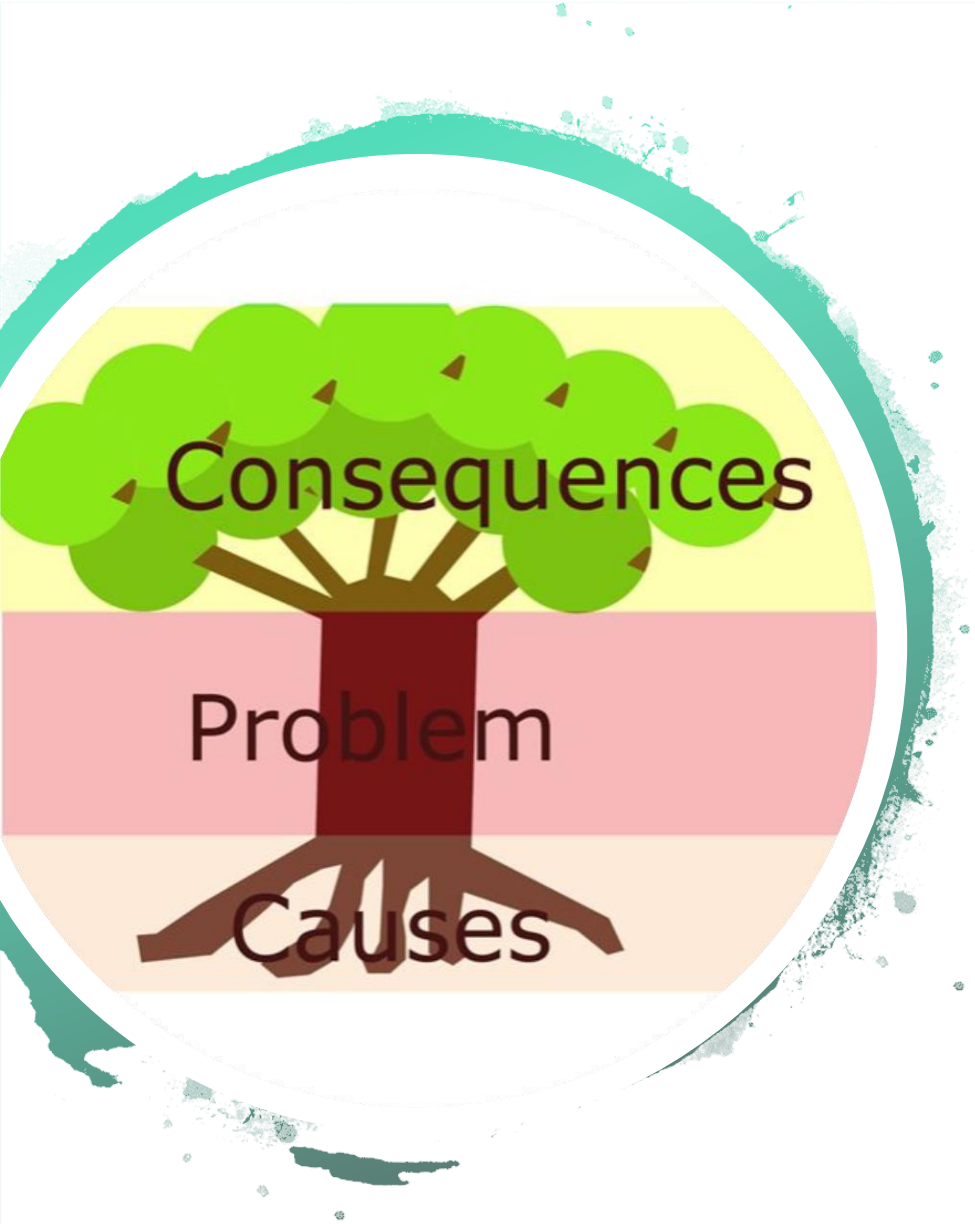
CAUSES

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

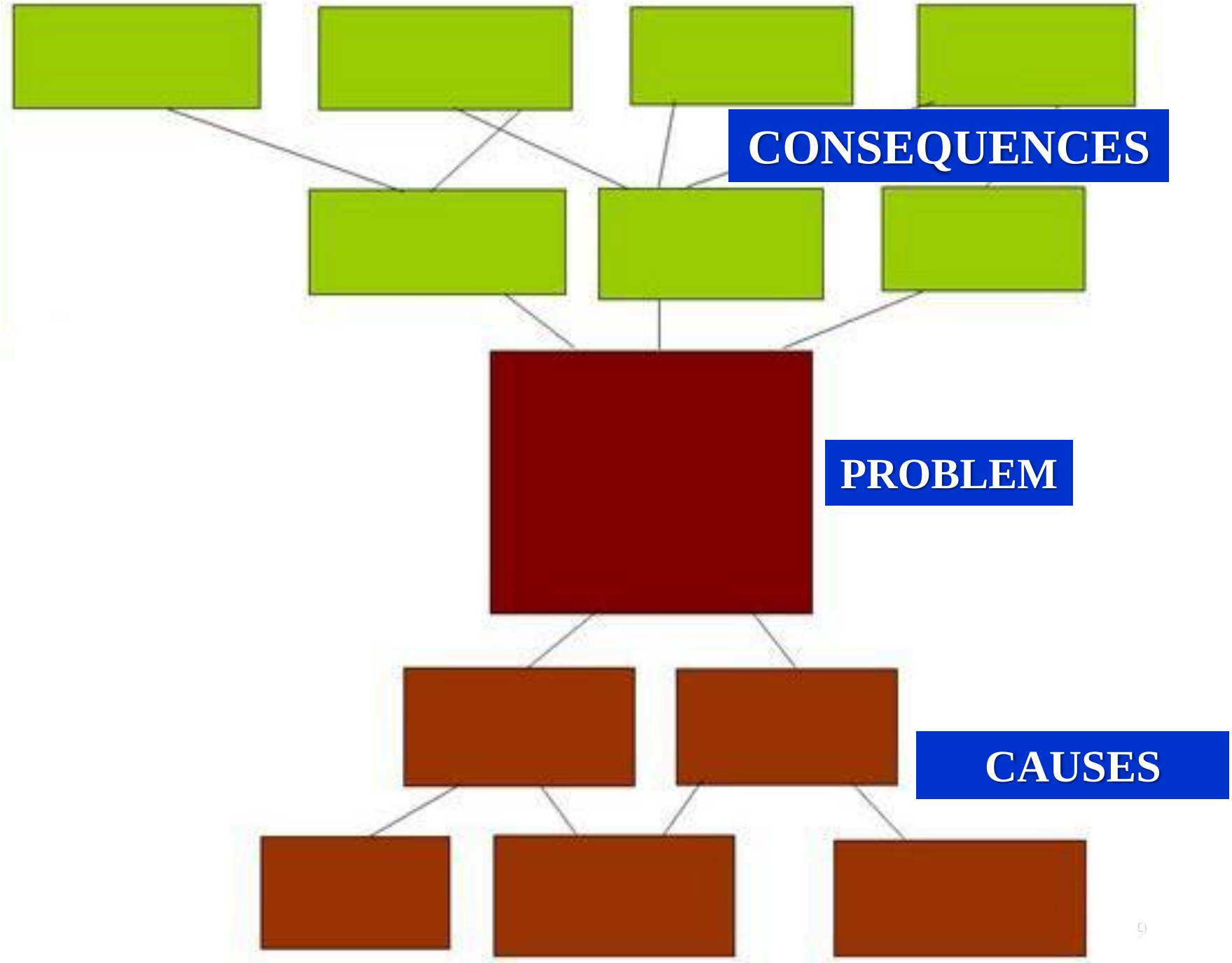
Scarcity of Affordable Housing

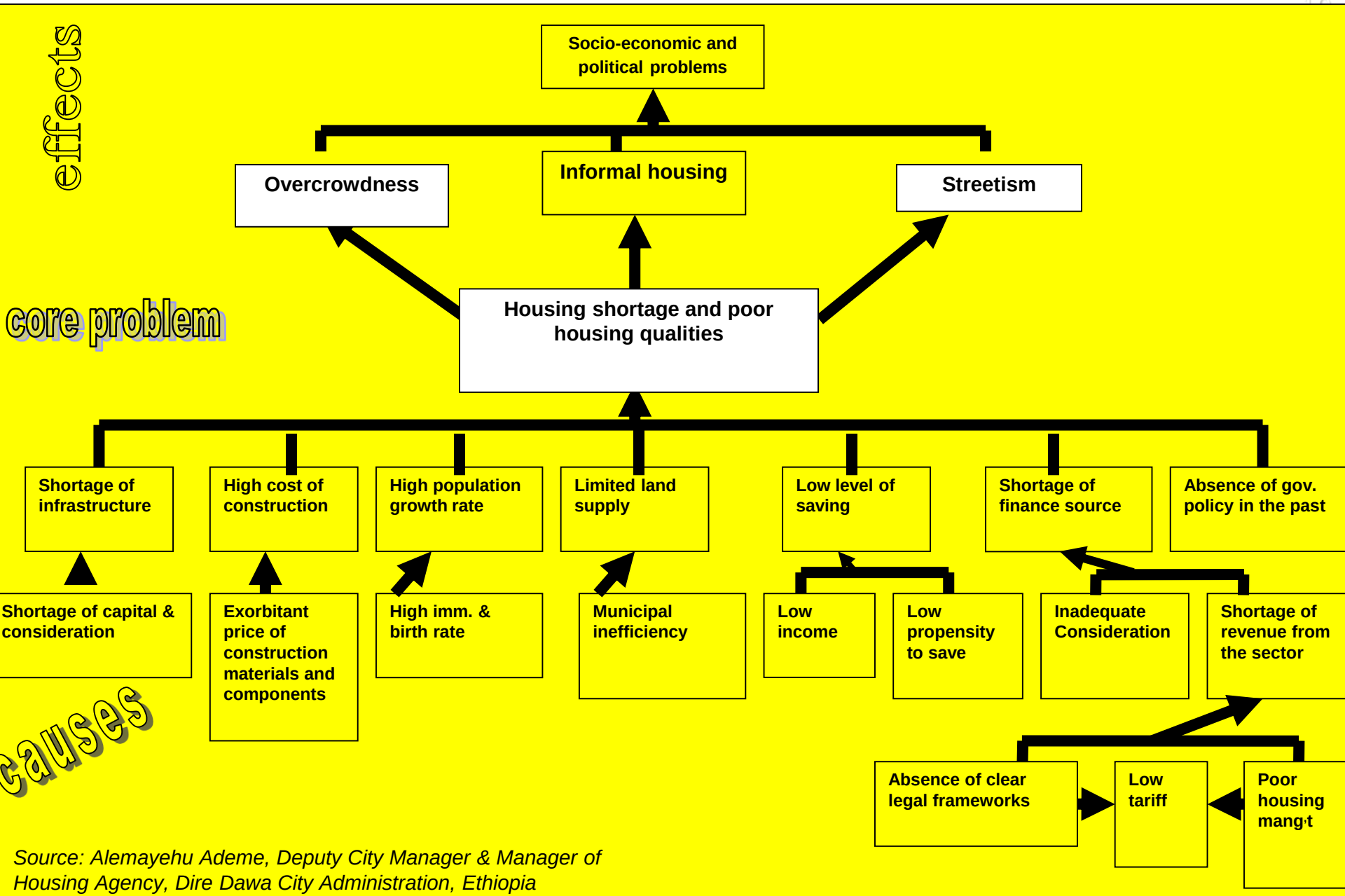
1. Overcrowding
2. Increase of renting & sub-renting practices
3. Informal housing processes
4. Illegal building
5. Deteriorating living conditions
6. Problems in reproduction of labour

CONSEQUENCES

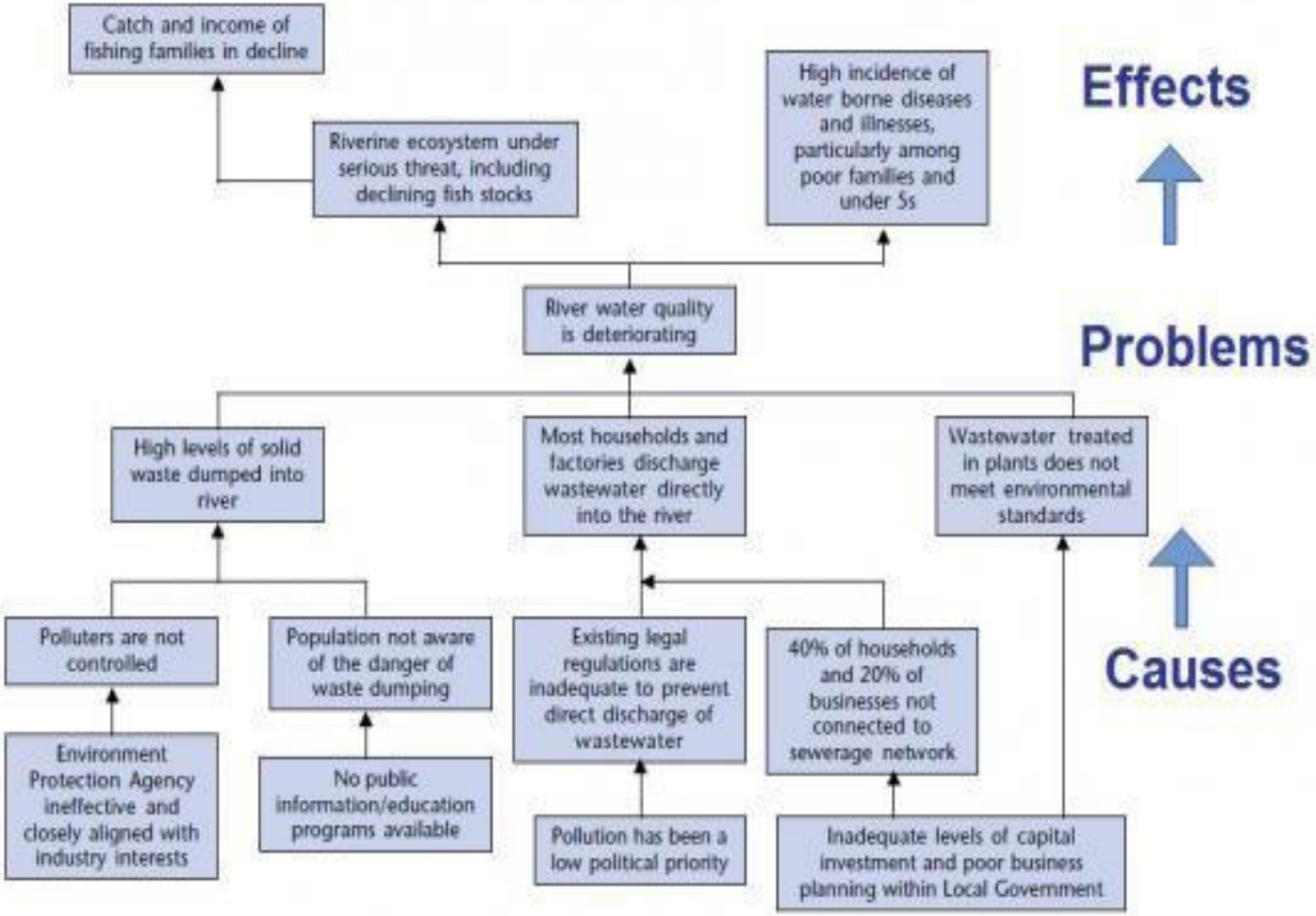


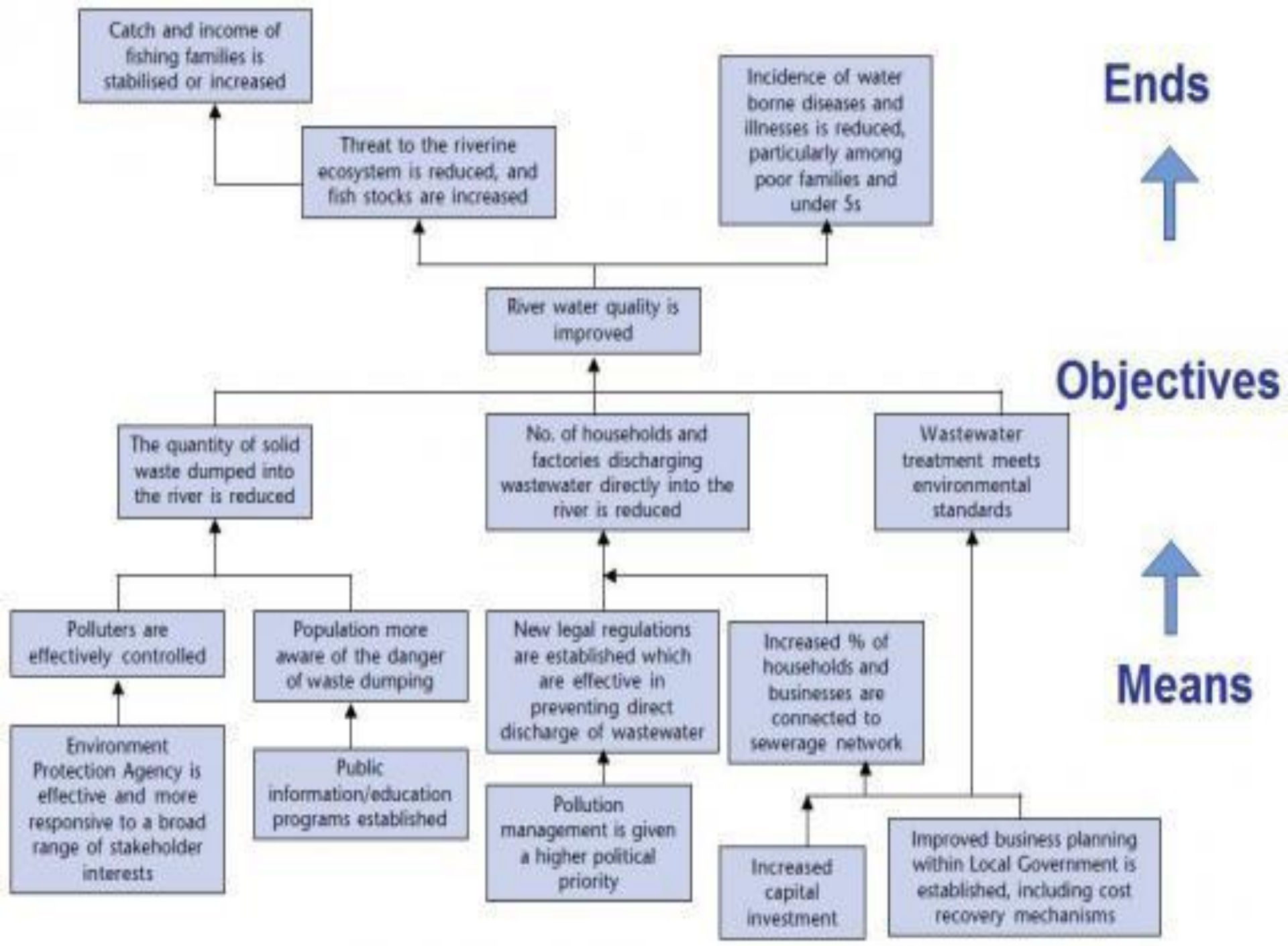
The Problem Tree Analysis


CONSEQUENCES
PROBLEM
CAUSES



Source: Alemayehu Ademe, Deputy City Manager & Manager of Housing Agency, Dire Dawa City Administration, Ethiopia

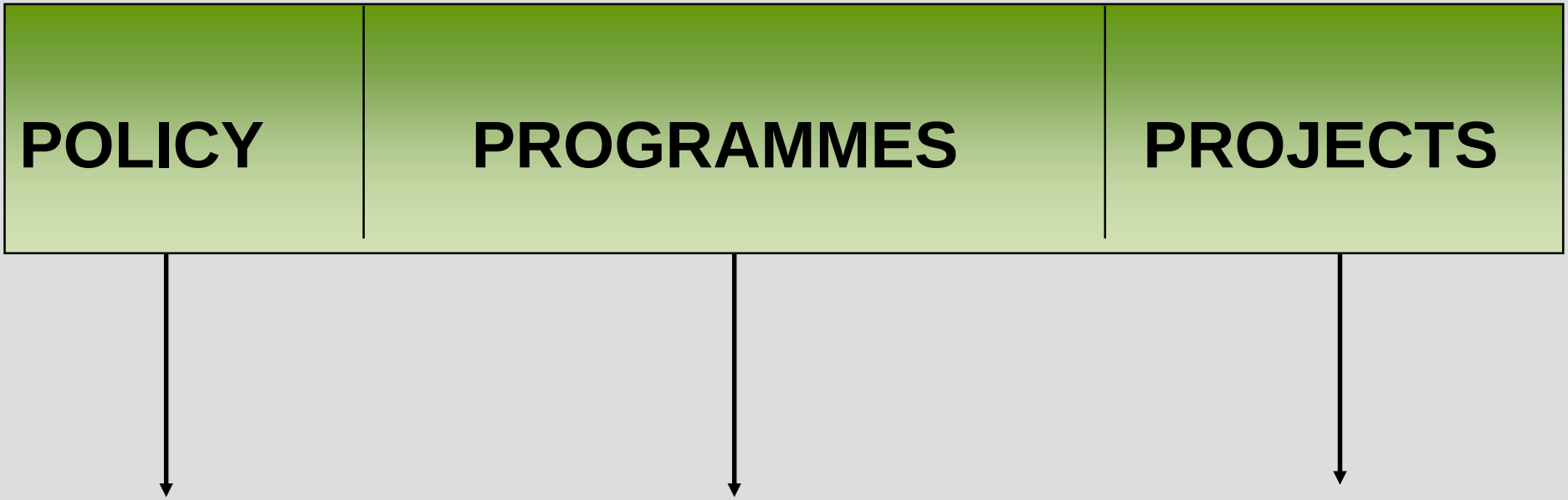

Catch and income of fishing families in decline
Riverine ecosystem under serious threat, including declining fish stocks
High incidence of water borne diseases and illnesses, particularly among poor families and under 5s
Effects
River water quality is deteriorating
Problems
High levels of solid waste 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
Causes
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


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
Ends
River water quality is improved
Objectives
The quantity of solid waste dumped into the river is reduced
No. of households and factories discharging wastewater directly into the river is reduced
Wastewater treatment meets environmental standards
Polluters are effectively controlled
Population more aware of the danger of waste dumping
New legal regulations are established which are effective in preventing direct discharge of wastewater
Increased % of households and businesses are connected to sewerage network
Means
Environment Protection Agency is effective and more responsive to a broad range of stakeholder interests
Public information/education programs established
Pollution management is given a higher political priority
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



STATEMENTS	PROCEDURAL	ACTIONS
PRINCIPLES	OPERATIONAL	IMPLEMENTATION
COMPROMISES	BUDGETARY ALLOCATION	EXPENDITURES

POLICY	PROGRAMMES	PROJECTS
STATEMENTS PRINCIPLES COMPROMISES	**PROCEDURAL OPERATIONAL**	**ACTIONS IMPLEMENTATION FEEDBACK**
1. Reflects Government Intentions	1. Defines procedural steps	1. Converts policy into concrete action
2. Defines political commitments	2. Makes explicit policy strategies	2. Policy implementation tools
3. Establishes institutional structucture	3. Operationalise policy goals	3. Materialises facets of programmes
4. Reflects Government views of the problems	4. Establishes institutional mechanisms	4. Reach programmes' targets
5. Sets broad objectives of Government action	5. Guides policy implementation	5. Achieve final policy goals
6. Makes explicit resource allocation	6. Sets qualitative targets	6. Delivers policy and programme outputs
7. Define target areas & beneficiaries	7. Defines time schedule	7. Turns government commitments tangible
8. Links various sectors of Gov	8. Specify sources of funds, direct beneficiaries and disbursement plan	8. Materialises resource allocation
9. Sets priorities	9. Provides guidelines for projects	9. Success criteria for policy evaluation
	10. Defines responsibilities	

POLICY	PROGRAMMES	PROJECTS
Higher political decisions	Legislative, political and technical decisions	Technical & professional decisions
Macro level	Intermediary and macro level of concern	Micro and very local level
Multi-period	Continuous & multi-period	Precise period of time
General problem definition	Problem solving strategies	Solution / alleviation oriented
General sources of finance	Explicit budget allocation	Strict budgetary restrictions
Entire Government responsibility	Sector-based responsibilities	Field & specific responsibility Co-ordination
Government / State	Institutions	Local units and organisations
General aims and goals	Priorities Defined	Action oriented
Programme guidelines	Project guidelines	Action * operational guidelines

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 = 1.2 million houses, or in percentage: 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).

Oxley, M. (2009) "Financing Affordable Social Housing in Europe", UN-HABITAT
Robinson, R. (1997) "Housing economics and public policy", Macmillan.

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).

Shucksmith, M. (2002) “House building in Britain’s Countryside”, Routledge.

Do's and Dont'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

21.

Defining Housing Needs.

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.

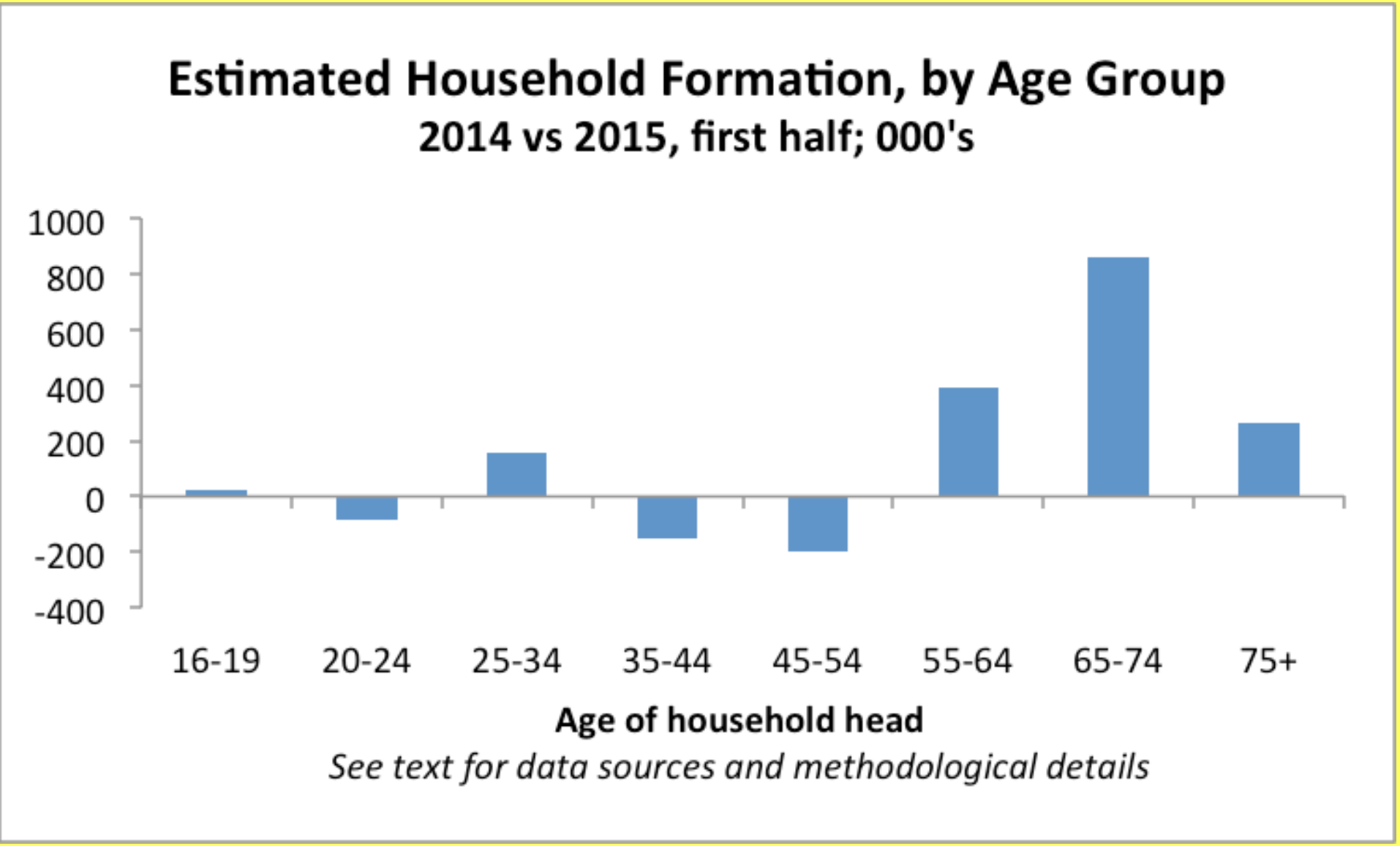
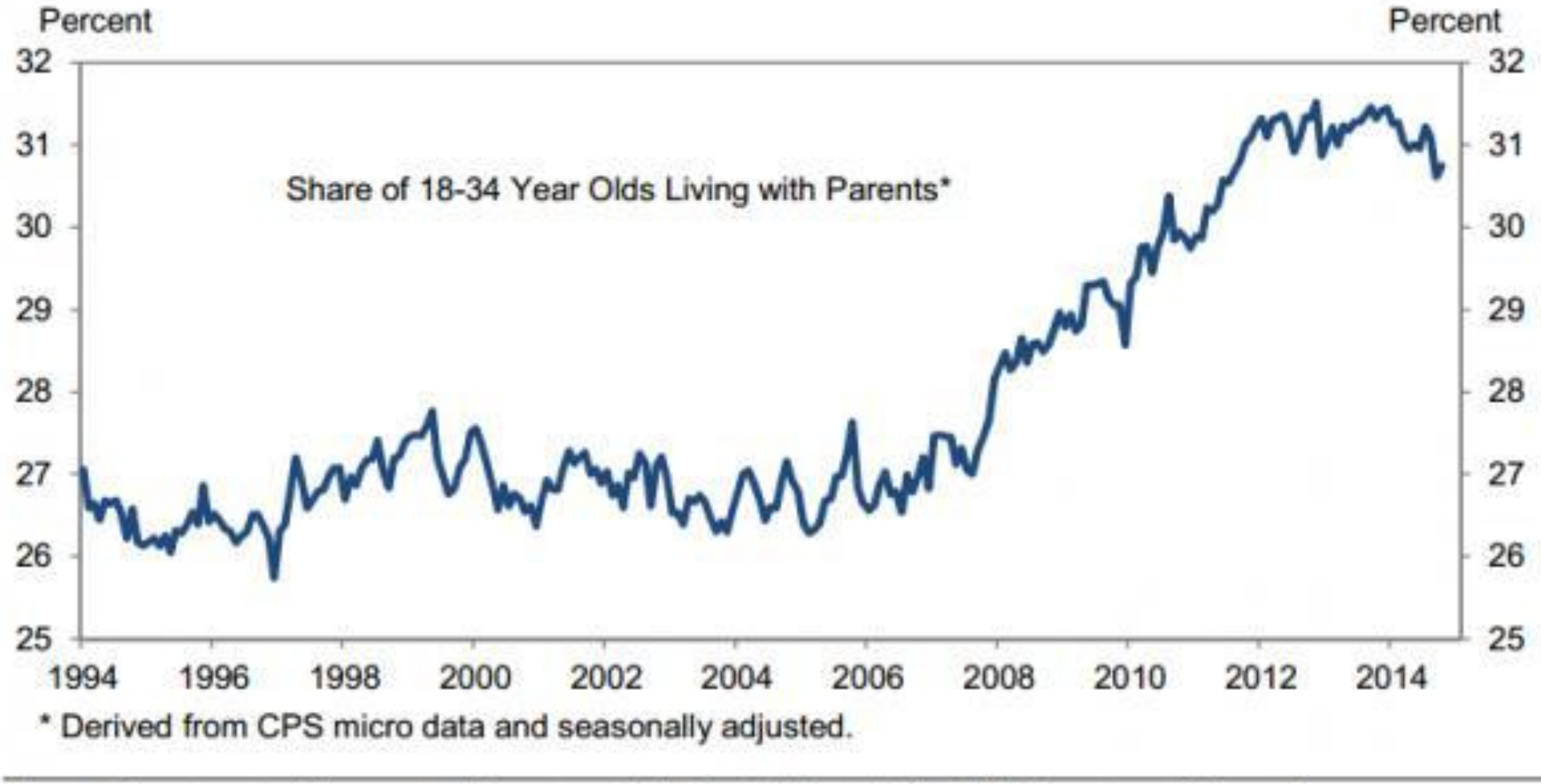

Estimated Household Formation, by Age Group
2014 vs 2015, first half; 000's
1000
800
600
400
200
0
-200
-400
16-19
20-24
25-34
35-44
45-54
55-64
65-74
75+
Age of household head
See text for data sources and methodological details

Exhibit 6: Finally Moving Out of the Basement



Source: Department of Commerce, Department of Labor, Goldman Sachs Global Investment Research.

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.

https://www.bls.gov/opub/mlr/2016/beyond-bls/pdf/young-adults-and-trends-in-household-formation.pdf

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

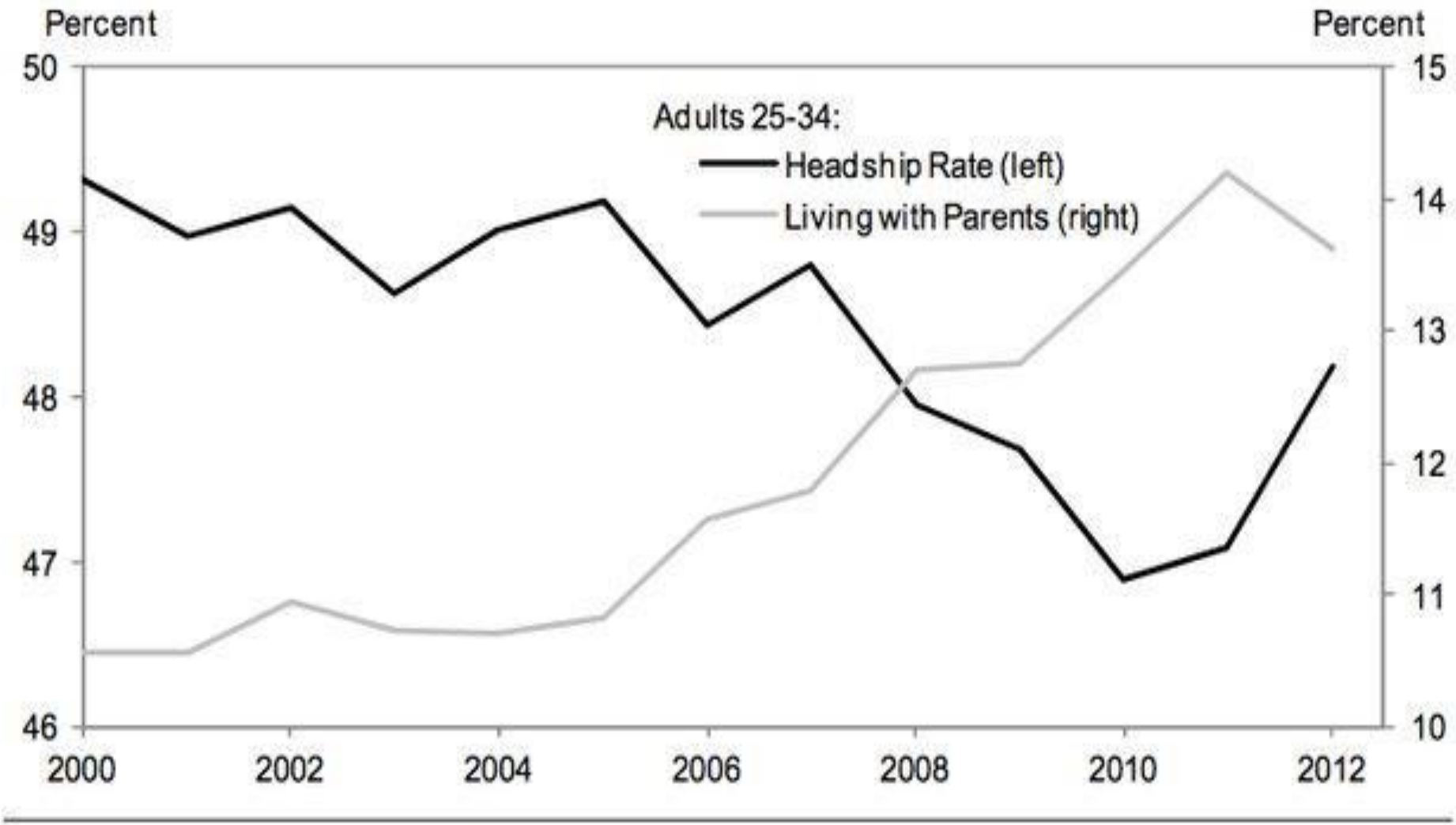
Headship Rate

- **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.
Asessing 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?

Housing for All in Europe

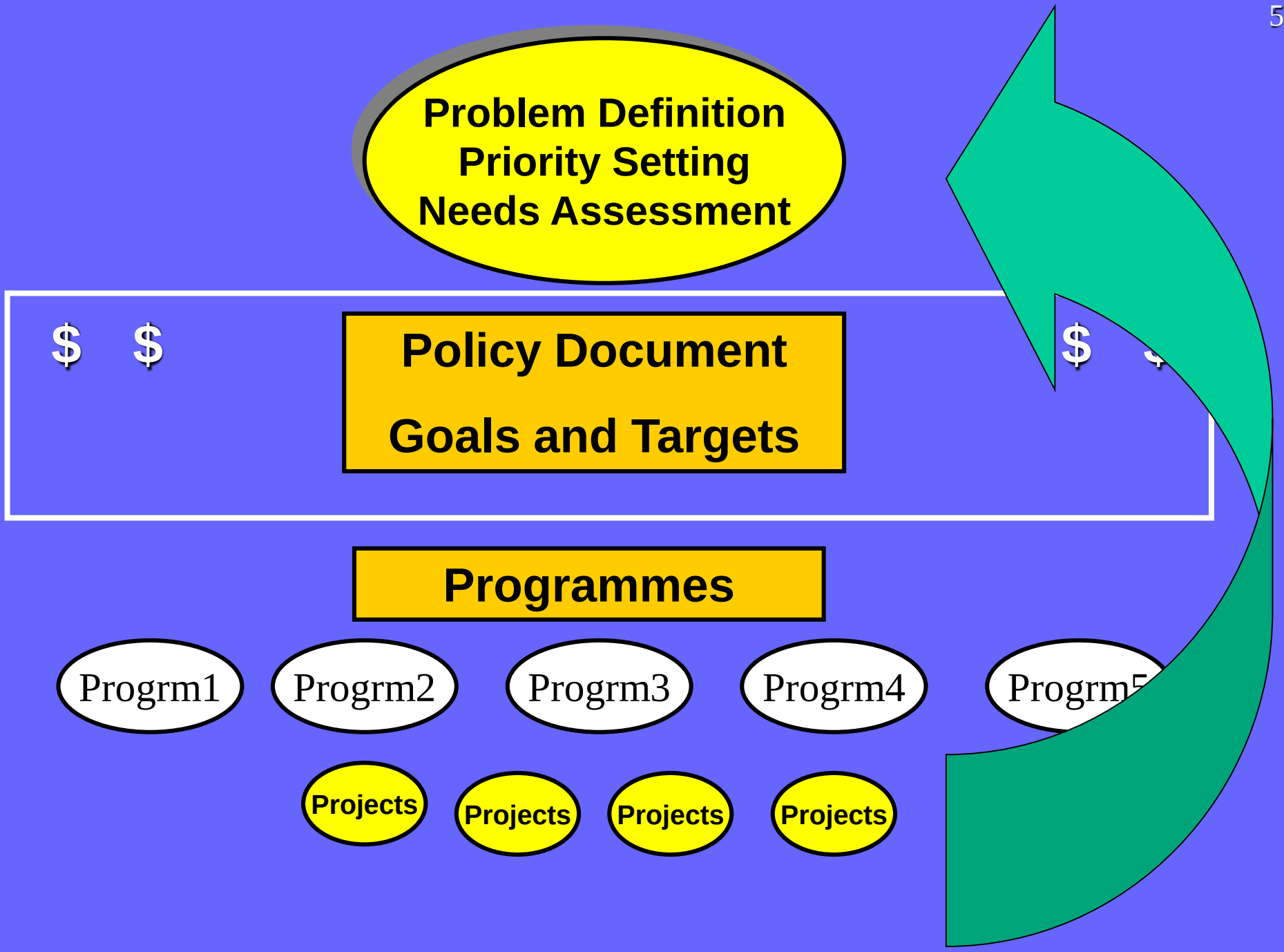
- https://www.youtube.com/watch?v=Ft80OpH3qn4

- 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

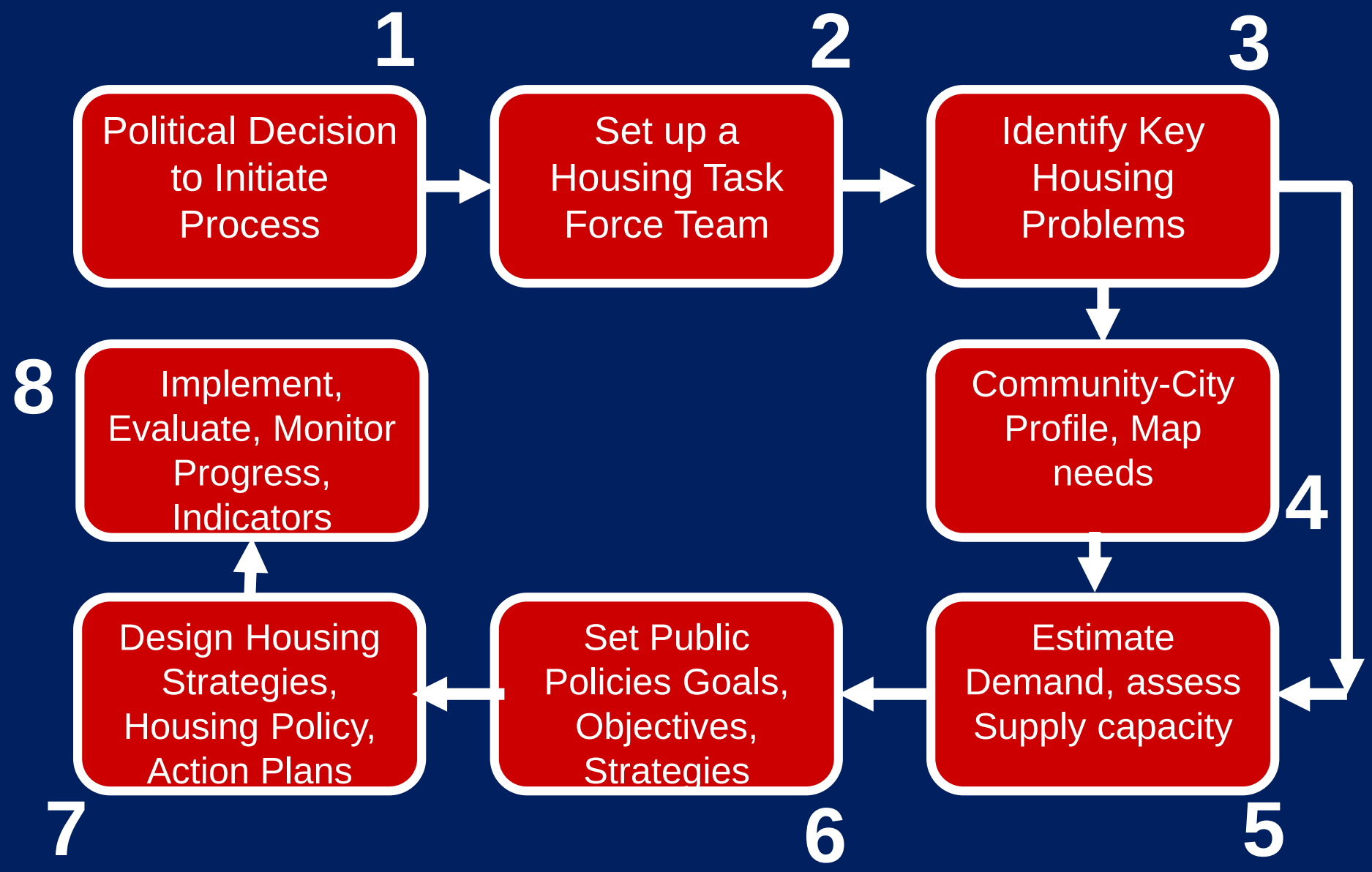
24.

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

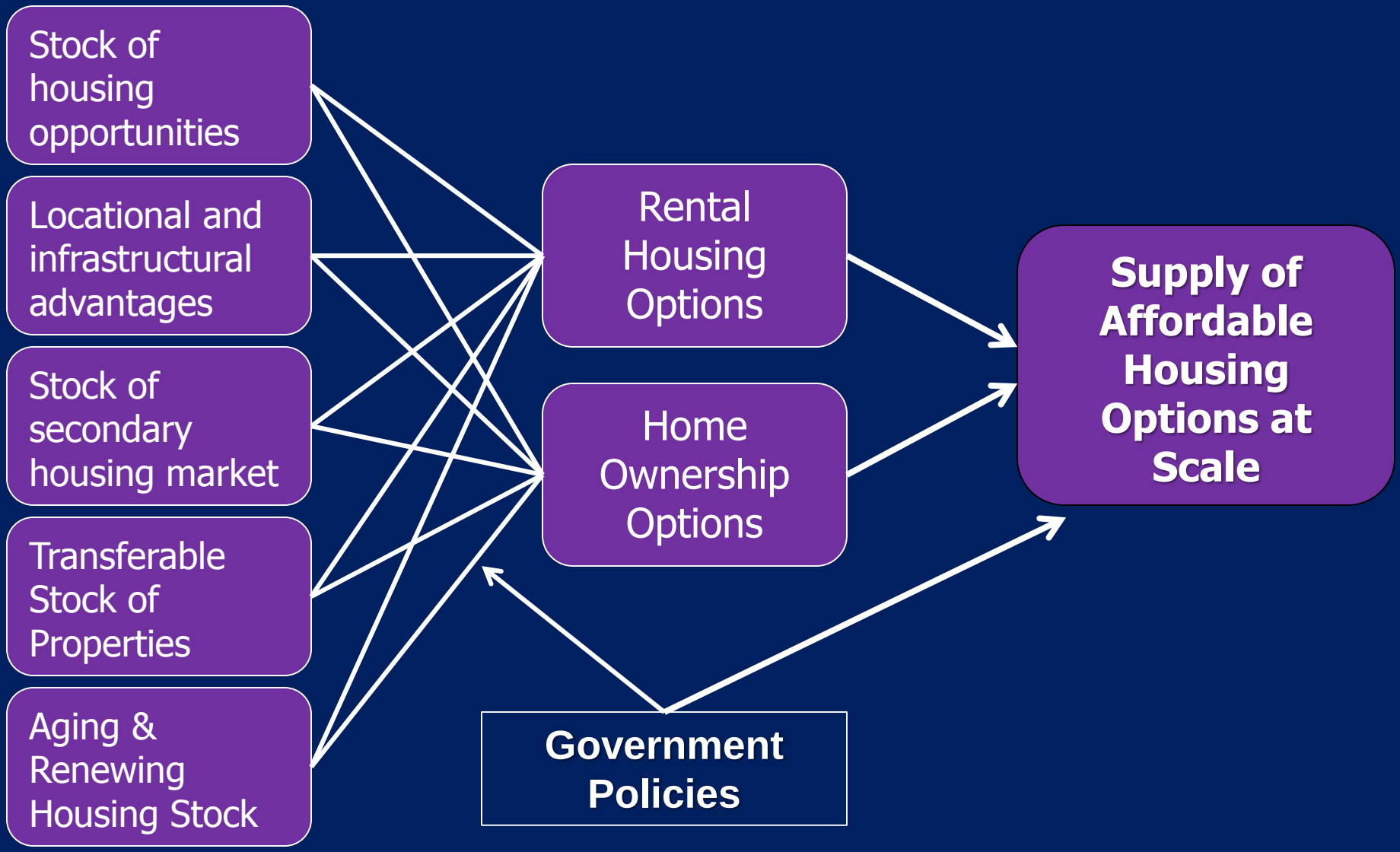
HOUSING POLICY CYCLE


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

HOUSING DEMAND	Explanations
New Households	Newly married, newcomers, population growth, increasing demand
Replacement of Substandard Housing	Inadequate housing. Define substandard (mínimum quality and standards) and crowding norms (persons per room).
Alternative Housing – existing stock	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.
Housing Vacancy	Minimum vacancy rate of 5-6%. Allows a community to have sufficient housing available for both new and existing residents.
Renter/Owner Cost Overburden	Persons paying more tan 25% of their income towards housing

What role plays the existing housing stock in achieving SDG11/NUA?



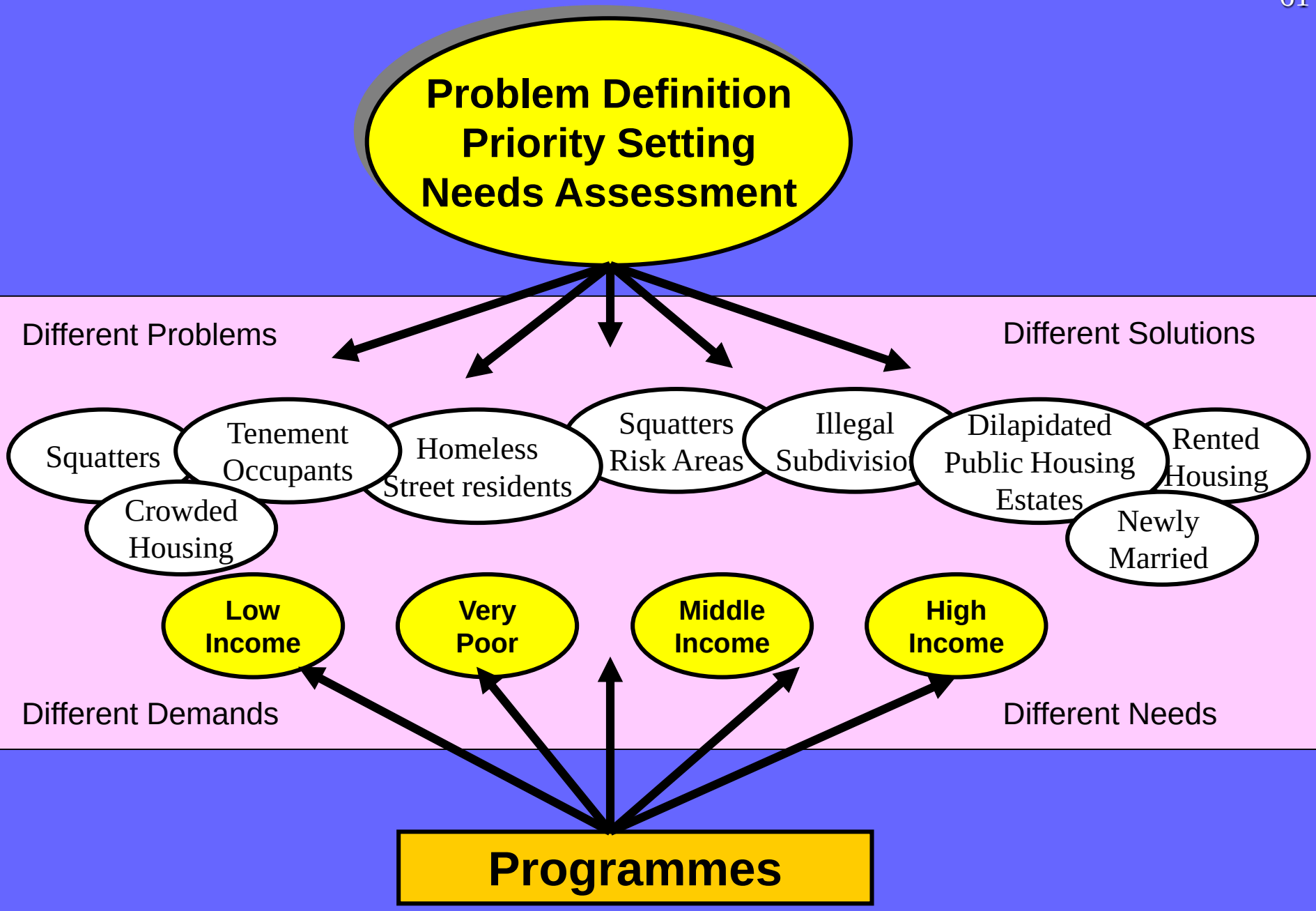
The Problem Identification

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?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Different Problems
Different Solutions
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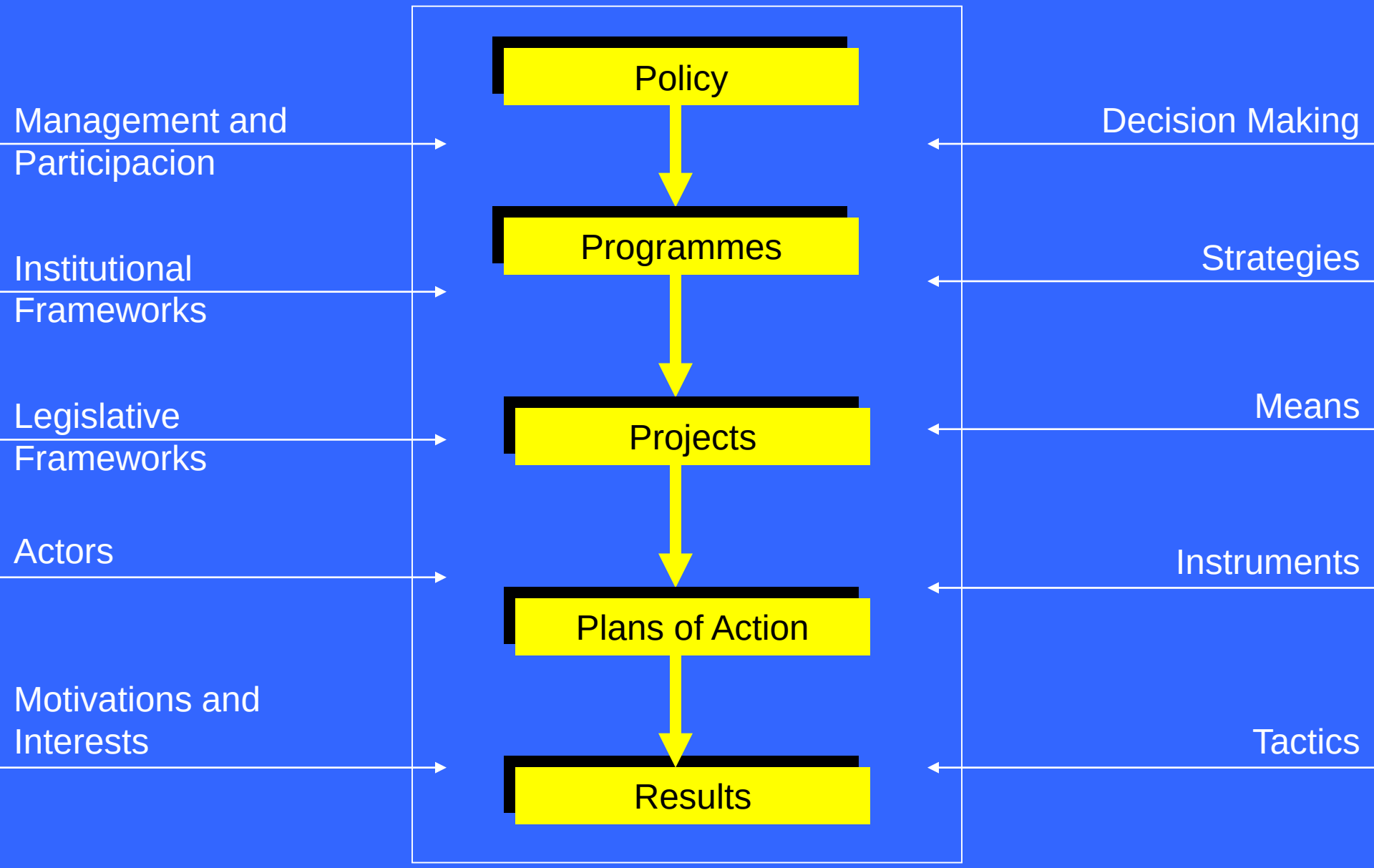
Tenement Occupants
Homeless Street residents
Squatters Risk Areas
Illegal Subdivisio
Dilapidated Public Housing Estates
Rented Housing
Crowded Housing
Newly Married
Low Income
Very Poor
Middle Income
High Income
Different Demands
Different Needs
Programmes


Policy
Programmes
Projects
Plans of Action
Results
Management and Participacion
Institutional Frameworks
Legislative Frameworks
Actors
Motivations and Interests
Decision Making
Strategies
Means
Instruments
Tactics

25.

The Housing Policy Document.

How does it look like?

The Housing Policy Document:

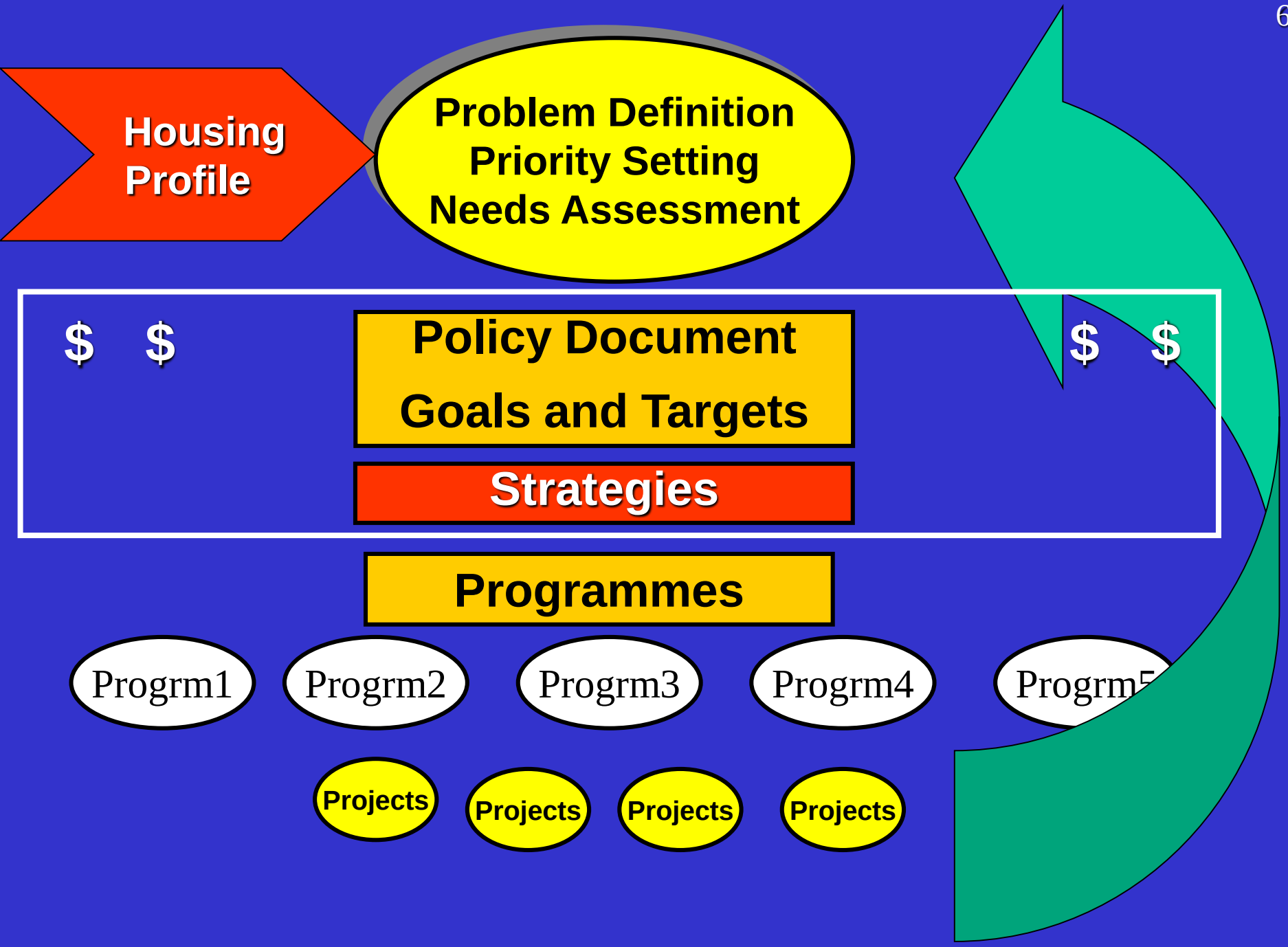
An instrument to support government intervention, promote accessibility to affordable housing and mechanisms for housing delivery.

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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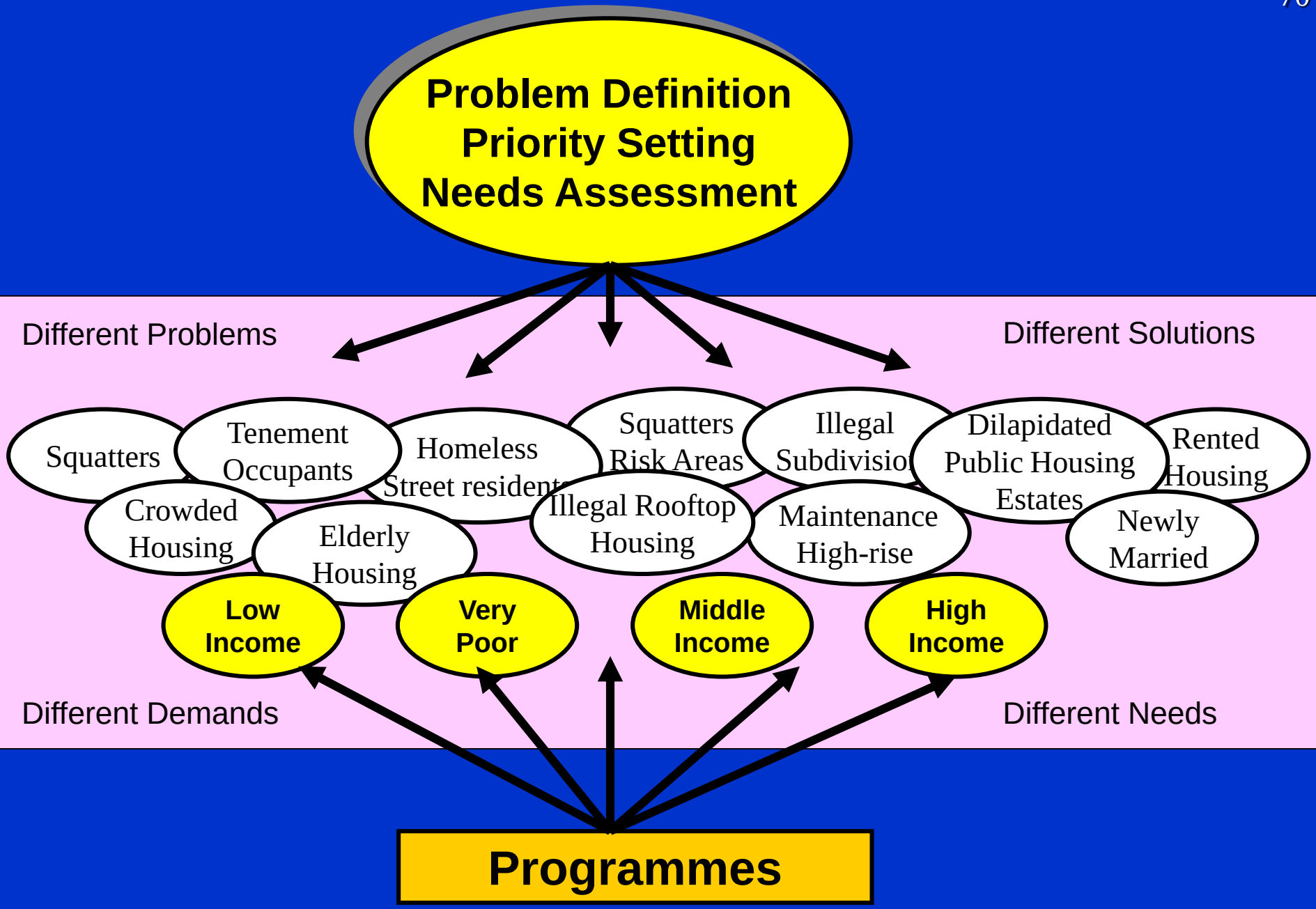
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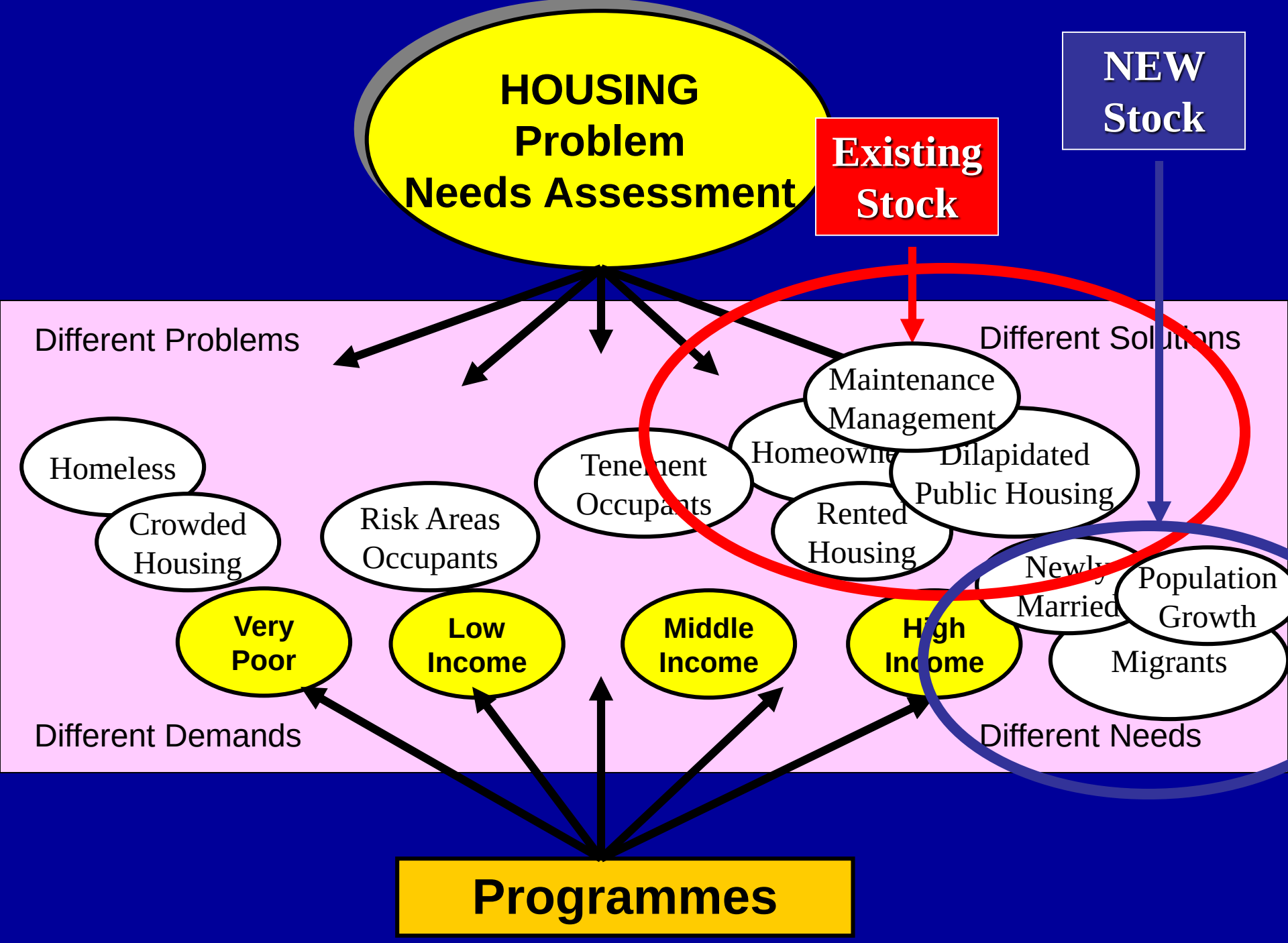
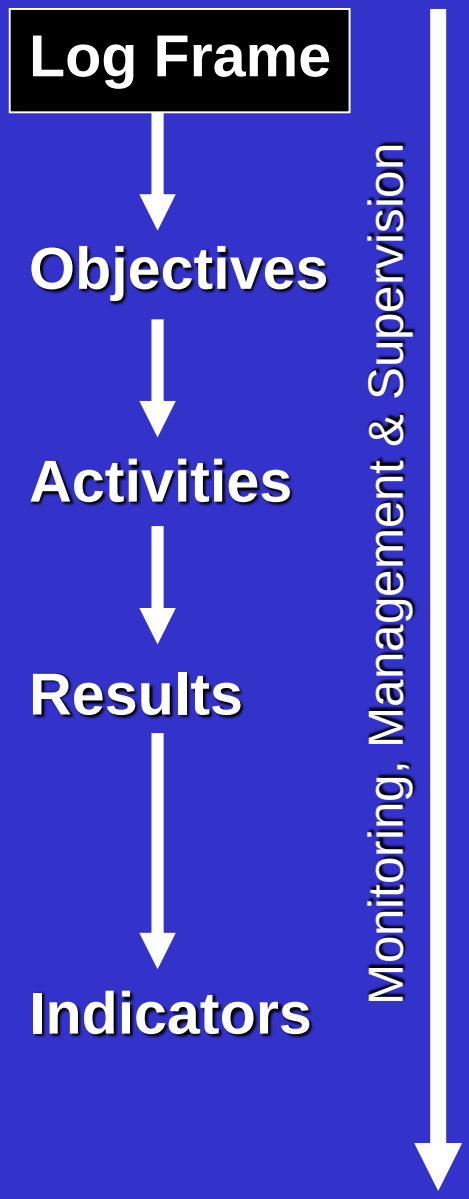
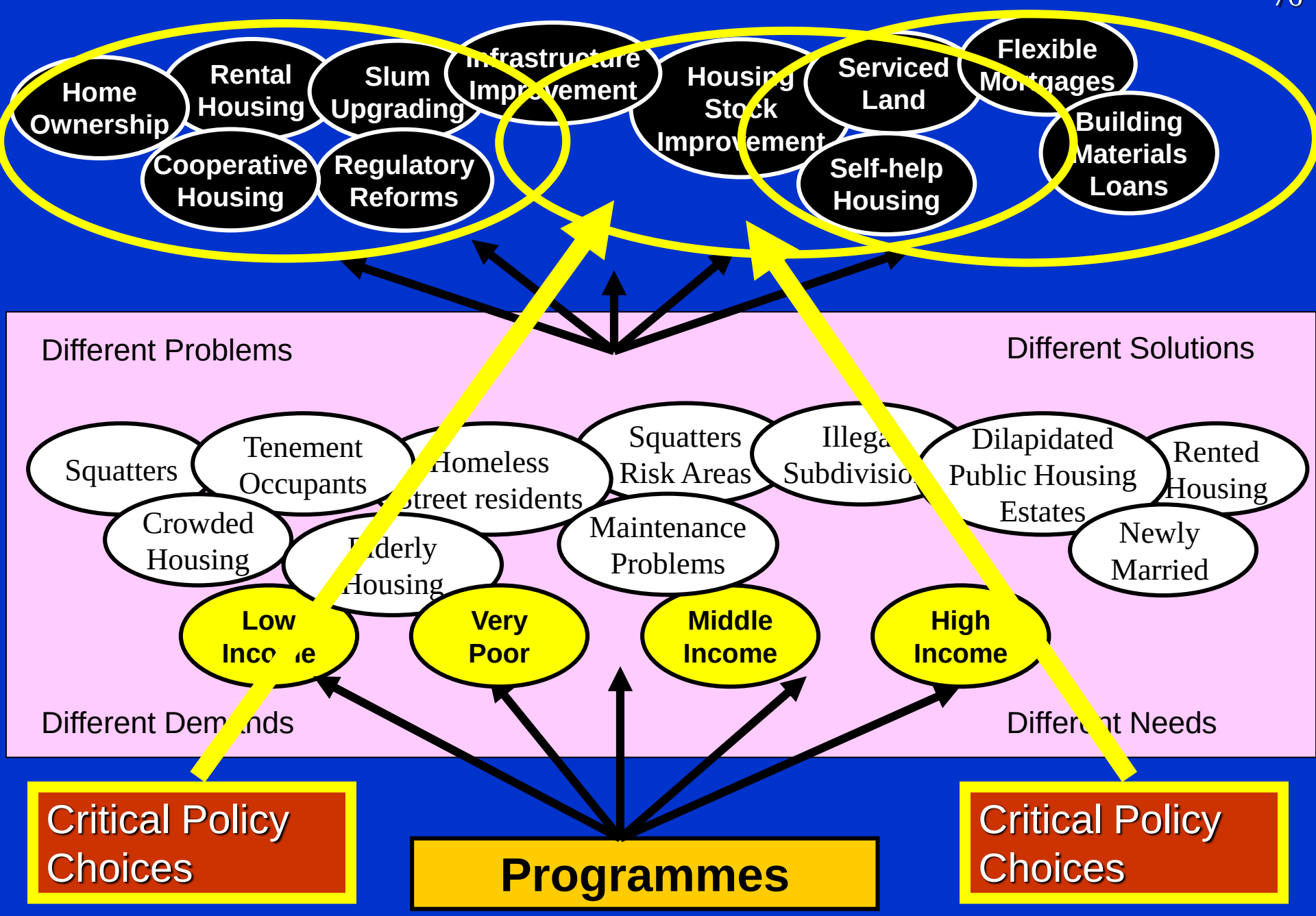

HOUSING
Problem
Needs Assessment
Existing Stock
NEW Stock
Different Problems
Different Solutions
Homeless
Crowded Housing
Risk Areas Occupants
Tenement Occupants
Maintenance Management
Homeowner
Dilapidated
Public Housing
Rented Housing
Newly Married
Population Growth
Migrants
Very Poor
Low Income
Middle Income
High Income
Different Demands
Different Needs
Programmes

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



1. Problem Analysis: scope of policy field
2. Goal: long term achievement
3. Targets: benchmark results & beneficiaries
4. Strategy: mechanisms to achieve goal and targets
5. Institutional Arrangements: who does what, when & how
6. Finance: sources of funding & resource mobilisation
7. Programmes: operational, institutional and financial arrangements
8. Instruments: implementation, participation, cost recovery, delivery, eligility, etc.


Home Ownership
Rental Housing
Slum Upgrading
Infrastructure Improvement
Housing Stock Improvement
Serviced Land
Flexible Mortgages
Building Materials Loans
Self-help Housing
Cooperative Housing
Regulatory Reforms
Different Problems
Different Solutions
Squatters
Tenement Occupants
Homeless Street residents
Squatters Risk Areas
Illega Subdivisio
Dilapidated Public Housing Estates
Rented Housing
Crowded Housing
Elderly Housing
Maintenance Problems
Newly Married
Low Income
Very Poor
Middle Income
High Income
Different Demands
Different Needs
Critical Policy Choices
Programmes
Critical Policy Choices

Do's and Dont's of Housing Policy Makers

- Inaccurate understanding of housing needs leads to misguided housing interventions;
- 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.