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***WHO IS HOUSED? THE DEBATE OVER  
ACCESS TO HOUSING IN NORTH  
AMERICA AND WESTERN EUROPE AND  
ITS RELEVANCE TO HOUSING POLICY  
IN ALBANIA***

*by*

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# WHO IS HOUSED? THE DEBATE OVER ACCESS TO HOUSING IN NORTH AMERICA AND WESTERN EUROPE AND ITS RELEVANCE TO HOUSING POLICY IN ALBANIA

by

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## 1. INTRODUCTION

Albania currently faces a number of challenges in the housing and settlement sectors. The privatization of housing and the rapid increase in the market value of housing units inhibits people with limited financial resources from acquiring housing, either as renters or as owners. Partly as a response to the lack of affordable housing, there has been growth in unregulated additions to urban housing units. Another response to the housing crisis fueled by unsatisfied demand for housing in cities, and in conjunction with economic stagnation in rural communities, has been the influx of migrants into peri-urban areas where the migrants build or acquire informally built housing, often without public services of electricity, water, sewage and streets.<sup>2</sup>

While housing privatization has been accomplished, and the necessary legal and information structure is being put in place, including a new land registration system, there exists a gap between available housing supply and the large unmet demand for safe, affordable housing of acceptable quality. In this context, it is instructive to review the strategies adopted by countries in North America and Western Europe during the past century, when these countries faced significant strains on their housing resources, particularly in urban areas, in the aftermath of events such as the Great Depression and World War II.

This paper outlines the main policy and program responses of governments in capitalist economies to such housing need, and assesses the mechanisms of housing provision, finance and regulation that have been used over the years. Government's response over the twentieth century has been one of a state-centered approach, followed by decentralization and privatization, and now public-private partnerships. It is important to note that at no time, however, have governments in the West relied simply on the market to provide housing for citizens. Even in the United States, a degree of government intervention has always been present and continues to the present day. The continuing challenge is how to modify these mechanisms to deliver the most efficient and equitable response to housing need of citizens, though a combination of public and private efforts.

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<sup>1</sup> Prepared for the Land Tenure Center, University of Wisconsin–Madison, 1 March 2001.

<sup>2</sup> See Llazar Korra, "URBAN REAL ESTATE PATTERNS IN ALBANIA," report by the Project Management Unit, Land Market Action Plan, 1999; and Margaret Moores, Llukan Puka, Fioreta Luli, Malcolm Childress, Dritan Caro, "EMERGING USES OF THE URBAN LANDSCAPE IN TIRANA, ALBANIA," PMU/Land Market Action Plan, 1998; Fatlinda Struga and Mirviena Laha, (Madrid paper); COPLAN "City Built by People," vol. 1 and 2, 1999 and 2000.

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## 2. HISTORICAL DEVELOPMENT OF HOUSING POLICY

### 2.1 HISTORY OF HOUSING IN THE UNITED STATES

In the United States, state intervention in the housing sector began with regulation and zoning ordinances. Housing reforms in the late nineteenth/early twentieth century in the United States centered around slum clearing and model tenements, including building design models for units built at low or non-profit or philanthropic housing (Burgess 1998). Deteriorating health standards in urban slums prompted reform, and the state began to regulate housing through adopting tenement laws, housing codes, building codes, and zoning ordinances regarding new construction in order to limit population density (ibid). Even hardline reformers at the time, however, did not seek state provision of housing (ibid).

Public provision of housing came about with advent of the 1937 Housing Act, following the Great Depression (Burgess 1998). Federal dollars were allocated to state and local public corporations, called Public Housing Authorities, for the construction, ownership and operation of the housing (HUD 1999). From 1937-57, more than 500,000 housing units were built, and by the mid-1970s this number stood at over 1 million units (ibid). Early subsidized housing projects were small, scattered low-rise garden apartment complexes and row houses intended for the working poor (Burgess 1998). By the 1960s, however, tenant selection criteria had changed and urban high-rise projects were built and rapidly deteriorated (ibid).

From the 1950s, mortgage guarantees were another form of federal support for home ownership. Federal support for housing lenders like Fannie Mae generated home ownership on a massive scale across the United States; however, the approach was racialized in that black applicants frequently did not receive loans.

Policy then shifted from a focus on construction and physical provision of housing to poor families, to providing vouchers to households to allow them to rent units in the market on their own. In 1974, the Section 8 addition to the 1937 Housing Act began to provide subsidies to private owners by assisting with rental payments for low-income tenants. The market-friendly Section 8 program has been a popular one in general. Within six years of its inception, the program has added 1.2 million units to the total low-income housing stock, and thus matched the number of units built in the entire public housing system since 1937.

“Privatization” was the major policy focus in both the United States and United Kingdom starting in the 1980s with the Reagan-Bush administrations and the government of Margaret Thatcher. An early attempt at housing privatization came in the form of the Department of Housing and Urban Development’s (HUD) demonstration program under the Reagan administration to sell off a portion of the public housing stock to tenants. In terms of creating assets for poor persons, however, it failed – largely because tenants could not afford the prices at which the units were offered. This privatization program did reduce state expenditure in the short term, though, which was one of its immediate goals in those budget-constrained years (Van Vliet 1997b). Ronald Reagan’s “New Federalism” policies featured divestiture of the federal government from many social responsibilities to state and local levels, often resulting in mandates with no funding (Van Vliet 1997a). Such decentralization, including the prevalence of block grants, often resulted in increasing divergence and inequality among regions, rather than the equity sought previously under federal need-based guidelines (ibid). In Britain council housing was also opened up to the private market although much of it is still in public ownership (Marcuse 1994).<sup>3</sup>

Since the mid-1990s, the theme in policy has been that of government creating an “enabling” environment for land and housing development, through use of improved data gathering and sharing techniques, legal protection for land rights and participation of civil society. This also requires decentralization of decision-making to the lowest efficient and equitable level (UNCHS n.d.).

### 2.2 OBJECTIVES OF AFFORDABLE HOUSING IN THE UNITED STATES

Affordable housing is often discussed in the United States in the context of urban redevelopment overall, in tandem with real estate development. Some common indicators used to describe the physical, social and economic condition of an urban community are: unit market value, physical condition of properties and settlements, tax rates, population trends, new business development and crime levels. These indicators relate to land and housing market development. There are other indicators that relate to social development, such as employment rates and high

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<sup>3</sup> See (Forrest and Murie 1988) for an account of housing privatization in the United Kingdom.

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school graduation rates. Important indicators of poverty in the United States are: population growth trends, vacancy levels in units, percentage of households below poverty line, percentage of households receiving government assistance (welfare); trends in median household income; infant mortality rates; educational levels; percentage of female-headed households; percentage of households where an adult is employed.

Those who advocate for a housing policy that goes beyond the housing units themselves see housing as one plank of an overall community development strategy. They argue that a comprehensive approach to housing and urban redevelopment is more likely than simply building housing to lead to a synergistic effect. These advocates note the importance of such elements as: housing rehabilitation; new housing construction; support for homeownership; open space improvements; individual and family counseling; social services; educational programs; day-care provision; recreational programs; youth employment programs; job training and creation (Van Vliet 1997a).

Analyses of these programs have identified several factors needed for success. First, successful approaches focus on a specific community, geographically specific (rather than a certain category of households dispersed over a wide area) (Van Vliet 1997b). Such community-specific approaches are holistic and are concerned with the community's residents, its housing stock, physical infrastructure, social service network, and institutional organization (ibid). Second, resident participation is important and can take the form of tenant associations where tenants have responsibilities and decision making power regarding on-site management, and even design elements. Where there are multiple stakeholders, as on community development corporation (CDC) boards, it is particularly important that affordable housing priorities are not overpowered by participation by property owners and investors with profit-oriented goals (Van Vliet 1997b). Coalition building, particularly the use of public-private partnerships, can also gain political support for a project.

Another view of housing (as distinct from "shelter") is promoted by the UNCHS agency Habitat, which defines housing comprehensively as "physical shelter plus related services and infrastructure, including the inputs (land, finance etc) required to produce and maintain it" (UNCHS n.d., p. 1). Thus we see that housing cannot be removed from its socio-political and material context. Further, where secondary effects of construction businesses and contracting are added, housing development becomes an important indicator of economic health overall. That is why in the United States, there is quarterly reporting on the number of "new housing starts."

### **2.3 HOMELESSNESS**

Evidence of some failure within a particular housing policy regime can take the form of extreme deprivation, that is, homelessness. The incidence of homelessness can be examined across time as one indicator of the adequacy of social policy in any society. Definitions of homelessness vary, depending on the norms in different countries and the median standard of living. In poor countries, any form of shelter is considered officially as housing, whereas in more prosperous countries the definition of homelessness may be extended to those insecure situations where title is not clear, or when informal networks of friends and family are housing an individual who would otherwise be without shelter. Finland also includes as homeless those individuals who live in communal wards or casual lodgings, as well as family members who are living separately against their will due to lack of housing (European Parliament 1996).

Homelessness, like housing itself, can be examined from a variety of perspectives: social, institutional, physical, and economic perspectives. Individuals and families in the United States become homeless for different reasons. Using a social, institutional and/or human capital perspective, studies show that the majority of homeless are single men, though 1 in 7 are members of homeless families (usually female-headed) (ibid). The men generally have lower education than those with homes, and the percentage of blacks that are homeless is higher than that of whites (though the homeless population is 40 percent white and 40 percent black) (ibid). While some homeless persons are the victims of de-institutionalization (i.e., policy in the 1980s which aimed to have mentally ill persons live on their own in the community, with assistance), or suffer from other health problems such as alcoholism or drug addiction, others are the working poor who work full time but still cannot afford housing in their area.

Using a physical (i.e., housing stock) perspective combined with an economic/financial approach, we find that the trend in many cities of urban gentrification and demolition of single-room occupancy buildings that previously housed many very low-income renters has made the hunt for unsubsidized affordable housing even more difficult. A recent Census Bureau Survey found that 18 percent of homeless respondents said they were homeless mainly due to an inability to pay the rent or cover a rent increase (as contrasted with 14 percent who attributed their homelessness primarily to a job loss) (Joint Center for Housing Studies 2000). Even subsidized units (funded by

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HUD) are in danger of being purchased for the private market. This trend began in the 1980s when 15- and 20-year contracts with many landlords expired. HUD is only now starting to move away from 1-year renewal contracts to start negotiating multi-year contracts with landlords thereby securing more affordable housing (ibid). Policy responses to homelessness have varied over the years according to ideas prevalent about causes and consequences of homelessness. Current understanding of homelessness emphasizes the multiple and reinforcing causes of homelessness, and thus housing policy is now shifting away from simple provision of temporary housing to a more comprehensive approach which includes job training, job placement, and social and mental health services (ibid).

## 2.4 HOUSING POLICY IN WESTERN EUROPE

After World War II, Europe faced major housing shortages due to the halt in new residential construction as well as damage from the conflict itself. Priemus and Dieleman (1999) present a comprehensive review of post war housing policies in Western Europe, which we summarize in the following points.

Twenty million Europeans faced acute housing need in 1946, but governments prioritized rebuilding of transport and infrastructure, rather than housing. Rents had been frozen during the war and then subject to rent control after 1945 at below-market rates, to ease the effect of high inflation in the post-war economies. Developers were not attracted to house construction in this policy environment that lacked a profit incentive, and this set the stage for government-subsidized social housing as a way of meeting European post-war housing needs. The only exception to this was Germany, where the government encouraged commercially rented and owned housing, for social ends.

Social housing in Europe was at its height in the 1950s-60s when the welfare state was preeminent. In 1975 the average share of the public sector in GDP reached more than 40 percent in 1975, and housing budgets (mainly social housing) comprised 10-15 percent of the entire government budget. Private investment capital was scarce and a Keynesian approach was taken with government intervention in the housing market the norm, even after the most severe housing shortages had been overcome. Quantity and scale were the aims rather than quality of design.

Social housing took various forms in different parts of Europe. In the United Kingdom, local housing authorities were common; in Sweden there were municipal housing companies; and in Denmark, the Netherlands and Germany non-profit social sector landlords administered social housing and are only now beginning to respond to market reform. In the United Kingdom, houses have traditionally been provided by either the private sector for owner occupation or rent, or the public sector through local authorities (Councils) and housing associations for “affordable” rental (Archer 1999 p. 192). Slum clearances started in the 1930s and continued through the 1960s. The 1964 establishment of the Housing Corporation to promote house building for poorer families, was founded in a context of heavy public financing, and later adapted to a public-private partnership policy environment wherein private capital is raised for operations.

Social housing declined significantly starting in the 1970s when governments began to slash their budgets for housing. At the time the emphasis shifted from slum clearance and urban renewal to renovation and rehabilitation, particularly of pre-war housing (ibid). Notably, the budget cuts coincided with the exit of the white middle-class from social housing, and the entry of ethnic minorities and poorer whites. This was felt particularly in the United Kingdom where marginalization of social housing occurred most dramatically. Market shares of social rented housing in France, the Netherlands, and Sweden, however, continued to grow. Since the 1980s, however, social housing expenditure as a share of national budgets has dropped everywhere except France.

While social housing units were previously popular places to live, that is now changing, with households preferring single-family houses. Still, both France and the United Kingdom social housing units house middle-income households in part--both those who were originally poorer but do not wish to move, and those who received the housing due to political connections (Fuerst 2000). Evictions due to higher incomes do not occur, as contrasted with the United States (ibid). Fifty percent of social housing resident households receive rental payment assistance subsidies (ibid). France has some burgeoning problems with “ghettoization” of immigrants in housing complexes but these are not on the same scale as in the United States. With the advent of the 1990s, governments are subject to global capital fluctuations and are under pressure to reduce budget deficits and government debt (Priemus and Dieleman 1999). Social housing throughout Europe is now mostly financed by private capital.

European governments in the 1950s-70s sponsored social housing through the finance and subsidizing of property through low-interest loans, rather than through direct support to needy households in the form of housing allowances. The trend now is a retreat from housing-specific finance (ibid.).

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The Netherlands and the UK governments in the post-World War II era financed social housing construction directly from the national budget. France set up separate housing finance institutions run by the government and funded by special tax windows that provided low-interest loans. Germany chose to attract private sector investment in construction of affordable rental housing by offering tax relief to developers. In the 1970s it became clear that the state was absorbing all the financial risk through its loaning procedures (and straining public budgets) while private developers operated in an inefficient manner. Thus the state began to rationalize interest rates for housing to bring them more in line with the market.

Non-profit actors are also active in housing finance in Europe and there is significant inter-sectoral cooperation in the Netherlands in particular. Priemus notes that non-profit housing organizations often lack solvency in comparison with financial institutions of the public and private sectors (Priemus and Dieleman 1999). He writes that the challenge in the social rented housing sector is to “attain the highest credit rating possible under conditions of low solvency (and thus a limited amount of own assets)” (ibid). To this end, the Netherlands social housing sector has come up with a guarantee structure for non-profit lenders (ibid).

The Dutch Housing Act contains provisions for a central housing fund, financed by payments from all housing associations in the country. This triple-A rated fund then guarantees housing association loans. Such a fund guarantees low-interest rate loans while freeing government from the monetary risk of subsidizing lending. The guarantee fund is comprised of liquid assets and housing association promissory notes, in addition to state and municipal government guarantees.

### **3. COMMON MECHANISMS USED TO PROMOTE AFFORDABLE HOUSING**

#### **3.1 PROVISION OF PHYSICAL STOCK—PUBLIC HOUSING**

##### ***Policy Option 1: Public Housing in the United States***

Approximately 1.3 million of the poorest households in the United States live in public housing, with half of these being families with children, and one-third being elderly persons (Joint Center for Housing Studies 2000). A nearly equivalent number are on waiting lists (ibid). These households have an average annual income of US\$9,100 which is well below the federal poverty line and which is also lower than other subsidized housing residents (ibid). Seventy percent of these households are minority residents, and nearly half are African-American (ibid). This housing is located in poverty-stricken areas, with few economic opportunities. Seventy percent of public housing is in such areas, whereas just over 20 percent of all rental units are in these areas (ibid). The housing is often in very poor condition, with demolition frequent.

In order to improve the public housing situation, federal requirements requiring that public housing take only the poorest households were changed in 1999 in order to promote a wider mix of incomes (Joint Center for Housing Studies 2000). Youth programs and anti-drug initiatives are also included (ibid).

The cost of unit rehabilitation can often equal that of new construction (Van Vliet 1997b). For any project, adequate funding is required not only for initial capital investment but also for on-going operations on a long-term basis (e.g., maintenance and management tasks). The physical stock of public housing in the United States is diminishing due to demolitions (Fuerst 2000).

##### ***Policy Option 2: Social Housing in Europe***

Social housing (non-market housing) was first developed in Europe in the early twentieth century and then expanded widely across the Continent following the devastation of World War II as countries began to rebuild. Rent is levied at below market rates. Authority for social housing lies at different levels in different countries, including the municipal governments in the Netherlands and the United Kingdom. Social housing objectives in Europe vary according to country. Finland and Sweden for example use social housing for all population groups, rather than just the poorest, whereas the United Kingdom and France intended social housing for lower income groups as in the United States although the proportion of the population in social housing in the United Kingdom and France is much greater than the small minority in US public housing. In Denmark all persons over the age of 15 are able to register for access to a social housing unit. Some countries such as Finland also specify certain individuals have statutory

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rights to housing: that is, if they are client families of child welfare services, or young people undergoing drug rehabilitation, and the disabled (European Parliament 1996).

The proportion of the housing units that fall under the “social rented” category is 36 percent in the Netherlands, 26 percent in Germany, and 24 percent in the United Kingdom whereas other EU countries are far less (European Parliament 1996). This can be contrasted with less than 5 percent in the United States.

As United Kingdom and France populations have become more diverse through immigration, these countries are also beginning to experience some of the spatially social exclusions and laws and order problems on their housing estates as in housing projects in the United States. Long-term social effects on individuals and on communities are decried now as engendering dependency and an atmosphere of hopelessness. Further, with fiscal reforms and economic liberalization of recent decades support for social housing is decreasing in some countries. Particularly in the Mediterranean, governments have promoted more market enhancing measures. In Greece for example, state support for housing takes the form of subsidized loans for housing rehabilitation and area regeneration, and tax breaks to builders of low income housing (European Parliament 1996).

### ***Policy Option 3: Housing Societies (United Kingdom) and Housing Associations (Denmark)***

In 1964 the UK Government established the Housing Corporation to promote the development of housing societies (later known as housing associations and then as registered social landlords) for large-scale house construction after WW II (Archer 1999). While receiving heavy public subsidy, the housing association sector is independent of both the public and private sectors, and represents a “third” sector (ibid). The housing society form has proven popular over the years, with growth as follows: from 422,000 housing association properties, that is, 2.3 percent of total stock in 1981, to a 1995 figure of 924,000 properties or 4.5 percent of total stock (Archer 1999). Meanwhile, public financial allocation to the societies continues to decline rapidly, with the result that more private financing is being raised all the time (nearly 50 percent of societies operations are now covered by privately secured funds) (ibid). Further, rents are increasing due to reduced public availability of funds for the societies, and new house construction is only at replacement level.

A related mechanism are the housing associations of Denmark which are run on a not for profit basis, and are more of a financial tool than one of physical provisioning. The local authorities provide some capital, guarantees and subsidies to housing associations, and approve rent schemes (European Parliament 1996). The central government provides the subsidies that go to individual dwellings. (These Danish housing associations are a mix of housing allowances and loan provisioning, and are an example of the complexity of housing provision in Scandinavia where multiple actors from public and non-profit sectors participate and have incentives not to pull out of these provisioning schemes). This is a form of successful coalition building, through formal inter-governmental and parastatal cooperation.

## **3.2 ALTERNATIVE PROVISION: SOCIAL ORGANIZING AROUND HOUSING**

### ***Policy Option 4: Tenant-Owned Coops***

In New York, publicly owned apartment buildings (owned by the city government) have been sold to a cooperative of residents under strict guidelines. These guidelines include:

- i) unit sale profits do not go to individual owners,
- ii) income limits are set for residents, and
- iii) government subsidies continue via taxation policies (Marcuse 1994).

Marcuse notes that while such coop conversions are viewed as transfers to private ownership, they are in fact bound in a web of government regulations (ibid). Still, the public considers coop tenants private owners, while housing project residents are stigmatized as tenants (ibid). Thus much of what passes for legal definitions can instead be viewed as ideological assertions. “Public” and “private” housing distinctions can become fuzzy.

Tenant-owned coops assure long-term affordability. In comparison with city-owned buildings, cooperative residents in New York City report greater satisfaction with security, basic service provision, and management quality (Van Vliet 1997b). Each tenant cooperative unit also saves the city \$15,000 per year (ibid). Also, there is less tenant turnover in the coops, and more “informal socializing and assistance, and greater involvement in tenant activities, block associations, churches and local government” (Van Vliet 1997b). Housing management should be

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accountable to the residents, whether the housing is privatized, in the form of cooperatives or mutual housing associations.

### ***Policy Option 5: Self-Building***

The self-build model was made popular through the large international NGO Habitat for Humanity (founded in 1976). In it, cooperative members donate sweat equity (labor) to build a house, occupants also work on the house and repay the principal on the loan (with mortgage payments funding a revolving loan fund), while the local authority in many cases donates the land, and local builders often donate supplies (DeJong 2000). From 1976 to 1999, Habitat affiliate organizations in the United States numbered 1,496 and together built 28,875 homes, while worldwide affiliates numbered 323 who had built 50,425 houses (Habitat for Humanity International 2000). The homes are sold at below market cost, sometimes nearly 50 percent below market rate (Husock 1997). Habitat thus does not use price as a means to discriminate among buyers, but rather looks for both financial ability of owner-occupants to make payments, as well as evidence of personal character assessed through a questionnaire (Husock 1997). With a goal of housing for all, Habitat discourages market speculation by limiting the right of owner-occupants to resell the property (Husock 1997). The NGO has many autonomous affiliates throughout the world who implement the self-help idea in a decentralized manner, and also tithes a portion of income to support partner associations in the Habitat family.

In addition, Habitat has received federal funding support. HUD's 1996 Housing Opportunity Program Extension Act resulted in the award of a \$25 million grant to develop the Self-Help Home Ownership Program, through land acquisition and infrastructure improvements to Habitat houses (Habitat for Humanity International 2000). At least 1,251 houses are to be built with this money and land costs for an additional 2500 houses is covered by the grant, which is passed directly to US affiliates in the form of 75 percent grant and 25 percent loan (Habitat for Humanity International 2000). Grant monies not expended are refunded to HUD (ibid).

## **3.3 FINANCIAL MECHANISMS**

Financial intervention in the housing sector is one of the most common approaches to curbing the negative impact of the market on poor persons. This is because the required inputs and time period of assistance are fairly clear, while social organizing for example has an unlimited time horizon as well as benefits that are unclear.

In the United States, housing and urban development projects are usually funded by a variety of sources. Sources include the three levels of government (local, state and federal), as well as the private sector and the nonprofit community. Common sources are Community Development Block Grants, resident contributions and even lead paint removal funds. Reliance on multiple sources reduces the vulnerability of a project from any projects either pulling out or reducing its contribution. Some state and local governments are able to negotiate below-market interest rates from lenders, and may also leverage non-monetary sources such as land, infrastructure or expertise (e.g., land banking in Cleveland and Baltimore) (Van Vliet 1997b).

### ***Policy Option 6: Housing Trust Funds***

Housing trust funds are "an attempt by state, county, and local governments to create a dedicated source of revenue for affordable housing" (Van Vliet 1997, p. 270). They are "public funds established by legislation, ordinance or resolution to receive specific revenues, which can only be spent on housing ... [these] revenues [come] from dedicated sources of funding such as taxes, fees or loan repayments," for example, through increases on real estate transfer funds, or document recording fees, and even gaming revenues (Center for Community Change 2001). They grew as a response to cutbacks in federal funding for housing (Van Vliet 1997). While all housing trust funds work to meet the housing needs of poor residents, they vary in their specific objectives: from funding foreclosure prevention, to financing community land trusts, mobile home parks and first time homeowners (Center for Community Change 2001). They are growing in popularity as an additional financing tool, with more than 130 now existing in the United States with annual revenue ranging from a high of US\$120 million to less than US\$100,000 (Center for Community Change 2001). Housing trust funds do provide financial relief, but do not constitute a stable source of funds in and of themselves as they are of limited scale (Van Vliet 1997).

Housing trust funds and other funding mechanisms can also be used to prevent foreclosure on properties held by vulnerable persons, such as the elderly. The Action for Boston Community Development (ABCD) was founded in the 1960s with funding from the Ford Foundation, in order to provide a range of services to Boston's poor families. It has developed innovative programs in several areas, including housing access and retention. ABCD's

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Aging in Place Project, funded by the Federal Home Loan Bank, “helps older homeowners who are house rich but cash poor to remain in their homes by assisting them to assess their options, access home repair or modification assistance, or develop rental apartments to provide increased income, safety, companionship or help with chores” (Action for Boston Community Development 2000). A local ABCD-sponsored advocacy group also seeks to achieve property tax relief for elder homeowners (ibid). It is interesting to note that elderly housing developments by the government were in response to poor living conditions in family public housing complexes (not part of the original program); countries such as France do not segregate the elderly in the same way that the US now does (Fuerst 2000). To ease the income crunch for elderly homeowners, some banks also feature negative equity programs where the elderly gain payments from their partially paid mortgage for living expenses, but then lose title to the house in the long run.

Thus it is important to examine social variables in any housing needs assessment. Cultural shifts in Europe with increasing numbers of adult children wanting to live apart from their parents has increased demand for housing units (European Parliament 1996). Further, in societies where divorce rates are on the increase, housing demand will also increase, including availability of short-term rentals.

### ***Policy Option 7: Tax Credit Units***

The federal government provides tax credits to those developers who construct affordable housing units. The rent for each unit must be maintained at affordable levels (for those who earn 60% or less of the area median income) for a certain period, after which the units can enter the private market (Joint Center for Housing Studies 2000). However, for the first 23,000 units built under this policy this period will expire in 2002, and because the tax credit is not inflation-adjusted fewer units are being constructed (ibid).

In the United Kingdom, also, investors are drawn to social housing investments only when the prospects for rental income are good (Priemus and Dieleman 1999). Thus public policy that allows for more liberal rent policy and for selling rental units is most likely to attract private investment (ibid.), thereby expanding housing supply.

Taxation policy has also been used to the benefit of private homeowners who are able to write off the costs of home improvements.

### ***Policy Option 8: Housing Allowances***

Common in Western Europe since the 1970s, housing allowances offer direct payments to households to alleviate the consumer burden for housing, thereby allowing more targeted assistance (and redistributive benefits) than for example property subsidies (Priemus and Dieleman 1999). Housing allowances are linked to income, that is, they are “means tested.” Allowances are usually geared to tenants rather than owner-occupiers (ibid). Housing allowances, while targeting benefits more directly, still do not encourage additional residential construction or “grow” the housing market (ibid). Further, there are also questions as to how far allowances work as a disincentive to work, in that the housing subsidy once removed, is hard to make up in the unsubsidized household economy through paid labor alone (ibid). Critics note that administrative costs increase with scale, particularly to guard against abuse of the system where recipients claim lower incomes than they actually have (ibid).

### ***Policy Option 9: Housing Vouchers***

The US version of housing allowances, “Section 8” Housing Vouchers were initiated in 1974 through the Housing and Community Development Act in order to provide an opportunity for poor households in both rural and urban area to gain access to affordable housing (HUD 1999). The program includes two forms of subsidy: tenant-based housing vouchers and project-based subsidies to properties (HUD 1999). The former “travel” with the tenant when they move somewhere else, while the latter are tied to the property. Section 8 units are equally split between the two forms of subsidy. Section 8 housing vouchers are allocated to families whose income is below the regional median income; vouchers can then be used for any apartment that accepts the government subsidy as payment (Murphy 2001). The “traveling” vouchers can help recipients fund better quality housing in that they are not limited to a particular housing project or neighborhood.

The Urban Institute has found that only 14.8 percent of Section 8 recipients live in high-poverty neighborhoods, as contrasted with 53 percent of public-housing residents (Murphy 2001). The vouchers protect any family from having to pay more than 30 percent of their income for rent and are currently used by 3 million families in the country (double the number in public housing, currently the next largest program (HUD 1999). Families receiving government assistance in renting private housing units represented only about 16.5 percent of the 34

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million households in the United States who were renting in 1995 (Appelbaum 1998). One criticism of the Section 8 program is that it does not distinguish between recipients who work) the “deserving poor” and those who do not work (HUD 1999). The Clinton administrations (1993-2001) featured full support for converting project-based subsidies to tenant-based assistance through the “vouchering out” process.

However, in recent years with the housing boom, landlords are increasingly reluctant to accept Section 8 tenants when they realize they can make a bigger profit on higher-income residents. Landlord participation in the Section 8 program is voluntary (ibid). To counteract this, some local governments have installed rent controls (which limit maximum rent prices). Section 8 is now under threat in that contracts with landlords are expiring, and not being renewed or only being renewed on an annual basis, versus on the 20-year contract previously used (HUD 1999). Private owners can opt out of federally subsidized housing by buying their units, including pre-paying their subsidized mortgages (Joint Center for Housing Studies 2000). They then rent the units at a higher rate in the open market. The Joint Center for Housing Studies expects that 10-15 percent of affordable units will be lost in the next few years through this practice (ibid).

Tenants whose owners engage in this practice are eligible for Department of Housing and Urban Development (HUD) vouchers that make up the shortfall between the higher rents and 30 percent of tenant incomes (ibid). Portable vouchers are also available for those who seek new housing. However, finding landlords willing to accept HUD vouchers is sometimes difficult (in 1994, 1 in 8 voucher recipients returned their vouchers because they could not find alternative affordable housing) (ibid). The only protection for tenants against landlords who “voucher out” of the program is through the vouchers that HUD provides and yet often there is no available rental housing at an affordable rate in the area (ibid).

#### ***Policy Option 10: Community Self-Help Financing***

Community Development Corporations (CDCs) emerged in the 1980s as the leading producers of affordable housing in urban areas in the United States (Goetz 1999). They feature a combination of public and private funding, though they are registered entities legally independent of the government. The Affordable Home Ownership Program of Common Wealth Development, Inc., in Madison, Wisconsin, uses a variety of financial sources (e.g., City of Madison community development block grants, Wisconsin state programs, private foundations, and individuals) to purchase properties and sell them to eligible families on a lease/purchase basis (Common Wealth Development 2000).

“Shorebank” in Chicago is a very successful community bank that began its operations in 1973 making uninsured mortgage loans for home improvement and home purchase (Panos Briefing). Its origins were in another local bank that began minority lending in the 1960s with some state funding, and then with the profits, and socially-conscious investors, went on to purchase another failing bank and turn it around through innovative lending (IFC 2000). Shorebank has concentrated much of its work in one predominantly African-American neighborhood of 80,000 residents and significantly improved the housing stock and quality of life in that area (IFC 2000). Since 1973 it has lent with profit over \$600 million to more than 13,000 businesses and individuals (ibid). It now has affiliate banks in Ohio, Michigan, and Washington states, and has an advisory service which works on lending and business development activities in Bangladesh, Pakistan, Kenya, Romania, Poland, Russia through partnerships with IFC and USAID (ibid). Its Chicago focus continues through church-based affiliations and outreach to community organizations for real estate and other loans (IFC 2000).

#### ***Policy Option 11: Cooperatives for Housing Finance***

The New Beginnings Housing Cooperative in Prince Albert, Saskatchewan (Canada), is a group of low-income households who purchase and renovate homes for members. The cooperative purchases the home initially, with some down payment assistance from the city government and the province. Members contribute labor to renovate the house and then after five years the occupant can take over the mortgage from the cooperative if they wish (DeJong 2000).

#### ***Policy Option 12: Community Land Trusts***

Community land trusts are “private non-profit corporations created to acquire and hold land for the benefit of the community” to ensure secure and affordable access to land and housing for community residents (Institute for Community Economics n.d.). They are particularly effective in prohibiting land speculation, and reducing absentee ownership, while promoting sound land use principles and long-term affordable housing (ibid). Local control is

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maintained, in the form of individuals leasing land or buildings from the trust, with the land owned directly by the trust, not the resident. Land trusts separate ownership of the land from that of the building. The community land trust model creates a stock of resident-owned houses, separate from the land. Increasingly, local governments are participating in financial support for community land trusts, through use of Community Development Block Grants, or by allocating city-owned land-to-land trusts.

### **3.4 REGULATORY REGIMES IN URBAN HOUSING**

#### ***Policy Option 13: Rent Control***

Proponents of programs to control housing rental levels point to consumer burden of housing, particularly in fast growing, bubble economies and centers such as New York City. With mainstream housing preferences in the United States clearly leaning to freestanding, single-family homes, rental housing is often left for the young and/or poor. Renters are becoming poorer on average in the United States over time: whereas average renter income was 64.5 percent of average homeowner income in 1972, by 1995 it was only 53.9 percent of homeowner income (Appelbaum 1998). In the United States, tenant associations often organize to lobby city government for rent control ordinances. While homeowners are less transient than renters, strong rent control policies in the New York metropolitan area have encouraged tenants to stay in the same apartment for years. In fact, 22 percent of long-term renters in the United States live in the New York City area (Joint Center for Housing Studies 2000). Critics of rent control emphasize that government controls on rental prices discourage private sector investment either in the maintenance of existing privately owned rental housing units or in the building of new such units.

Rent control in Europe after WW II created a disincentive for private developers to construct social housing, without governmental subsidy (Priemus and Dieleman 1999). As Priemus notes, rent control and property subsidies in Europe are related instruments: liberalization of rents results in higher rents overall and this effects a reduction in property subsidies (ibid). This was the policy of most European governments in the 1970s seeking to liberalize housing markets and stimulate home ownership (ibid). The United Kingdom and the Netherlands maintain the strictest regimes of rent control in Europe which critics claim introduces rigidities in the housing market, thereby harming access for low-income households (European Parliament 1996).

Rent control can also be applied selectively via targeting rent controls to particular vulnerable groups. Homeownership rates are higher in the United States than Europe. The private rental sector in Europe is large and comprises groups such as the elderly who reside in their old apartments, young single persons, the unemployed and runaways, as well as poorer families, asylum seekers, recent migrants, ethnic minorities, and young employed persons for whom renting is a temporary option (European Parliament 1996).

#### ***Policy Option 14: Zoning Codes and Tax Penalties***

Local government can affect the development of affordable residential property through its zoning codes. Faced with federal cutbacks, the Canadian city of Vancouver used the following zoning laws to protect and/or finance affordable housing for its residents: i) Development Cost Levies for new houses that replace affordable housing units through redevelopment; ii) requirement that 20 percent of units in newly rezoned neighborhoods be social housing, particularly for families with children; iii) long-term land leases at reduced prices to nonprofit and cooperative housing societies on city-owned land (DeJong 2000). The city government of Vancouver also used financial incentives such as capital grants for new construction of housing or to renovate old SRO single room occupancy buildings (DeJong 2000).

#### ***Policy Option 15: Density Bonusing***

Density bonusing is a voluntary exchange where developers provide certain amenities or community housing units in exchange for zoning concessions (such as more floor area) from government (Housing 1997).

The Vancouver City Government has used density bonusing extensively to produce affordable housing. Each case is negotiated separately, but the city tries to gain some or all of the increased land value generated by the increased density of a new development, which it then applies towards affordable housing programs (DeJong 2000). For example, when a developer applies to rezone a property (such as an industrial site to a residential/commercial use), the city will negotiate and receive some of the new units for free and purchase some others at reduced cost and these are then made available for low-income residents (DeJong 2000).

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## 4. SOME LESSONS LEARNED

- ◆ For some observers, the transition from rental and cooperative housing construction and management to private homeownership and condominiums (i.e., decline in social housing) has a negative impact on low-income households and increases their vulnerability though increased consumer burden.
- ◆ Local/regional political context matters. Particular parties may pride themselves on fiscal conservatism or social provision; individuals, municipal administrations and non-partisan coalitions also make an important difference in affordable housing outcomes.
- ◆ It is important to build up inter-class constituencies and support for public housing. Middle-class support for income transfers (e.g., through rental certificates) diminishes when the recipients of state aid are demonized as “Other.” Mass identification with/ claims to benefits (such as exists for Social Security in the US) will increase political support and decrease marginalization of social housing initiatives.
- ◆ Successful housing development programs focus on a specific geographic community (rather than a certain category of households dispersed over a wide area. Such community-specific approaches are holistic and are concerned with the community’s residents, its housing stock, physical infrastructure, social service network, and institutional organization.
- ◆ With multiple stakeholder participation, for example, on CDC boards, it is important to ensure that affordable housing priorities are met, despite for example participation by property owners and investors with more profit-oriented goals (Van Vliet 1997b).
- ◆ Collaborative decision-making, crisis mediation, and conflict resolution are skills that residents and others can learn through workshops and other venues. Another important element is coalition building, particularly the use of public-private partnerships, which can also gain political support for a project.
- ◆ Housing policy ideally is only one part of a social policy that aims to enhance local economic development and environmental sustainability.

## 5. CONCLUSION: TOWARD POLICY PRINCIPLES

There are several conclusions that can be drawn from the history of the housing policy in the United States and Western Europe.

- ◆ A **public-private approach** that combines market incentives with public and non-profit sector attention to social outcomes can be a sustainable route for the provision of housing.
- ◆ Where physical provision of housing is attempted and urban redevelopment schemes enacted, these are best done with careful attention to the **spatial nature of projects**, where buildings are spread across the city and residents comprise a **mix of income groups** to avoid contributing to spatial isolation and ghettoization.
- ◆ Wide **community participation** is important, both in the form of community organizing with government support, as well as in providing an **enabling environment** for the development of third sector alternatives such as cooperatives, self-help groups, and NGOs.
- ◆ **Synergistic approaches** that bundle housing with wider economic, social and environmental goals are good means of making housing policy success politically attractive across constituencies. This is particularly true if housing is understood to be an important factor in labor mobility for flexible production, and if it figures in promoting social cohesion and reducing crime.
- ◆ **Targeted programs of assistance** may be required for members of those groups who are particularly vulnerable, including the elderly, and the mentally and physically disabled. These would require significant **inter-departmental coordination**, among the Housing, Social Welfare and Health Departments for example.
- ◆ Regarding **inter-sectoral collaboration**, UNCHS outlines the following roles for the “private sector”, “the public sector” and small-scale community housing producers (UNCHS n.d.) The private sector should raise finance; market the units; and generate construction employment, while the public sector’s role should be that of an enabler - to oversee land assembly, coordinate infrastructure development, and fast-track project approval (ibid). Community housing producers provide customized responses to local needs.

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Housing fills many roles in a society, and reflects political, economic, social and aesthetic values of a culture. Housing policy for the twenty-first century is moving beyond “bricks and mortar” to a range of locally-specified, flexible programs which meet both shelter and social development goals, and invite partners from public, private and non-profit sectors. Broad trends away from state provision to a mix of public/private offerings aim to develop housing policy, which maintains market momentum, while safeguarding the housing rights of those most vulnerable.

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