

Affordable housing in European countries

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Introduction

- Affordability
- Subsidies
- Housing Tenure in Europe
- Providers in public and private sectors
- Affordable housing in England
- Housing Associations
- Section 106 arrangements
- Local Housing Companies

Affordability

- The unaffordability of housing of a socially acceptable standard
- Incomes too low?
- Housing costs too high?
- Socially acceptable standards too high?

Policy options: Demand v Supply side policies

- Arguments and ideologies
- The case for subject subsidies
- The case for object subsidies
- The externality argument

Subject subsidies

Subsidy Typology

	Who gets the help?	Conditions	Type of help
1. Pure subject subsidies	Households	Personal circumstances but not specifically housing costs	Income supplements; personal tax reductions
2. Conditional subject subsidies	Households	Household, income, size and housing costs	Housing allowance, housing voucher

Object subsidies

	Who gets the help?	Conditions	Type of help
3. Pure object subsidies	Suppliers – including house builders and landlords of many types*	Additional housing supplied	Grants, tax reductions, cheap loans, equity finance
4. Conditional object incentives	Suppliers – including house builders and landlords of many types*	Additional housing supplied; Rents limited; allocation constrained*	Grants, tax reductions, cheap loans, equity finance, tradable tax credits, cheap land

** usually to households below an income threshold, but employment, household type and other indicators of need may also apply*

Buildings or People?

Public funding EU28 Countries %s of total to buildings and people

	Capital Support	Housing Allowances
2009	47	53
2015	25	75

Source: The State of Housing in the EU 2017 Housing Europe

Housing Tenure % housing stock c2016

	Owner occupation	Private renting	Social Renting	Other
Belgium	64.8	27.5	6.5	1.2
France	57.8	23.0	16.8	2.4
Germany	45.4	50.7	3.9	
Ireland	67.6	20.6	8.7	3.1
Netherlands	60.0	10.0	30.0	
Spain	77.1	13.8	2.5	6.5
UK	63.1	19.0	17.6	

Source: The State of Housing in the EU 2017 Housing Europe

Social allocation

- Social housing is socially allocated according to need (incomes play a large part). Prices (rents) are usually regulated. Quality is usually regulated.
- Social and affordable housing may be provided by:
 - The state
 - Social housing organisations
 - Private non-profit or for profit organisations.
- Usually social and affordable housing is rented – but not always

Social allocation and Private Ownership

- Privately owned housing can be socially allocated
- Some privately owned rented housing is socially allocated in several countries (e.g. Belgium, France, Germany, Ireland)
- Some owner occupied housing is socially allocated (e.g. Spain)
- Spain: Vivienda de Proteccion Publica (publicly protected housing).
- Subsidized by the State (e.g. grants or cheap loans). Conditions concerning size and quality are sold at prices below market to people with incomes below ceilings.

Affordable Housing in England

- A variety of forms of social or affordable housing all of which involve collaboration between the public and private sectors. Rented affordable housing is almost entirely owned by local authorities or housing associations. In official terminology:
- “Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. It can be a new-build property or a private sector property that has been purchased for use as an affordable home” (MHCLG, 2018).

Changes in housing tenure in England

	1969	1995	2017
Owner occupied	50.9	67.7	62.9
Rented privately	21.3	9.8	19.9
Rented from housing associations)		4.2	10.2
Rented from local authorities	27.8	17.6	6.7

Source: Own calculations from Ministry of Housing Communities and Local Government, 2018, Live table 104 Dwelling Stock by tenure England (Historical series) <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

Housing Associations in England

- Independent private sector, not-for-profit bodies
- Provide rented homes at sub-market rents and access to home ownership and provide other neighbourhood and community services
- 1,775 HAs managing 2.4 million homes; smallest HA controls less than ten homes, the largest, around 140,000
- HAs are commercially orientated non-profit organisations and several are substantial developers of private sector housing. The surpluses made must be reinvested in housing
- Proceeds from market sector completions can be used to cross subsidise sub-market rental housing
- Some have stock transferred from local authorities
- Strong regulation
- Good credit ratings

Housing Association Development Funding

- Public subsidy
- Social rents offered by councils and housing associations are generally 40%-65% of market rent or lower rent. Public funding has increasingly supported “Affordable Rent” dwellings that are let at higher rents (80% of market rent) rather than “social rents”
- 70% of rents are paid directly to landlords from Housing Benefit which is a means tested housing allowance
- Private finance has become the main source of investment funding
- Bank and building society lending have predominated
- but the capital markets are becoming more important
- Larger HAs have issued their own bonds, raising large volumes of funds on the open market
- The Housing Finance Corporation (THFC) obtains funds from bond issues, (public issuance and private placements) and bank loans including funding from the European Investment Bank (EIB). It then lends to housing associations to support investment

Section 106 arrangements 1

- Affordable housing through land use planning
- Section 106 arrangements involve a cross subsidy through the private development process to provide socially allocated rental and low-cost home ownership dwellings
- Over 40% affordable housing starts 2016/17 from S106
- Section 106 agreements (often referred to as planning obligations) are the result of site-specific negotiations between a planning authority and a private developer. In relation to affordable housing they will typically state that a given proportion of new housing on a site will be affordable
- Negotiations will take account of assessments of local housing needs and the viability of the development
- Outcome will be a mix of affordable housing and market housing on a new residential development

Section 106 arrangements 2

- Developer may, exceptionally, offer a sum in money in lieu of affordable housing provision which might be accepted by a local authority
- S106 costs to a developer can be met from the increase in land values that arise from the granting of residential planning permission
- Some S106 developments are sometimes supported by public subsidy. However, the distinctive nature of S106 affordable housing is support from a cross-subsidy from the private development process
- Section 106 agreements can include more than housing e.g. transport, leisure and healthcare facilities.

Changes in housebuilding in England

	1969-70	2017-18
Total dwellings completed	306,320	185,000
Of which % by		
Local Authorities	44.2	1.2
Housing Associations	2.3	16.9
Private Enterprise	53.5	81.9

Source: Own calculations from Ministry of Housing Communities and Local Government, 2018, Live Table 209 Permanent Dwellings Completed by Country <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

Local Housing Companies

- In the past, local authorities in England built and owned large numbers of socially rented dwellings. Their contribution has fallen but is rising again
- Local Housing Companies are new commercially orientated companies providing socially allocated rental and low-cost home ownership dwellings
- Local housing companies are independent arms-length commercial organisations wholly or partly owned by councils
- They can develop, buy and manage properties within and outside of a local authority area. Homes LHCs provide are not subject to most of the social or affordable housing regulations
- Most LHCs are engaged in the provision of affordable housing and market housing for rent and sale. There are around 150 LHCs in England; most formed in the past few years
- LHC offer a new model of delivering affordable housing with councils creating companies that can act entrepreneurially to provide affordable housing that is outside of controls set by central government. By operating in the private sector LHCs can cross subsidise social provision from commercial activity.

Summary

- Many types of affordable housing in Europe
- All involve some sort of subsidy
- Private sector is involved in affordable and social housing provision
- Affordability is a significant problem with many potential solutions

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