Providing Affordable and Adequate Housing Options for the Poor

Housing Policy Matters!

Claudio Acioly Jr.

claudio.acioly@un.org

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 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
Housing shortage and poor housing qualities

- Shortage of infrastructure
- 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 capital & consideration
- 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

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

River water quality is deteriorating

High levels of solid waste dumped into river

Polluters are not controlled

Environment Protection Agency ineffective and closely aligned with industry interests

Population not aware of the danger of waste dumping

No public information/education programs available

Most households and factories discharge wastewater directly into the river

Existing legal regulations are inadequate to prevent direct discharge of wastewater

Pollution has been a low political priority

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

Wastewater treated in plants does not meet environmental standards

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

Effects

Problems

Causes
19.
A Common Understanding about Policy, Programs, Projects.
Understanding Peculiar Differences

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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.

  \[11.2 - 10 = \text{1.2 million houses, or in percentage: } \frac{1.2}{10} = 12\%\]
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).

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.

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.

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?
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
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. Housing Task Force - Policy Formulation Objectives
   Setting Problem Analysis

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

3. Target Group Selection & Selection Criteria

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

5. Market Players; Community Involvement & Consultations

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

7. Design of Strategic Projects; location, target.

8. Project Implementation; Monitoring and Evaluation. Impact

People’s Needs

Demand
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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<td>New Households</td>
<td>Newly married, newcomers, population growth, increasing demand</td>
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<tr>
<td>Replacement of Substandard Housing</td>
<td>Inadequate housing. Define substandard (minimum quality and standards) and crowding norms (persons per room).</td>
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<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>
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<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>
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<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
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 Subdivisions
- Risk Areas
- Illegal Subdivisions
- Homeless Street residents
- Squatters
- Tenement Occupants

Different Solutions
- Dilapidated Public Housing Estates
- Newly Married
- Rented Housing
- Low Income
- Very Poor
- Middle Income
- High Income

Different Demands
- Crowded Housing
- Newly Married
- Different Problems
- Different Solutions
- Different Needs

Programmes
Management and Participacion

Institutional Frameworks

Legislative Frameworks

Actors

Motivations and Interests

Policy

Programmes

Projects

Plans of Action

Results

Decision Making

Strategies

Means

Instruments

Tactics
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

Policy Document
Goals and Targets

Strategies

Programmes

Progrm1
Progrm2
Progrm3
Progrm4
Progrm5

Projects
Projects
Projects
Projects

Housing Profile
Squatters
Risk Areas
Illegal Subdivision
Illegal Rooftop Housing
Dilapidated Public Housing Estates
Rented Housing
Newly Married

Squatters
Tenement Occupants
Homeless Street Residents
Illegal Risk Areas

Low Income
Very Poor
Middle Income
High Income

Problem Definition
Priority Setting
Needs Assessment

Different Problems
Different Solutions

Different Demands
Different Needs

Programmes
Different Problems

- Homeless
- Crowded Housing
- Risk Areas Occupants

Different Demands

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

Different Solutions

- Maintenance Management
- Homeowners
- Tenement Occupants
- Rented Housing
- Dilapidated Public Housing

NEW Stock

- Newly Married
- Population Growth
- Migrants

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
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<td><strong>Strategy: mechanisms to achieve goal and targets</strong></td>
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<td><strong>Finance: sources of funding &amp; resource mobilisation</strong></td>
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<td>Programmes: operational, institutional and financial arrangements</td>
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<td><strong>Instruments: implementation, participation, cost recovery, delivery, eligibility, etc.</strong></td>
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**Monitoring, Management & Supervision**

- Objectives
- Activities
- Results
- Indicators
Different Problems

- Squatters
- Tenement Occupants
- Homeless Street residents
- Crowded Housing
- Elderly Housing
- Maintenance Problems
- Squatters Risk Areas
- Illegal Subdivision
- Low Income
- Very Poor
- Middle Income
- High Income
- Different Demands

Different Solutions

- Home Ownership
- Rental Housing
- Slum Upgrading
- Infrastructure Improvement
- Housing Stock Improvement
- Serviced Land
- Self-help Housing
- Flexible Mortgages
- Building Materials Loans
- Critical Policy Choices

Programmes

Different Needs

Newly Married
- Newly Married
- Rented Housing
- Dilapidated Public Housing Estates
- Critical Policy Choices

Flexible Mortgages
- Building Materials Loans
- Critical Policy Choices

Regulatory Reforms

Cooperative Housing

Low Income
- Critical Policy Choices

Newly Married
- Critical Policy Choices

Very Poor
- Critical Policy Choices

Middle Income
- Critical Policy Choices

High Income
- Critical Policy Choices
Do’s and Don’t’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.