



Topic 4

Low Income Housing and Housing Affordability

Course name:

Principles of Housing and Land Development

Course code: 0731-113

Affordable Housing

There are several means of defining and measuring affordable housing.

In some contexts, affordable housing may only mean **subsidized or public housing** whereas in other cases it may include housing that is "affordable" by **different income levels** (Mostly considers cost-burdened households. High-income households are usually excluded from this concept).

Affordable housing is a housing that is affordable to people with a **household income equal to or lower than the median income.**



Affordable Housing

- In Australia, the National Affordable Housing Summit Group developed their definition of affordable housing as... “housing that is reasonably **adequate in standard and location** for lower or middle-income households, and does not cost so much that a household is unable to meet **other basic needs** on a **sustainable basis**.”
- Affordable housing in the United Kingdom includes "social housing", provided to **specified eligible households**, whose needs are not met by the market.



When is Housing Affordable?

A general standard is considered all over the world that,

A household should not spend **more 30%** of its total income on housing costs, including rent payments and utilities.

- **More than 30%:** housing cost burdened
- **More than 50%:** severely housing cost burdened



Measuring Housing Affordability

- **The median multiple** (Median house price to income ratio), measures affordability of housing by dividing the **median house price** by the **gross (before tax) median household income**.
- In a perfectly balanced housing market, the households **above median income**, usually **can afford the median housing**, while those poorer than the median income can not afford the median home. In this case, the affordability is 50%.
- 50% affordability for the **median home** indicates a **balanced market**.

Housing Affordability Index (HAI)

Affordability index: measures median household income relative to the **income needed to purchase a median-priced house**.

$$\text{HAI} = (\text{Median Family Income} / \text{Qualifying Income}) * 100$$

100 = households with median income can purchase the median-priced home.

A **higher HAI ratio** indicates relatively **more affordability**.

When the ratio falls **below 100**, it indicates that a typical household has less income than necessary to purchase the typical house.

Policies for Affordable Housing

Although housing policies are extremely variable across time and space, the policy approaches can broadly be divided into four categories:

- **The Statist approach**
- **Social Market approach**
- **Enabling approach**
- **Collaborative approach.**



Statist Approach

The principle of this model is that housing is **property of the state**, which is distributed by the municipal authorities or government departments, based on set rules. Tenants have no choice in the housing they are offered.

Examples:

China: Till 1998, an employee-based welfare housing program was available in China. However, growing housing prices and consequent unaffordability and socio-economic inequality led the Chinese government to turn its focus on public housing provision in 2007.

A large-scale public housing construction program started in 2009 producing 11 million units.

Social Market Housing Policy

- Market mechanism with **social objectives**.
- **Incentives** to developers to provide affordable housing on sale or rent.
- The private capital-oriented investors are provided with **tax benefits** to provide housing, meeting specific requirements (location, type, size, costs)
- Government intervention for proper operation of market forces.
- Example: Vienna, Austria, Netherlands and other European Nations.



Enabling Approach

- The enabling approach is considered as being the latest trend in housing supply, that **changes the role of the government** from being the sole provider to the **enabler of housing markets**
- The government plays the role of a facilitator and provides a favorable environment, which enables the housing market to work effectively



Enabling Approach

Government intervention:

1. Setting up the **regulatory framework** needed and **reforming government institutions**
2. Ensuring the **availability of the components of housing supply**, such as land, infrastructure, labor, building materials suppliers, and service providers, through technical assistance, and training.
3. **Involving all actors** in the process
4. Enable several **mechanisms of housing finance**



Enabling Approach

The previous conventional housing programs failed because:

1. Scarcity of **resources** and **institutional capacity**
 2. Low-income housing projects are heavily **subsidized and badly managed**
 3. These projects foster a **culture of poverty** by providing disincentives for earning more.
- Many developing countries have adopted this enabling strategy.

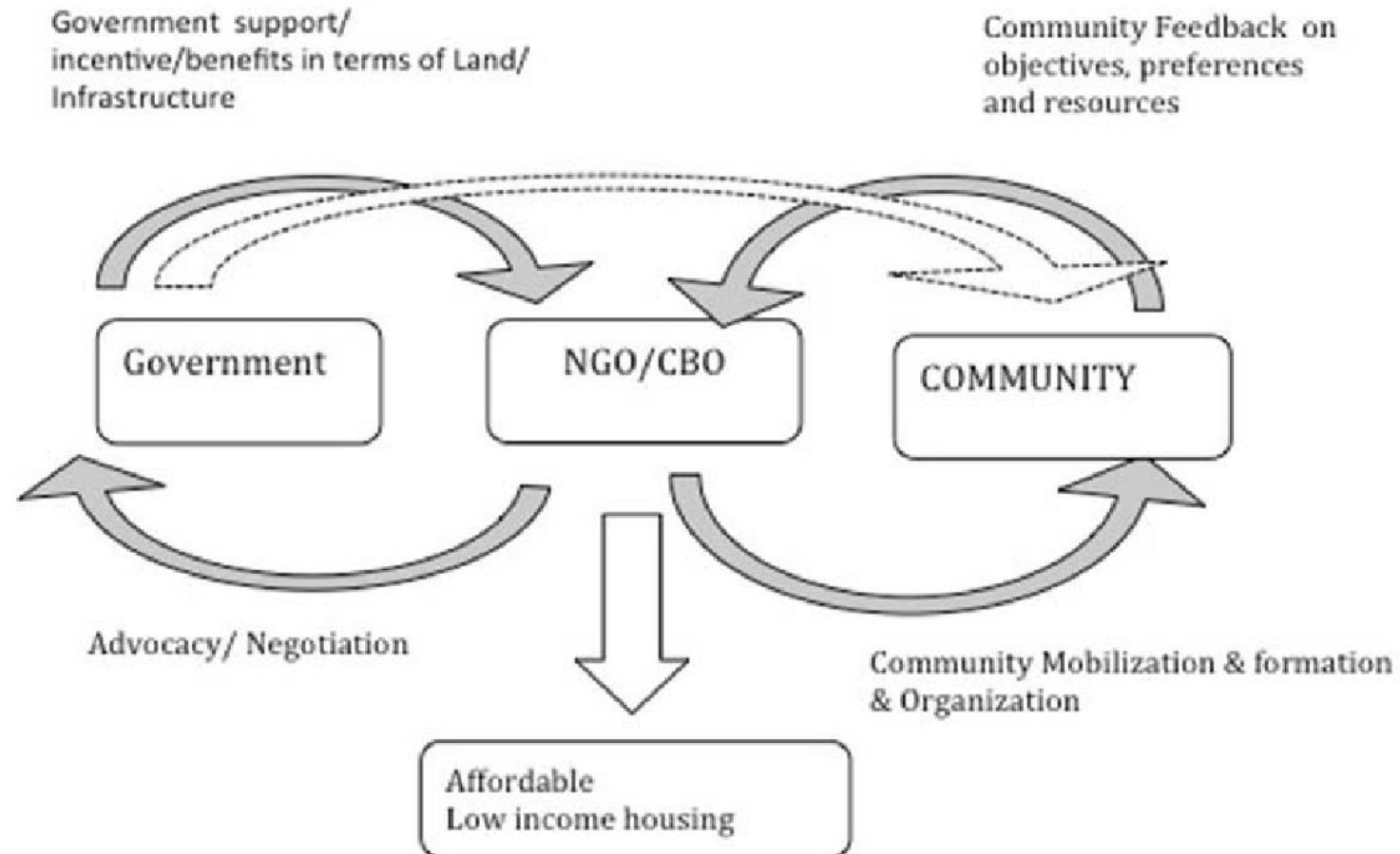


Collaborative Approach

- In this approach, the government encourages and supports the engagement of **non-government organizations (NGOs)** and **community-based organizations (CBOs)** in meeting the national housing objectives.
- All around the world the NGOs have demonstrated their competence in organizing communities, mobilizing community resources, and acting as intermediaries between the **stakeholders and the communities**.



Collaborative Approach



Collaborative Approach

Examples:

- **ARBAN**: one of the first NGOs to pilot a low income urban housing project in Bangladesh. ARBAN built an apartment complex for **42-member** households in **Mirpur, Dhaka**, by using its **microcredit savings** deposits. The apartments were handed over in 2012.
- **Gopalganj municipality** undertook a housing program through which the municipality collaborated with the community to offer tenure security to **346 evicted families**.
- **In Jhenaidah**, **BRAC** collaborated with the **Municipality**, and a local NGO to build affordable homes

Source: <https://www.undp.org/bangladesh/press-releases/housing-solutions-urban-poor-bangladesh>



THANK YOU!



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