



Final Report

International trends in housing and policy responses

authored by

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CONTENTS

LIST OF TABLES	VI
LIST OF FIGURES	VIII
ABBREVIATIONS	IX
EXECUTIVE SUMMARY	1
National systems of housing provision: Chapter 2.....	2
Cross-cutting housing challenges: Chapter 3	2
Facilitating home ownership for new entrants and lower-income households	3
Promoting private investment in affordable housing	4
Using the existing private rental market.....	5
Specific national initiatives: Chapter 5	9
Facilitation of home ownership via access to pension funds: Switzerland.....	9
Austria's Housing Construction Convertible Bonds	9
Canada's intergovernmental agreements for social housing	9
Broader conclusions: Chapter 6.....	10
1 INTRODUCTION	12
1.1 Research questions and stages.....	13
1.2 Country selection	13
1.3 Methodology	14
1.3.1 Aims	14
1.3.2 Approach	14
1.3.3 Methods.....	15
1.3.4 Limitations	15
1.4 Report outline.....	16
2 UNDERSTANDING AND DIFFERENTIATING NATIONAL HOUSING SYSTEMS	18
2.1 Selected demographic, urban and housing characteristics	18
2.1.1 Indigenous peoples and housing.....	19
2.2 Preliminary description of national housing systems	21
2.3 Political systems	22
2.4 Welfare regimes and housing	25
2.4.1 Understanding and applying different concepts of welfare systems	26
2.4.2 Government expenditure on housing	28
2.5 Agents and institutions of housing provision.....	31
International agencies and housing policy	35
2.6 Housing market conditions.....	36
2.7 Overview	40
3 CROSS-CUTTING HOUSING ISSUES	41
3.1 Housing costs and affordability	41
3.1.1 What is driving rising housing costs and causing declining affordability? ..	44
3.1.2 Outcomes of rising housing costs and declining affordability	48
3.2 Housing supply and quality	49

3.2.1	Housing quality.....	50
3.2.2	Drivers of housing supply outcomes	52
3.3	Social exclusion	54
3.3.1	Drivers of social exclusion.....	57
3.4	Special-needs housing.....	57
3.5	Market–state relations.....	59
3.5.1	Changes in housing roles assumed by central and local governments.....	60
3.5.2	Changes in the market–state mix of roles in housing.....	60
3.5.3	Withdrawal of the welfare state from housing policy?	61
4	KEY POLICY RESPONSES AND THEIR IMPACT	63
4.1	Facilitating home ownership	63
4.1.1	Selected country initiatives.....	66
4.1.2	Home ownership assistance for Indigenous households	73
4.1.3	Overview	74
4.2	Promoting private investment in ‘affordable’ housing	74
4.2.1	Fiscal incentives and capital subsidies.....	75
4.2.2	Use of planning levers.....	76
4.3	Utilising the existing private rental market	81
4.3.1	National policy approaches to the private rental market	82
4.3.2	Overview	90
4.4	Reinventing social rental housing	90
4.4.1	Supply	93
4.4.2	Renewal and social inclusion	94
4.4.3	Eligibility, allocations and income mixing	95
4.4.4	Financial viability	96
4.4.5	Service monitoring and improvement.....	97
4.4.6	Intergovernmental roles and delivery mechanisms	98
4.4.7	Rents and affordability.....	100
4.4.8	Towards best practice	100
4.5	Promoting housing and neighbourhood sustainability	102
4.5.1	National approaches	105
4.5.2	Overview	113
4.6	Governance and delivery in housing systems	114
4.6.1	Shifts in local government roles in housing	116
4.6.2	Centralisation and devolution	117
4.6.3	Third sector models.....	118
4.6.4	Financial institutions and intermediaries	119
4.6.5	Overview	119
4.7	Summary of Australia’s recent directions in housing policy	120
4.8	Overview	122
5	SPECIFIC POLICY INITIATIVES.....	125

5.1	Methodology	125
5.2	Swiss pension provisions.....	126
5.2.1	Development and rationale for initiative	126
5.2.2	Context	127
5.2.3	Operational environment	128
5.2.4	Relevance and applicability to the Australian context	128
5.3	Austria’s housing construction convertible bonds	131
5.3.1	Development and rationale for initiative	131
5.3.2	Context	132
5.3.3	Operational requirements.....	133
5.3.4	Relevance and applicability to the Australian context	134
5.4	Canada’s intergovernmental agreements for social housing	136
5.4.1	Development and rationale for initiative	136
5.4.2	Principles and features underpinning the Canadian social housing agreements	138
5.4.3	Assessment and implications for Australia	140
5.4.4	Summary of potential applicability	143
5.5	Conclusion	145
6	CONCLUSIONS.....	146
6.1	Summary of policy directions by country	146
6.2	Comparing the scope of national housing policies.....	150
6.3	Comparing institutional capacity and networks.....	150
6.3.1	Mechanisms for channelling investment and financial institutions	151
6.3.2	Delivery arrangements	151
6.3.3	Partnerships between key agents	151
6.4	Comparing the balance of demand and supply side incentives.....	152
6.5	Comparisons with Australia	152
6.5.1	Australia’s national housing policy approach	152
6.5.2	Institutional capacity and networks.....	153
6.5.3	Balance of demand and supply approaches	154
6.6	Final comments and future action.....	155
	REFERENCES	157
	APPENDICES.....	173
	Appendix 1: Key informants	173
	Appendix 2: International currency exchange rates.....	174
	Appendix 3: National action plans on social inclusion and updates to plans	174
	Appendix 4: Levers / strategies listed as suitable for further study grouped by housing policy cluster	175
	Facilitating home ownership	175
	Promoting investment in affordable housing.....	175
	Utilising the private rental market.....	176
	Reinventing social housing	176

Promoting housing and neighbourhood sustainability	176
Changes in governance and delivery in housing systems	176

LIST OF TABLES

Table 2.1: Selected urban and housing characteristics, recent years	20
Table 2.2: Selected demographic and housing characteristics of Indigenous peoples, 2001	21
Table 2.3: Political structures and government institutions	24
Table 2.4: Two opposing welfare state models: Beveridge vs Bismarck	26
Table 2.5: Welfare regimes and their influence on housing policy	29
Table 2.6: Government expenditure in housing 1980–2001	31
Table 2.7: Key agents of housing policy and housing provision	32
Table 2.8: Demographic and economic drivers and outcomes	37
Table 3.1: Housing costs as a share of total household costs, 2003	42
Table 3.2: Estimated percentage of households receiving housing allowances or equivalent, various years	43
Table 3.3: Mortgage systems and housing taxes, selected countries	46
Table 3.4: Ratio of outstanding residential mortgage debt to GDP, selected countries, 1994–2003	48
Table 3.5: Overview of recent supply trends and quality issues	51
Table 3.6: Factors influencing recent supply trends	53
Table 3.7: Indicators of social exclusion	56
Table 3.8: Factors contributing to social exclusion	57
Table 3.9: Identified needs	59
Table 4.1: Home ownership strategies by category and country	65
Table 4.2: Recent forms of home ownership assistance in France	68
Table 4.3: Programs to promote housing equity in the UK	69
Table 4.4: Recent initiatives for home buyers in Ireland	70
Table 4.5: Examples of initiatives to encourage home ownership among Indigenous households	73
Table 4.6: Affordable housing supply side and regulatory strategies by country	77
Table 4.7: Fiscal incentives and capital subsidies for affordable housing	78
Table 4.8: Planning incentives to support the provision of affordable housing	80
Table 4.9: Private rental policy developments by country	83
Table 4.10: Social rental housing key policy developments by country	92
Table 4.11: Social housing tenants with income in lowest 50 per cent of the income distribution as proportion of all social housing tenants (1990s)	96
Table 4.12: Providers of social/affordable rental housing	99
Table 4.13: Summary of national approaches to urban sustainability and housing markets	104

Table 4.14: Developments in governance and institutional models for housing provision	115
Table 4.15: Australia's housing challenges and main policy responses: an overview	121
Table 6.1: Summary of government roles and current policy highlights in the countries studied	147

LIST OF FIGURES

Figure 3.1: Housing Price Index 1985–2004, selected European countries	41
Figure 3.2: Dwellings completed per 1000 inhabitants, 1980–2003	49
Figure 3.3: Income inequality across the study countries	54

ABBREVIATIONS

Abbreviations included here are those used in several sections of the report. Those used only in a single section are explained in the text for that section.

ABS	Australian Bureau of Statistics
AHURI	Australian Housing and Urban Research Institute
APRA	Australian Prudential Regulation Authority
BIS	Bank International Settlements
CBO	Community Based Organisation
CECODHAS	Comité Européen de Coordination de L'Habitat Social (European Liaison Committee for Social Housing)
CDBG	Community Development Block Grant (USA)
CMHC	Canadian Mortgage and Housing Corporation
CPI	Consumer Price Index
CSHA	Commonwealth State Housing Agreement (Australia)
EGW	Central Issuing Office of Non-profit Builders (Switzerland)
EMF	European Monetary Fund
EC	European Commission
EU	European Union
Eurostat	European Statistical Agency
EWG	Central Issuing Office of Non-Profit House Builders (Austria) (Emissionszentrale für gemeinnützige Bauträger)
Fannie Mae	Federal National Mortgage Association (FNMC) (USA)
FOH	Federal Office of Housing (Switzerland)
FHA	Federal Housing Administration
Freddie Mac	Federal Home Loan Mortgage Corporation (USA)
GBV	Federation of Limited-Profit Housing Associations (Austria)
GDP	Gross Domestic Product
GDR	German Democratic Republic
Ginnie Mae	Government National Mortgage Association (USA)
GNP	Gross National Product
HCCB	Housing Construction Convertible Bonds (Austria)
HLM	Moderate Rent Housing Companies (France)
HNZC	Housing New Zealand Corporation
HUD	Department of Housing and Urban Development (USA)
IMF	International Monetary Fund
LPHA	Limited Profit Housing Association
MITR	Mortgage Interest Tax Relief

NAP	National Action Plans (see Appendix 3)
NGO	Non Government Organisation
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
PHA	Public Housing Agency
REIA	Real Estate Institute of Australia
RICS	Royal Institution of Chartered Surveyors
RSL	Registered Social Landlord
RTB	Right-to-Buy
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
USA	United States of America
VAT	Value Added Tax
VPG	Voluntary Purchase Grant
VROM	Volkshuisvesting, Ruimtelijke Ordening en Milieu (Dutch Ministry of Housing Planning and Environment)

EXECUTIVE SUMMARY

This study provides a review of housing policies across an array of countries that have a similar level of economic development to that of Australia but have addressed housing questions in different ways. It aims to increase local understanding of international policy in housing, with a focus on social policies that intend to assist lower-income households to obtain appropriate and affordable housing, and to promote good ideas for policy action for consideration by Australian policy makers.

Housing policies in the following countries are investigated:

- Austria
- Belgium
- Denmark
- France
- Germany
- Ireland
- The Netherlands
- Switzerland
- the United Kingdom (mainly England)
- New Zealand
- Canada
- the United States of America (USA).

While having many similar economic and demographic characteristics to Australia, these countries have diverse housing systems that offer a rich source of contemporary policy lessons, innovations and ideas. Although other countries were considered for the study, the final selection was based on the manageability of the research, accessibility of information and national and regional experts to the researchers, and a preliminary assessment of the potential to source policy developments of relevance and interest to Australia. Thus, countries that differ in fundamental ways from Australia in their level of economic development and their framework for providing social welfare, countries judged to be similar to those already covered, countries not active recently in the area of housing policy and those that did not have an accessible body of policy research and information are among those countries excluded.

The research reported here has used desktop research methods to examine housing issues and housing policy responses of the twelve selected countries over the past decade, and compared this with documented evidence and the authors' firsthand knowledge of comparable housing issues and policy settings in Australia. The research was conducted during 2006, which marks the cut-off point for inclusion of any documented developments in national policies. The study taps into a wealth of information and research on national housing policies sourced from published research and government reports and online services. This information has been validated through interviews and email exchanges with over 40 national and international housing experts and via participation by the authors in international conferences.

The results provided in this report will be of varying appeal to readers, depending on their interest. Chapters 2 and 3 provide an overview for those researchers interested

in the broad development and structure of housing systems in each of the study countries, the factors that have shaped those, and the current cross-cutting housing challenges they are experiencing in common. Policy makers interested in the latest government housing strategies, without detailed contextual information, will be most interested in chapters 4 and 5 on national policy responses and some specific initiatives of potential relevance to Australia. Chapter 6 draws together the overall findings and broad conclusions of the study. It outlines those features of contemporary national housing policies that appear to be associated with the most proactive international responses to emerging housing issues in recent years, and compares several underlying features of housing policies across the study countries with those operating in Australia. The remainder of this executive summary gives a chapter-by-chapter overview of the study's content and findings.

National systems of housing provision: Chapter 2

This report begins by examining the housing systems of each of the study countries and placing them into the context of different factors that can help explain their historical development and structure. This represents a contextualised, institution-focused approach to comparative housing research (see Lawson 2006). The method adopted tries to appreciate the internal logic of each type of national housing system and to understand exogenous factors that have influenced the formation and development path of that system, particularly by examining links between characteristics of the housing system and national political systems, welfare regimes, institutional arrangements and housing market conditions. Such a contextual analysis is critical to explaining how national housing policies develop in such different ways. More importantly for the purposes of our study, it provides a basis for understanding generative conditions for housing strategies, i.e., when and why particular national approaches may be successful.

In terms of underlying conditions, the countries covered can all be described as highly developed, urbanised Western nations. They commonly are experiencing population and household growth, although current rates of growth vary from low to high. They also have ageing populations and declining household sizes. There are many ways to classify the national housing systems we have investigated, drawing on concepts developed in the comparative housing literature. Using these concepts and looking at the broad characteristics of each national housing system has helped us develop a synoptic assessment of each country's situation, presented initially in chapter 2 and revised in the final chapter of the report.

Cross-cutting housing challenges: Chapter 3

Having initially considered the overall characteristics of each national system of housing and the key long-term policy approaches that have underpinned these, the report identifies current housing challenges that the study countries are experiencing in common. This provides a basis for assessing the latest strategic policies being adopted by different national governments in response to these widespread issues.

Taking as our main focus the needs of lower-income households who have difficulty meeting their housing needs in the market, we identify issues that cut across the study countries to influence policy settings, and review the driving factors that appear to underlie each issue. We use a wide array of sources including: national, regional and international policy reports and statistical collections; independent research and evaluation studies; commissioned cross-country surveys related to housing; and validation by key national informants. The four most prominent cross-national housing challenges that emerge from our analysis are:

- Rising housing costs and declining housing affordability;
- Housing supply shortages and issues of housing quality;
- Social exclusion and segregation related to housing location, tenure and quality, and race and ethnicity; and
- The special housing needs of excluded groups, Indigenous communities and those with support needs.

In examining cross-national housing issues, we also observe that there have been important shifts in the governance and institutions of most housing systems that are changing the ways in which responsibilities for funding, administering and delivering housing policies are allocated. These encompass: changes in the balance of government- and market-driven strategies, with a trend to privatisation; adjustments in the allocation of responsibilities across central and regional/local governments, with a trend to devolution; and changes in welfare philosophies that are affecting housing policies, such as promotion of more self-reliant and locally diverse housing models.

Clusters of national policy responses: Chapter 4

In response to the housing issues raised in chapter 3, national policy themes can be grouped into six broad clusters, as set out below. For each policy theme, the goals and principal levers being used among our chosen countries have been analysed. In the body of the report, we also refer to evidence of their effects in particular national contexts, from more successful to less successful. This assessment, however, has been limited by the amount and quality of evaluative research and local evidence available or accessible to us.

Facilitating home ownership for new entrants and lower-income households

Traditionally, continental European countries in the main have not promoted home ownership as strongly as their anglophone counterparts. Supporting home ownership is now a major policy goal in most countries in our study, facilitated via a combination of favourable taxation regulations, mortgage market intervention and demand and/or supply side subsidies.

The chief national objectives driving policy directions in this tenure, to greater or lesser degrees in different countries, seem to be to:

- Protect and grow home ownership as the preferred tenure;
- Reach specific ethnic groups and lower-income households;
- Contribute to tenure mix in disadvantaged areas; and
- Reduce long-term reliance on social security.

Despite this clear policy preference, expansion of home ownership has stalled recently in some countries (e.g. the Netherlands, the United Kingdom (UK)), while others (e.g. Switzerland) still have comparatively low rates of ownership because of factors that include the adverse impact of house price growth on affordability, institutionalised long-term renting, and broader economic and social changes affecting household formation and incomes. A third group of countries, which includes Australia, New Zealand and Ireland (each with high historic rates of home ownership), are either experiencing or projecting a decline in ownership rates. In some of these countries (e.g. the Netherlands and Australia) there is evidence that measures to stimulate home ownership used by governments have actually fuelled recent rises in house prices.

The available evidence also suggests that access and affordability barriers to home ownership for lower-income households are mounting. This is exacerbating income and wealth differentials between households renting and owning in many countries. So far in most countries, policies targeted to lower-income households, such as shared equity schemes and various forms of deposit gap or mortgage assistance, have not reversed this situation. One exception is the USA, where a number of factors have combined to produce a significant increase in lending to previously excluded black American, Hispanic and Asian homebuyers. These factors include: federal laws requiring transparency in lending to under-served groups and local areas; large-scale, regulated national financial institutions that assist with procuring finance for priority groups; ambitious performance targets for lending to these groups; and targeted community and household education on home buying and mortgage finance.

Overall, the evidence so far suggests that there is no easy or immediate way to deepen access to home ownership. Faced with declining housing affordability and sluggish new supply, there is growing recognition that housing policies must address the entire functioning of the housing market, including production levels and support for rental housing.

Promoting private investment in affordable housing

Analysis of the problem of declining housing affordability suggests that lack of a supply of reasonably priced housing is a generic cause, although for different reasons in different countries. For instance, in the USA and Canada gentrification of low-priced private rental housing is often mentioned as a major factor. In much of Europe, where the social rented sector has traditionally been larger, subsidies for new construction have diminished and rent levels have increased, and in some countries demolition, sales and the expiry of subsidies protecting rents have also contributed to significant losses of existing low-cost housing. The reduction in capital subsidies for social housing has also been a factor in declining general levels of new construction in many countries, thereby contributing to higher prices in the owner-occupied and private rental sectors. In some countries, physical planning controls have been blamed for limiting new construction and thus are considered to be a factor in growing housing affordability problems.

In response to this diagnosis and rising concern about affordability for the next generation, strategies to promote new investment in affordable housing supply feature increasingly among national and regional housing policies. Broadly, these strategies are concerned with obtaining more housing to rent or buy in parts of the market that are affordable to low- to middle/moderate-income households, using a variety and mix of incentives and regulations. The main instruments include: offering fiscal incentives to encourage rental investment (such as occurs in Ireland, France, Denmark, the Netherlands and the USA); public subsidies to lever private investment (examples include France, the UK and Canada); and greater use of the land use planning system to steer output to respond to housing needs and to generate opportunities for affordable housing (as practised in Ireland, the UK, France, the Netherlands, New Zealand and parts of Canada and the USA).

The broad goals of these national policy initiatives to increase the availability of affordable housing seem to be to:

- Stretch limited public funds and lever additional private investment;
- Address low construction output;
- Help attach key workers to labour markets;
- Arrest the decline in rental markets 'lost' to ownership; and

- Address the gap in affordable housing for those between social housing and unassisted home ownership.

There is a developing body of evidence on the positive impact of these strategies, which can be traced through references cited in this report. Many of the policies in this cluster are not applied universally. Rather, they may be targeted to reflect specific gaps in supply to particular locations (such as hot spots or growth regions); target groups (for example, marginal home buyers, key workers); price ranges (such as market entry or starter housing); or housing forms (larger housing, detached housing, medium-density or multi-family housing). This reflects a trend for housing policies to be tailored to address greater geographical and social diversity of housing needs and housing markets than in the past.

Using the existing private rental market

The size of the private rental sector in the study countries varies widely from only 10 per cent in the UK to 59 per cent in Switzerland. Nevertheless, private rental sectors in all countries house a significant share of lower-income and excluded households, often living in some of the poorest-quality housing. This sector has come under increasing pressure internationally (as in Australia) as access to social housing and home ownership for lower-income residents and newly arrived immigrants has declined.

Accordingly, the main drivers of policy developments in this sector appear to be:

- The entrenchment of large recurrent budgets for housing subsidies in most national housing budgets but with disappointing outcomes overall;
- Recognition of where immediate housing need and hardship is concentrated;
- Suboptimal occupancy of lower-cost stock by lower-income households;
- The need to meet particular needs in no growth/declining regions; and
- The need to address gaps in traditional housing policy.

Policies influencing the private rental market fall into a number of categories:

- Intervening in patterns of private investment for construction and renovation;
- Regulating quality;
- Influencing rent setting and rates of rent increases;
- Providing assistance to renters with housing costs; and
- Encouraging tenant participation and protection.

While some countries (particularly in Europe) maintain long-standing policies in some or all of these arenas, others (such as Ireland, the UK, Denmark, France and New Zealand) are currently adjusting or looking to develop strategies to address supply and demand imbalances, hardship and quality issues, and to make the rental sector a more effective long-term tenure. Assistance with rental subsidies remains by far the most significant strategy and the largest item of direct expenditure on housing in most countries, except Belgium, Austria and Switzerland. However, rent assistance programs in several countries (notably England and the Netherlands) have been subject to review to reduce pressure on budgets, increase tenant choice and address poverty traps.

Reinventing social housing

There are some emerging signs of a resurgence in policies aimed at sustaining social rental housing into the future. This development is occurring partly in response to the

intensification of social problems, such as homelessness and socio-spatial exclusion, and also declining affordability in housing market sectors, where the limits of ownership for lower-income households have become more apparent. Strategies include renewed public investment in additional supply (especially in Ireland, England, France and New Zealand), leveraging more private investment (UK, Canada, USA and Denmark) and changes to allocation policies in order to accommodate a wider range of households than only those with low incomes and high needs (England, Belgium, USA).

There is also a plethora of other reforms seeking to address challenges created by past practice (such as poor management and poor-quality stock) and the residualisation of the sector (such as tenure polarisation, spatial segregation and poor neighbourhoods).

The resurgence of interest in social housing demonstrates that many national and, in some countries, regional governments have been forced to review a retraction of past policies in this area, especially to support economic development (for example, through the provision of affordable housing) and to redress the rising social and civic costs of spatial segregation, homelessness and urban decay.

A widespread trend underlying the evolution of traditional social rental housing systems has been the growing diversification of approaches to ownership, financing and management in this sector. Now, extensive changes in national housing approaches mean the distinction between traditional social rental housing and other forms of government-enabled and -regulated rental housing is becoming increasingly blurred. This situation makes cross-country comparisons more complex. It also signals that some strategies discussed elsewhere in this report, such as those favouring more intervention in and regulation of the private rental sector for social purposes and public investment in so-called 'affordable' housing models, could be seen as an integral part of modern social housing policies (MacLennan 2005; UNECE 2006).

Promoting housing and neighbourhood sustainability

Sustainability as an overarching policy goal has many dimensions, including generating positive community dynamics, securing employment opportunities, improving environmental standards and energy conservation. Although housing policies alone do not create sustainable or unsustainable living environments, the institutional and regulatory framework of the housing system can generate intended or unintended effects on sustainability in a dynamic market context. For example, rent-setting policies and the application of subsidies influence the ability to pay housing costs but may also create poverty traps. Allocation policies may address highest needs but at the same time may concentrate or disperse disadvantage, depending on stock configuration and location (Arthurson and Jacobs 2003).

Thus housing market conditions and nature of housing allocations are integral to the spatial and economic processes that concentrate disadvantage. In countries that rely more on private market mechanisms to allocate housing resources, the poorest households can be found in the poorest-quality housing. Some public policies have exacerbated or ameliorated this process. For instance, where ageing social housing is poorly located away from employment opportunities and quality services, allocation to the most needy has concentrated households with the least resources in the worst areas. Conversely, social housing that is well maintained and attractively located close to a range of opportunities and services can, and does, provide a secure and affordable residential resource for excluded households and a springboard to participation.

Across Europe, the European Union is steering the development of National Action Plans that aim to achieve sustainable economic growth, providing more and better jobs, eradicating poverty and promoting greater social cohesion. There has not been a similar mobilisation of effort in North America.

In line with these aims, national sustainability efforts in Europe extend well beyond housing policies to address health, education, anti-social behaviour, social participation, welfare dependence, employment opportunities and interagency co-operation. Within these national action plans, specific housing-related initiatives are centred on:

- Social and economic development for targeted households or areas;
- Restructuring of social housing estates;
- Large-scale government-led urban renewal; and
- Inclusion and dispersion of affordable housing.

Such strategies are directed mainly at:

- Breaking down or preventing disadvantage and stigmatisation by creating mixed income / mixed tenure communities;
- Asset management and value creation through the refurbishment and modernisation of neighbourhoods, buildings and housing interiors; and
- Creating neighbourhood opportunities for excluded households, e.g. for training and employment.

Comprehensive national approaches to housing and neighbourhood sustainability encompass strategic policy directions and funding at a national level linked to local partnerships and community and civic engagement. These are most to the fore in France, Ireland, the United Kingdom and the Netherlands. In some other countries (e.g. Germany, Belgium) responses tend to be more bottom up and more fragmented, relying on local and regional responsiveness and capacity. Although only examined briefly, the strongest emphasis on environmental sustainability in housing policies and programs appears to be in Canada and Austria.

Developments in governance and delivery in housing systems

Devolution of responsibilities, localised housing strategies built on local needs analysis, community and private sector partnerships, joined-up government strategies and the establishment of financial intermediaries and social enterprises are all features of changing governance structures across Europe and North America.

The main drivers of the changes that are identified seem to include:

- The complexity, volatility and greater differentiation of housing markets within regions and countries;
- Neo-liberal agendas such as public sector reform and privatisation;

but also:

- Growing acknowledgement that conditions of privatisation need to change – as simple formulations of ‘less government’ and ‘more market’ are not working; and
- The influence of international agencies – e.g. EU directives on competition issues and overcoming regional disadvantage.

While the full implications of these developments are not easy to evaluate from such a broad review, some preliminary comments can be made. First, responsible devolution has to balance the need for a secure, long-term supply of financial resources with the

desire to encourage local institutions to innovate and deliver appropriate housing outcomes. Where this balance is not achieved through intergovernmental negotiations, our review shows that states and cities may turn to property-based revenue sources, which may be inequitable and politically volatile (such as seen in parts of Canada), or policies may be abandoned (as has occurred in Germany).

Second, the establishment of mixed public and private financial arrangements to support social housing has proved most successful where social housing associations are independently governed and financially strong, and where their tenant base is also broad (as in the Netherlands, France, Denmark and Austria); and/or a secure, substantial form of rent assistance is provided to help service returns to private capital (as in the Netherlands, Denmark and the UK).

Third, the involvement of local government in responsively planning for housing brings a key player into a more strategic level of housing policy-making. In many countries, local government's extension into developing local housing strategies and using planning mechanisms for affordable housing developments has raised diverse issues of skilling and capacity building, as well as the capability of local agencies to tackle the wider causes of local housing market problems. Much can be learned about this development from the experience of the USA, the UK, Ireland, Canada and the Netherlands in particular. A companion AHURI study to this report discusses this development in more detail (Gurran *et al.* 2007).

Overall, our review of national housing systems and policies confirms a tenet of much recent comparative housing research: that relationships between housing and broader socio-economic conditions are complex and vary significantly between similarly developed countries, and over time. Nevertheless there have been many discernible converging trends in housing issues and policy responses over the past two decades. Over that period, the emphasis on promoting home ownership, linked to private housing provision, has intensified in most developed (and in many developing) countries. Government investment in housing has become dominated by taxation incentives for home ownership and, sometimes, private investors in rental housing (rather than direct public investment in provision), and by large and expanding programs of housing-related income assistance, mostly for lower-income renters (but also including home buyers in several countries).

While there is widespread diversity in the scale and profile of social housing systems, social rental housing has been static to declining, mainly as a result of cutbacks in government subsidies to that sector and sales to home ownership. This has occurred to a different extent in different places. At the same time, growing demand from a greater diversity of population and cultural groups than in the past, many with special needs, has contributed to new challenges in social housing estate management and service delivery.

Sluggish housing supply conditions leading to market scarcity are also re-emerging phenomena apparent in many urban markets covered in the study, even under conditions of strong economic growth. This latter situation coupled with high house price inflation appears to be hindering home ownership policies and aspirations and generating mounting pressure on the private and social rental sectors. In response, many governments have begun to actively pursue multi-pronged strategies to promote an increased supply of affordable housing to rent and to purchase. Finally, there is increasing socio-spatial and tenure segregation evident in housing markets, though to different degrees. This has prompted wide-ranging action within the housing system and in other spheres to combat and prevent social exclusion, especially in Europe.

Specific national initiatives: Chapter 5

Turning from a cross-country review of housing policy strategies, this part of the research takes a closer look at specific housing mechanisms used in three particular countries: Switzerland, Austria and Canada (little researched in Australia). It aims to provide a practical demonstration of current international examples of policy actions of potential relevance to policy making in Australia. These examples represent only a fraction of possible initiatives that could be examined in more depth for their operation and lessons (see Appendix 4).

Facilitation of home ownership via access to pension funds: Switzerland

Similar to a broad concept that has been floated in Australia in recent years, the Swiss pension fund home savings scheme is a working example of an initiative designed to lift voluntary savings rates and to allow savings to be used as equity or security for mortgages by home buyers. Since the scheme's introduction in 1990, it appears to have provided a sufficient level of incentives to promote greater access to home ownership in Switzerland (although little detailed evaluative information is available). However, it has also had to be modified significantly to protect pension reserves that have been adversely affected by changes in wider economic circumstances.

From our assessment of the Swiss scheme and a comparison of housing market conditions, housing finance arrangements and superannuation savings in Australia, we conclude that several matters would need to be investigated thoroughly in the local context before such a policy could operate here. These include the risk of putting pressure on housing demand, and savings capacities and incentive structures for households.

Austria's Housing Construction Convertible Bonds

Austria has been one of the most effective countries in this study at maintaining an adequate long-term supply of affordable housing. Since the 1990s, Austria's housing policy has been strongly oriented to raising private finance for this purpose. To achieve this, Austria provides strong incentives for private investment linked to public subsidies and has established special institutional arrangements (housing banks) to channel funds raised to a well-developed, not-for-profit housing sector.

The experience of the Austrian model of housing construction bonds is highly relevant to the consideration and refinement of models that have been advocated in Australia for raising private finance for affordable housing. Overall, the Austrian experience is a successful example of how the sale of bonds and targeted use of the funds raised can make a cost-effective contribution to the provision of affordable rental housing that can be scaled up according to requirements. The operation of the model provides a demonstration of: the types of institutions needed to deliver the bonds; the tax incentives that have encouraged investors to purchase bonds; the regulations surrounding the use of funds raised for affordable housing (state-approved affordable housing projects); and their role in moderating the cost of finance across the wider mortgage market.

Canada's intergovernmental agreements for social housing

Since the 1980s, adjustments in responsibilities for social housing have seen Canada move progressively to a more devolved model of administration and funding responsibilities in this tenure. The mechanism examined in this report is a long-term intergovernmental agreement for the subsidisation and administration of social housing, where the federal government has effectively handed over responsibility for social housing to provinces with a commitment to long-term payments to support the

financial continuity of the existing sector for the duration of outstanding private loans (30 to 50 years on a diminishing basis).

Australia has given regular consideration to ways of clarifying and simplifying our intergovernmental roles and responsibilities for social housing programs. The issue is likely to emerge again in the context of the renegotiation over the next year of the current Commonwealth State Housing Agreement. An analysis of long-term social housing agreements in Canada was chosen for this study on the basis that those agreements may offer a model for achieving reform of federal/state roles and securing the future of social housing in Australia. However, more detailed analysis has shown that intergovernmental agreements in Canada, while having some logical and positive elements, were motivated more by a desire on behalf of the Canadian government to withdraw from this social policy field than to secure a viable future for the social housing sector.

Thus, more than a decade after implementation, the Canadian example gives some indication of the potential benefits, issues and risks associated with devolution. It is a cautionary tale. On one side, provinces increasingly appear to have received a poor deal. At first, under the terms of the social housing agreements, they benefited from a favourable interest rate cycle and one-off bonuses on signing. However, they now face rising costs in the social housing programs for which they have accepted full responsibility, while the federal government achieves increasing budget savings in housing as loans on the existing stock of social housing expire progressively.

On the other side, the Canadian experience also suggests that national interest cannot be addressed readily under a devolution model. In Canada there is evidence of rising needs and growing inequities in housing conditions between provinces, but the federal government has given away all control over the use and future development of the existing social housing sector. Growing housing problems have led to some federal re-engagement in strategies for affordable housing and a partnership against homelessness with the provinces but the long-term future of social housing appears to be far from secure.

Broader conclusions: Chapter 6

In our overall conclusions, we assess the underlying characteristics and qualities that seem to embody the national housing policies examined throughout the report and compare these with the housing policy model operating in Australia.

No single national housing policy stands out as exemplary. While we have shown that there are several countries with relatively comprehensive and proactive national policies, in general housing policy initiatives are being developed incrementally, and increases in government outlays, where they are occurring, are modest. Nevertheless our comparative review of policy settings shows a clear commitment to and strong government leadership on housing in many of the study countries. This is occurring to a greater degree than in Australia, which has experienced declining national expenditure and little by way of strategic policy developments in housing over a decade or more, despite research evidence and broadly based advocacy in favour of innovative action (e.g. see Berry 2003; Milligan 2005; National Affordable Housing Forum 2006).

In this context, it may be useful to highlight those attributes that appear to be associated with the most successful international responses to emerging housing issues in recent years. From our study these seem to be:

- A view of housing as an integral part of economic, social and environmental policy, as demonstrated recently in the UK and Ireland and over a longer period in Austria, France and the Netherlands;
- Sufficient housing expertise both within and connected to government, which is committed to building policies and relevant institutions to deliver desired housing outcomes, as demonstrated in a range of countries, including the Netherlands, the UK, the USA, Austria and Ireland, and also through the role and influence of international agencies;
- A long-term commitment to achieving desired housing outcomes, in which government plays an assertive and important role in a constructive partnership with all relevant public and private agencies, perhaps best exemplified in this study (although with different strengths) by Austria, the Netherlands and France;
- Progressive development of a modern institutional framework for delivering housing outcomes that government want by using a well-designed mix of market and non-market mechanisms. The regulatory, legislative and institutional framework that has been created in the UK, the Netherlands, Denmark and Austria, and also still operates to some extent in the USA and Canada, has clearly been critical to attracting private finance and enabling appropriate and accountable delivery of government-assisted housing services;
- A climate and practice where diversity, flexibility and local innovation can flourish without leading to the abandonment of appropriate national policy responsibilities and the efficient allocation of subsidies according to need. Countries such as the UK, Ireland, the USA, Denmark, the Netherlands and France, which have resourced multiple providers and local-level initiatives through block grants and capacity building, have enabled local governments and partnership programs to lead the way in this regard. However, the outcomes depend on the strength and capacity of local networks, which require nurturing, resourcing and bolstering in the short to medium term;
- Comprehensive and up-to-date market analysis and policy-oriented evaluation strategies (such as are well established in the USA, the UK, New Zealand and Canada) that can help to ensure that the efforts of government are effective, responsive and appropriate; and
- The adoption of balanced multi-tenure policies with a common focus on increasing affordable and sustainable housing options, improving tenure choice and pathways, and supporting socially mixed communities, such as are found in France, the UK, the Netherlands and Ireland.

This research aims to demonstrate that new housing policies and practices in the international arena can offer critical insights and lessons for the development of housing policy in Australia. To utilise the wealth of information and resources collected together in this report, and to expand on our initial assessments of the relevance and adaptability within the Australian context of particular policy directions and ideas, governments should actively encourage more comparative research on specific policies and their outcomes, and international collaboration on modern housing policy developments.

1 INTRODUCTION

Housing policy makers in developed countries face a range of common challenges today. These include: the housing-related demands of an ageing population; changing housing and tenure preferences associated with this demographic shift, and with pervasive economic and social changes in modern societies; and continuing urbanisation accompanied by polarising housing markets and the resultant socio-spatial segregation of urban areas. New approaches to public sector finance and a revolution in mortgage markets have also had far-reaching effects on housing markets and housing policy.

Valuable lessons can be taken from different institutional and policy approaches to addressing these and other challenges affecting housing outcomes. This project uses an international comparative perspective to offer ideas for the development of future national housing policy settings in Australia. The report provides a summary of developments in key policy areas across a selection of countries, which have developed similarly to Australia in socio-economic terms but offer a broad range of housing responses from which to source policy innovations. These include rental and home ownership based responses.

Policies cannot simply be transplanted from one national context to another. The ability to identify relevant policy ideas depends critically on using an appropriate comparative methodology. The starting point for making comparisons and interpreting the worth of policy is to recognise that national approaches to housing provision and the housing policies that underpin these approaches are 'home grown'. Systems of housing provision develop in dynamic local contexts and are subject to continually adapting local influences. Over time, each country's housing system comes to represent the cumulative development of policies, actions and institutionalised processes relating to the provision of housing in that specific place.

Understanding a country's housing policy strategy and/or a particular policy initiative therefore requires: an accurate analysis of key dimensions of the local policy strategy; a historically informed appreciation of the specific and dynamic context in which it operates; and evidence of the shelter and non-shelter outcomes that have resulted. Exploration of differences in the ways that countries approach the provision of housing, and appreciation of the different mixes of state and market mechanisms that can be adopted, together with the evidence of their impact, can then be used to inform and inspire appropriate policy development locally. Thus by uncovering the different ways in which governments deal with similar issues to those faced in Australia, it is intended that this approach will provide critical insights capable of stimulating new ideas for the further development of Australian housing policy.

The timing of this research is significant. Australian housing policy is a matter of negotiation between the Commonwealth and state governments, which comprise the Australian federation. The main elements of national housing policy are contained within the Commonwealth State Housing Agreement (CSHA), which has been renegotiated periodically since its introduction in 1945. Typically this occurs about every four years, during which time there is a small window of opportunity for substantive change. Thus, in the lead-up to the negotiation of the housing policy framework for 2008/09 and beyond, Australian housing policy makers have prioritised research into how developed nations are addressing contemporary housing issues.

This study was one of two projects commissioned contemporaneously by AHURI Ltd to review aspects of international developments in housing. The companion study, to which one of the authors of this report also contributed, focuses on the use and

impact of planning policies and planning levers on housing affordability in five countries that are also covered in this study (the USA, the UK, Canada, Ireland and the Netherlands) and Australia. Reports of that study (Gurran *et al.* 2007, forthcoming) provide more in-depth information on developments in planning policy and practice affecting housing.

1.1 Research questions and stages

The specific research questions guiding this study are:

1. What is the nature of the systems of housing provision in countries selected for comparison?
2. What are the main trends in the way government responsibilities for housing policies are evolving in these countries and what are the drivers of those policy responses?
3. What evidence is available of the impact of recent changes in national housing policies on core shelter and non-shelter outcomes for lower-income households?
4. What are the main similarities and differences between Australia and the selected countries in their systems of provision, policy trends and outcomes?
5. Taking into account the comparative analysis above, which housing policy directions have the most potential to offer strategic insights for the future development of housing policies in Australia?

For the chosen policy areas/initiatives:

6. What policy lessons are there for Australia?
7. Which specific aspects may be worthy of further investigation?

Our response to this set of questions has been developed in two research steps. In the first, we have made a broad examination of systems of housing provision in the countries studied (chapter 2), investigated the main housing issues being faced and the driving factors behind these issues (chapter 3), and identified key clusters of housing policy activity across the countries studied (chapter 4). At the end of this stage we identified specific policy initiatives in particular countries that may warrant further investigation because of their potential to inform policy development in Australia. The second part of the research comprised assessment of a selection of those initiatives, following consultation with Australian policy makers (chapter 5). In this stage, more detailed consideration is given to understanding how particular policy options of interest work in their local context, the available evidence of their impacts, and an interpretation of their potential value in Australia.

In view of the strong policy attention being given in Australia to improving outcomes for Indigenous peoples, we have also tried to bring to the attention of Australian policy makers information identified during our study on how housing policies are formulated to address the needs of Indigenous households in countries with significant indigenous populations that have become marginalised (that is, New Zealand, the USA and Canada) to indicate where further specialised research may be of value.

1.2 Country selection

At the outset, countries within the scope of this study were identified as those developed similarly to Australia, but with diverse housing systems that offered a potential source of policy innovation and ideas.

Following a preliminary review, the following countries were chosen: Austria, Belgium, Denmark, France, Germany, Ireland, the Netherlands, Switzerland, the United

Kingdom (UK) (mainly England), New Zealand (NZ), Canada and the United States of America (USA). These countries have broadly comparable economic regimes and face many housing issues similar to those in Australia. However, they embody a diversity of governance arrangements, welfare models and housing systems. Looking at different approaches to welfare and housing enables us to distinguish the variety of international responses to shared housing issues and, by analysing the context and impact of different strategies, to better understand their capability and assess their potential relevance to Australia.

From a practical perspective, not every country of interest could be included. Other developed countries were omitted for one or more of the following reasons: similarity to countries covered; lack of accessible and/or comparable information; systems of housing provision too different to those in Australia; or a static/declining national housing policy regime. Overall, the twelve culturally and politically diverse countries chosen are an abundant source of information and policy ideas.

1.3 Methodology

International comparisons of housing and urban phenomena are undertaken for a variety of reasons. These include policy development, problem evaluation, testing of theories, and development of new explanations. The purpose of comparative research should correspond with the type of conclusions sought: describing, evaluating, suggesting actions or explaining the topic of interest. Some studies may demand a combination of aims and outcomes; for example, research might aim to be both evaluative and action orientated (Lawson 2006).

1.3.1 Aims

This study aims to promote understanding of international housing policies among Australian policy makers, and provide good ideas for policy action. As suggested above, this requires an analytical approach that will uncover how contemporary policies have emerged, what they have achieved in particular circumstances and, crucially, an understanding of why this has occurred (Milligan and Phibbs 2007; Pawson and Tilley 1997). Such an approach steers the research method away from higher-level aggregation and categorisation of countries towards a more comprehensive description and appreciation of each dynamic housing system and the policies it generates.

1.3.2 Approach

To further our understanding of housing systems and the policies integral to them, we therefore need to use analytical tools to classify and compare individual housing systems, rather than merely describing housing policies and their apparent outcomes across numerous countries. Understanding the policies emerging in each system requires a contextualised, historical approach acknowledging the connections between housing and a wide range of social relations that change over time and space. This approach tries firstly to appreciate the different internal logic of each type of housing system and secondly to understand the strategic relationships influencing each housing system through its links to time and place, specific political structures, welfare systems, institutional arrangements and demographic and market conditions (Lawson 2006).

The approach we adopt necessitates a clear conceptualisation of the endogenous relations that define each housing system, and an appreciation of the exogenous relations affecting the system – often described as context. A national housing system is understood then as a complex and dynamic system that is exposed to

shifting political power, evolving welfare regimes, embedded institutional arrangements and constantly changing economic and social conditions.

While this approach has been applied comprehensively to the study, the large number of countries being considered means these contextualised, strategic relations can only be sketched in brief in this report.

1.3.3 Methods

Information for the first stage of the study was obtained mainly through three complementary methods. One approach was an extensive desktop review of recent literature on housing policies and housing systems in the study countries. The main sources of information and analysis identified through this method were: national reports of governments and independent authorities on housing; national, regional or international statistical collections; commissioned cross-country surveys related to housing; recently published research on key aspects of particular national housing systems or policies; previous comparative studies of housing in some of the countries and regions that make up our sample; and the websites of major national and international housing organisations (see References for a complete list).

The second approach involved using key national informants and/or housing policy experts to identify additional sources, to fill in gaps in information in the published literature and to validate our interpretation of particular initiatives. People who assisted in these ways are listed in Appendix 1.

Thirdly, one or other of the authors attended housing conferences (in Europe, North America and New Zealand¹) to promote awareness of the study and to obtain information and leads for the research. This produced several additional sources, new national contacts and many valuable ideas, which have been included as appropriate in the report. In addition we have drawn on our existing knowledge of housing systems in many of the countries studied, as acquired from previous research and our participation over several years in international housing networks.

We have emphasised above that housing policies are a product of both their historical and their contemporary contexts. Nevertheless most policy adjustments tend to be incremental or marginal changes to long-established national policy strategies. On some occasions, major breaks with historical approaches can arise, particularly where a significant new economic or social challenge or crisis emerges or where a major shift in political power occurs. Because of the size of our task, it will not be possible to account for the full trajectory of housing policy developments in each of the study countries over a significant period of time. Instead we have sought to assess and interpret the nature and drivers of the most recent documented changes in housing policy. Mostly these have occurred within the past decade. The research was conducted during 2006, which marks the cut-off point for the analysis.

1.3.4 Limitations

Before concluding the discussion of methodology, it is important to acknowledge some limitations to the way we have approached this study. The study was intended and funded as desktop research with the overall goals of catalysing interest in cross-national housing strategies, generating ideas and debate in Australia about different approaches to shared housing concerns and contemporary policy responses, and providing some direction for where further systematic analysis of international policies

¹ United Nations Habitat Third World Urban Forum, 19–23 June 2006; European Network of Housing Researchers Conference, Housing in an Expanding Europe Ljubljana, 1–4 July 2006; Wellington City Council, Affordable Housing Summit, Wellington, New Zealand, 30 October 2006.

may be fruitful for Australia. In keeping with these aims, the research brief called for an overview of national housing policies in a broad array of countries, rather than in-depth analysis of a few.

These expectations and requirements have led to particular challenges throughout this study. One has been obtaining comprehensive, current and consistent information across all study countries, especially where the primary documents are in a foreign language. A second challenge was in making interpretations and drawing meaningful conclusions about the efficacy of policies without having detailed local knowledge or collecting our own evidence. A third practical challenge has been managing and sifting an enormous amount of diverse material in the field of housing policy, with some disparate or inconsistent data and information. To help mitigate these issues, we have actively pursued national policy makers and international comparative researchers in housing (including by attending the international conferences mentioned above) to obtain and verify information wherever possible, in addition to working systematically through the material we have collected until the end of 2006. Nevertheless, we recognise that this may not fully overcome the risk that we have missed information, particularly on recent developments that have not been subject to independent analysis, and made some interpretations out of context or without apparent supporting evidence. For these reasons, readers interested in specific initiatives or countries should use the sources cited to follow up their interest in more depth.

1.4 Report outline

Results from our broad investigation of international housing policy trends are presented in five chapters.

Chapter 2 provides an introduction to each country's system of housing provision and the context in which it operates. Drawing on approaches taken in previous comparative housing studies, the chapter incorporates general information on each country's demographic and economic characteristics, political systems, institutional arrangements, welfare regimes and housing market conditions, and shows how each of these has influenced the contemporary national housing system.

Chapter 3 draws on the wide-ranging sources of information and expertise accessed for the study to make an assessment of the main housing issues and challenges facing developed countries. From this assessment, we identify four prominent issues that cut across the study countries to influence policy settings, and review the factors underlying each issue. Those issues are:

- Rising housing costs and declining housing affordability;
- Housing supply shortages and issues of housing quality;
- Social exclusion and segregation related to housing location, tenure and quality, and race and ethnicity; and
- The special housing needs of excluded groups, Indigenous communities and those with support needs.

In conclusion, the chapter also describes how market-state relations in housing are adjusting to the latest housing issues and wider changes in systems of governance in developed countries.

Chapter 4 reviews the policy strategies employed by each country in response to the shared challenges identified in the previous chapter. The evidence suggests that positive housing policy responses to these issues can be clustered into six main fields:

1. Facilitating low-income home ownership;
2. Promoting private investment in affordable housing;
3. Utilising the private rental market;
4. Reinventing social housing;
5. Promoting housing and neighbourhood sustainability; and
6. Changing the governance of housing systems and the delivery of housing policies.

The chapter describes the principal policy mechanisms being used in selected national contexts for each of these strategic areas of intervention. Where available, evidence of the impact of these strategies is also discussed.

Drawing on the results of the first broad stage of the research, chapter 5 identifies policy areas and associated countries in which further evaluation of policy settings and specific instruments may be fruitful for Australia. We then propose a set of criteria for assessing the potential relevance and interest of the strategic policy interventions we have identified. Using these criteria, we propose a list of policy responses in each policy cluster that we consider to be of potential interest to Australian housing policy makers and suitable for further research.

In the remainder of the chapter, three distinctive strategies selected from our list in consultation with policy makers are analysed in more detail. These strategies straddle several policy themes highlighted in the report in countries that have not previously been researched in detail in Australia. The specific policy strategies discussed are:

- Switzerland's pension saving scheme for home ownership;
- The use of housing construction convertible bonds to facilitate investment in affordable housing in Austria; and
- New administrative arrangements for social housing between the Canadian Government and several Canadian provinces and territories.

The final chapter summarises our key findings and insights into national housing policy directions and innovations that have emerged from the research, and places these in the context of an appraisal of current policy settings in Australia.

2 UNDERSTANDING AND DIFFERENTIATING NATIONAL HOUSING SYSTEMS

This chapter addresses how we can best appreciate the housing systems of each of the study countries, to understand how and why they have responded in different ways to similar housing issues such as declining housing affordability, ensuring appropriate housing, maintaining an adequate supply of housing and achieving effective links between housing and non-shelter outcomes.

In order to contextualise our analysis, we start with a brief review of each country's key demographic urban and housing characteristics (section 2.1) and a preliminary sketch of the character of each housing system (section 2.2). We then examine in turn the relationships between their housing systems and policies and national political structures (section 2.3), welfare regimes (section 2.4), institutional configurations (section 2.5) and market conditions (section 2.6).

2.1 Selected demographic, urban and housing characteristics

Table 2.1 provides an overview of indicators of the population, tenure and settlement patterns of the study countries. The countries under review fall into three groups: small, medium and very large populations. The smallest countries with populations of less than 10 million are Ireland, NZ, Denmark and Austria (in ascending size). Belgium, the Netherlands, Australia and Canada all belong to the group of medium-sized countries with 10 to 31 million inhabitants. The UK, France, Germany and the USA have the largest populations.

The data show that between 2000 and 2005 the countries with the fastest-growing populations were NZ, Ireland, Australia and the USA, growing on average by more than 1 per cent per year. Modest to static population growth occurred elsewhere.

All countries in the study face ageing of their populations at unprecedented rates over the next 25 years. In a housing policy context, this has major implications for the sustainability of systems of housing provision, future levels of housing-related wealth and inheritance, demands on social security that are linked to housing costs and pensions, and the delivery of home-based health care. Ageing populations will also have a significant influence on the future level of home ownership, although in quite different ways depending on whether ownership rates are high or low among older cohorts of the population.

Across the countries, household size varies between 2.2 and 2.9 persons, with the largest average in Ireland and the smallest in Germany, Denmark and Switzerland. The paradox of falling household sizes and increasing size of houses is apparent across our selection of countries. While not the focus of our study, perhaps this phenomenon can be explained by the increased borrowing and spending power of dual-income households as well as outright owners who are 'trading up' in the housing market and demanding more spacious homes. The era of supplying mass-produced modest social housing is over in all countries covered by the study, and quality rather than quantity tends to be a driving goal.

The most urbanised countries in the group are Belgium, the UK, Germany, NZ, Denmark and Australia. Population concentrations nevertheless vary significantly within countries from large conurbations or mega-cities, such as in France, Germany, the USA and Australia, to polycentric clusters of smaller cities, such as are found in the Netherlands and Switzerland.

If countries are categorised by household tenure, however, and specifically home ownership rates, an entirely different grouping can be teased from the data in table 2.1. Using this filter, four different groups can be distilled:

- High ownership and significant social rental sector (UK);
- High ownership and significant private rental sector (Ireland, Belgium, USA, Australia, NZ and Canada) – typically these countries also have small social housing sectors (7 per cent or less);
- Equivalent rates of ownership and renting, with a large proportion delivered by social landlords (Austria, France, the Netherlands and Denmark); and
- Countries with more private and social renters than owners (Germany and Switzerland).

2.1.1 Indigenous peoples and housing

Three countries in our study – Canada, the USA and NZ – have youthful and growing Indigenous populations that can be compared with those of Australia. Available statistics that provide some empirical basis for comparison are set out in Table 2.2. These data relate to Indigenous populations living in urban areas as well as to areas that are mainly Indigenous, including reserves in the USA and Canada, rural areas and discrete communities in Australia and tribal lands and rural areas in NZ.

Only some broad observations can be made from the information gleaned for this study about the comparative housing situation of Indigenous households. The overall impression from the data and the literature is that Indigenous households experience much poorer housing conditions, linked to lower socio-economic and health status than non-Indigenous populations in all these countries (see for example Moran 2000; Waldegrave *et al.* 2006). Thus, each country faces the twin challenges of very significant rates of unmet need and large shares of substandard housing, particularly in Indigenous communities. In the four cases, Indigenous households have much lower home ownership rates than non-Indigenous households, and much higher proportions of the former are dependent on publicly funded rental housing. Thus both special-purpose and mainstream housing policies are particularly significant to the shelter and non-shelter outcomes of Indigenous populations.

Table 2.1: Selected urban and housing characteristics, recent years²

<i>Country</i>	<i>Population^a</i>		<i>Housing tenure^b</i>				<i>Average household size</i>	<i>Urban population (% of total population)^g</i>	<i>Population density^a (per km²)</i>
	<i>Latest Census (millions)</i>	<i>Average annualised Growth rate 2000–2005 (%)</i>	<i>Owner occupation (%)</i>	<i>Social rental (%)</i>	<i>Private rental (%)</i>	<i>Other(%)</i>			
<i>Ireland</i>	4.0	1.12	77	7	11	5	2.9	60	56
<i>NZ^c</i>	4.1	1.32	67	7	26	0	2.7	86	14
<i>Denmark</i>	5.4	0.24	53	19	18	10 ^d	2.2	85	125
<i>Austria^e</i>	8.2	0.05	57	23	17	3	2.4	66	96
<i>Switzerland^f</i>	8.1	0.05	35	6	59		2.2	68	178
<i>Belgium</i>	10.4	0.21	74	7	16	3	2.3	97	340
<i>Netherlands</i>	16.2	0.50	53	35	12	0	2.3	66	391
<i>Australia^g</i>	20.1	1.10	69	5	22	2.4	2.6	89	3
<i>Canada^h</i>	31.6	0.77	66	6	28	NA	2.6	80	3
<i>UK</i>	58.9	0.31	70	20	10	0	2.4	89	245
<i>France</i>	61.5	0.47	56	17	21	6	2.4	76	112
<i>Germany</i>	82.5	0.07	43	6	51	0	2.2	88	231
<i>USAⁱ</i>	291.6	1.03	69	2.5	28.5	NA	2.6	80	30

- Notes:
- a. UNECE (2005). Growth rates reported may not reflect intraregional migration in Europe.
 - b. CECODHAS (2005a)
 - c. additional data Statistics NZ (2006)
 - d. Includes not-for-profit housing associations in Denmark
 - e. additional data Statistics Austria (2007)
 - f. additional data Ball (2005), SFSO (2006)
 - g. additional data ABS (2006)
 - h. additional data Statistics Canada (2006) and Pomeroy, personal communication.
 - i. additional data USCB (2005b)

² Obtaining comparative data on a range of variables across a diverse set of countries is problematic. There may be small discrepancies between this data set and data from other sources used in other parts of the report.

Table 2.2: Selected demographic and housing characteristics of Indigenous peoples, 2001

	<i>Indigenous population (million)</i>	<i>% of total population</i>	<i>Median age (years)</i>	<i>% living 'off reserve/ non-remote/ non-tribal'</i>	<i>% owner occupied</i>
<i>USA^a</i>	4.1	1.4	26.9	50	55
<i>Canada^b</i>	1	3.1	24.7	70	45
<i>NZ^c</i>	0.6	14.2	22.0	N.A.	48
<i>Australia^d</i>	0.5	2.3	20.5	75	27

Notes: USA data is for 2000, except 'age', which is for 1990. N.A.: not available.

Sources: a. USCB (2005b), Moran 2000
b. Statistics Canada (2006)
c. Statistics New Zealand (2007), Waldegrave et al. 2006
d. ABS (2004)

2.2 Preliminary description of national housing systems

A brief 'character sketch' is provided here to introduce the housing systems operating in each of the study countries.

Austria has a housing system with comparatively large social and private rental housing sectors. Continuing supply of social housing is supported by national and regional policies that channel private investment into social housing construction and renovation.

Belgium is a nation of home owners, atypical in Western Europe. Housing policy is regionalised. Social housing is residualised and undergoing management reform.

Canada has a system geared to home ownership using a national institution to facilitate mortgage lending. Responsibility for facilitating social housing has been devolved to lower levels of government but persistent homelessness and affordability problems have drawn the national government back into the field recently.

Denmark has a housing system that is oriented to tenure choice. The tax system is used to promote investment in different tenures. There is a range of social housing models characterised by local-level planning, tenant management and collective resource sharing.

Ireland is the country with the highest home ownership rate of those studied. It is facing major affordability problems alongside recent economic growth and demand pressures. There has been active housing policy reform to promote affordable housing for sale, expand social housing and improve the quality of private rental housing.

France has a broad-based central government led system supporting a range of tenures in order to stabilise the housing market and manage the economy. Urban renewal of stigmatised social housing estates is a national concern.

Germany has a system with a substantial publicly regulated rental sector and a comparatively modest rate of home ownership. Past governments have used diverse arrangements to subsidise low-income households but many of these policies have been retracted over the past decade. As housing problems are uneven across the country, policy responses now tend to be regionalised.

The Netherlands is now promoting home ownership, but also retains a large broad-based social rental sector. Social housing is provided by large independent, not-for-profit housing associations that are heavily capital market financed. Urban renewal and additions to supply have been a recent national policy focus.

New Zealand has a housing system that has been long dominated by ownership. It now faces severe affordability problems as a result of low incomes and high house prices. This situation has catalysed efforts by the national government to revive the social housing sector and seek new ways to promote affordability.

Switzerland has a system oriented towards individual private landlordism, with financial intermediaries facilitating investment in 'not-for-profit' supply. Access to pension contributions assists home purchasers.

United Kingdom has a system now oriented towards home ownership, alongside lifting standards in the substantial social housing stock provided by councils and housing associations and redressing social exclusion. Recently, housing has been a strong area of policy activity by the national government.

United States of America has a system geared to the promotion of home ownership via government-regulated financial intermediaries, insurance agencies and subsidy programs which extend that tenure to minority groups and lower-income households. It has a partly regulated private rental sector. It has the smallest public housing sector of the countries studied. This is undergoing nationally driven reform, including restructure of remaining estates. Diverse local affordable housing projects have been fostered by an entrepreneurial not-for-profit sector using a national fiscal incentive (tax credit) scheme mixed with other funding from private and public sources.

A comparative assessment of **Australia's** housing system shows that we can be grouped with about half the countries in the study as predominantly a country of home owners. However, access to home ownership for the next generation appears to be receding, as a result of house prices rising faster than incomes, at least for lower-income households. Consequently the private rental sector is housing a growing proportion of non-aged low-income households, a majority of whom have affordability problems, and the small social housing system has become highly residualised. These trends are contributing to greater polarisation of income and wealth by housing tenure and intra-urban and regional location. In the face of these developments, national housing policy settings have remained largely unchanged in recent years.

Increasingly, analysis of national housing systems is placed in the context of an understanding of national political systems, welfare regimes, housing actors and institutions and housing market conditions, which are defined and packaged together in different ways to mediate housing outcomes in each country (Lawson 2006). The remainder of this chapter takes a closer look at how each of these different factors influences national systems of housing provision.

2.3 Political systems

Political structures help to define the nature of government and its responsibilities, including those for housing. Typically, in a federal system, powers and responsibilities are legislatively defined for both the central state and localities (provincial and/or more local governments). However, these relations are not static and often are moderated directly and indirectly. Sometimes this leads to formalised revision of the relations.

There is much debate about the nature of the relationship between society and the state (including all forms of governance), and how this relationship affects policy making. Across the social sciences for decades, it has been argued that 'the state' is

responsive either to its own self-interest or to the logic of capitalism, organised labour, dominant classes, popular protest or key actors seeking to secure long-term advantage over other groups. The debate about the state's role in housing is no different, contributing ideas on how changing political regimes, institutional arrangements and welfare systems influence directions in housing policy and strategy.

During the 1990s the political scientist Lundqvist (1990, 1992) took sought to explain housing policy by way of power and resources. He examined "welfare state expansion as a result of rational actions of individuals or collectives, gaining political power and representing groups who are weak in market resources" and applied it to shifts in housing policy approaches (Lundqvist 1992:2). In particular, he tried to explain the privatisation of housing policies within the context of a general contraction of the welfare state during the 1980s by examining the different responses of "market strong", "corporatist" and "market weak" parties. Lundqvist used Great Britain, Norway, the Netherlands and Sweden as his case studies. Lundqvist found that, in these countries, the legacy of earlier policies, the strength of public bureaucracy, the peculiarities of each political system and housing sector, and the organisation of affected interests were also very important factors influencing directions in housing policy. Political systems are thus only one factor accounting for differences in housing policies.

Among the countries examined in this study we find a wide variety of political systems with differing constitutions, separation of powers, central local relations and political parties. Each system has its own electoral systems, power bases and political ideologies. Governance arrangements often involve complex, sometimes ambiguous and conflicting arrangements between national, provincial and local governments concerning taxation, revenue transfer, policy and program responsibility, management and implementation. Relationships between governments and specific interests, social classes and economic sectors also vary from country to country and over time. Many countries in our study have federal governance structures like Australia. Ireland, NZ, Denmark, France and the Netherlands have unitary systems. Most states are governed by liberal or Christian conservative coalitions; only Belgium, the UK and NZ have social democratic governments at the time of this research, although their past governments have been otherwise.

Given the wide scope of this study, there is only space to mention the key characteristics of each country's political structure, and how political structures and political regimes currently influence the delivery of housing policy, as set out in Table 2.3. There are other important differentiating dimensions of housing systems that are worthy of consideration (especially in more in-depth studies), notably systems of property rights and the role of urban planning in these. A related study by Gurran et al. (2007) discusses planning regimes and their relationship to housing systems in a number of the countries covered by this report.

This review of broad national approaches shows that:

- There is a trend towards regional responsibility for housing and urban planning, especially social housing provision, although mortgage-related institutions and tax instruments remain centrally based;
- Devolution of housing responsibilities has often been accompanied by a transfer of related funds to regional governments, but this has not always led to reliance on local revenue sources or abandonment of housing programs;
- There has been a notable increase in (social) housing policy action recently by the national governments of Ireland, France and NZ;

- Urban renewal has been a key concern of the central governments of the UK, the USA, France, Belgium and the Netherlands; and
- While home ownership remains a priority for many governments, access by lower-income households has reduced with declining housing affordability.

Given the changing developments in intergovernmental roles and relationships and their influence on housing policy across the selected countries, this topic is considered further in section 3.5 on market–state relations and section 4.6 on developing models of governance in housing systems.

Table 2.3: Political structures and government institutions

<i>Country</i>	<i>Organisation of government^a</i>	<i>How political structure currently influences housing policy</i>
Austria	Since 1945 a revived weak federal system with 9 regions (Länder) including Vienna. Distribution of tax to Länder every four years, revenue equalisation guaranteed.	Federal laws govern tenancy, property and not-for-profit housing. Housing policy devolved to the Länder who design subsidy schemes, eligibility and quality standards. Local governments expected to facilitate social housing providing land and exempting providers from property tax.
Belgium	A federation with national, regional and local governments. Powers have been devolved increasingly to 3 autonomous regions - Brussels, Flanders and Wallonia. Three language communities - Dutch, French and German speaking - mainly have cultural and educational responsibilities.	Housing is a regional matter, except rents and taxation. Policies implemented by communities and local governments, subject to different economic and community interests. National Urban Fund for social integration and revitalisation.
Denmark	Unitary state. However mainland, Faroe Island and Greenland administered separately.	Central government makes and finances policy implemented by local government, which plans and regulates Housing Association provision.
France	Unitary state, 22 elected regional councils influential in economic planning process, and 96 department councils. Communes (lowest tier) and associations of communes increasingly involved in renewal activities.	Central government policy leadership with trend to devolution of planning for housing to local governments. Recently established national agency for urban renewal. Trend to a public-to-public partnership /contract approach.
Germany	Decentralised federation unified in 1990, now 16 Länder each with constitution, and municipalities.	Bureaucratic federalism characterised by central withdrawal and devolution of social housing provision. Housing policy varies widely between Länder.
Ireland	Unitary state, four provinces with 26 counties and 102 local governments, of which 88 have responsibility for housing.	Central government develops policy and co-ordinates implementation by local authorities, which manage, provide, plan for and facilitate housing. Strategic policymaking is not devolved, however.
Netherlands	Unitary state, with strong central government, 12 provinces and around 460 local governments.	Central government primary policy maker, provinces develop regional strategy and municipalities plan for and, in some instances, develop land for specific housing outcomes.

<i>Country</i>	<i>Organisation of government^a</i>	<i>How political structure currently influences housing policy</i>
Switzerland	Federation of 26 Cantons with constitution reflecting cultural diversity of French German, Romansch and Italian speaking Protestant and Catholic communities. Some Cantons have direct democratic regimes.	Involvement of central government minimal, main intervention by cantonal public banks, pension funds and local tax regulation. There has been a tendency towards devolution and withdrawal from housing. Reform rejected by electorate or thwarted by lack of government resources.
UK	Unitary state shifting from centralised to decentralised power through regional assemblies and coordinating mechanisms. Local governments have diverse and changing roles.	Long term shift from council to not-for-profit social landlords. Shift from loans and grants to capital market financing. Substantial national legislation set in place concerning regulation, rights and performance to enable devolution of housing policy.
Canada	Federation of 10 provinces with assemblies and elected Premiers.	Continuing devolution of responsibilities for housing to provinces has left the country without a national policy framework or coherent housing strategy. Federal agency focuses on mortgage system and market research.
USA	Federation of 50 states, with own constitutions. Central government co-ordinates and broadly interprets inter-state concerns.	Increasing focus on devolving housing responsibility to states via block grants. However, federal presence retained through Department of Housing and Urban Development (HUD) and financial intermediaries.
NZ	Central-local government	Revived national interest in housing policy, rejection of market-oriented policies of previous government and promotion of local planning for housing needs and third sector development.
Australia	A federation founded in 1901, 8 State/Territory governments and 673 local municipalities with comparatively narrow span of responsibilities. Improvements to fiscal equalisation have occurred since 2000 but vertical imbalance remains.	Commonwealth controls fiscal policy and social security. State housing agencies have major direct role in delivery of social housing. Responses to urban development/renewal issues normally lie with States. Local government usually has planning control, subject to State legislative power but is weak on housing policy.

Note: a. This section draws upon Borchert (1998); Derbyshire and Derbyshire (1996); Matznetter (2001).

2.4 Welfare regimes and housing

Housing holds a central position in the welfare of households and contributes to many dimensions of wellbeing. While housing can be considered to be a merit alongside health, social security, full employment and education, it typically has been treated differently from other forms of welfare, which have attracted specific approaches of government support and intervention. Accordingly it has been said that housing is the “wobbly pillar of the welfare state”, especially as market-centred policies of housing provision have come to the fore (Torgersen 1987).

Below we explain the main approaches that have been taken to conceptualising and distinguishing national welfare systems and the role of housing within them. Using those ideas, we then discuss how differences in welfare systems have influenced each country's position on national housing policy.

2.4.1 Understanding and applying different concepts of welfare systems

At the most basic level, welfare researchers often refer to the rights of access and entitlement or social citizenship that underpin differences in welfare systems. They distinguish two different operating models, both with European origins (Table 2.4). Bismarck's approach to welfare emerged during the 1880s and promoted compulsory social insurance to avoid the perils of *laissez faire* liberalism and its socialist alternative. Much later, Lord Beveridge reported to the British government in 1942, arguing for the entitlement to collectively organised welfare provision, which later evolved across the UK and Scandinavia.

Table 2.4: Two opposing welfare state models: Beveridge vs Bismarck

<i>Welfare model</i>	<i>Bismarck</i>	<i>Beveridge</i>
Example	Continental Europe	Scandinavia/UK
Criteria for entitlement	Contribution/membership	Right/citizenship
Political ideology	Conservative	Social democratic
Central institution	Voluntary organisations	State (public sector)
Financing	Social partners' contributions	Taxes
Demarcation of entitled population	Affiliated with the labour market	Legal resident

Source: Abrahamson (2005:4)

The attributes above provide a starting point to order and organise the origins of different approaches to national welfare among the selected countries as shown in Table 2.5.

Esping-Andersen (1990) developed another influential approach to distinguishing between national welfare systems. He used OECD social expenditure data on 18 countries and an analysis of social policy and labour market characteristics to develop a typology of welfare states: liberal, social democratic and conservative, each with different logic, organisation and social integration.

Esping-Anderson's original data mainly concerned expenditure on pensions and unemployment benefits, and did not include housing. However, Barlow and Duncan (1994) expanded the classification by distinguishing types of housing systems and relating these to each type of welfare regime. Building upon Ambrose's concept of a chain of housing provision (1991), these authors propose that different housing systems have been generated by different market–state mixes in the ways of securing housing promotion, land supply, production and consumption. They distinguish four main systems dominated respectively by speculative house building, limited profit social housing, self (consumer) initiation of housing and restricted-profit private sector housing (Barlow and Duncan 1994).

Following Esping-Anderson, Barlow and Duncan then find that liberal states promote self-reliance and market forms of social organisation and typically allow for means-tested assistance, modest social insurance and a low level of universal transfers. Speculative housing provision and reactive planning are typical of the housing systems of liberal regimes. The USA provides the archetypal case of a liberal state with this form of housing provision.

Social democratic states (the Netherlands and Scandinavia, especially Sweden) aim to provide universal assistance using non-market mechanisms, that is, without relying on the family or the market. In the housing realm such states place more emphasis on social housing and limited-profit provision.

Conversely, conservative corporatist regimes (Belgium, Germany, France and Austria) place more reliance on kinship networks, which are often reinforced by the Catholic Church, allowing the state to play a supplementary role. In these regimes housing systems are typically a mix of self-promotion and restricted-profit private promotion (Barlow and Duncan 1994:28–35).

There has been considerable debate over the allocation of countries across this typology, forcing researchers to examine more closely the specific and dynamic nature of welfare in their own countries, and to contemplate other dimensions of welfare such as gender, de-commodification and domestic relations (see for example Doling (1999) and Esping-Anderson (1996)). Nevertheless, Kemeny (1992) maintains that housing is so embedded in the social structures of different countries that it is almost impossible empirically to disentangle it; while Matznetter contends that "housing regimes will not correspond to the typology of welfare regimes ... because of the specificities of housing both as a very special commodity and as the main storage of family wealth" (2001:13).

Continuing this line of argument, Kemeny (1995, 2003) argues that housing researchers should not blindly follow the categories developed by welfare researchers but should postulate, test and refine a new set of explanatory distinctions that treat housing as an integral component of welfare. He identifies two types of rental housing systems: dualist (disconnected markets of for-profit rental housing and a residual public housing sector) and unitary (not-for-profit rental provision that is integrated into the market). Characteristics associated with dualist rental systems can be found in Canada, Australia, NZ and the USA. They have market-allocated rental housing with small residual social sectors allocated on the basis of need and waiting lists. Unitary systems exist in the Netherlands, Switzerland, Austria and Sweden. According to Kemeny, in unitary systems there are typically large social rental sectors with non-market allocative mechanisms. Their presence moderates rent levels in the private sector, and in this way a very significant proportion of households enjoy the flow-on benefits (Kemeny 1995).

Kemeny's typology helps to account for countries, such as those in the European and Scandinavian groups, that are observed to have the same type of rented housing systems but two quite different welfare regimes: social democratic and conservative (Abrahamson 2005:5). Debate about the validity and value of Kemeny's dualist and unitary rental concepts is ongoing, inspiring empirical studies across Europe (see, for example, Kemeny et al. 2005).

Other researchers have examined the relationship between social welfare systems and particular forms of housing tenure. For example, Australian political scientist Castles (1998) has argued that previous comparative welfare research highlighting the restricted nature of welfare in liberal regimes overlooked forms of housing assistance (*inter alia*) that may reduce the need for more extensive social welfare arrangements. Using Australia as a case in point, he showed that countries with a high proportion of older home owners who have purchased their housing at an earlier stage of their lives may have less need to provide retirement income support than countries where households continue to rent upon retirement. Harloe (1995) links the debate about connections between welfare systems and housing tenure to economic factors, tentatively arguing that where the opportunity for capital accumulation exists,

the housing system will drift towards more commodified relations of provision, typically speculative home ownership, and away from state-provided social housing.

More recent comparative housing studies have looked deeper into welfare state theory and modes of economic development, and have considered carefully the empirical extent of both similarities and differences, and processes of convergence or divergence, in national housing systems in order to provide more nuanced explanations of how and why housing systems may vary over place and time. It is not possible to consider the findings of all these comparative housing studies in this report, but Milligan (2003) and Lawson (2006) include a fuller review of the field.

To recap on the implications of this large field of enquiry, housing policies need to be considered in relation to their dynamic welfare regimes. Traditionally, however, comparative welfare studies have not examined housing as an integral part of welfare. Combining concepts of housing systems and welfare regimes produces a complex and inconclusive picture, highlighting the need for careful empirical investigation to establish the nature of these relationships in a particular place and time. Empirically, key matters for consideration when considering housing welfare include: how assistance is organised across tenures and over housing careers; the tax treatment of property and related wealth; the basis for allocating housing supply; and the protection and rights of tenants and owners. Table 2.5 makes reference to the categories used by welfare researchers, and outlines the important aspects of each country's national welfare system that appear to affect housing policy. The classifications of welfare systems provided in the table are indicative only and can be contested: specialised research would be required to confirm these broad assessments.

2.4.2 Government expenditure on housing

Another view of the place of housing in overall systems of welfare provision can be gleaned from trends in public expenditure on housing using OECD sources. For 10 countries included in our study, the OECD has compiled 20 years of government spending on social policy between 1980 and 2001, including housing programs (OECD 2004a,b).

In these countries, national spending on housing typically ranges between 1 and 3 per cent of total government expenditure (see Table 2.6). Exceptions are the UK and NZ, which are relatively big spenders, and Switzerland, Germany and Austria, which are low spenders. Australia sits at the lower end of the average. Across the countries the primary budget item now is rental assistance, typically supporting lower-income households in the private and social rental sectors. In several countries (USA, France, Germany, the Netherlands, UK, NZ) rent assistance is extended to eligible home buyers.

In half the countries covered by the OECD series, the proportion of public expenditure on housing increased or was stable over the past two decades (UK, NZ, Switzerland, Austria and France). Expenditure levels were fluctuating in Ireland, Denmark and Germany. Only in Canada and Australia did the proportion of government expenditure on housing decline over two decades.

It should be noted that this data series does not cover the full range of government accounts and programs related to housing. It does not include revenue lost due to tax subsidies, which do not appear in national accounts; for example, considerable revenue is foregone in many countries via the provision of mortgage interest tax relief (MITR) to home buyers and exemptions from capital gains tax that apply to the principal residence of a taxpayer. The data also do not indicate how lower levels of government allocate transfers of central funds. While the data are not comprehensive and may represent the tip of the iceberg in terms of governments' efforts in the

housing realm, and while a simple comparison of national expenditures on direct housing assistance is all that is possible, nevertheless, such a comparison does provide some perspective for the countries included in the data series. For instance, expenditure levels appear not to be correlated with choices that are made about providing assistance mainly through demand or supply side measures.

Table 2.5: Welfare regimes and their influence on housing policy

<i>Country</i>	<i>Welfare types^a</i>	<i>How the welfare regime has influenced housing policy^b</i>
Austria	Bismarkian social insurance, strong role of the family, conservative, corporatist, unitary rental system	Housing policy is predominantly concerned with supply within a corporatist framework i.e. a “social partnership” between state, employers and unions. Significant social sector (20%), which has been progressively regionalised since the 1980s, along with the development of financing institutions to support that sector.
Belgium	Bismarkian social insurance, conservative corporatist moving to more active workfare state, speculative housing provision, dual rental system	Regionalised housing policy focuses on owner-occupation, offering interest rate subsidies. Minimal limited-profit rental housing, which is income-targeted and allocated according to waiting list. Strong rent control, but varying allocation rules. Many low-income households rent privately yet insecurely; social service groups mediate in unstable tenancy conditions.
Denmark	Beveridge origins, social democratic to active workfare state, unitary rental system	Limited-profit housing is open to all strata of society. Well-established tenant participation in the operation of housing estates. Most of the private rental stock is subject to rent regulation. High land tax prevents speculation. Flat rate mortgage interest tax relief (MITR) promotes ownership.
France	Bismarkian, corporatist conservative, unitary rental system	Post war housing policy focused on provision of large quantity of prefabricated high-rise housing. Variety of large scale subsidy schemes to promote supply and address affordability across tenures. Reform of housing policy / expenditure is based on greater targeting but cross tenure support remains.
Germany	Bismarkian social insurance, conservative corporatists, socially responsible market economy, unitary rental system	National subsidy schemes originally concentrated on rental housing provided by limited-profit and private developers, later focused on owner-occupied housing. Recently more flexible arrangements, with regionally and program differentiated rent assistance and eligibility criteria. Local authorities have allocation rights in the subsidised private rental sector. Rents under existing contracts are regulated in many municipalities.
Ireland	Beveridge, liberal, residual social housing and speculative housing provision, dual rental system	Market-oriented system with local authority provided social housing. In context of economic growth and housing shortages, broadening of housing policy agenda attempting to increase supply and quality, diversify provision of social and affordable housing and improve security of private tenants.
Netherlands	Bismarkian origin, subsidiary, corporatist, social housing delivered through housing associations, government control of land supply traditionally but increasing role for speculative housing provision, unitary rental system	Primary government expenditure now rental allowances for private and social housing tenants and generous MITR for borrowers. Growth of large social sector financed by state loans until 1988, now relies on capital market loans. Long tradition of rent controls: regulated rents still apply to 95 per cent of the rental sector. Social housing is the task of independent not-for-profit housing associations, which have become large and very wealthy. Allocations not limited to low income households. Associations reinvest their surpluses in new housing.

<i>Country</i>	<i>Welfare types^a</i>	<i>How the welfare regime has influenced housing policy^b</i>
Switzerland	Conservative, democratic, Supplementary, Unitary rental system	Primarily market based allocation of housing with rents pegged to landlords' housing costs including financing costs. Since 1970s promotion of affordable housing was achieved via cheap loans and subsidies to builders in order to reduce rents. New promotions ceased in 2001 and ongoing program was suspended by 2005. Since 2003 supply programs have ceased and only financial intermediary for non-profit house builders (EWG) remains supported by federal government.
UK	Beveridge, Anglo Saxon model, universal but minimal entitlements, Speculative housing provision Dual rental system	Mixed tenure system, social housing still plays a key role along with a variety of low cost home ownership programs. Housing benefit (paid to low-income tenants and buyers) is major expenditure, which, along with capital grants and planning contributions, has helped to underpin private financing of social/affordable housing. Local governments have key role in assessing and registering local needs, administering housing benefit and overseeing housing quality and supply.
Canada	Liberal, residual, speculative housing provision, dual rental system	Limited, market oriented social policy in housing. Emphasis upon private sector provision and home ownership via government secured loans and tax immunity. Assistance with housing costs is available but at a low level nationally supplemented by provinces and local governments. Limited support for social housing provision, which includes large cooperative housing component. Recent national initiatives for affordable housing and to combat homelessness.
USA	Liberal, residual, role of philanthropy, speculative housing provision, dual rental system	Federal policy promotes ownership through tax immunity, MITR and national mortgage market intervention. Tax credits program for adding to the supply of affordable housing also significant. Block grants to states permit variations in policy at state and local level, involving home ownership assistance, public rental housing, affordable housing schemes and rent vouchers for market weak households. Availability of rent vouchers is budget not needs driven. Strong emphasis on restructuring public housing estates and 'moving tenants to opportunity'.
NZ	Beveridge origins, from progressive welfare pioneer to workfare to "third way", speculative housing provision, dual rental system	Currently revival in 'third way' welfare state development, which has led housing policy development and innovation – expanding social rental stock, promoting new means of access to home ownership and experimenting with planning tools to promote affordable housing. Whole of government 'healthy housing' initiative in social sector to address health issues associated with overcrowding and poorly maintained housing.
Australia	Liberal, residual. Residual social housing, dual rental system. Self-promotion of housing traditionally, now speculative.	Traditionally home ownership was an important plank of social policy. Direct assistance for home buyers has contracted since 1990s but tax immunity remains. National and state policies limit most forms of housing assistance to welfare recipients. Preferred approaches are consistent with safety net model of welfare.

Notes: a. Applies categories discussed in this report drawn from Esping-Anderson (1990), Kemeny (1995), Doling (1999) and Abrahamson (2005)

b. Primarily draws upon Donner (2000) and various policy documents for countries outside Europe.

Table 2.6: Government expenditure in housing 1980–2001

<i>Country</i>	<i>Housing % of general government expenditure 2001 a</i>	<i>Housing expenditure trends 1980–2001</i>	<i>Main budget items</i>
Austria	0.19	Stable	Rent subsidies linked to producing social and private rental
Belgium	Na	N.A.	Varies by region
Denmark	1.20	Fluctuating	Housing benefits for social renters, subsidised loans for youth/student housing and social housing
France	1.65	Stable	Supply subsidies Range of cross tenure housing benefits
Germany	0.39	Fluctuating	Assistance to renters and owner occupiers
Ireland	1.49	Fluctuating	Supply subsidies Housing benefits
The Netherlands	Na	Declining (from historically high level)	Housing benefit National renewal fund
Switzerland	0.41	Increasing	Housing benefits and social housing assistance
UK	6.66	Increasing	Supply subsidies Housing allowances
Canada	1.19	Declining	Operating subsidies for public housing
USA	Na	Declining	Housing Choice voucher program Block grants to states
NZ	2.37	Increasing	Accommodation supplement and operating subsidies for public housing
Australia	1.29	Declining	Rental housing assistance

Note: a. Authors' calculations based on OECD (2004a,b). Data for Belgium, the Netherlands and the USA not included in the source.

To summarise this section's key issues regarding links between welfare and housing provision, we note that in most of the countries studied, housing is primarily a good allocated by market mechanisms, with governments stepping in to influence the supply or demand realms of provision — often favouring incentives for home ownership over other tenures and, more recently, demand-side assistance over supply. We return to these issues in later chapters.

2.5 Agents and institutions of housing provision

Housing systems are characterised by common categories of agents operating under unique conditions and being institutionalised, organised and bound together in

particular ways. Categories of housing agents include: tenants, landlords, labourers, providers of materials, builders and project designers, financiers, land owners and purchasers, local and central organs of the state, including government agencies, religious organisations and representative or authoritative institutions.

As Jessop sums up, national institutional arrangements for providing housing are distinctive and varied:

Institutions cannot be meaningfully or productively analysed without locating actors, identities, interests, strategies, or tactics in a wider strategic-relational context (2000:11).

Table 2.7 sets out the main institutional arrangements in each of the 13 countries and provides some general comments on how they influence housing provision.

Table 2.7: Key agents of housing policy and housing provision

<i>Country</i>	<i>Key agents^a</i>	<i>Influence on housing provision</i>
Austria	Federal government 9 Länder 6 housing banks Around 200 limited-profit housing associations (LPHA) Federation of limited profit housing associations, GBV, is umbrella organisation for LPHA	Policy aims to promote supply to meet demand. Federal/Länder negotiations to 'equalise' tax transfers and influence expenditure on housing. Most housing and refurbishment co-financed with public loans (80%). Limited profit housing associations (LPHA) are credit worthy, market strong having preferred access to subsidised loans and exempt from company tax. Strong market position in rural areas permits competition for private land, materials and construction efficiencies. Rent reducing effect of social market on private market. Higher social housing density permitted in larger cities. Preferable land transfer to social housing companies in Vienna. GBV audits LPHA. Housing Banks established 1990s to channel funds into construction at low rate. Contractual savings arrangements give priority access to low interest loans.
Belgium	3 regional governments 3 regional housing companies 300 local housing companies	Policy and delivery highly regionalised. Regions subsidise building societies with interest rate subsidies. Regional housing companies monitor and control local companies and manage financing of programs for approved local companies. Local companies have some autonomy in rent setting.
Denmark	Local authorities Around 700 housing associations Tenant managed societies Co-operative housing associations Regional and national tenant associations Pension funds	Policy has traditionally supported self-managed rental housing, with strong tenant democracy, autonomous boards. Tenant associations have a strong influence on access, and ensuring ability to pay rents. While there are no income criteria for social housing, rents must cover costs. Local authorities plan for and monitor housing associations and can set aside 25% of homes to allocate on basis of need. Larger scale private rental housing is rent controlled, based on operating costs. Current policy aims to encourage pension funds to invest in private rental housing, via tax incentives.

Country	Key agents^a	Influence on housing provision
France	<p>Central government</p> <p>National Urban Renewal & Home Improvement Agencies</p> <p>Caisse des dépôts et Consignations (manages deposits for housing)</p> <p>Departments and communes</p> <p>1200 Moderate Rent Housing Companies (HLMs) and semi public property companies</p>	<p>Central government public financing is used for a range of policy purposes (affordability, leverage and regeneration, housing allowances) across tenures. Compulsory savings are channelled via post office savings accounts and National Savings Banks to the Caisse des dépôts et Consignations which generates finance. Investment subsidies are spread thinly and widely to lever maximum private finance (Ball 2005). Public housing is concentrated in major cities built by HLM with state subsidies. Local authorities facilitate development, develop system of allocations and are active on boards of HLM.</p>
Germany	<p>Länder</p> <p>Local governments and municipal housing companies</p> <p>Co-operatives</p> <p>Subsidised private investors/landlords</p>	<p>Rental system dominated by private investment, promoted by tax relief. Länder and local communes (by delegation) operate conventions in allocating subsidised housing, based on a variety of subsidy schemes (most now expired). Since 1990s the Federal government has not continued its social housing programs but some active Länder (e.g. North Rhine Westfalia) maintain these. Cooperative housing continues as one form of affordable housing. Subsidies to homebuyers abolished 2006.</p>
Ireland	<p>Central government</p> <p>Local government and municipal housing providers</p> <p>Voluntary and co-operative providers</p>	<p>Policy has undergone a comprehensive review and there has been an overall increase in housing spending. Small but growing stock of targeted social rental housing provided by Councils and not-for-profit providers, which is being refurbished, redeveloped and mixed with other tenures and some sold at below market prices. Government has established a 20% target for affordable housing in new developments, linked to subsidies provided through local government. Increasingly important role seen for private rental sector, which is focus of investment promotion measures and tenancy reforms. Local government activated to plan and facilitate affordable housing development.</p>
Netherlands	<p>Central government</p> <p>Municipalities, municipal land companies</p> <p>Around 500 housing associations</p> <p>Financial Intermediaries</p> <p>Lenders to housing associations</p> <p>Peak tenant and provider associations</p>	<p>Policy has supported a strong independent social housing sector and more recently, home ownership. MITR promotes long term (30 year) borrowing for home purchase. Rent regulation moderates increases but ensures reasonable return for social landlords. Large asset rich social housing sector (35%) financed by capital markets. Local authorities facilitate affordable housing supply via land allocation, use of location subsidies and negotiation with developers. Private developers more active than in past, most output recently for ownership.</p>

Country	Key agents^a	Influence on housing provision
Switzerland	Federal Office of Housing Canton owned banks Pension funds Non-profit builders Central Issuing Office of Non-profit Builders (EWG)	Government involvement in housing provision limited. Dominance of rental sector with rents tied to landlords' costs. Numerous private landlords have hindered attempts at tenancy reform. No tradition of home ownership, especially in cities. Regulation permitting use of pension savings to promote ownership as well as tax deduction of mortgage interest (the latter offset by capital gains and imputed rent taxes on housing). Moderate sized social housing sector, built by non-profit builders, and financed by a special purpose intermediary established by the sector and federal government (EWG).
UK	National and regional and local government Housing Corporation Registered Social Landlords (RSLs), Arms Length Management Organisations (ALMOs) Housing partnerships Lenders to RSLs and ALMOs	Rapid growth in ownership market, partly achieved through significant sales of social stock. Also encouraging development of shared equity products and buy to let market. Shift from local authority to registered social landlord provision of social housing. Social Housing Grant plus capital market debt finance enables new social housing. Relatively generous housing benefit and robust regulatory framework underpins borrowings from private sector by RSLs. Planning provisions by local governments under national regulation assist RSLs to access sites. Local governments also monitor achievement of decent housing standards. Trialling involvement of private sector in direct provision of affordable housing. Significant funding for public private partnerships for urban renewal.
Canada	Canadian Mortgage and Housing Corporation 13 Provinces/Territories Provincial/metropolitan housing corporations Cooperatives and not-for-profit providers First nations organisations ^b	Housing policy dominated by the interests of ownership, facilitated by various programs of the Federal government including savings incentives, direct down payment assistance, interest rate protection, mortgage insurance institutions and taxation policies. Social housing programs are devolved to provinces /territories. Two thirds of social housing is owned by cooperatives and not-for-profits. Provinces and municipalities play an important role in facilitating housing at the lower end of the private rental market and rural and urban home ownership.
USA	Department Housing and Urban Development (HUD) Ginnie Mae, Freddie Mac and Fannie Mae State and local governments Private developers of affordable housing Public Housing Agencies Not-for-profit organisations Native American housing organisations ^b	National policy emphasis is on promoting access to mortgage credit and expanding opportunities for ownership through government-backed institutions. Minimal public housing provided by state authorities. Patchy state and locally based housing initiatives. Growth in affordable housing projects initiated by not-for-profits or private developers combining multiple funding sources. Since 1996 under the Native American Housing Assistance and Self-Determination Act (NAHASDA) there has been tribal determination over Indian housing programs supported by federal block grants which consolidated previous program-based assistance and assistance with the development of the capacity of native agencies / communities.

<i>Country</i>	<i>Key agents^a</i>	<i>Influence on housing provision</i>
NZ	Housing New Zealand Corporation (HNZC) Department of Building and Housing (DBH) Local government Māori and Pacific organisations ^b	HNZC is dominant social housing landlord, now broadening role into home ownership assistance, land development and affordable housing levers. DBH has broad regulatory role and provides independent policy advice on housing market. Accommodation supplement provided to eligible beneficiaries and non-beneficiaries (low wage earners). Some local governments involved in social housing, mainly for the aged. Promoting third sector providers. Diversifying mortgage finance sector with new players involved in assisting marginal buyers in partnership with the government. Significant Māori concentration in public housing. Potential for partnerships with Indigenous groups to develop housing on tribal land.
Australia	Australian Government. 8 State/Territory housing authorities Corporatised State land development agencies Small but growing not-for-profit housing sector Church founded agencies provide mainly in the aged care and homeless services sectors	Past national policy strongly oriented to home ownership. Has led to interests of existing home owners and private market providers dominating politics of housing. Land development industry and large-scale builders are very powerful. Absence of institutional investors in rental housing sector, which is dominated by 'mums and dads' investors. Poor coordination of aims and actions between spheres and agencies of government. State housing authorities provide 85% of social housing directly. Local government involvement limited to planning and building controls except in a handful of progressively governed councils that have developed broader housing strategies. Current moves by higher levels of government to engage local government more in task of promoting diversity in new housing supply.

Notes: a. The agents included are those directly connected with the development and /or implementation of state policies.

b. Tribal and native organisations have greater sovereignty in Canada, NZ and the USA than in Australia (Moran 2000).

International agencies and housing policy

While policy remains the domain of each nation and its constituent regions and localities, international agencies are actively influencing and promoting housing policy development and the capacity of governments to respond to housing and related matters. The United Nations has several agencies such as UN Habitat, which promotes the achievement of nationally adopted Millennium Development Goals and provides technical assistance to improve national capacity in urban planning and housing policy. The World Bank and International Finance Corporation, known as the World Bank Group, also assists national and local governments in formulating policies and programs. In particular they provide expertise and finance on two aspects of the sector in client countries: linking real estate market development to overall economic development and focusing on how to make the housing market more efficient to provide adequate shelter for all city dwellers.

At the regional level, the UN Economic Commission for Europe (also covering North America) has been active on housing and urban matters since 1947. This agency collects national statistics on housing and construction for 56 countries and promotes the exchange of information and expertise on land markets, urban development, housing finance, social housing and home ownership. In Europe, the European Union Housing Expert Group and Housing Ministries Forum (recently expanded to include

several eastern European nations) brings together housing experts and politicians from member nations respectively to discuss cross-cutting issues such as environmental sustainability, employment and housing construction and social housing finance and management. The non-government member-based organisation, the European Liaison Committee on Housing (CECODHAS), and its research arm, the European Social Housing Observatory, analyse trends in housing systems with a view to promoting policy development by providing strategic and evidence-based analysis of the field. Other non-government institutions providing valuable housing analysis include the Royal Institute of Chartered Surveyors (RICS), which provides an annual assessment of housing markets across Europe, and Eurostat, which provides cross-national urban and demographic data, including housing indicators, on a consistent basis.

Other agencies such as the OECD, Bank of International Settlements and the IMF are useful in extending international coverage to Canada, the USA, NZ and Australia.

In this context it can be noted in passing that Australia has generally not been an active participant in international or regional forums of the kind mentioned above, where housing issues and policy ideas in different countries are regularly discussed and reviewed. This situation increases the value of comparative research like this study in Australia.

2.6 Housing market conditions

So far we have examined the political structures, welfare regimes and key agents affecting the provision of housing in each of the countries covered in this report, including Australia. This background underlines the importance of institutional factors influencing the nature of the housing market. We have shown that the operation of housing markets always occurs within the bounds of the state and is regulated by a range of laws, regulations and norms affecting investment, construction standards, allocation and exchange, refurbishment or redevelopment, and rent. Across the countries examined, none could be described as purely market or state in the functioning of their housing system. Rather, each is a hybrid with layers of complex and influential relations between the structures, institutions and actors of the state and market.

Moreover, each system of housing provision and its regulatory context is open to pressures and shocks from a range of contingencies. For example, consumption of housing is subject to labour market conditions, the rate of new household formation, levels and patterns of external and internal migration, and trends in household composition, ageing, income and unemployment. The housing finance system has evolved divergently in many countries and is exposed to different internal and external influences (Hardt 2005; Stephens 2003). Many matters beyond the housing system may influence the supply of housing, such as the rates of return on alternative investments, interest rates, labour costs, land use regulation and monetary policy. All these factors mediate housing systems differently over time, influencing housing outcomes. For this reason, housing policy makers need to be continuously aware of the market context in which they attempt to operate. Robust national housing information systems that use internationally recognised data definitions and can provide performance benchmarks are essential to this task.

Table 2.8 provides a brief description of the key drivers influencing the housing market in each country in recent times and their subsequent outcomes. It draws on a number of sources, especially country-based reports, statistical overviews and national policy reviews. Major sources have been the Royal Institution of Chartered Surveyors'

(RICS) Annual Reviews of European housing markets (Ball 2005) and pan-European reviews of housing policies (Donner 2000; Norris and Shiels 2004).

Table 2.8: Demographic and economic drivers and outcomes

<i>Country</i>	<i>Demographic and economic drivers</i>	<i>Housing outcomes</i>
Austria	Strong purchasing power, low interest rates, low inflation, low but growing unemployment, despite growing GNP. Central government subsidies to local government, which support house building and refurbishment, have been declining. Switch due to years of excess supply.	Stable housing market in 2003 and 2004, after a slump in the late 1990s, now a tighter market. No rapid boom in housing prices, unlike other European countries. However, decrease in supply is contributing to steady increase in prices. Steadily increasing proportion of mortgage debt.
Belgium	Rural to urban migration within language group	Belgium has experienced a prolonged but comparatively modest boom in house prices in the context of positive economic environment and lower interest rates. Small social housing accommodating lower income households increasingly.
Denmark	Increasing unemployment, low inflation, modest economic growth, low interest rates. Attempts to revise consumer demand with tax cuts and incentives for house building.	Rate of home ownership is falling gradually, high price inflation on purchase apartments, consequently renting increasing, especially non-profit and co-operative dwellings. Low dwelling output. Low investment in private rental housing considered due to rent control. Quality problems emerging.
France	Low mortgage interest rates Ageing population Tourism Ability to sell subsidised dwellings since 1999	Strong housing market, moderate output of dwellings constructed per year, national over supply but localised shortages (Paris, South and Coastal regions). Public housing concentrated in major cities, manifesting social and physical problems. Private rental housing is often poor quality and houses economically weak populations. Second home market causing problems in tourist areas. Increasing proportion of constructed dwellings has been subsidised. Around 3,500 social rental dwellings have been sold annually since 1999 but around 60,000 (1/5th total supply) are being built a year (SIG 2006).
Germany	Strong regional segmentation of housing market - east/west disparity and cities with stronger economies. Increased price of land and labour for building, particularly in the west. Low birth-rate, population decline.	The housing market has not experienced a boom like much of Europe, except in economically stronger cities. Excess supply in the East, thus weak rents and prices. Very low rates of new construction. Growing mortgage markets, yet prices flat or falling in real terms for a decade. Decline in construction of multi-storey housing, stable rate for single and duplex owner occupied housing.

<i>Country</i>	<i>Demographic and economic drivers</i>	<i>Housing outcomes</i>
Ireland	Strong population growth. Low mortgage interest rates. Speculative activity high - 32% of new homes sold to investors. Shortages of skills in the construction industry and serviced building land in high demand locations, due to capacity problems in the planning system.	Significant house price rises leading to affordability issues. Insufficient supply response. However, planning requirement for affordable housing not considered to have affected output. Social and affordable (for sale) housing has risen to about 10% of all construction recently; a significant increase in yield over the previous decade but below historic levels (Norris, personal communication).
Netherlands	Low population growth overall but strong growth in single person households, which is contributing to housing shortages. Land for housing supply in such a small country remains a key challenge. Weak economic conditions.	Volatile housing market but as most Dutch home owners have long term fixed interest mortgages, less vulnerable to volatility than elsewhere. However there are high rates of indebtedness, to which generous MITR contributes. Threat of mortgage default has been highlighted by the central bank. Tenure shift towards owning has slowed because of high house prices and economic conditions. This has affected production and contributed to re-emergence of housing shortages.
Switzerland	Significant reliance on foreign workers (one fifth of population are foreign nationals), which influences nature of housing demand and use of rental tenure - foreign nationals only recently granted permission to purchase a residence. Housing stock growth higher than population growth, partly because of demand for larger housing from large cohort of middle aged.	Experienced moderate house price and rent rises compared to other European countries but in a context of very low general price inflation. As elsewhere, strong demand has helped to sustain the housing market, encouraged by falling interest rates and an economy that is growing at a faster rate than the Euro Zone.
UK	Shortage of skilled workers in the building industry. High construction costs Interest rate rises Household growth through declining household size.	Home ownership rose in 1990s but stopped abruptly in 2004 after a boom housing prices and warnings of risk of interest rate rises / housing price falls, by the media, IMF, OECD and Bank of England. High house price inflation and low construction rate led to national government review (Barker 2004). Uneven markets with excess housing demand and abandonment in some areas but price inflation in other areas. Decline in local authority housing (sold to tenants or transferred to RSLs) and private rental.

<i>Country</i>	<i>Demographic and economic drivers</i>	<i>Housing outcomes</i>
Canada	<p>Ageing population, increasing wealth of baby boomers</p> <p>Increasing home ownership</p> <p>Accelerating income growth</p> <p>Low interest rates</p> <p>Declining birth rate and household size</p> <p>Increasing cultural and linguistic diversity</p> <p>Increasing core housing need</p>	<p>Sustained boom in housing prices over the past five years, but with considerable regional diversity. Wealth in housing assets has increased, providing collateral to existing owners for increased borrowing. Despite rising incomes overall, there are affordability problems and a growing wealth gap between owners and, particularly, older renters.</p>
USA	<p>Growing and ageing population</p> <p>More ethnically diverse</p> <p>Low home loan interest rates</p>	<p>Rising rates of ownership among minority groups from a comparatively low base. However, racial differences persist in housing outcomes. Incidence of rising prices and affordability problems variable across cities and regions. Large stock of poorer quality housing in private ownership.</p>
NZ	<p>Comparatively high mortgage rates</p> <p>High levels of personal/household debt</p> <p>Continuing skills shortages in the building industry</p> <p>A long-term trend towards rising housing-related wealth</p>	<p>Housing market remains strong. Rising housing prices have contributed towards serious affordability problems in the ownership sector, especially cities and popular coastal areas, leading to delays in and withdrawal from home ownership. Pressure on rental sector from falling rate of home ownership. Auckland is relatively expensive and dominant (one third of total market) leading to public and private concerns about affordability for workforce there. Supply problems in most cities. Dilapidated rural housing in private or community ownership an outstanding issue.</p>
Australia	<p>Interest rates have been at historically low levels but are high in comparison to most other countries and rising. High economic growth over a long period and falling unemployment.</p> <p>Strong population and household growth, especially in largest capital cities.</p> <p>Growth in single person households.</p> <p>High rate of completed home purchase among retirees and large baby boomer cohort.</p>	<p>Housing stock is mismatched to changing household structures, incidence of smaller households. New supply is lagging growth in major cities and resource boom areas. Actions of rental investors and established home owners trading up have dominated market activity in recent years, squeezing out first homebuyers and social providers (PC 2004). Mortgage indebtedness is at historically high levels, rising rapidly from 49% in 1990/91 to 143% of household disposable income in 2004 (Yates 2006). Long-term decline in low cost rental stock (Yates et al. 2004). Hot markets in many coastal and regional centres fuelled by second home buyers, retirees or resources boom. 43% personal wealth in housing, concentrated among older generations; much of it is untaxed (Kelly 2001). Younger single person and single income households (especially single parents), older renters and Indigenous households are the most disadvantaged in housing market.</p>

Note: Information on Europe sourced from Ball (2005) unless otherwise indicated.

2.7 Overview

In this chapter we have begun to describe and group the housing systems and policies of the study countries. We have also considered the connections between different national approaches to housing on the one hand, and national political and welfare regimes and prevailing housing and wider market conditions on the other. The analysis offers an initial appreciation of the multiple factors that may help to account for the genesis and trajectory of national housing policies. In aggregate it shows that the relationship between housing systems, socio-economic conditions and institutional powers is complex and varies between countries and over time in important causal ways.

The factors that are currently mediating housing outcomes extend from demographic influences like an ageing population and smaller, more numerous households that affect demand, to lower mortgage interest rates and other finance market reforms that have enabled higher borrowing limits and, in turn, contributed to rising housing prices, especially where supply has been constrained by land scarcity and inefficiencies in housing markets and planning systems, and /or labour market shortages. Our review also highlights how changes in political and welfare philosophies have adversely affected investment in social housing, which in turn has increased pressure to ration housing allocations in static or declining sectors, and put pressure on rents. In the economic sphere, patterns of economic growth have not only affected housing market conditions and progress across different cities and regional areas, but also the capacity of some governments to maintain subsidies in the housing sector.

With this broad understanding we turn now to a more detailed discussion of the key housing issues facing the countries we are considering in common.

3 CROSS-CUTTING HOUSING ISSUES

The review of housing systems and market conditions in chapter 2 shows that there are many pressing housing issues confronting countries in this study. Taking as our main focus the needs of lower-income households who have difficulty meeting their housing needs in the market, it seems that prominent issues across countries include: rising housing costs and declining affordability; declining housing supply and uneven quality standards across different tenures and regions; social segregation and the polarisation of wealth across housing tenures; and the challenges of meeting the special housing needs of a rising share of ageing households, along with those of Indigenous peoples and excluded people and communities. Also widely evident across the systems and institutions of housing provision are changes in the de-commodified and commodified aspects of housing, the division of responsibilities across central and regional/local governments, and changes in broader governance arrangements, all of which have an impact on the effectiveness of housing policies for lower-income households.

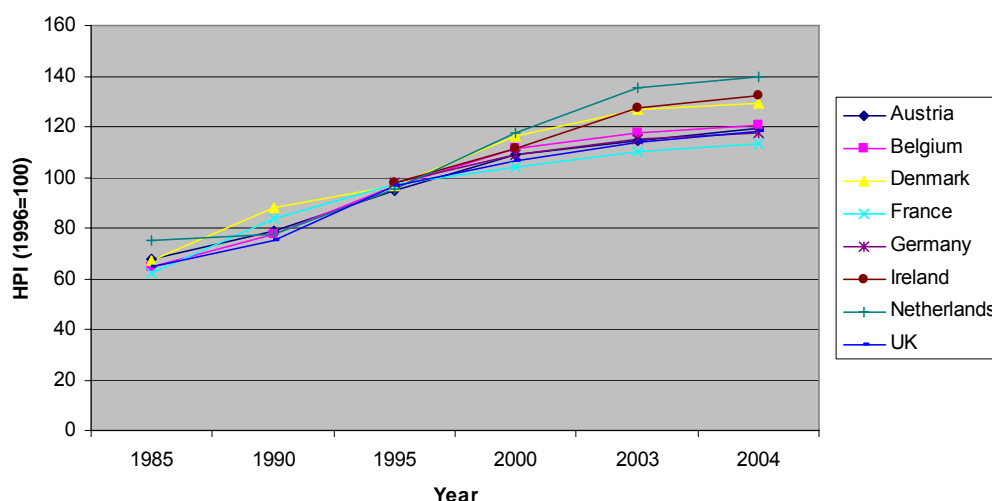
In this chapter we examine these significant and widespread issues in greater detail, drawing on a number of sources including national reports, published research and our discussions with national experts and key informants. Each section provides an overview of the identified cross-national issue and synthesises information about the drivers of that issue.

3.1 Housing costs and affordability

The growth of housing costs over the past decade or so, to a level that creates problems for many households, is documented for almost every developed country analysed in the literature (see, for example, Hulchanski *et al.* 2004; Joint Center for Housing Studies 2005; Van der Heijden *et al.* 2002).

The major contributor to rising housing costs has been the rising price of housing. Figure 3.1 shows the trend in house prices over 20 years in all the European Union (EU) member countries in the study on a comparable basis.

Figure 3.1: Housing Price Index 1985–2004, selected European countries



Source: Boverket (2005:60).

A recent indicator of the share of housing costs in household budgets in the EU countries in our study is shown in Table 3.1. Between 1980 and 2003, housing costs took an increasing share of total expenses in these countries, with the fastest rates of growth experienced in Ireland, Austria and France (Eurostat 2004).

Table 3.1: Housing costs as a share of total household costs, 2003

<i>Country</i>	<i>Ratio of housing costs to household costs (%)</i>
Austria (2002)	19.1
Belgium	23.6
Denmark	28.6
France	24.1
Germany	25.1
Ireland	21.6
Netherlands	21.4
UK	18.4

Source: Boverket (2005:61)

For the other countries in our study, direct comparison of housing costs is problematic because of different definitions applied to the notion of housing expenditures by national statistical and policy research institutes. However, some indication is given by national figures on average housing costs and levels of housing stress.

In the USA, the median proportion of income spent on housing was 21.5 per cent in 2003. For owners this was much lower (18.2 per cent) and for renters much higher (30.1 per cent) (AHS 2003, Table 2-13). Some 14 million households in the USA have serious housing affordability problems and only an estimated 4 million can rely on some form of federal assistance in meeting their shelter costs. In Canada 13.6 per cent of households were paying over 50 per cent of their disposable income on housing in 1999. This proportion was up from 4.5 per cent in 1982, reflecting a long-term and pervasive trend. Similarly to the USA, the incidence of severe affordability was greatest in the rental sector (Moore and Skaburskis 2004).

In NZ in 2004 housing accounted for 24 per cent of total household costs. This share has risen by almost 20 per cent since 2000/2001. Rising house prices and consumer debt have contributed to significant affordability problems in the ownership sector, leading to entry delays, withdrawal, and a changing geography of ownership. Decline in ownership rates is most marked in the largest city, Auckland (DTZ NZ 2005).

While problems in paying for housing are concentrated among lower-income households in all countries, the affordability problem is no longer only about the poor. It now includes those in employment, such as workers in lower-status service jobs in the private sector, and public sector employees such as nurses, teachers and care workers (Joint Center for Housing Studies 2005; Monk 2002). In general, young households, non-family households and those who are renting seem most prone to housing affordability problems (Scanlon and Whitehead 2004). A growing issue is accessibility of home purchase to younger households who aspire to it.

Although housing affordability problems seem to be on the rise in almost all developed countries, variations are large and are certainly affected by the presence or absence of safety nets like the system of housing allowances and the size and accessibility of the social rented sector. As private home ownership plays an increasing role in the housing careers of many households in developed countries (especially in the parts of

Europe where this tenure has grown rapidly in the past two decades), the affordability and security of housing is subject more than ever to broader economic developments such as interest rates and employment conditions. Other important matters that influence the capacity of households to afford housing in different countries include: the level and distribution of incomes; taxation arrangements and support for specific household types; market conditions affecting the supply and price of land and the cost of labour, materials and finance. The price, availability and quality of established housing is also an important influence on house prices because of the substitutability of new and existing housing.

All countries in our selection except Belgium provide housing allowances either as general income assistance or related specifically to the level of housing costs and tenure as a primary way of offsetting housing costs for lower-income households. Allowances are typically provided by the central government but may be distributed by regional and local governments, as in Germany, Canada and Austria. Local governments may also distribute additional or top-up subsidies on a more highly targeted basis in some countries (e.g. the Netherlands, UK). The amount of allowance and the basis for its allocation vary considerably between countries (CECODHAS 2005a; Hulse 2003; Kemp 1997). Nevertheless, there is a clear trend towards increased reliance on this form of assistance in most countries. For example, researchers who examined and compared trends in housing expenses in the Netherlands, Germany, the UK, Belgium, France and Sweden from the 1980s, found that declining government financial support for social housing supply coupled with increased outlays on housing allowances had led to an increased dependence of low-income households on housing allowances to pay for their housing (Van der Heijden et al. 2002).

Table 3.2 provides estimates of the proportion of households receiving a housing allowance or equivalent rent offset in the social housing system in recent years.

Table 3.2: Estimated percentage of households receiving housing allowances or equivalent, various years

<i>Country</i>	<i>Households receiving housing allowances or equivalent (%)</i>
Denmark ¹	21.0
Ireland ¹	12.0
France ¹	19.5
UK ¹	19.0
Netherlands ¹	14.0
Germany ¹	7.0
USA (2002) ²	6.2
NZ (2001) ²	14.7
Canada (1999) ²	15.4
Australia (2001) ²	14.1

Sources: 1. Boverket (2005: 70) data for 2003;

2. calculated from Hulse (2002: 49).

Note: Social housing clients on income-related rents included where applicable.

Cross-national differences can be partly explained by: whether allowances apply to renters only or also to buyers (e.g. France, NZ); whether eligibility is determined principally by income (e.g. Australia) or both income and housing costs (e.g.

Netherlands); whether the benefit is rationed (e.g. USA) or an entitlement for qualified households (elsewhere); design factors; housing cost levels; and the extent of rent control regulations. These differences notwithstanding, the data show overwhelmingly that housing allowances introduced in most countries less than half a century ago have become undeniably significant as a means of addressing housing affordability issues.

3.1.1 What is driving rising housing costs and causing declining affordability?

Many factors seem to have contributed to the rise in housing costs as a proportion of household income in recent decades. In this subsection we examine the main causal factors underlining this trend in the study countries.

Demographic changes

One of the factors driving housing prices is demand arising from growth in household numbers and the widespread trend to smaller households. In Europe between 1980 and 2000, the number of households increased by around 20 per cent, with the increase arising from both new household formation and immigration. The Netherlands and Ireland experienced around double that rate of growth (Boverket 2005). In the USA, the number of households is also growing, with immigration playing an important role (Shrestha 2006).

Preference for home-ownership and growth in demand for mortgage finance

A second factor is the growing demand for home ownership right across the regions of this study. The shift to home ownership has contributed to dramatic expansion of the mortgage finance sector and substantial growth in household debt. The housing finance sector varies considerably between nations, incorporating special mortgage banks and non-specialist commercial banks, savings banks and insurance companies, with various related financial intermediaries and loan insurance institutions. Housing finance systems operating in different countries vary in their borrowing norms, level of consumer protection offered and conditions affecting the use of funds saved³. Links between mortgage originators and the capital markets have been facilitated by the development of a secondary mortgage market in some countries more than others. For example in the USA, special-purpose financial vehicles channel global capital into the mortgage sector and provide government guarantees and insurance to lenders in order to secure lower interest rates for lower-income households. These instruments have been integral to the increase in home ownership among previously excluded groups. However, the rise in prices generated by the additional demand in a context of constrained supply can have the paradoxical effect of reducing access to affordable housing for an increasing proportion of households.

One of the most important mechanisms underlying cross-national house price inflation has been declining mortgage interest rates in the past decade. For instance, with the adoption of the Euro, following harmonised monetary policy (Maastricht Treaty) and more consistent banking practices (Basel 11), there has been a decline in mortgage interest rates and increased access to and availability of housing credit. Mortgages also have lower interest rates because the inflation rate has fallen and risks of long-term lending have decreased across the countries in this study (Wachter 2005). These factors have combined to increase the capacity of households to become home owners and to invest in rental properties and second homes.

³ While national mortgage markets have evolved independently, they now face increasing pressure to harmonise their banking standards and operate in an international market.

This rise in the availability of mortgage credit has been facilitated by other changes affecting the demand and supply of mortgage finance. On the demand side, favourable economic conditions have led to higher incomes and contributed to increased levels of participation of women in the labour force since the 1990s. The resultant dual-income households could absorb greater debt and larger loans were affordable while both partners remained active in the workforce. In some countries, this second income was officially included in the banking norms governing mortgage calculations. As one example of the impact of these types of changes, it is estimated that permissible loan capacity increased by 86 per cent between 1994 and 1999 in the Netherlands (DNB 2000:15–21).

Another influential factor on demand for mortgage finance has been the high level of consumer confidence that accompanied economic growth, increased incomes and employment security throughout the 1990s (Ball 2005). Rising housing prices have catalysed market activity as investors chase capital gain and owner-occupiers enhance their properties (Berry 2006). In some countries, mature owners were encouraged to reinvest their notional capital gains in their housing, by taking out a second mortgage on their homes (Lawson 2004).

Constraints on supply

Thirdly, housing markets were subject to strong demand during the late 1990s, partly as a consequence of new household formation, with young people seeking a place of their own. Widespread policies to encourage more of the elderly to remain living independently at home rather than move into aged care accommodation have also begun to have an impact. Demand for dwellings of better quality has also increased, but in some countries these are in limited supply, driving up the price of those available (DNB 2000:15–21). In many countries, another contributing factor to house price inflation has been the constrained overall supply of housing, as we discuss further in section 3.2.3.

Government treatment of home ownership

The fourth reason for rising housing costs stems from connections between favourable lending conditions (already described) and the taxation of housing. Providing incentives for home ownership (and thereby stimulating demand) is widespread in the countries studied, although such incentives are more generous in some countries than others. Currently, the Netherlands, Belgium, Denmark, Ireland, Germany and the USA offer full or partial tax deductions for mortgage interest rates. The charging of imputed rental income tax based on (assessed) property values in Belgium, Denmark, the Netherlands and Switzerland also influences housing costs.

Home loan borrowing conditions and tax provisions operate as a package of incentives and disincentives influencing investment in housing. Table 3.3 summarises different borrowing conditions and tax arrangements affecting mortgage provision in a number of countries. An example of the possible combined impact of such measures is given by the Netherlands, which has the most generous incentives for home purchasers, combining long-term, high loan-to-value ratio loans, tax (at a low rate) on imputed rent and generous mortgage-related tax relief. These are the very instruments that can steer investment into the home purchase market, drive up prices in times of scarcity, and encourage household debt. Indeed, under the particular policy settings operating in the Netherlands since the 1990s to boost home ownership, mortgage debt levels reached the highest in Europe, house prices exploded and then, following an economic downturn, production stagnated (Boelhouwer 2005; Lawson 2004).

Table 3.3: Mortgage systems and housing taxes, selected countries

<i>Country</i>	<i>Term(years)</i>	<i>Loan-to-value ratio (new mortgages) (%)</i>	<i>Tax on imputed rent (Yes or No)</i>	<i>Mortgage-related tax relief (Yes or No)</i>	<i>Indirect tax rate on new homes¹ (%)</i>
Austria	na ²	60	Yes	Yes	10–20
Belgium	20	80–85	Yes	Yes	21
Denmark	30	80	Yes	Yes	25
France	15–20	66	No	No	19.6
Germany	<30	70	No	No	16
Ireland	na	60–70	No	Yes	13.5
Netherlands	<30	112	Yes if MITR claimed (low rate)	Yes (30 year max.)	19
UK	na	70	No	No (since 2000)	0
Switzerland	na	na	Yes	Yes for landlords (but capital gains tax)	na
Canada	25	75-95	No	No	na
USA	30	85	No	Yes (no capital gains tax)	na
NZ	na	95%	No	First 5 years	exempt
Australia	25	60–70	No	No	10

Notes: 1. Exemptions or reductions may apply for not-for-profit housing;

2. na: not available

Sources: Ball (2005), BIS (2006), Boverket (2005) and Brown (2005)

Supply of mortgage finance

Beyond demand factors, it is also important to consider developments affecting the supply of mortgages. Typically, mortgage loans fall into one of two groups: fixed rate (FRM) and adjustable rate (ARM) mortgages. In the Netherlands, Belgium, France and Denmark, FRM dominate the sector, buffering highly geared purchasers from any interest rate shocks. Variable rate mortgages are more typical in Australia, the USA, Canada, Ireland, NZ and the UK, and hence these countries are more vulnerable to the politics of interest rate changes (EMF 2005:6).

Favourable interest conditions have attracted new purchasers to the ownership market, and those with existing mortgages have been encouraged to take on additional loans or extend and renegotiate existing ones via the direct sales strategies of lenders. In some countries, such as the USA, Canada and the Netherlands, there are national mortgage guarantee institutions, which insure mortgage providers. This in turn allows them to lend at lower (risk-adjusted) interest rates and thereby enables more lower-income purchasers to enter the market than would have otherwise.

There has also been considerable innovation and development of the mortgage sector, which has increased the volume of credit available and alleviated the need for policies to address shortages of mortgage finance. These innovations include new

mortgage products, new methods of retailing and distributing products, contracting out tasks such as the risk assessment of credit applicants, and financing products via the capital market rather than own reserves (BIS 2006; Brounen 2001).

Finally, the establishment and growth of a secondary mortgage market and the sale of mortgage-backed securities has enabled the release of more credit into the global mortgage sector.

So far we have focused mainly on the rise in home ownership and the cost of ownership, identifying the causal role played by demographic factors and sweeping changes in the system of mortgage financing.

Rising costs for rental

We turn now to the factors contributing to the rising costs of renting. The rental sector is subject to quite different state–market arrangements from those for the ownership sector, between countries and over time.

Many factors influence rental market conditions and the cost of renting in the study countries. These factors include the following:

- The relative attractiveness of the buy-to-let market compared with buy-to-own or other (non-housing) investments, which is influenced by interest rates, rent returns, subsidies and potential capital gains – for example, tax and subsidy arrangements have traditionally favoured investment in renting in the Netherlands, Germany and Switzerland. Other examples of interventions that may promote or discourage specific investment in the rental sector include the role of tax concessions/credits (Germany, Denmark, USA), vacancy tax (France) and extensive rent protection in the social and private sectors (the Netherlands).
- In some countries (e.g. Netherlands, UK) the total supply of rental housing has been declining, mainly due to transfers into and increases in new build for the ownership sector and sales/demolition of social rental housing. Where there is unmet demand, this can increase pressure on rents in the remaining stock.
- Market-based rents and house prices may also fluctuate and diverge considerably within a country. For example, in the former East Germany there is an over-supply of housing and falling rents and prices, while at the same time some areas of West Germany have experienced rent and house price rises linked to (inter alia) in-migration.
- Many countries apply some form of rent regulation but regulations are based on different principles (e.g. rents and/or movements in rents may be tied to market rents, current costs, project construction costs financing costs, cost-of-living indices, point systems for quality etc.). Having larger proportions of housing with non-market rents can have a moderating influence on rent levels across the sector. The degree and kind of rent regulation appears to have been influential in mediating market pressures in France, Switzerland, Germany, Denmark, the Netherlands and Austria.
- The profit orientation of landlords in relation to rent revenue (i.e. regular returns) or capital gains may also be a factor moderating rents. For example, the prospect of capital gains in Ireland and the UK has attracted new landlords to the sector, who are not relying on high rent returns for their profits. Conversely, rental properties have been sold in the Netherlands recently to realise short-term capital gains.

Throughout most of the study countries, rents have increased in the social sector over time (although at different rates) under a variety of influences, including: financial arrangements that have increased exposure to capital market conditions (Netherlands); expiration of subsidies (Germany); and decreases in government loans

or grants (Canada). The influence of social rents on the entire rental market varies between countries according to their rent-setting principles, access criteria and market significance (Kemeny 2003). The most notable example where social rents positively influence the private sector can be found in Austria. There are initiatives (for example in the USA and the UK) that attempt to promote tenure choice by providing a fixed level of assistance to reduce the cost of owning or renting for low-income households.

More detail on policies affecting the rental sector can be found in section 4.3.

3.1.2 Outcomes of rising housing costs and declining affordability

As discussed above, there has been increased emphasis on home ownership in many countries, although this has not necessarily been translated into sustained growth in this tenure for all countries. Ownership is now the most prominent tenure in most countries in this report (with the notable exceptions of urban Switzerland, Germany and Austria). Whilst ownership permits households to build up equity in an asset, significant and long-term mortgage commitments expose more households to increasingly complex risks, and newcomers to a strong market face higher cost thresholds.

Over the longer term, house price inflation can gradually transform the entire housing system, leading to a polarised model of home-owning wealth accumulators and poorer renters. (See Yates (forthcoming, Figure 6) for evidence of this kind of effect in Australia, which has a mature home ownership system.) Within many of the countries in this study, there are considerable variations in the pattern of house price rises, especially between rural and urban centres and between areas of increasing or decreasing employment. Wealth accumulated via the home ownership market will therefore be spread unevenly and inequitably, leading not only to polarisation of wealth by tenure but also by region and possibly, in future, by generation.

Much of the international debate about the impact of house price inflation has centred on the increasing risk to consumers of over-indebtedness due to highly geared purchase arrangements. Over the past decade, housing debt has increased considerably in all European countries, as shown in Table 3.4. In the most extreme case of the Netherlands, mortgage debt has outpaced GDP growth (EMF 2004).

Table 3.4: Ratio of outstanding residential mortgage debt to GDP, selected countries, 1994–2003

<i>Countries</i>	<i>Residential mortgage debt as % GDP</i>										
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Austria	na	5.0	na	na	na	na	na	na	4.0	na	20.3
Belgium	21.2	20.8	21.4	23.0	24.8	26.8	26.6	27.9	28.5	27.2	31.2
Denmark	65.0	62.9	62.9	71.3	75.6	76.5	76.1	79.5	82.9	87.5	89.7
France	20.8	20.1	20.0	20.5	20.3	21.0	21.5	22.0	23.0	24.7	26.2
Germany	44.1	45.1	47.7	50.6	52.9	56.5	54.1	54.1	54.0	54.3	52.4
Ireland	22.8	23.5	24.1	24.3	26.9	29.2	31.6	33.4	36.5	45.0	52.7
Netherlands	46.4	47.9	52.0	57.8	63.3	68.8	74.2	79.4	97.5	99.9	111.1
UK	54.6	53.2	59.1	55.2	51.0	54.6	56.3	59.5	64.7	70.4	72.5

Source: EMF (2003, 2004).

Note: na: not available.

As mortgage payments command an increasing share of household expenses, a growing number of households are considered to be vulnerable to interest rate

changes and any decline in expendable income (such as may occur through parenting, sickness, unemployment and divorce). Also, single-income households are increasingly unable to afford home ownership in urban markets, which, paradoxically, are where the best employment opportunities may exist. New products such as investment-linked mortgages may also expose households to more risk.

Indebtedness is a concern not only for households but also for the stability of individual financial institutions and the finance sector as a whole. Too many marginal and defaulting loans can destabilise financial institutions, with implications for the entire sector. However, according to the Bank of International Settlements, most financial institutions “are sufficiently capitalised to withstand a substantial deterioration in household credit quality” (BIS 2006:2).

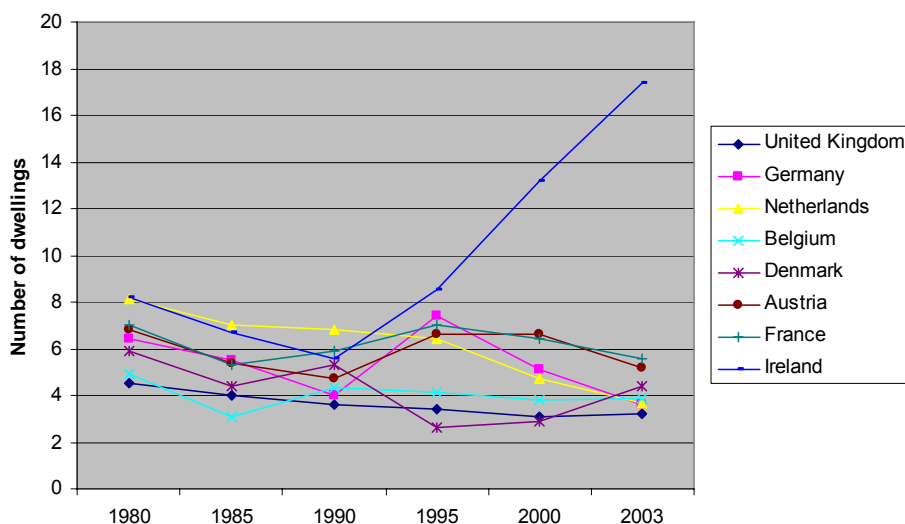
So far we have considered a selection of matters that have influenced housing costs in the ownership and rental sectors. We will return to the way governments are responding to this set of issues in the next chapter. The following section examines another closely related issue: that of housing supply across the study countries.

3.2 Housing supply and quality

The supply of housing is influenced by the availability and cost of land, appropriate materials and technology and skilled labour – all aspects that typically involve both some form of government intervention and market provision. Supply patterns are influenced by: any form of subsidy or favourable tax treatment; conditions concerning allocation and sales of the dwelling; and the cost and availability of development finance. Supply is also influenced by the demand for housing, which in turn is subject to many other drivers mentioned in the previous section.

During the 1980s there was a steady decline in new production despite population growth and rising demand across the European countries in our study (Figure 3.2)⁴.

Figure 3.2: Dwellings completed per 1000 inhabitants, 1980–2003



Source: Boverket (2005:54)

⁴ Sometimes, more dwellings are removed than added to the total stock each year and this also needs to be taken into account when considering the contribution of new construction to overall supply. However, data are only available for a limited selection of our countries. The data show that in 2003, France, Austria and the Netherlands experienced a net stock loss of between 10.6 and 15.4 per 1000 inhabitants (Boverket 2005).

Some countries recovered during the 1990s, notably Ireland, Germany, France and, to a much lesser extent, Austria. However, this was followed by a further decline in output in all countries except Denmark (from a low base) and Ireland, which has sustained exceptionally high output. The Netherlands experienced the sharpest long-term decline in output, despite having a 36 per cent net increase in the number of new households during the period.

Thus lack of new housing and inelastic supply seems to be a salient problem plaguing housing markets in many countries in this study.

3.2.1 Housing quality

Dwellings are typically smaller in Europe than in North America and Australasia. Among the European countries included, the useable floor area of a dwelling is about 95 square meters, with Denmark (109 m²), Ireland (104 m²) and the Netherlands (98 m²) being marginally larger and the UK and Belgium having the smallest dwellings (Boverket 2005: 37). Typically, almost half of the total housing stock in the EU's first 15 member states is medium-density multi-family housing, with the greatest proportion being found in Germany, Austria, France and Denmark. High-rise dwellings account for almost 15 per cent of dwellings for this region, with France having the greatest proportion amongst our selection. Of the European countries, the Netherlands has the youngest housing stock, with the greatest proportion built since 1980, followed by Ireland. The UK has the oldest stock profile, followed closely by Denmark, France, Austria and Belgium. Germany has more post-war housing than any other European country, primarily built before 1970 (UNECE 2005). The USA has a large amount of small (140 m² average, still larger than Europe) sub-standard timber-framed suburban housing stock. Currently no mechanisms are in place to address this problem systematically, and so redevelopment is occurring largely in piecemeal fashion through the actions of individual owners demolishing and rebuilding larger housing (Landis, J., personal communication).

Quality problems persist primarily in the private rental market and social housing estates built during the 1960s and 1970s. This is especially the case in the UK, Ireland and France and to some extent the Netherlands. Ageing and poorly designed dwellings in the large, monotonous public housing estates of France, the Netherlands and the UK also suffer from quality problems, although substantial attempts are being made to upgrade and renew these areas (see section 4.5). Maintaining the private housing stock of the aged is also a concern in the UK, Ireland and Canada.

In Table 3.5 we provide an overview of recent supply and quality conditions, drawing on the latest cross-country survey (for the Royal Institute of Chartered Surveyors) (Ball 2005) supplemented by national sources for those countries not included in the survey. The aim is to summarise conditions, not to assess what supply levels should be.

Table 3.5: Overview of recent supply trends and quality issues

<i>Country</i>	<i>Trends</i>
Austria	The supply of housing is strongly influenced by government policy and stimulated by supply subsidy programs to meet demand (Stoger undated). There is debate over whether the current low level of production is a problem. The slump in construction follows a period of overproduction to meet the demands of East European immigration, which has now been considerably curtailed.
Belgium	The supply of new housing in Belgium is primarily subject to market forces in a highly private land and construction market, dominated by home ownership. The contribution of new build to overall supply is shrinking, as demolition and renewal dominates building activity and high land prices inhibit new starts. High land costs have promoted increased densities in urban areas. There are considerable quality problems in the private rental market
Denmark	New housing production in Denmark is historically low but is increasing and is costly compared with other Scandinavian countries.
France	The supply of housing in France is strong, more generous in size and has produced more single detached houses than flats. Home ownership is rapidly increasing, yet rapid price rises are reducing access for younger first home buyers. There are significant quality problems in the rental sector and to a lesser degree in the social sector. Social housing estates are large and concentrated in major cities. There, quality has been substantially improved with major public investment and social renewal projects.
Germany	Germany is emerging from a decade of boom and bust. In the 1990s production of housing rose when excessive post-reunification government subsidies for rental housing produced an over-supply, depressing housing markets and contributing to a decline in housing production. An over-supply of low-quality rental accommodation remains in the East. Quality problems persist in peripheral housing estates of the 1960s/70s period in the West.
Ireland	Ireland's housing market is orientated towards low-density, private home ownership, which has become much less affordable for new entrants in recent years. Construction rates for private and social housing have increased under recent policy changes. The private rental market has tended to be temporary and furnished; it is now subject to some rent regulation and greater protection for tenants. Despite this the sector continues to attract investment that is oriented towards capital gains.
Netherlands	The rate of new construction has stagnated and been overshadowed by withdrawals from the housing stock due to demolition for redevelopment. Market demand for high-quality housing for ownership is strong but uneven, with the high employment West commanding the highest house prices. Social housing production – traditionally a high share of new activity – has declined considerably due mainly to higher land costs and the withdrawal of capital subsidies in the 1990s when supply was considered sufficient. Major changes in government financing, land release and urban planning policies towards a more (but still partly) privatised system have contributed to the decline in supply (Boelhouwer et al. 2006). Addressing re-emerging shortages is again a priority of the national government.
UK	Dwellings are among the smallest and oldest in Europe. The rate of new construction of housing for purchase is historically low but has increased slightly since 2002, and significantly for social house building – by 40% since 1990. Quality problems persist in the private rental sector and larger social housing estates.
Switzerland	The rental apartment sector dominates the housing system, although home ownership rates are rising. The 'see-sawing' supply of renting and ownership housing in Switzerland (FOH 2006) has lagged behind changes in demand, producing an over-supply during the economically depressed 1990s, from which it is now recovering. Residential building permits and investment is increasing, yet the actual completion rate is still very low.

<i>Country</i>	<i>Trends</i>
Canada	Canadian housing starts have doubled between 1995 and 2004, primarily in the ownership sector. After a slump in the late 1990s, rental starts have more than doubled during the same period, but make up only 9% of the total activity. Social housing additions are decided at provincial level and have been minor in recent years.
USA	Despite an economic downturn there has been a high level of housing starts in the USA, primarily for the low- to medium-density ownership market on the edge of cities, with a push for quality coming from the baby boom generation. An enormous number of units are abandoned (inner areas), structurally inadequate and poorly maintained. The sustainability of much existing timber-based suburban housing has also been questioned.
NZ	High cost of ownership is forcing many to be long-term renters. The state has recommenced investing in social housing via new supply and some head leasing. Constrained supply of new housing, now under review, is possibly causing high land costs. High land costs are also resulting in higher-density housing development in urban areas, although this trend has reached a plateau.
Australia	Between 1991/92 and 2003/04 an average of 145,000 dwellings per annum has been completed (around 7 per 1000 inhabitants). While there are peaks and troughs in supply, the underlying long-term trend is flat. There has been some shift in new supply away from separate houses to medium density but 72% of new dwellings completed over the period were separate houses. A higher proportion of medium-density housing was constructed in the capital cities, especially Sydney, Canberra and Darwin. The proportion of dwellings constructed for public housing is declining, being 2% in 2002/03 (ABS 2005). Main quality issues are found in the low-cost rental sector and housing in discrete Indigenous communities. Public housing has also been under-maintained, although this is starting to be addressed through more extensive renewal and redevelopment programs.

Source: various country reports

3.2.2 Drivers of housing supply outcomes

Many different factors influence the supply of housing in different countries. Some of the most important of these include: land supply; costs of construction; public subsidies and taxation incentives for financing supply; regulatory constraints on rents and/or sales; planning system factors; positive or negative demand pressures; economic growth and consumer confidence and the potential for capital gains on housing investment.

In Table 3.6 we indicate which of these factors appear to have been most influential on recent supply trends in particular countries, drawing on national and cross-national reports. The table should be read in conjunction with Table 3.4.

Table 3.6: Factors influencing recent supply trends

<i>Country</i>	<i>Factors</i>
Austria	Government programs stimulating supply, such as co-financing with low-interest loans, which are responsive and can meet a range of economic and social objectives.
Belgium	Rising cost of scarce developable land, significant in a self-build market, is a major reason for the decline in building starts. Low consumer confidence and regional differences in economic and population growth has undermined the housing market. Inner city gentrification has helped to improve the housing stock but has displaced lower-income and immigrant families.
Denmark	Danish housing is costly due to low productivity, high materials costs and a higher rate of building defects. Social rents are very low, tied to capital costs set in 1982, and insufficient to cover contemporary financing costs. Low consumer confidence is affecting the housing industry adversely.
France	Subsidies extended to 41% of housing starts in 2003, promoting the provision of a range of tenures. Significant public investment in social housing rehabilitation and renewal has increased quality.
Germany	Tax concessions have helped to promote the construction and purchase of housing for owner occupation. Absence of demand and over-supply conditions have dampened investment for new construction in particular regions, especially the East. Subsidies for private and social rental supply have been cut back due to fiscal problems.
Ireland	Supply has not been adversely affected by the requirement on developers to contribute 20% of new dwellings for affordable housing, in a context of strong economic growth but rapid house price inflation. There has been an increase in subsidies for social housing production. A permissive approach to land use planning has facilitated rising housing output in Ireland; however, rising land prices and lack of suitable development land has hindered greater output, especially in urban areas (Barker 2004; Norris and Shiels 2007).
Netherlands	Factors contributing to the stagnation in supply include the high cost of land, skilled labour shortages that have increased construction costs, and an increase in speculative land holding (following privatisation of land development). At the same time the generous tax regime for home buyers has stimulated demand in a non-responsive market, producing severe inflationary pressure on house prices.
UK	Lack of, and high cost of, infrastructure to facilitate developable land is a constraint. There is political and community opposition to urban expansion into rural areas.
Switzerland	Interest rate conditions in the capital market have made investment more attractive in specific sectors. Fragmentation in the building market has had an adverse impact on the cost of construction.
Canada	Low rent levels reduce the rate of return on rental investment. Less policy intervention to increase investment, compared with neighbouring USA.
USA	A speculative bubble in housing prices is affecting the ownership market, partly generated by higher income and lower interest rates. It is possibly influenced by constrained housing supply and high land costs, yet rents have decreased in some cities. □
NZ	High costs of land, possibly influenced by constraining government legislation concerning the management of resources and local government planning, is currently under review.
Australia	Delayed release of serviced land for new development in some cities is holding back supply. Low production of social housing and loss of low-cost private rental stock (e.g. boarding houses) to gentrification is having an adverse impact on access and affordability for lower-income households.

Source: various country reports

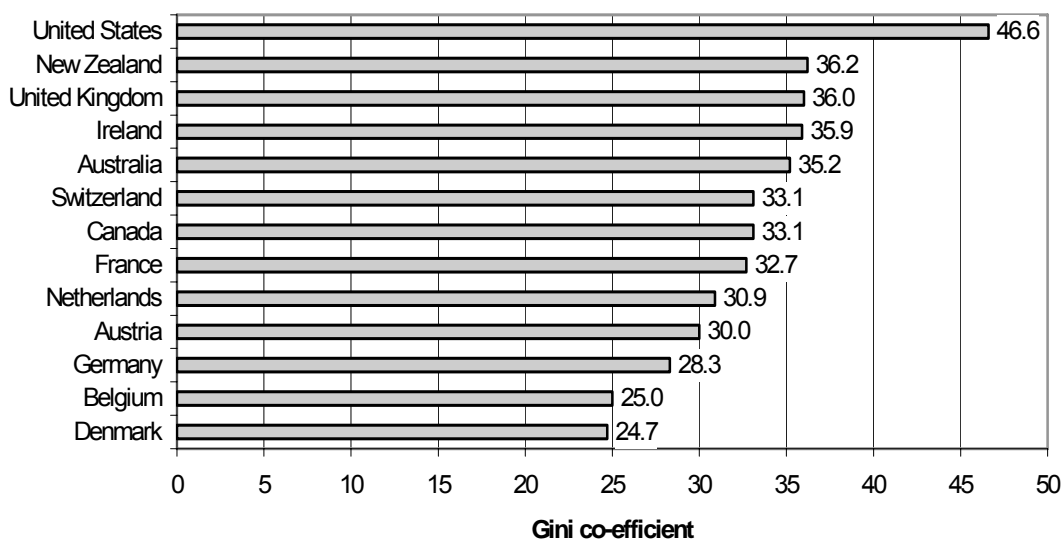
3.3 Social exclusion

One of the consistent attributes of the housing systems of developed countries is the differentiation of the housing situation of an increasing proportion of their residents by tenure, location and generation. This phenomenon, manifests in different forms, has become referred to generically as social exclusion. Social exclusion is a complex social, economic, political and geographical process of socio-spatial polarisation and segregation. It is promoted by macro-level social inequality, and exacerbated by labour market restructuring, reconstruction of the welfare state and spatial processes of concentration and stigmatisation. (For more extensive reviews of this topic see Mohan 2002, Arthurson and Jacobs 2003, Hulse and Stone 2006.)

To highlight this condition at a national level, the United Nations has promoted the use of the Gini coefficient in its Human Development Reports (UNDP 2006), which is a broad measure of inequality of income and wealth.⁵ Figure 3.3 illustrates the differing level of inequality between the countries in this report using that measure.

While most western European countries tend to have Gini coefficients between 24 and 36, other countries in our study are above this level. The USA is well above, continuing a worsening trend that has persisted since the 1970s. This suggests that the USA has serious and deepening inequality problems. However, given the geographical size of the country, this figure hides considerable regional variation, with some areas, and some ethnic and racial groups, considerably better off than others (Centre for Economic Policy and Research 2006).

Figure 3.3: Income inequality across the study countries



Source: UNDP (2006)

Of course, assessing social exclusion needs to extend well beyond the Gini coefficient and has spawned a specialist field in demography and geography. There has also been considerable work on the issue of social exclusion at national, European and international agency levels. A recent review of comparative housing issues found that social exclusion and segregation in the housing stock, by both income and ethnicity, was a major policy concern in all original and new member states of the EU (VROM

⁵ The Gini coefficient is expressed as a percentage, with 100 being perfectly unequal and 0 perfectly equal.

2006a). To address social exclusion amongst EU members, there have been several joint reports, two rounds of national action plans in 2001 and 2003, attempts to co-ordinate social protection and inclusion policies and, recently, a new program of research and exchange on social and economic policies, which will run until 2013. Some countries (the UK, Ireland, France, Germany) have established special research and policy centres to examine the causes of social exclusion and recommend policies to reduce it. Concerns about low-income and excluded groups are also prominent in US housing policy in the context of that country's high level of inequality and socio-spatial segregation. However, policy interest notwithstanding, debate over the meaning and causes of social exclusion appears to have frustrated the development and adoption of a widely accepted index that could be useful in guiding policy responses at a sub-national level.

According to Berube (2005), social exclusion is evidenced by the following social conditions:

- Low access to employment among semi-skilled and unskilled young people, older people and those of foreign origin;
- Under-supply of affordable housing, particularly for the young, elderly and disabled, those reliant on a single income or low household wage, as well as larger lower-income families, who are often of foreign origin;
- Considerable homeless and transient populations, including legal or illegal immigrants;
- Spatial concentration of high-needs groups, such as the elderly, mental health clients and single parents;
- Poor housing conditions in old districts in the city centres and high-rise districts on a city's outskirts housing families of foreign origin; and
- Concentration of poorer households in private and social rental sectors, with reduced access to ownership markets.

The manifestations of the social conditions listed above are not always recorded, visible or immediate, and may often be hidden or intangible. However, in the USA, the UK and France, there is a visible deterioration of building stock, falling into disrepair through lack of investment – particularly in the rental sector. Less visible are social outcomes such as violence, joblessness and fear of crime. Mohan (2002) reviews research on the costs and consequences of social exclusion in Europe and the USA. The key indicators he has found in diverse national and regional locations are listed in Table 3.7.

Table 3.7: Indicators of social exclusion

<i>Indicators</i>	<i>Locations</i>
Rising health inequality stemming from low socio-economic prosperity and concentration of problems leading to premature mortality	Bronx (New York), Northern England and Scotland
Rising incidence of diseases such as tuberculosis, especially in crowded homeless shelters	UK and USA
Defensive tactics by residents fearing crime, gated communities, nimbyism, closed circuit televisions, Neighbourhood Watch, anti-collective behaviour, changing the character of public spaces	UK and USA
Lack of affordable retail outlets with a wide and healthy selection of food, and over-representation of small, expensive, low-quality fast food, drug and liquor stores	UK and USA
Reactive responses to homelessness, aimed at containing and controlling anti-social behaviour	UK and Denmark
Under-consumption of basic services, which are privatised but not subject to competition	UK
Withdrawal of financial services from marginal areas, closure of banks, reduction in services	Australia
Low rates of participation in high school and tertiary education, especially among new migrants	UK and Denmark
Conflict between ethnic groups and civic unrest	Many cities and towns in France and Belgium in 2005

Source: adapted from Mohan (2002) and Berube (2005).

Several other issues relating social segregation to housing conditions were mentioned in national reports. The polarisation of income and tenure (e.g. asset-rich owners and asset-poor renters) is a prominent concern in the USA, the UK, Ireland and the Netherlands. A rising level of social disharmony was mentioned in the USA, France and Belgium, and has emerged in Australia (Hulse and Stone 2006). The extent of urban decay and the need for extensive neighbourhood improvement is a policy issue in France, the Netherlands, the UK and the USA.

In Canada, research examining the relationship between housing stress and social vulnerability has found four groups disproportionately represented among the most vulnerable: aboriginal peoples, single-parent families, senior renters and recent immigrants (CMHC 2005a). Canadian researchers also stress the increasing polarisation of wealth between renters and owners and the broader influence of conditions in the housing system that are exacerbating social exclusion (Hulchanski 2003a and 2005, CMHC 2003).

In the USA variations in housing market conditions and housing quality, from inner to outer urban areas, and from mid-western states to coastal cities, is associated with patterns of exclusion, along with significant racial and ethnic differences in access to key resources such as employment, education and housing. However, as we discuss further in chapter 4, there has been some increase in home ownership among Black and Hispanic minority groups under policies that aim to counter the exclusion of minority groups from this tenure (Centre for Economic Policy and Research 2006).

In NZ, researchers (Morrison et al. 2002) have emphasised the growing and reinforcing nature of spatial inequality between incomes and income growth in and between urban and rural areas, and have highlighted the spatial concentration of

joblessness in certain poorer urban areas. Their evidence also shows an increasing number of children aged less than five years living in households in which employment is infrequent or non-existent, potentially reinforcing the negative effects of social exclusion.

3.3.1 Drivers of social exclusion

A review of research on the causes underlying social exclusion suggests that a combination of interactive and cumulative factors promote this process, as listed in Table 3.8.

Table 3.8: Factors contributing to social exclusion

Low income and poverty, which restricts access to opportunities
Decline of traditional forms of employment and unemployment
Family breakdown – lone-parent families often earn the least – and family breakdowns can lead to social isolation and homelessness
Low educational attainment
Having an institutionalised or criminal past
Ill health and unhealthy behaviour concentrated among the poor
Poor-quality housing, which can contribute to physical and mental health problems
Privatisation of essential services (water, electricity, gas, telephone), reducing access and leading to under-consumption
Costly or inadequate transport to employment opportunities and services
Market allocation mechanisms, which can discriminate by age, ethnicity, gender, sexuality or disability, concentrating people with the least-marketable resources in the worst neighbourhoods, furthering social and economic disadvantage
Public allocation mechanisms that may discriminate against certain groups, and increasingly concentrate high-needs households in social housing, compounding social stigma of the area and tenure
Inadequate supply of quality affordable housing that is well located
Age of housing stock and lack of investment in specific areas, tenures and estates
Fear of crime – crime and the fear of crime can produce social isolation, especially among the elderly
The digital divide – lack of access to information and communications technologies, which may come to be a growing barrier

Source: adapted from Mohan (2002) and Berube (2005).

Some contributions of national housing policy responses to these wide-ranging issues of social exclusion are addressed in the next chapter.

3.4 Special-needs housing

Special-needs housing refers to dwellings that offer design features and/or support services in order to accommodate households with particular requirements. Examples include: accessible and adaptable housing for the frail aged and those with physical disabilities; support for people who lack sufficiently developed independent living skills (including some homeless youths, people with drug and alcohol addictions, those with acquired brain injuries and people with mental health problems); and the provision of special refuges for women fleeing domestic violence. The need for culturally sensitive housing and living arrangements for Indigenous peoples and ethnic groups can also be included in this category. Special needs housing is a salient issue in all national housing policies, because of the inadequate response of mainstream

housing markets to such needs and growth in demand from most of the groups mentioned above (but especially the elderly).

Across Europe, many special housing needs have traditionally been provided for by a range of social organisations, varying from publicly owned and managed agencies to not-for-profit or limited-profit private companies. However, the role, responsibilities and privileges of these organisations have changed in the context of promotion of free competition between private and public sectors in the provision of services as:

- Governments have reduced their expenditure on social housing;
- Demand from people with special needs has grown;
- Better-off tenants have left to purchase housing; and
- Greater scrutiny of the role of social housing agencies has developed (see Priemus 2006).

While both larger and smaller social housing systems have increasing responsibility for providing special needs housing, this sector only accommodates a proportion of such households. In most countries, a sizeable number of these households exist on the margins of the private market.

Among the diverse groups with special needs, those of the growing number of elderly are receiving the most attention from housing policy makers. As in Australia, the need to provide appropriate housing and services for older people in their homes is the primary policy tenet, driven especially by concerns about the high cost of institutionalised care. The cross-government push and community-based movements towards independent living across Europe, as well as in Canada and the USA, have led to the revision of design requirements for new housing, subsidies for the renovation of existing housing, and the development of domestic services. Considerable effort in Canada and Europe has also gone towards adapting homes for the elderly and revising national building codes to promote universal access⁶.

Without a detailed examination of special needs in each country, which is beyond the scope of this report, we have to rely upon needs identified by policy makers and researchers in each country. These policies and reviews are influenced by the dominant housing discourse – which affects both research agendas and what is considered a policy ‘issue’.

Specific needs that were highlighted in national reports are summarised in Table 3.9. Note that not all of these indicate special need. National policy responses that are directed at specific needs are discussed in the next chapter.

⁶ Research on international trends in housing policies for older people is presently the subject of AHURI funded research at the University of Queensland.

Table 3.9: Identified needs

Austria	Those not previously eligible for social housing – non-nationals and asylum seekers, currently concentrated in worst private rental housing
Denmark	Large refugee families and low-wages students in housing need
Belgium	New migrants of non-European background, households in specific areas that are either economically depressed (French-speaking south) or subject to market influence of neighbouring Netherlands (Flanders).
Germany	Unemployed youth in economically depressed Eastern provinces
UK	Lone parents, unemployed households, homeless population and nomadic 'Traveller' households
Ireland	Improving the standard of homeless shelters and their resettlement, special-needs housing for older people and people with disabilities, serviced sites for increasing number of 'Traveller' households
The Netherlands	Overall shortage of housing, reduced access for 'starters' in the housing market, housing designed for older people
France	New migrants of non-European background, legal and illegal refugees, housing quality of concrete panel estates and poor-quality inner city private rental housing
Switzerland	Low-income tenants burdened by high rents tied to landlords' financing costs, racial, religious and lifestyle discrimination in the housing market, low urban amenity in some areas, social isolation, particularly of single-person households, adaptable and accessible housing for older people
Canada	Seniors (especially renters), disabled and 'First Nations' households.
USA	Supportive housing for homeless, ownership housing for low-income and minority (Black and Hispanic) households. Energy-efficient housing. Native American and Native Hawaiian housing needs.
NZ	Affordable housing for workers in resort areas, older people, low-income single women and single parents, accessible housing for people with disabilities, youth housing options and child-orientated design of housing, integrated community housing for Māori and Pacific Islanders, housing responsive to migrant needs
Australia	Persistent Indigenous housing need particularly in rural and remote areas. Persistently high rate of homelessness. Significant unmet need for affordable housing among diverse non-aged low-income households driving emphasis on assisting homeless and special needs households in public and community housing and in the private rental market (e.g. through brokerage schemes).

Source: various national reports

3.5 Market–state relations

In chapter 2 we examined the complex and dynamic array of factors that influence the mode of housing provision in each country. These included federal and unitary political systems and intra-government relations, dominant coalitions of political and economic interests, particular welfare regimes, the nature and variety of institutional arrangements in housing provision and, finally, the shift in housing policy from supply to demand assistance and in some cases back again. The main recent trends we observed concerning the nature of citizen–market–state relations in housing provision were:

- Changes in the housing roles assumed by central and local governments;
- Changes in the market–state mix of roles in housing; and

→ Retraction in the role of the welfare state in housing policy.

In this section we provide some more detail on these trends as a backdrop to discussion of the governance of housing and scope of housing policies in chapter 4.

3.5.1 Changes in housing roles assumed by central and local governments

Across both federal and unitary systems of government, there is a trend towards devolving responsibility for housing and urban planning to regional/local levels, especially social housing provision and related forms of housing assistance. However, mortgage-related institutions and tax instruments remain a central concern except in Switzerland. Similarly, housing allowances are a national responsibility in all countries that use this instrument except Canada, although local action to distribute some subsidies and link them to stronger housing outcomes for their recipients is increasing.

A variable pattern of devolution relating to partnering for implementation of central government programs, needs-based planning for housing and leveraging local revenue sources (land, property taxes, development gains) can be found across the study countries. As discussed in more detail in section 4.6, the UK provides a notable example of the hollowing out of local government roles in direct housing provision. However, there are other examples provided by France, Germany, Austria and parts of Canada, where local government is gaining importance in contributing to that sector. In some cases this has been due to increasing pressure on local government to exploit its property tax base more fully in order to address pressing housing needs, especially in the face of declining funds from central government.

As income taxation powers and responsibilities for social security typically remain centralised, most instruments in the fiscal realm, such as mortgage interest tax relief, company tax and income-related assistance, remain administered by the highest level of government. For example, the federal governments of the USA (through the government-sponsored and publicly regulated mortgage finance corporations, Fannie Mae and Freddie Mac) and Canada (through CMHC), and the central government of the Netherlands (through the independent National Mortgage Guarantee Fund), remain active in the realm of mortgage market regulation, intervention and market analysis. Such tasks are unlikely to be devolved in an era of rapidly globalising capital markets.

Another shift in inter-government responsibilities of note, particularly in the context of the discussion about national concerns with social segregation covered earlier, is that leadership on urban renewal has become more prominent in the central government arena in several countries – for example: in France, with the establishment of the National Agency for Urban Renewal; in the Netherlands via a major central government led urban renewal program; and in the UK, via a series of strategies to support economic regeneration of problem areas (see section 4.5).

3.5.2 Changes in the market–state mix of roles in housing

This sub-section considers how some of the study countries have shifted state-market relations to steer key housing outcomes. We can see that state involvement occurs right throughout the process of housing provision in many countries, from land development to rent setting and dwelling allocation. Over the past decade, some countries have stepped back from a role in areas such as land development and supply, allowing private market mechanisms to dominate. In turn this has influenced the price, availability and quality of housing.

A clear example is provided by the Netherlands, where the timely purchase, development and release of land for housing by municipalities has played a key role in

urban expansion into rural areas and in the allocation of sites for prescribed housing outcomes, such as social housing, in the past (Gurran et al. 2007). While the role of municipalities in buying land has diminished with the entry of private land developers and a more speculative market in recent years, it has left an indelible mark on the Dutch landscape of small compact cities and towns, which have a considerable proportion of social rental housing.

De-commodification and intervention also affect rent setting. Across Europe and in some parts of the USA (e.g. New York, San Francisco), the 'free market' does not determine rents, as is the case in Australia. Rent systems vary from highly interventionist centrally determined systems to locally influenced market-moderating systems. Rents in the private sector can be based on: a point system of utility and amenity (Netherlands), historic cost rent (Austria); indexed cost rent (Denmark); 'reasonable' market rents (Germany); existence of subsidies (USA, Germany, France); free market rents (Belgium, Germany) and financing costs (Switzerland). The determination of market rents is also dependent on a range of supply and demand pressures, including the volume and cost of social housing on the market, which may moderate private rents. For more detailed international comparisons see McNelis (2006) and Hulse (2003).

Related to this are the rules governing eligibility, which vary between and within different tenures (Doling 1999). No tenure has the same rules of access in all the countries examined. Even home ownership is subject to formal and informal rules governing property ownership (for example: exclusive to nationals or reserved for those registered to live in a particular town; whether second income is taken into account in determining borrowing capacity). Access to sufficient credit to purchase is also determined by the borrowing norms and standards concerning loan to value and income ratios, definitions of household income, etc. Rules of access to finance relate to assessments of credit risk. They have been used to exclude customers according to gender, lifestyle, race and religion and to decline loans in specific areas. However, any such rules will also be subject to change in response to pressure from forces such as financial regulators, lending institutions, national reserve banks and international banking organisations, such as the European Central Bank and the Bank of International Settlements. Governments can also bring pressure to bear on lending rules and mores. This has occurred most notably in the USA, where federal government laws requiring financial institutions to disclose details of the socio-economic profile of their customers, coupled with a requirement to match lending to community profiles, has helped to promote lending to minority groups (Zigas 2004).

Rules of access in social rental housing also differ. Increasingly, however, dwellings are typically allocated to low- and moderate-income households, with some prioritisation for need (see review of special needs housing in section 3.4 and CECODHAS 2005a). As a result, in many countries there has been a marked increase in high-needs groups entering social housing, as discussed further in section 4.4.

3.5.3 Withdrawal of the welfare state from housing policy?

To conclude this section on market–state relations, it is worth addressing the question of whether the welfare state is withdrawing from the realm of housing policy and in particular housing supply.

It can be said that societies that once were traditionally multi-tenure have been promoting and even favouring home ownership recently, such as in the UK, France, Germany (until 2006), the Netherlands and Switzerland. This policy shift is occurring for a range of reasons: a belief that the supply problems of the post-war era have

been remedied and that quality is best provided for in the ownership market; to promote ownership as a way of reducing reliance on rental assistance over time; and, related to this, to reduce pressure on government pension schemes arising from high housing costs of retirees. There is also a clear ideological belief in the social benefits of property ownership evident in the policy discourse in many countries (for example, on the USA, see Jackson 2006).

This shift towards ownership has sometimes been accompanied by a shift away from direct government subsidies and loans for social housing supply in favour of less output and/or capital market finance (the Netherlands, Germany, UK), and more extensive use of rental assistance to serve those in housing need.

In a special issue of the *Journal of European Housing Policy* (December 2004), various authors attempted to answer the question of whether there was either 'roll back' or 'roll out' and 're-styling' of the role of the state with regard to housing policies in their particular jurisdiction. The answers provided were by no means consistent but the overall conclusion reached was that the state remains a central and important player in the funding and/or provision of social housing and in addressing homelessness in Europe. While traditional state roles in some areas (such as social housing investment) may have retracted, other functions such as urban regeneration and strategies to address homelessness have been enhanced. Also, the state remains intensively involved in shaping the private housing market through the widespread use of various mixes of regulatory, fiscal and monetary instruments. Nevertheless, the review demonstrated that the ways in which the state enacts its various roles are fundamentally different from previous decades, with the emphasis shifting heavily to enabling the market, largely through indirect measures, policy decentralisation, and a political preference for housing choice and open competition between private and government agencies (Doherty 2004).

Some states in this study are experiencing renewed, though modest, interest in housing policies to correct market failures: notably, Ireland, France and, to some degree, the Netherlands. Others are moving housing policy closer to the regions (Canada, Belgium, Austria and UK) or to local governments (Germany) in order to respond to the greater diversity of housing market conditions. In such cases, the capacity and resources of local and regional bodies to respond adequately is emerging as a key issue. Other countries are moving their general welfare philosophies closer to 'workfare' and away from large and encompassing welfare states (Denmark, Switzerland), although it is too early to say whether this will lead to curtailing of housing programs or, more, a re-styling of state functions in future.

The next chapter will examine the diverse national policy responses to these cross-cutting housing issues and their impact in more detail.

4 KEY POLICY RESPONSES AND THEIR IMPACT

Governments continuously reshape housing policies and tools in order to produce sufficient housing supply, improve quality and affordability, address particular housing needs, and contribute to other broad social, environmental and economic policy objectives. From the 1980s, housing policy strategies tended to favour demand-side assistance. More direct policy mechanisms, such as investing in new housing or subsidising housing production, were reduced or even abandoned in some but not all countries. The demand assistance route, which has been favoured by neo-liberal governments and international agencies such as the OECD and IMF, has proved costly and unable to stimulate supply or steer broader urban goals. Politically, it is also difficult to change. Now, according to Maclennan:

Housing policies are under new, positive scrutiny in the advanced economies but not because there is an outburst of renewed altruism for the poor. Rather it is because the stripped down policies of the previous two decades are now recognised to have negative implications for economic and environmental as well as social goals of governments (Maclennan 2005:12).

In keeping with this assessment, housing policy developments in the UK, NZ, Ireland, France and the Netherlands in particular have entered an innovative and expansionary phase trying to address unaffordable home ownership, inadequate private rental markets, declining housing production levels and social segregation. While the same scope of policy development does not apply to the other countries in our study at this stage, some initiatives in one or more of these areas are apparent in most cases.

In this chapter we examine current housing policy strategies and initiatives across the 12 study countries and provide a brief overview of comparable policy activity in Australia at the end of the chapter. These strategies are grouped according to five main themes that we believe characterise the current thrust of housing policy developments in response to the issues described in chapter 3.

The policy themes examined in turn below are:

1. Facilitating home ownership for lower income households
2. Promoting private investment in 'affordable' housing
3. Utilising the existing private rental market
4. Reinventing social housing
5. Promoting housing and neighbourhood sustainability
6. Changing the governance of housing systems and the delivery of housing policies.

For each strategic area of intervention, we discuss the policy goals and illustrate the principal policy levers being used in our chosen countries. Where available, we also refer to evidence of their effects (from more successful to less successful) in particular national contexts.

4.1 Facilitating home ownership

Home ownership continues to be facilitated by governments in all countries via a combination of favourable taxation regulations, mortgage market intervention, and demand- and/or supply-side subsidies (Bramley and Morgan 1998; Laferrère and Le Blanc 2004; Smith and Robinson 2005). The main national objectives driving policy directions in this tenure, to greater or lesser degrees in different countries, are to:

- Protect and grow home ownership as the preferred tenure;
- Reach specific ethnic groups and lower-income households;
- Contribute to tenure mix in disadvantaged areas; and
- Reduce long-term reliance on social security.

Table 4.1 provides a summary of how different countries in this study currently facilitate home ownership by category of action, with a focus on strategies that can assist lower-income households to access this tenure. To illustrate types of contemporary initiatives in this policy area, more detail is provided after the table on the application of these strategies in selected individual countries.

Table 4.1: Home ownership strategies by category and country

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Supply side subsidies for production	✓	✓					✓					
Consumer education, particularly for marginal groups									✓		✓	✓
Mortgage market regulation, facilitation, insurance and security			✓					✓	✓			✓
Demand-side subsidies for (low-income) purchase					✓	✓	✓	✓	✓		✓	✓
Access to individual pension savings										✓		
Contract savings schemes					✓	✓			✓		✓	
Fiscal incentives and subsidies for ownership		✓		✓				✓		✓		✓
Large-scale sale/conversion of public/private rental housing to ownership							✓	✓			✓	✓
Promotion of shared equity tenure							✓	✓			✓	✓
Regional strategies to address uneven markets						✓			✓	✓	✓	

4.1.1 Selected country initiatives

Canada

Government goals for home ownership in Canada are promoted primarily via the Canadian Mortgage and Housing Corporation (CMHC), which widens access to home mortgages by providing mortgage insurance for lenders, thereby reducing the interest rate on mortgage finance and the overall cost of housing for both owner-occupiers and investors. CMHC is a government-owned corporation and Canada's premier provider of mortgage loan insurance and mortgage-backed securities, controlling about 70 per cent of the country's mortgage insurance market. Around one-third of all CMHC's mortgage insurance is directed to public policy objectives in the rental and ownership sectors (CMHC 2005b).

A number of specific regulations and innovations are being used to widen access to insured, and therefore cheaper, loans, and to achieve other housing objectives. For example, CMHC mortgage insurance premiums can be reduced for the first two years where a 5 per cent mortgage deposit has been made. Further discounts are given for insurance on homes built or renovated in energy-efficient ways. Access to insurance is also facilitated for self-employed applicants. All CMHC products can be accessed more than once, thus being accessible for people who are second purchasers due to divorce or a change in employment circumstances. The term of the loan for housing developed under the CMHC Affordable Partnership Program for home ownership can be extended without any insurance surcharge (CMHC 2005b).

The Home Buyers Plan allows first-time home buyers to borrow up to CA\$20,000 from their Registered Retirement Savings Plan to buy or build a qualifying home⁷. The interest-free loan is repaid in annual instalments over a 15-year period, beginning with the second year following the withdrawal (Miron 2001).

The Netherlands

Since the 1990s, fostering home ownership has held a more central position in Dutch housing policy amid substantial rent increases, the development of higher-quality detached housing forms, a strong political preference for ownership, increasing economic welfare, an active mortgage market and favourable tax regulation, including a generous Mortgage Interest Tax Relief (MIRT) scheme. A National Mortgage Guarantee (NHG) established in 1998 (formerly operating at a municipal level) also deepens mortgage access and slightly reduces the mortgage interest rate (Schiffer 2002). Access to the guarantee is both income- and housing price-restricted. However, market coverage has reduced in recent years, mainly as a result of rising prices. It has been argued that mortgage interest tax relief – that is, the deductibility of mortgage interest from incomes in tax assessments (in a context of income tax rates of up to 52 per cent) for a maximum of 30 years – is the most powerful policy stimulating ownership in the Netherlands (Elsinga 2003). However, following rapid house price increases, in the context of sluggish housing production and liberal mortgage markets, this policy has also been blamed for stimulating demand and halting access to home ownership by lower-income households and there has been public debate about the future of the policy (Boelhouwer 2005).

The housing policy 'What People Want, Where People Live' (VROM 2001) promotes individual home ownership via the sale of social housing – especially in urban renewal areas, where that tenure is dominant – and promotion of new construction, especially to buyers' specifications. However, also under this policy, extension of the housing

⁷ To compare values given in different currencies, see Appendix 2.

allowance to low-income buyers did not succeed, with only a small number of applicants able to avail themselves of the benefit in a rising market (Van Eyk, personal communication). As in the UK, alternative tenures have been trialled, including sales to sitting tenants, discount sales, shared equity and a 'free' sale of dilapidated stock where renovation becomes the new owner's responsibility⁸. Overall, the impact of low-income ownership promotion in the Netherlands has been limited due to high house prices, a strong social housing sector and generous rental allowances (Elsinga 2003, 2005; Priemus 2001).

Switzerland

While the Swiss Confederation traditionally has been a country of renters, home ownership has steadily increased from 34.6 per cent in 2000 to an estimated 36.5 per cent in 2005 (SFSO 2006). This increase is attributed mainly to market factors and finance industry adjustments: lower bank mortgage interest rates (3 per cent in 2005), higher loan-to-value ratios and lower savings deposit requirements (FOH 2006). The supply of condominiums for the ownership market (possible since 1965) also increased from 2003, after deep stagnation (Swissinfo 2005). However, investment has been directed towards more expensive dwellings and the government has recently stressed the need for investments to reverse this trend (FOH 2006). Tax deductions of interest and maintenance have promoted mortgage debt. However, direct public investment in home ownership has been constrained by lack of resources (with government recovering from significant financial problems) and inadequate political support from the Cantons. There are exceptions in some areas, where Canton-owned banks operate savings schemes with incentives such as tax reductions or premiums.

Since 1990, contributors to Swiss pension funds have been able to withdraw their savings in order to purchase or renovate a home (known as tax-privileged Column 3a of the Swiss Occupational Benefit Plan). In 2005, 37,500 policyholders used this method (FOH 2006). More detail on this initiative is provided in section 5.2.

France

France has a well-established mixed economy of housing, providing substantial subsidy assistance across all tenures. France's home ownership rate is relatively stable at 56 per cent and a considerable 24 per cent of French home owners have been supported by direct subsidy (729,000 households) and/or low-interest loans (1,886,000 households) (INSEE Housing Survey 2001). In addition to the universal problem of housing affordability, specific challenges include the poor quality of much private and social housing, social changes affecting housing outcomes (e.g. higher divorce rates), and stagnating economic performance.

Some of these issues are addressed by a diverse array of initiatives with different goals, as summarised in Table 4.2.

United Kingdom

In the UK, considerable progress was made in expanding home ownership from below 60 per cent in the 1970s to 70 per cent in 2000, mainly through the sale of around one-third of former council housing to sitting tenants after 1979 (Pawson 2006). Mortgage interest rate tax relief was also introduced in the UK in the mid-1970s to promote home ownership, but was criticised for inflating prices, being highly regressive and locking out new entrants to the market. Since 1994 it has been

⁸ See Elsinga (2005) for an analysis of the nature and impact of innovative tenures in several European countries.

gradually phased out and was abolished finally in 2000. Successful withdrawal was enabled by a decline in interest rates and the operation of a price ceiling in a booming market.

The UK now has significant housing market affordability problems. The long-term increase in UK house prices (2.4 per cent per annum over the past 30 years) has been higher than for other European common market partners (1.1 per cent) (Barker 2004). In the past few years, the UK (particularly England) has experienced weak supply and sluggish market responsiveness, in the face of high prices but strong demand.

Table 4.2: Recent forms of home ownership assistance in France

Épargne logement (EL)	A contract savings scheme available to all, requiring a 5-year period of savings (Laferrère and Le Blanc 2004). Savers are entitled to tax relief on the interest earned from these accounts and to receive a bonus from the state when they take out a loan to buy property (SIG 2006).
Prêt à l'accession sociale (PAS)	Government-provided loans within income and house price limits, with a lower interest rate and a housing grant to cover part of the monthly repayment (SIG 2006).
Prêt à taux zero (PTZ)	This offers a small interest-free loan of around €15,000 or up to 20% of the total cost for which repayment may be delayed up to 16 years according to income for qualified buyers of new property or property needing renovation. Funding is drawn from the payroll tax that is collected for housing in France (see section 4.6). Research suggests that 75,000 households were enticed out of renting by this scheme since it began in 1995 (about 15% of recipients). The price effect of PTZ is estimated at about 5% (Laferrère and Le Blanc 2004). A full description is given in Miron (2001).
Prêt conventionné (PC)	This is a preferred-rate mortgage loan, made by banks or financial institutions under contract to the government. Dwelling but not income tests apply.
Allocation logement (AL)	Housing benefit (AL) is available on a tenure neutral basis so low-income home owners can use this to help meet the costs of their mortgage, possibly in conjunction with other forms of mortgage assistance described in this table. However, banks are reported to not always take account of AL in determining borrowing limits.
Abatement of transfer/property/sales taxes	France has high transaction costs, which are abated for households purchasing a new house to promote new construction.
Mortgage interest deduction	25% of interest payments on mortgages taken out before 1998 are tax deductible, with limits more favorable for new construction and for families with children.
Taxation of vacant housing	This scheme, described in section 4.3, is designed to encourage private landlords of properties vacant for 2 or more years to rent or sell, thereby potentially supporting home buyers indirectly.

Source: adapted from Miron (2001), supplemented by other sources cited in the table.

This situation has led the UK government to take a greater interest in housing policy and housing affordability with the aim of improving macroeconomic stability/economic growth and delivering greater affordability for individuals. A major government-commissioned review of housing supply completed in 2004 included

recommendations on: significant changes to local and regional planning processes to improve market functioning and reduce bottlenecks; a possible new planning gain supplement designed to capture some of the benefits of land development for the wider community and to improve equity in the housing system; and increased government investment in social housing (Barker 2004). Consultations around these reforms and the development of specific policy proposals are under way. Importantly, this process has shifted the housing policy focus away from specific forms of housing assistance to a wider strategy for addressing housing affordability, especially through supply side and regulatory measures.

Nevertheless, a patchwork of specific schemes operates in the UK (or England) to promote home ownership among lower-income households, as summarised in Table 4.3.

Table 4.3: Programs to promote housing equity in the UK

Equity Share	Small-scale shared equity schemes are operating with some housing associations and trusts. Towards a national model, the government is contemplating two approaches: a scheme matching money saved by tenants to be used on 'rent to buy' or on the open market, and a scheme whereby a responsible tenant will receive between £250 and £500 each year for five years in an equity savings account. Three-quarters of the money withdrawn to be used to purchase housing either through Rent-To-Buy or in the market.
Shared Ownership	Households/individuals purchase between 25% and 75% of the social rental dwelling with a mortgage and pay rent on the remainder of the equity. The purchaser is able to 'staircase' up to 100% ownership.
Home Buy	Since 1999 purchases may be 75% financed through a private mortgage, and the remainder through an interest-free equity loan from a housing association, which may staircase up to 100%.
Right-To-Buy (RTB)	Since 1980, tenants may buy their council home at a discounted price determined by their length of tenancy in the dwelling. Equivalent schemes called the Right-to-Acquire and the Voluntary Purchase Grant have operated since 1996 in the housing association sector. Right-to-buy sales have declined recently, to the lowest level since 1980, after a peak in 2003/04 (Pawson 2006).
Cash Incentive Scheme	Cash incentive schemes enable local authorities to free up rental stock by helping eligible tenants with a grant (up to £10,000 in most areas) to buy a home on the open market.
The Savings Gateway	The government matches the amount saved over a period of time (18 months), and up to a maximum amount per month. An individual is free to withdraw money from their account, but can only access the government's contribution after 18 months.
Home Initiatives for Key Workers	Aims to keep skilled people in communities where housing costs are high, by providing subsidised home ownership options. It is targeted at high-cost metropolitan areas that have had recruitment and retention problems in specific skill areas. In partnership with both private developers and social housing providers, assistance includes cash grants, subsidised rents with right-to-buy, and shared equity. With exceptions, the worker must repay assistance on leaving a qualifying field of employment.

Sources: Smith and Robinson (2005), Stephens et al. (2005) and Bramley and Morgan (1998). See also Berry et al. (2004) for a comparison with Australia.

Ireland

Ireland has the highest rate of home ownership (77 per cent) of countries in this study. Some long-standing measures to assist the sector overall remain in place, but the focus of recent policy initiatives has been on targeting assistance to first-time and lower-income buyers, and to particular areas. As in the UK, a broader concern with the functioning of the housing market and housing affordability is apparent in national economic and social policy statements:

... because of the key role which the private market plays in housing the Irish population, it has ... been the focus of concerted action by government in order to increase supply, stem price inflation, support first-time and low-income home buyers and promote home ownership in specific areas of the country (Norris and Winston 2004:54).

Six schemes to enable low-income households to purchase a dwelling have been introduced or upgraded between 1990 and 2003. These are summarised in Table 4.4. The array of schemes shows there is a concerted and nuanced, though somewhat complex, approach to maintaining access to home ownership in Ireland. A recent review suggests success has been mixed, varying over the property cycle and in different parts of the country (Norris and Winston 2004).

Table 4.4: Recent initiatives for home buyers in Ireland

Shared Ownership Scheme 1991	Enables the purchase of a new or second-hand home on the open market with the local authority or not-for-profit housing agency initially taking at least a 40% stake, which they rent to the beneficiary. The individual funds their equity stake through a local authority loan and is committed to take out all the equity in the property over 25 years. They make payments on a mortgage for the part they own and pay rent to the local authority for the other part. The scheme has been subject to much adjustment since its introduction. While the uptake has been variable over time and location, it is popular and has a significant share of beneficiaries of recent initiatives.
Mortgage Allowance Scheme 1991	Social housing tenants purchasing a private or local authority house may qualify for a mortgage allowance (up to €11,450 in 2000) paid on a reducing basis over 5 years to the mortgage lender. The scheme is designed to ease the transition from rent to mortgage. Allowing for purchase of existing social housing under the scheme has been designed to stem movement off estates of tenants able to buy, which occurred under an earlier formulation of the scheme that was found to destabilise estates.
Affordable Housing Scheme 1999	Local authorities provide newly built houses at a cost price on their own land to qualified households. The purchaser can also benefit from some other schemes listed in this table. Sales in the first 10 years are subject to anti-profiteering measures. The scheme is designed to address demand- and supply-side risks in one program.
Affordable Housing under the Planning Acts 2000 – Part V Schemes	As discussed in more detail in section 4.2, planning permissions in Ireland may require up to 20% provision for social and affordable housing for sale. Low-income buyers and those opting for shared ownership are eligible to purchase dwellings through this mechanism. Eligibility to purchase is limited to those for whom mortgage payments for a suitable dwelling would exceed 35% of their net annual income, along with other considerations laid out in the Act. In the case of dual-income households half the net income of the second earner must also be taken into account in determining eligibility.
House Purchase and Improvement Grants and Aids 1977	Grants (up to €3,810 in 2002) are available to income and house size/price qualified purchasers of new houses and to owner-occupiers whose housing needs improvement and who would qualify for social housing if such works were not carried out. Local authorities and not-for-profit housing providers also qualify for funding for sites provided for share ownership and affordable

Urban, town and rural renewal 1986	<p>housing schemes. Uptake rates reflect building activity levels among other factors.</p> <p>Tax incentives are available to owner-occupiers who purchase a residence in selected urban areas, towns and rural regions designated for physical and socio-economic development. To encourage the refurbishment of existing buildings, 10% of refurbishment costs per annum may be offset against total income over ten years compared with 5% per annum in the case of new construction. Relief also applies for the refurbishment of shop-top housing in designated cities.</p>
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Source: Norris and Winston 2004

United States of America

Home ownership in the USA has increased steadily from 64 per cent in 1993 to 69 per cent in 2004 (USCB 2005a). The increase is attributed partly to lending programs targeted to underserved groups/areas, although economic conditions and demographic trends have also broadly been favourable. Mortgage finance for low-income households and minorities has been the major area of growth in lending, from a relatively low base (less than 50 per cent). For example in 1996, low-income borrowers accounted for 40 per cent of all mortgage lending in the USA, up from 30 per cent in 1990 (Miron 2001). From 1994 to 2000 there was a 38 per cent increase in home ownership among black American households and 24 per cent among Hispanic households, compared to 9 per cent among non-ethnic households (Zigas 2004). However, during the period of this research there were media reports from the USA of the collapse of several sub-prime lending companies (which service risky buyers) in the face of rising mortgage foreclosures among their clients brought about by a downturn in the property market. The impact of this so-called 'crisis' in sub-prime lending on the situation of sustainable home ownership for minority groups cannot be assessed at the time of writing but should be reviewed as any outcomes become clear.

It has been long-standing USA housing policy to use mortgage insurance as a means of reducing the cost of financing and thereby improving access to home ownership. In addition, mortgage interest payments are tax deductible in the USA but as has occurred elsewhere, there is ongoing debate about whether this mechanism actually increases home ownership, particularly among low-income households. Two other important aspects of the USA policy model are the *Home Mortgage Disclosure Act* and the *Community Reinvestment Act*. The former operates to ensure lending patterns of financial institutions are publicly transparent and the latter to drive fairer lending practices where groups or areas are under-served.

Three government-created bodies are responsible for ensuring that the mortgage investment funding process operates efficiently across the country to increase the availability and affordability of housing for low- to moderate-income Americans: Ginnie Mae (1986), a government enterprise, and two large government-regulated but privately owned bodies with public policy responsibilities, Fannie Mae (1937) and Freddie Mac (1970).

Ginnie Mae was established specifically to provide adequate funds for federal loans, which were once widely used but are now concentrated in the first-time homebuyer and minority buyers' markets. Freddie Mac and Fannie Mae are bound by their charters and federal regulations to provide stability and liquidity in the secondary mortgage market, provide secondary mortgage assistance for mortgages, and promote access to mortgage credit. This model aims to expand affordable housing opportunities among those not traditionally served by the market, particularly racial

and ethnic minorities. To help drive accountability in these arms-length agencies, the Federal Department of Housing and Urban Development (HUD) sets annual targets for loans to low- and moderate-income households, under-served areas and special affordable housing. These targets have been increased substantially between 1990 and 2004 (Zigas 2004).

Alongside the big mortgage finance agencies, and since the National Home Ownership Strategy (NHS) introduced by the Clinton administration in 1994, a plethora of state and local government, private and not-for-profit agencies have been harnessed to the task of reducing barriers to home ownership among the target groups. Strategies have fallen into six clusters: production, financing, building communities, opening of markets, education and raising awareness (Miron 2001).

Currently US\$2.5 billion of HUD's annual budget (about 8 per cent) is dedicated to home ownership goals as follows:

- To expand national home ownership opportunities;
- To increase minority home ownership;
- To make the home buying process less complicated and less expensive;
- To reduce predatory lending through reform, education and enforcement;
- To help HUD-assisted renters become home owners; and
- To keep existing home owners from losing their homes (for details see HUD 2006b).

There are also innovative programs that operate at lower levels of government in the USA. Readers are referred to the Urban Land Institute's recent review of the most successful state and local strategies promoting housing affordability, including low-income home ownership (ULI 2005).

New Zealand

Home ownership rates in NZ have fallen from 74 per cent in 1991 to 68 per cent in 2001. A further decline to 62 per cent is forecast by 2016 (DTZ NZ 2004). Decline has been greatest among 25 to 44 year olds. Factors said to be contributing to the decline include rising consumer debt, removal of specific assistance, the impact of student loans, changing social and labour market dynamics and housing affordability problems, especially in Auckland, which dominates the housing market.

New Zealand's recent housing strategy (HNZC 2005) aims, inter alia, to improve access to home ownership. A range of targeted measures is proposed to achieve better access to finance, improve affordability and choice and to raise consumer awareness among low- to moderate-income buyers (broadly defined as those with income up to about NZ\$85,000). Key initiatives include expansion of a piloted mortgage insurance scheme (known as the Welcome Home Loan Scheme), offering deposit assistance (Kiwi Saver) to qualified buyers as part of a Work Based Savings Scheme and introducing a shared equity scheme. There are also education programs to support sustainable home ownership. These began in rural areas but have been expanded to about 5,000 funded places nationally per year to ensure home ownership is an informed choice and to raise awareness of assistance being offered by the NZ government. In the medium to long term, the government also wishes to develop additional home ownership products to meet the specialised needs of Māori and Pacific groups.

Notwithstanding these policy initiatives, it seems that significant rises in house prices may have stalled attempts to increase access to home ownership for marginal buyers.

However, as discussed elsewhere, New Zealand's Housing Strategy also includes supply-side and regulatory mechanisms designed to address affordability problems and improve efficiency in rental and home buyer markets in the longer term.

4.1.2 Home ownership assistance for Indigenous households

As indicated in Table 2.2, Indigenous populations in Canada, NZ and the USA have achieved significantly higher rates of home ownership than Australian Aboriginal and Torres Strait Islander peoples, both in tribal communities or reserves and in integrated settlements. It is not possible to analyse all the factors contributing to this situation in this report. Some specific elements of housing policy and practice are listed in Table 4.5. These may be suitable for further research.

Table 4.5: Examples of initiatives to encourage home ownership among Indigenous households

NZ	HNZC offers loans for building a house on Māori land that is held in multiple ownership (called a Papakāinga loan). As the house (not the land) is mortgaged it must be relocatable. Education courses are a prerequisite to receive a loan. Take up fluctuates but is generally low because of wider economic problems and planning and development obstacles in several communities. Under the rural housing program HNZC makes available suspensory loans for urgent essential repairs and infrastructure and non-suspensory loans for housing improvements. Both of these initiatives are aimed at eliminating sub standard housing and raising housing quality in tribal areas. Directions in NZ involve broadening education programs for home ownership and greater engagement with Māori and Pacific organisations to build capacity and develop locally appropriate models (Waldegrave et al. 2006).
Canada	On reserve First Nations Canadians wishing to build purchase or renovate on community owned land have access to Ministerial loan guarantees for a minimum 5% deposit (Households must have certificates of possession awarded by the Band (reserve) Council) The Band Council is actively involved in the approval process and must also repay defaults. Band Councils may also offer loans from revolving funds they have built up or act as guarantor for private loans. Off reserve similar programs as for other eligible Canadians are available (see above). There have been some initiatives by not- for-profit organisations to sell housing to Aboriginal peoples off reserve and also private sector involvement (for example in Manitoba the real estate association offers specific support to Aboriginal home buyers). A strong partnership philosophy and links to enterprise building and social development programs underpin new approaches. (IHC undated).
USA	Similar to Canada there are provisions for government insured loans for on reserve home purchase. HUD currently has a target of 2000 loan guarantees annually for Native Americans/ Hawaiians by 2011 (HUD 2006b). There is also a strong national emphasis on native home buyer education and removing barriers to providing mortgages for housing construction on tribal land, including simplified lending conditions and creation of lending institutions in native communities. Thus partnerships between federal agencies, native organisations and banks and intermediaries are being created to channel lending to tribal areas. In 2004 Fannie Mae increased its target for lending to rural and tribal areas by 30%. Native American Housing Block Grants (since 1996) also provide flexibility for tribal organisations to promote model home ownership initiatives. Options for use of block grants to encourage home ownership include land acquisition, homebuyer financial assistance and mortgage assistance. There are also incentives for private investors associated with the block grants. Several examples can be found in a special issue of 'Rural Voices' (HAC 2004).

4.1.3 Overview

Traditionally, continental European countries in the main have not promoted home ownership as strongly as their Anglophone counterparts. Supporting home ownership is now a major policy goal in most countries in our study, except Germany and Austria. Despite the policy emphasis, expansion of home ownership has stalled recently in some countries (e.g. the Netherlands, UK), while others (e.g. Switzerland) still have comparatively low rates of ownership, because of the adverse impact of house price growth on affordability, along with the impact of other broader economic and social changes affecting household formation and incomes. A third group of countries, which includes Australia, NZ and Ireland (all of which have comparatively high historic rates of home ownership), are either experiencing or predicting a decline in ownership rates, for similar reasons. In several countries there is evidence that government measures to stimulate home ownership have actually fuelled recent rises in house prices.

The evidence also suggests that access and affordability barriers to home ownership for lower-income households are mounting, and this is exacerbating income and wealth differentials between households in the renting and owning sectors of many countries. So far, specific policies targeted to lower-income households, such as shared equity schemes and various forms of deposit gap or mortgage assistance, have not turned this situation around in most countries. One exception is the USA, where a number of factors have combined to achieve a significant increase in lending to black American, Hispanic and Asian home buyers. These include: federal laws requiring transparency in lending to under-served groups and areas; large-scale, regulated national financial institutions that assist with procuring finance for priority groups; ambitious performance targets for lending to these groups: and proactive community education.

Overall, our review of current general and targeted measures adopted across countries to promote home ownership and available evidence of their impact does not suggest that there is an easy or immediate way to deepen access to home ownership. Rather, the general situation of declining housing affordability and sluggish new supply seems to be generating renewed recognition of the need for housing policy to address housing market functioning and production levels, as well as a return to policy support for rental housing, as discussed later in this chapter.

4.2 Promoting private investment in 'affordable' housing

As discussed throughout this report, mounting housing affordability problems are common features of contemporary housing markets in developed societies. Analysis of the problem of poor affordability suggests that inadequate supply of reasonably priced housing is a generic cause, although for different reasons in different countries. For instance, in the USA and Canada, gentrification of low-priced private rental housing is often mentioned as a major factor (Moore and Skaburskis 2004). In much of Europe, where the social rented sector has traditionally been larger, subsidies for new construction have diminished, rent levels have increased and, in some countries, demolition, sales and the expiry of subsidies protecting rents have also contributed to significant losses of existing low cost housing (as discussed in section 4.4). The reduction in capital subsidies for social housing has also been a factor in declining general levels of new construction in many countries, thereby contributing to higher prices in the owner-occupied and private rental sectors. In some countries, physical planning controls also limit new construction, and therefore are considered to be a factor in growing housing affordability problems (K. Smith 2002; Gurran et al. 2007).

In response to this diagnosis and rising concern about affordability for the next generation, strategies to promote new investment in affordable housing supply feature increasingly among national and regional housing policies. Broadly, these strategies are concerned with getting more housing to rent or buy in the parts of the market that are affordable to low- to middle/moderate-income households using a variety and mix of incentives and regulations (see Table 4.6).

There are many national definitions of affordable housing but generally what is implied is a tenure-neutral term to describe housing that is priced to be accessible to low- to moderate-income households, whether through subsidisation, regulation or other arrangements (e.g. not-for-profit supplier). As well, countries define 'middle' and 'moderate' incomes differently. However, there seems to be a general tendency to broaden the target groups for affordable housing in the context of significant rises in housing prices and changes in affordability. Several countries (e.g. the Netherlands, Austria) tend not use the term to distinguish particular housing, preferring instead to retain the terminology 'social housing' as encompassing a range of forms of non-market housing. Meanwhile, others (e.g. USA, Canada) may tend to use the term to distinguish 'affordable' housing from policies and practices associated with traditional forms of social housing. In Ireland, the use of the term 'affordable housing' is limited to housing for sale at below market value.

The broad goals of national policy initiatives to increase the availability of affordable housing described in this section seem to be to:

- Stretch limited public funds and lever additional private investment;
- Address low construction output in the residential sector;
- Help attach key workers to labour markets;
- Arrest decline in rental markets 'lost' to ownership; and
- Address the gap in affordable housing for those between social housing and unassisted home ownership.

A feature of many of the policies in this cluster is that they are not universally applied. Rather, they may be targeted to reflect specific gaps in supply to: particular locations (such as hot spots or growth regions); target groups (for example, marginal home buyers, key workers); price ranges (such as market entry or starter housing); or housing forms (larger housing, detached housing, medium-density or multi-family housing). This reflects the trend for housing policies to be tailored to address the greater diversity of housing challenges that we have highlighted in earlier chapters.

4.2.1 Fiscal incentives and capital subsidies

Social rental housing is discussed in more detail later in this chapter. This section focuses on innovative, mixed funding arrangements for providing social or affordable housing forms. Table 4.7 describes the way in which various national governments have blended public subsidies and fiscal incentives for the production (and renovation) of social and affordable housing. Sources are included in the table.

Preservation of the supply of government-assisted affordable housing is also a policy challenge, especially in countries like Germany and the USA, where time-limited schemes have dominated procurement approaches in the past. With the persistence of affordability problems, policies are becoming more sensitised to the need to retain and protect affordable housing stock that is vulnerable to price rises or sale. The USA in particular has adopted several measures to preserve affordable housing that may otherwise expire, including: allowing increased rents supported by subsidies to existing residents to enable them to stay; extending project-based housing vouchers

that are about to expire for continuing eligible residents; providing financial assistance or other incentives for renovation of affordable stock subject to extension of agreements for rent capping; and developing policies for the sale of affordable dwellings that may assist in their transfer to a not-for-profit affordable housing provider or existing resident (HUD 2006b).

4.2.2 Use of planning levers

A contemporaneous AHURI-funded study provides a review of the rationale for, and use of, planning levers to support the provision of affordable housing and their impact in the USA, the UK, Canada, Ireland and the Netherlands, and compares international practice to that in Australia (Gurran et al. 2007). Importantly, that study situates discussion of the use of planning interventions to retain and promote new affordable housing supply levers within the context of the broader influence (both positive and negative) that the urban planning system can have on housing affordability outcomes. Readers are referred to that study for a comprehensive review of planning policy objectives, elements and the evidence base on effects related to housing affordability. For this study, Table 4.8 provides a summary of the main specific mechanisms being applied to leverage additional affordable housing in the countries mentioned above.

In addition to these countries, the New Zealand Government has announced that it intends to trial the use of planning and zoning instruments and developer incentives to promote affordable housing supply in some high-pressure areas (HNZC 2005).

Table 4.6: Affordable housing supply side and regulatory strategies by country

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Fiscal incentives	✓							✓				✓
Capital subsidies			✓				✓	✓	✓		✓	✓
Use of planning levers and developer incentives			✓	✓			✓	✓	✓		✓	✓

Table 4.7: Fiscal incentives and capital subsidies for affordable housing

USA	<p>The Low Income Housing Tax Credit (LIHTC) program is the single largest source of fiscal support for affordable rental development and rehabilitation in the USA. It allocates tax credits, which are sold to investors, with the proceeds used to provide equity investment in targeted affordable housing projects. Since inception in 1986, the LIHTC has allocated new credits totaling more than US\$300 million each year and has helped to build or rehabilitate 1.15 million rental units – an average of 75,000 each year. The annual volume of credits is capped at a modest level. However, as credits awarded each year continue for periods of ten to thirty years, the annual expenditure now exceeds US\$3.5 billion. Equity investment stimulated by the tax credits is blended with diverse sources of borrowings, and regional or local government and philanthropic equity for individual projects. The program is credited with stimulating an entrepreneurial not-for-profit sector – estimated to account for as much as 25% of rental apartment construction since 1990 (Landis and LeGates 2000: 247). There is also a tax exempt bonds program. Federal block grants are also allocated to states for both government and private sector developers of affordable housing (including new construction and rehabilitation of rental, as well as assisted home ownership programs). The largest program, the HOME (Home Ownership Made Easy) Investment Partnership Program, which was established in 1990 to leverage local investment, has provided US\$2 billion in 2006 (HUD 2006a). Since 1992 more than 52% of the budget has been spent on providing rental housing (HUD 2006b). This is supplemented by targeted block grants for urban renewal, rural housing, native American housing and brownfield economic development. A small proportion of community development block grants (CDBGs, established in 1974) aimed at cities with populations of more than 50,000 are also used for the acquisition, rehabilitation or construction of property. HUD also operates a multi-family mortgage insurance program, which is used almost exclusively to support financing for affordable housing. A set proportion of section 8 vouchers (see section 4.3) is dedicated to affordable housing projects to secure revenue for borrowings – a share of places in these projects are reserved for voucher eligible households. Sources of funds used by state governments include a share of real estate transfer taxes, interest from real estate escrow accounts and a dedicated portion of state income tax ((Landis and LeGates 2000, Joint Center for Housing Studies Harvard 2005).Collectively these arrangements provide Federal underwriting for a wide variety of affordable housing projects initiated by state and local governments and the private sector. Overall the affordable housing sector in the USA is estimated at 1.5 million units, 50 per cent larger than the remaining public housing sector (1 million) (HUD 2006b; Landis, personal communication). Outputs across US states and cities vary depending on the level of regional and local investment.</p>
UK	<p>‘Mixed’ funding for social and affordable housing was introduced in 1988. Under this regime, regulated housing associations (and more recently private developers) obtain mortgage finance for part of the cost of new developments or major renovations in return for grants from the Housing Corporation and / or local authorities (known as Social Housing Grant (SHG)). Debt servicing is underpinned by housing benefits paid to eligible tenants. The Housing Corporation sets price and cost controls for developments on a borough-by-borough basis (Golland and Blake 2004). This model works in tandem with the provision of land for social housing through section 106 agreements, as described in 4.2.2 below. Over £40 billion private finance has been raised since 1988 for development and improvement in the sector. SHG is currently around 50% of the total allowable cost. The UK financing approach has been reviewed in detail in a previous AHURI funded study (Berry et al. 2004).</p>

Ireland	Several initiatives aiming to stimulate the provision of additional affordable housing for purchase by lower income households, including sales to social housing tenants have been described in table 4.4. In addition the Irish government is pursuing a strategy of investing in additional / replacement social rental housing through capital subsidies and interest free loans to local authorities and the voluntary and cooperative housing sectors. Investment in local authority house building grew from €82.3 million in 1991 to €999.2 million in 2002 (Norris and Winston 2004). The National Development Plan for Ireland (1999) provided for 35,500 new rental dwellings between 2000 and 2006 (O’Sullivan 2004). A significant increase in the target number of dwellings to be built by the not-for-profit sector is part of the plan.
Canada	Following negotiation of a new agreement with the provinces / territories in 2001, federal funding of CA\$680 million for affordable housing for 5 years was announced (commencing 2002/03) for partnership programs that provide below market price housing for renters and buyers. An additional CA\$320 million was announced in 2003. At June 2006 over 27,600 additional rental units had been announced ⁹ . Partner contributions typically include rent subsidies (provinces); land, cash and fee offsets (municipalities); and non government partner equity. Affordable rental housing developed under partnership schemes is eligible for a 15% reduction in CMHC mortgage insurance for each of the first two years (CMHC 2006a).
Netherlands	Historically, the Netherlands used extensive public loans and construction subsidies to finance social housing. From the mid 1980s capital market finance, underpinned by the national mortgage guarantee scheme and the widespread availability of housing benefit, was introduced successfully. Following withdrawal of most public subsidies in the 1990s, the large and wealthy housing association sector in the Netherlands itself subsidises new investment in social housing drawing on gains from asset sales and revenue surpluses (Milligan 2003). It is estimated that the typical dwelling unit subsidy being provided by associations was €30,000 in 2006 (Needham, personal communication).
Austria	For more than a decade, investment has been directed towards the housing sector via the sale of special housing construction convertible bonds (HCCB) by six large banks for investment in new rental houses within 3 years. Money raised through the sale of bonds must be invested in social housing construction programs. Mortgages from the proceeds of HCCB are 0.75 per cent cheaper than other products and can be used to build housing to be operated privately, by municipalities or limited profit housing associations. Bonds have been primarily purchased by low risk long term investors such as municipalities and pension funds, who receive preferential tax treatment on the first 4% of returns and can declare them as an expense in income tax returns. Over the last ten years about 100,000 housing units were financed through housing construction bonds. More detail is provided in section 5.3. In addition to channeling investment, local governments are legally encouraged to provide affordable building sites for subsidised housing projects (Czerny 2005, Ball 2005).

⁹ (http://www.cmhc-schl.gc.ca/en/inpr/prfias/prfias_003.cfm?renderforprint=1, viewed 8 Jan. 2007).

Switzerland	<p>Since 1975 affordable rental housing has been promoted by law and financial programs that offer low interest and interest free loans, grants and specific assistance to non-profit house builders to construct and demand lower rents for economically weaker households. These policies led to the development of approximately 100,000 quality affordable rental dwellings under a variety of delivery models. However, the policy was suspended in 2003 during budgetary and economic crises and cannot be reactivated before 2008. However, since 1991 the not-for-profit building sector has improved their access to the capital market for residential construction by working collaboratively with the Swiss Government to create the Central Issuing Office of Non-Profit House Builders or EGW (Emissionszentrale für gemeinnützige Bauträger). The EGW is a membership based financial intermediary which issues bonds with Federal surety for a duration of between 7 and 15 years and distributes bond quotas to its member non-profit builders. Bond sales provide long term, low interest investment for builders and are highly sought after on the bond market. Pricing at 1% below typical mortgage interest rates ensures that tenants benefit in the form of lower rents (Federal Office of Housing 2006).</p>
NZ	<p>The Housing Innovation Fund set up in 2003 is a leverage fund specifically to encourage local councils, community groups and Māori organisations to buy, modernise or reconfigure social and affordable housing for: Households whose housing needs are not fully met by HNZC or the private market, such as Māori and Pacific peoples, older people and people with disabilities; and Low or moderate-income households whose housing needs are not met in the private market but for whom no suitable alternative exists. The fund provides low interest loans and conditional grants for housing that must be kept affordable for at least 20 years. Required partner contributions vary for councils and community groups. Around NZ\$20 million was allocated in 2005/06 from the fund, including NZ\$2.8 million for capacity building (HNZC 2006). The government is considering expansion of the fund.</p>

Table 4.8: Planning incentives to support the provision of affordable housing

UK	<p>Since 1990 under of the Town and Country Planning Act (Section 106) planning authorities can negotiate and enter into an agreement for developer contributions for affordable housing, before planning permission is granted. To use this provision, the planning authority must first demonstrate the need for affordable housing, specify targets to address this need, and identify specific sites on which contributions towards this need will be sought. On and off site contributions are allowed, but the former is favoured increasingly, to meet social mix objectives. Thresholds for seeking contributions are also prescribed. Currently the threshold stands at developments of 25 or more dwellings or residential sites of 1 hectare or more, with a lower threshold of 15 dwellings or 0.5 ha residential sites in Inner London, and flexibility in setting thresholds for rural areas with settlements of 3,000 people or fewer. Importantly, the mechanisms operate in conjunction with funding mechanisms described in section 4.2.1. Alternatives to this lengthy and often uncertain process of negotiation for affordable housing have been foreshadowed as part of the broader government review of housing supply and the planning system in the UK for possible implementation from 2008 (Barker 2004, 2006).</p>
Ireland	<p>Since 2000 under the Irish Planning and Development Act 2000 (Part V) up to 20% of land zoned for residential developments or for a mix of residential and other uses in developments of 5 or more houses on zoned land of 0.1 hectares or more is to be reserved to meet social and affordable housing needs, in accord with housing plans required to be made by the authority. This requirement can be fulfilled by the transfer of land or dwellings to local authorities at a specified price, cash compensation or provision of land / dwellings in another location (Norris and Winston 2004). The focus of the policy is on delivery of mixed tenure residential developments, as a way of reducing socio-spatial segregation, and of securing sites for new social and affordable housing providers, who may be otherwise unable to compete for land in the open market.</p>

USA	Use of planning powers to generate dedicated affordable housing for rent or purchase in the USA is a matter for individual states. Currently 24 states have legislation authorising or mandating local governments to incorporate affordable housing into their land use plans, with California, Massachusetts, New York, New Jersey and Washington D.C being the most active. The most common technique is “inclusionary zoning”, where a proportion of development (or a financial equivalent) within a particular zone is set aside for affordable housing. Fixed percentage requirements are used generally, with 10 per cent of development value or number of units and higher being typical. The requirements typically apply to new developments above a threshold. However, in urban areas where there is limited potential for new development, requirements have been extended to conversions and rehabilitations. On site provisions are usually preferred and increasingly contributions are mandated not voluntary.
Canada	Practice in Canada is locally based and as a result diverse and more limited than in the other countries included here. Specific planning policies for affordable housing are predominantly found in the two large provinces of British Columbia and Ontario, where both density bonus and /or mandatory contribution mechanisms have been used.
Netherlands	Under national policy guidelines, up to 30% of sites can be set-aside by municipalities for social housing (broadly defined) in designated new residential development areas. Traditionally, municipalities used their direct powers as the developers of land, recipients of housing construction subsidies and providers of housing to achieve affordable housing targets. Since the marketisation of Dutch land and housing development functions in many areas and the abolition of construction subsidies, municipalities negotiate with for profit and not-for-profit providers. Changes to planning laws to help support this long-standing policy of integrating forms of social housing into residential developments are before Parliament.

Sources: Gurran et al. (2007) and other specific sources cited.

4.3 Utilising the existing private rental market

The size of the private rental sector in the countries examined in this study varies widely, from 10 per cent in the UK to 59 per cent in Switzerland (Table 2.1). Nevertheless, private rental sectors in all countries house a significant share of lower-income and excluded households, often living in some of the poorest-quality housing. This sector has come under increasing pressure in Australia and internationally, as access to social housing and home ownership for lower-income households and newly arrived immigrants has declined.

Policies influencing the private rental market fall into a number of categories: intervening in patterns of private investment for construction and renovation; regulating quality; setting rents; providing assistance with housing costs; and encouraging tenant participation and protection. While some countries maintain long-standing policies in some or all of these arenas, others are looking to adjust their strategies to address supply and demand imbalances, hardship and quality issues, and to make the rental sector a more effective long-term tenure. Assistance with rental subsidies remains by far the most significant strategy and largest item of direct expenditure on housing in most countries, except Belgium, Austria, Canada and Switzerland. Large recurrent budgets for housing subsidies, along with the effectiveness and appropriateness of housing benefits, are of concern to many governments (Turner and Elsinga 2005). Table 4.9 indicates which countries are active in reforming and/or developing policies and strategies that apply specifically to the private rental market currently.

4.3.1 National policy approaches to the private rental market

This section provides a brief summary of policies in each country for utilising the private rental market to achieve public policy goals, through the use of landlord incentives, regulatory measures and tenant subsidies. Prospective policy initiatives in this sector are also identified. Policies apply to both the private and social rental sectors where indicated.

Austria

Austrian housing policies and public expenditure are primarily directed towards maintaining a stable supply of affordable, quality housing and, in the past, employment in the construction sector (Stoger undated). As mentioned earlier, unlike most other countries in this study, housing allowances have not become a major part of housing policy or budget outlays (less than 5 per cent of tenants receive housing allowances) and are not available in all provinces. Instead rent levels have been moderated by competition between the large social housing sector (23 per cent), which is subsidised via cheaper finance leading to a lower cost price and the smaller private rental market housing (17 per cent). Subsidised housing is subject to *Limited Profit Housing Law*, which regulates the calculation of cost rent, the 'right to buy' (after 10 years for tenants who contribute equity) and maintenance.

Table 4.9: Private rental policy developments by country

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Facilitating private rental investment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Loans for improvement		✓	✓		✓	✓						✓
Improving quality		✓			✓						✓	✓
Residential tenancy regulations	✓			✓	✓	✓		✓		✓		✓
Rental allowances	✓			✓	✓	✓	✓	✓	✓		✓	✓
Securing/improving rent revenue to stimulate supply					✓			✓				
Tenant protection						✓	✓	✓	✓	✓	✓	

Belgium

The private rental sector accommodates 16 per cent of households in Belgium. There are no housing allowances – only a very limited system of housing grants allocated to a very small number of households moving from substandard housing per year. There is no system of rent control for new contracts in the private market but certain conditions for increasing rents do apply during existing contracts. There are quality standards and poor-quality housing is taxed: the owner is required to renovate and, in rare circumstances, may lose the property via compulsory acquisition. The tax system and favourable VAT rates promote investment in new housing and renovation, whether in the rental or ownership sector (Winters 2005).

There is an active debate in Flanders about the desirability of a limited housing allowance system to expand the capacity of the government to influence housing outcomes for households in need. The idea being considered is similar to a scheme developed in New South Wales in the 1980s, whereby rental subsidies are directed to intermediate organisations (in Flanders, ‘social rental agencies’) whose roles are to match priority households to appropriate homes and provide tenancy services. For their part the private property owners would not have to undertake property and tenancy management and receive a guaranteed rental income stream as an incentive for providing their housing to the intermediate agency. This plan is being proposed as one immediate way of increasing the supply of rental housing but not as a substitute for longer-term investment in social housing (Elsinga, personal communication 2006; Winters 2005).

Canada

The sizeable private rental sector in Canada (28 per cent) has not been a focus of national housing policy since the 1990s, in keeping with the devolution of most housing responsibilities to lower levels of government. Under subsequent policies that focused strongly on home ownership (see section 4.1), Canadian renters and owners became more economically polarised and housing affordability was exacerbated by inadequate rental assistance and a lack of investment in expanding supply across the private and social sectors (Hulchanski 2001). Partly in response to these issues, new national strategies for addressing homelessness and affordable housing have emerged in recent years (see section 4.2).

Under separate agreements with the provinces (Housing Renovation Program Agreements), financial assistance, usually in the form of forgivable loans, is available to private owners and landlords for preserving and enhancing the appropriateness of the existing stock of housing. Program areas covered include: renovations and repairs to owner-occupied and rental properties, and rooming houses to meet minimum standards; conversions of non-residential property to housing for lower-income households; modifications to homes for people with disability; housing adaptations for seniors renting or owning; emergency repairs and repairs and improvements to emergency shelters for women escaping domestic violence; and other target groups. Different eligibility and regulatory requirements apply to each sub-program. Typically, residents must meet income criteria and, in the case of rental properties, rents must be kept affordable following repairs for an agreed period (CMHC 2006b).

The Canadian Mortgage and Housing Corporation (CMHC) also influences access to finance for rental housing through its mortgage insurance role. In response to criticisms that the commercial operating goals of CMHC have impeded investment in new rental housing, rules for new loans for rental investment have gradually become more flexible and some fees have been lowered (Pomeroy et al. undated). As well,

CMHC waives mortgage insurance premiums for rental projects addressing greatest housing needs, where rent levels are accessible for social housing applicants (CMHC 2006b).

Denmark

The private rental sector comprises 18 per cent of the housing stock. Two types of individual housing benefits are available: rent allowance granted to pensioners; and rent subsidy for non-pensioners (Ministry of Housing and Urban Affairs 1999). Most private rental stock is subject to rent regulation, although newer stock (built since 1991) is not regulated and landlords of renovated older stock can raise their rents more substantially. Rent control is based on cost-based rents, allowed for a return on capital of from 7 to 14 per cent (DEC 2001). The market presence of social housing moderates rent levels across the entire market.

In recent years, there has been a radical overhaul of the Danish housing system, aimed at encouraging greater private investment, 'balancing' private and subsidised development and increasing the supply of rental housing through new construction. New policy mechanisms (such as tax credits) are being employed to promote private sector roles in financing and constructing mixed tenure (private and social rental, and owner occupied housing) developments and other forms of rental provision (e.g. roof top rental housing above owner occupied dwellings) (Ball 2005). Legislation now allows public subsidies to go to private companies.

France

The French private rental market comprises 21 per cent of housing and consists of unfurnished, furnished, and (since 1948) rent-controlled dwellings (CECODHAS 2006a). In general, private rental housing is of a lower standard and houses lower-income clients than social rental housing. Under the rent control regime, market rents are established at the beginning of a tenancy and then increased according to a national rent index (Laferrère and Le Blanc 2004). Tenants are entitled to receive means-tested housing allowances, which vary with family size and the proportion of income dedicated to housing costs.

In France, investors in private rental housing may gain access to subsidised loans. They can claim capital depreciation and may obtain a tax credit equal to 10 per cent of the interest paid on a mortgage for two years, up to a maximum amount. The subsidised low-interest loans are part of a protected circuit of finance known as *Livret A*, based on a tax-favoured savings program and tax incentives. There are a number of incentives to encourage the letting of private property. The state has recently begun encouraging private landlords to accommodate people whose income is above the upper income limit for obtaining social housing but not high enough to afford private housing. In return for tax breaks, these landlords must adopt moderate rents for a minimum of nine years. Any housing benefits are transferred directly to the landlord. This trade-off between tax breaks and letting restrictions comprises what is known as the 'private landlord's charter' (SIG 2006).

An incentive to reduce the number of vacant dwellings is the tax levied since 1999 on dwellings deliberately left vacant by their owners for two years or more. Revenue from the vacant dwellings levy is transferred to the National Home Improvement Agency (ANAH), which allocates aid for building work (repayable loans, subsidies). Over €11 million in revenue was raised in the first year of operation. Owners can receive an additional amount, over and above the ordinary ANAH subsidy, for vacant dwellings they re-let following building works completed under the private landlord's charter (SIG 2006). The national government is also making efforts to ensure that older run-down dwellings are not removed from the rental stock, but improved. There

are tax write-offs that apply to the purchase cost and certified professional improvements of these dwellings. Unfortunately, the tax on vacant accommodation seems to have had the unintended consequence of increasing tenancies in poor-quality accommodation (Ball 2005).

Recently, the national government has launched a program to balance the supply of and demand for rental housing in certain areas and also sustain employment in the building sector by encouraging construction in areas under pressure (for example, coastal areas and the Isle de France region near Paris).

Germany

The private rental sector in Germany is substantial, providing 51 per cent of dwellings in a generally relaxed market that is very weak in the East and tightening around major employment centres in the West. Given the prominence of renting in German society, tenant protection is well developed. Private rents are regulated on a regional basis and there are regionally differentiated housing allowances.

Germany built its large private rental sector through a series of post-war subsidy schemes for private investors, which effectively created a social housing system in the private sector. In return for assistance with their initial investment, such as access to subsidised loans and a depreciation allowance, landlords (both corporate and individuals) have been obliged to accommodate tenants who qualify for social housing at a capped rent for the period of their government-assisted mortgage. However, many of the original schemes have now expired and since the mid-1980s there has been a major policy shift away from subsidising supply of rental housing towards allowing increased rents to be offset by targeted rent assistance. As a result, the low-cost rental stock has been reduced substantially and become more narrowly targeted (Busch-Geertsema 2004). Existing stock has been brought into the latest scheme in an attempt to better match existing rental dwellings to need (Haffner, personal communication).

Ireland

Current Irish housing policy aims to enhance the role of the private rented sector by reforming tenancy legislation and promoting increased accommodation supply. This sector provides only 11 per cent of total housing stock but as affordability problems in the ownership sector worsen, private renting is being relied upon more for long-term accommodation.

Landlords are required to register rental dwellings and local authorities have the power to inspect these to ensure minimum standards are met. However registration and inspection rates are low. Failure rates might be expected to be high, as they are generally only carried out on the basis of a complaint. Nevertheless, 51 per cent of properties inspected were found not to meet minimum standards in 2002. Additional resources are now being provided to support this function (Norris and Winston 2004).

To increase the supply of rental accommodation, MITR for financing rental investment was reintroduced in 2001. Interest on borrowings for the purchase, improvement or repair of any rented residential property can be offset against rental income, and tax relief can now be claimed for capital expenditure on refurbishment of rented residential accommodation incurred after April 2001 (Norris and Winston 2004). The stamp duty on houses purchased for letting (9 per cent) has been abolished.

Following deregulation of the private rental sector in 1980, and subsequent sharp rises in rents and tenant backlash, tenant–landlord relations were re-regulated in 2002 (Ball 2005). In order to improve the quality of tenancy, the *Residential Tenancies Act*, introduced in 2004: regulates tenant–landlord relations; introduces a Private

Residential Tenancies Board to oversee the sector and manage disputes; and offers the option of a secure four-year tenancy for households who successfully complete six months of tenancy. Under the latter initiative, there are specified conditions under which a landlord can regain possession, and graduated notice periods for both parties related to duration of tenancy.

Social security recipients may be entitled to receive a supplementary welfare allowance rent supplement to cover a substantial part of the average market rent in their local area. There has been a significant increase in recipients in recent years, many of whom are younger households who do not receive priority for local authority housing. In order to reduce dependence on rent supplement and expand affordable housing options, a new mechanism has been developed for assisting long-term recipients to find affordable accommodation in the private and social sectors. Under the Rental Accommodation Scheme introduced in 2004, local authorities will progressively take over responsibility for procuring new rental accommodation on a long-term basis for approximately 30,000 housing rent supplement recipients transferred to them. A key procurement mechanism for securing additional accommodation will be through long-term partnerships with the private sector to acquire, own and operate dwellings for these recipients using funding transferred from the rent supplement program (Norris and Winston 2004; O'Sullivan 2004).

The Netherlands

Among our study countries, the rental sector in the Netherlands is unusual in being dominated by social landlords, who make up 75 per cent of providers, and highly subsidised and strongly regulated. However, the private rental component has been in decline for decades, as social housing has expanded. The most recent reduction has been caused by the sale of dwellings into the ownership sector to realise capital gains during a boom in housing prices. Currently 12 per cent of dwellings are provided in the private rental sector.

An important pillar of Dutch housing policy since the 1970s has been individual rent subsidy (for private and social tenants). This currently absorbs around €2 billion of annual public expenditure. The subsidy is available to tenants with incomes under €33,000 who rent properties up to a ceiling rent level. The amount of subsidy provided varies by household type and rent level. The operational parameters of the subsidy have been designed to give eligible tenants affordable access to a large proportion of the rental stock.

Maximum rents in the Netherlands (except for very expensive dwellings) are set according to a Housing Evaluation System, which allocates points for the size and quality of the dwelling. Each year Cabinet approves a general rate of rent increases based on negotiations between the government and the major social and private landlords. Rents in the social rental sector are considered to be low by market standards elsewhere and this has helped to contain the cost of what is a comparatively generous housing benefit scheme (Milligan 2003).

New Zealand

The private rental sector comprised 26 per cent of total housing in NZ in 2001. Like Australia, this market segment is characterised by large numbers of small investors, each owning a small number of properties. Uncharacteristically for countries in this study, the sector grew by 35 per cent over the 10 years to 2001 (Jameson and Nana 2004; Thorns 2005).

NZ housing policy has undergone significant change since 1999, from a deregulated marketisation approach supported by housing allowances to a return to supply side

strategies and new regulatory measures. The current Accommodation Supplement, a form of housing allowance, was introduced under the previous regime. Tenants of private housing, as well as eligible purchasers, can receive the supplement based on income and housing cost limits. Both welfare beneficiaries and non-beneficiaries are eligible, depending on income. The supplement covers 70 per cent of housing costs above a floor rent up to a maximum amount in each region. The present government has enhanced the supplement mainly through increases to income limits and rent and price ceilings to better cover high price areas to support working families in a context of deteriorating affordability (Parkin, personal communication). The New Zealand Housing Strategy (2005) also foreshadowed a review of the scheme, which is currently under way. The focus of the review is whether the scheme is meeting its objectives of providing choice of affordable and appropriate housing, and whether it suits present market conditions (HNZC & MSDNZ 2006).

Also following the Strategy, a review of the Residential Tenancies Act is under way and the option of a longer-term tenure alternative to short-term and periodic leases has been floated. Strategic consideration is also being given to the future of the rental market, including questions about what can be done to facilitate long-term renting (such as support for institutional investors or property trusts), measures to improve the quality of rental properties (such as offering landlord incentives), and the need for improved education and advocacy services for tenants and landlords. The possibility of making Accommodation Supplement payments directly to landlords, particularly to assist not-for-profit providers, is also under consideration.

Switzerland

Renting is by far the most significant tenure in Switzerland, at 65 per cent of total stock (including 6 per cent social rental). Tenant relations favour the landlord and rents are tied to the cost of operating and financing developments. If financing costs rise, the landlord can legitimately raise rents and thereby ensure long-term revenue security. Thus investment in rental housing is attractive and the quality of rental housing is relatively high (FOH 2006).

Protection for Swiss tenants against abusive rents and terminations is offered by the Federal Constitution and Swiss Civil code. However, efforts to establish fairer rent-setting procedures have not been supported by two referenda (FOH, 2006; see also Table 2.7).

United Kingdom

In the UK, private rental housing is generally more temporary and of poorer quality than social rental housing. Over the long term, the sector has declined to around 10 per cent of the dwelling stock (much of it furnished), although there has been a slight expansion since 2001 (DCLG 2007). The profile of tenants has swung from older and poorer to younger and more affluent households (possibly experiencing a deposit gap) or foreign workers. Landlords generally own a few properties for secondary income. There are many 'buy to let' mortgages on the market and there has been a recent cyclical expansion of the rental sector (Ball 2005).

The Housing Benefit is the main housing subsidy in the rental sector, assisting low-income private and social renters with their housing costs and supplementing low-level social security payments. It has been provided in some form since the 1930s and is now widely available. Unlike programs operating in most other countries, the UK scheme covers the whole of the gap between the rent that is deemed affordable by the tenant and the property rent. One consequence of this approach is that tenants who obtain work often face the situation of losing this benefit (which is withdrawn quite quickly once income rises) and thereby becoming worse off (Ball

2005). Stephens (2005) and Stephens et al. (2005) provide recent assessments of the Housing Benefit. Experimental changes to the program that aim to address some of these are referred to in section 4.5.

The new *Housing Act* (2004) provides for a mandatory national licensing scheme to tackle inadequate basic facilities and management problems among private rented dwellings and the licensing of private landlords, especially in problem areas. Local authorities carry out inspections. With regionalisation, different policies aimed at the rental sector are emerging. For instance, in England, fiscal incentives have been introduced to encourage renovation of long-term vacant dwellings, and a vacant dwelling tax discount has also been abolished to encourage owners to let their dwellings.

A new area of policy development is Real Estate Investment Trusts. In 2005 the government announced its intention to legislate to allow the introduction of such trusts in the UK (referred to as UK-REITs) to improve the efficiency of both the commercial and residential property investment markets (HM Revenue and Customs 2005). Legislation aims to promote the development of property investment vehicles available to a wide range of investors and to encourage increased institutional and professional investment to support the private rented sector. The key structural features of the proposed model include the following:

- For tax purposes, the ownership of property is separated from the activities that take place on that property, by a ring-fence around the qualifying property-letting business of the UK-REIT.
- The majority (at least 75 per cent) of the UK-REIT's activity is required to relate to the ring-fenced business by reference to both its total income and assets.
- Companies that meet the UK-REIT eligibility criteria as set out in legislation will not pay corporation tax on qualifying property rental income or qualifying chargeable gains that relate to the ring-fenced business (HM Revenue and Customs 2005).

United States of America

Thirty one per cent of all households in the USA rent their housing (including about 2.5 per cent that remains as public rental). The main form of assistance to low-income renters is the Housing Choice Voucher program (also known as Section 8), which provides a voucher for the difference between a tenant contribution (usually set at 30 per cent of assessed income) and approved local area median rents. Approximately 1.8 million low-income families were receiving vouchers in 2006 at a cost of US \$15 billion (HUD 2006b). The allocation of vouchers is budget (not demand) driven. As the program budget is modest and has not been increased over many years, many millions of eligible households do not receive this assistance (Landis and le Gates 2000).

The Department of Housing and Urban Development's current policy objectives in the realm of rental housing include: expanding access to decent affordable rental housing; improving delivery, management accountability and physical quality of public and assisted housing and reforming the voucher program; improving housing opportunities for the elderly and people with disabilities; and promoting self-sufficiency. The actions to be undertaken towards achieving these goals are outlined in the draft HUD Strategic Plan (HUD 2006b).

4.3.2 Overview

Policy approaches to national private rental markets are diverse and, as we have shown, the study countries operate a mix of regulatory instruments, subsidies and incentives in that market. Overall, expenditure on housing allowances has dominated the policy approach for the past two decades in most countries. However, as a trend for the sector to become more important as a long-term tenure for low-income households develops, active policy changes to support this sector have emerged. These directions, which are most developed in Ireland, the UK, NZ, Denmark and France, include securing investment through revenue measures (e.g. rent deregulation) and fiscal incentives, improving tenant protection and improving quality in the sector.

4.4 Reinventing social rental housing

Historically, social rental housing has played different roles across the regions included in this study. In most of the European countries (with the exception of Belgium and Switzerland), and particularly in the second half of the twentieth century, social rental housing has become a significant tenure offering secure, affordable housing to a mix of income groups. On the other hand, in most of the Anglophone countries (with the exception of the UK, until recently), social rental housing has served as a supplementary tenure to home ownership and usually has been provided on a more targeted basis to low-income households and those with special needs. As a result of these different goals, the social housing systems represented in this study vary considerably in size and profile (see Table 2.1).

With the ascendancy of neo-liberalism and widespread shift to more market-oriented national housing policies from the 1980s, every country has scrutinised and debated the role of social rental housing in its national policy. During this phase many countries stopped growing their supply of social rental housing and some with larger stocks (UK, Germany, USA) reduced those substantially through privatisation, deregulation and redevelopment processes. Accompanying stagnation or downsizing of the sector, policies to better target social rental housing to those in most need have been given greater emphasis in most places. Despite large increases in outlays on housing allowances, tenant rents in the social sector have also increased significantly as housing costs have risen, older or poorer-quality stock has been upgraded and fiscal constraints imposed by governments have led to direct funding cuts or contained growth in supply side subsidies.

In our review of the latest developments in policies affecting this sector across the study countries, we have found some signs of resurgence in policies aimed at sustaining social rental housing into the future. This is partly in response to the intensification of social problems, such as homelessness and socio-spatial exclusion, and also declining affordability in housing market sectors, where the limits of ownership for lower-income households have become more apparent. There is also an assortment of other reforms that seek to address challenges raised by past practice (such as poor management and poor-quality stock) and the residualisation of the sector (such as tenure polarisation, spatial segregation and poverty neighbourhoods). This resurgence of interest in social housing suggests that national (and, in some countries, regional) governments are again being forced to review their housing goals, especially to support economic development (for example, through the provision of affordable housing) and to redress the rising social and civic costs of spatial segregation, homelessness and urban decay.

A key trend underlying the evolution of traditional social rental housing systems has been growing diversification of approaches to the ownership, financing, subsidisation

and management of social rental housing. Moreover, the extensive changes in the role of central, regional and local governments in housing means the distinction between traditional social rental housing and other forms of government enabled and regulated rental housing is becoming increasingly blurred. This situation makes cross-country comparisons more complex. In this section we focus on initiatives in established social rental housing systems. Sections 4.2 and 4.3 have dealt with what can be viewed as complementary strategies by national governments to enhance rental housing supply, quality and security in the private and/or affordable rental sectors.

For the purposes of this section, we have taken four factors as defining characteristics of contemporary social housing: provision of subsidies in some form (either capital or recurrent) for the supply and/or renewal of housing assets; having providers whose policies are publicly regulated and whose performance is monitored; the use of non-market allocation mechanisms that assist the access of specified target groups (e.g. low-income, special needs, homeless); and the adoption of rent policies that contribute to affordability objectives. These characteristics can be found among a diverse group of providers who may include government-controlled agencies, special-purpose vehicles, not-for-profit organisations, housing cooperatives or private companies. Increasingly, having a mix of public, not-for-profit and for-profit providers is typical both within and between countries.

In previous chapters we have described the social housing sector in each of our study countries. In this section we focus on recent developments in those countries that have been active in reforming and/or restoring their social rental housing systems. The reforms we have identified appear to have several underlying objectives, though not all objectives apply to all cases. The main aims of recent reforms include:

- To prevent further spatial segregation and halt the process of residualisation of social housing that is recognised as having contributed to declining client and community outcomes;
- To address sharp reductions in production of lower-cost stock by market and not-for-profit agencies;
- To enable a rapid response to shortfalls in housing production in the general market;
- To drive efficiency, performance and accountability of diverse social housing providers; and
- To respond to growth in households with special needs – especially those seeking refuge, older people and mental health clients.

Reforms responding to one or more of these issues across countries can be categorised into a number of broad areas, which are set out in Table 4.10.

Table 4.10: Social rental housing key policy developments by country

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Investment in new supply	✓	✓		✓	✓		✓	✓	✓		✓	✓
Proactive asset management /reconfiguration			✓		✓		✓	✓			✓	✓
Government driven service reforms				✓			✓				✓	
Firmer tenant responsibilities							✓				✓	
Enhanced regulation and performance monitoring			✓				✓		✓		✓	✓
Financial sustainability of main providers improved			✓					✓	✓		✓	✓
Emphasis on integration of new social housing in existing areas	✓	✓		✓	✓		✓	✓			✓	

Below we consider contemporary approaches to key dimensions of a social housing system, using the policies of selected countries within our study group as illustrations. The section concludes with a comment on recently issued good practice guidelines for modern social housing systems, which have been developed by the United Nations Economic Commission for Europe (UNECE).

4.4.1 Supply

Traditionally, social housing supply was funded primarily through the provision of low-cost public loans and/or grants. Since the 1980s, this kind of housing subsidy has been severely curtailed in most countries. This has occurred in the context of both perceptions that supply shortages had been substantially overcome and constraints on government spending imposed under broader national macroeconomic policy settings and pan-national agreements, such as the Maastricht Treaty. This situation has tended to result in static or declining social housing systems in most countries.

However, deregulation and internationalisation of financial markets over the same period has also provided a flow of private loans for countries that wished to continue to add to their stock of social housing and/or finance major improvements. To take advantage of this opportunity, governments in some countries, notably the Netherlands, France, Denmark and the UK, have provided substantial subsidies to lower-income tenants who otherwise could not afford the higher rents associated with private financing of supply. They have also adopted other measures, including government guarantees, tax concessions for providers and supplementary grants, to promote continuing investment in social housing (see Milligan 2003 and Berry et al. 2004 for more details).

Recently, to respond to affordable housing shortages and the increasing difficulty that many lower-income households face in accessing home ownership, policies to supply additional social housing have been reinstated or expanded in Ireland, England, France, Belgium, Austria and NZ. In addition, the Dutch government is exploring the independent and wealthy housing associations sector in the Netherlands to invest more in new social housing to help counter a downturn in housing market activity. The USA retains programs (section 202 and 811) for financing the construction of affordable homes (with support) for elderly households and people with disabilities, respectively (HUD 2006b). While investment in new construction is very modest and, therefore, unlikely to result in significant real growth in social housing (i.e. after taking into account household growth rates and sales/demolition of existing stock), the return to some supply side subsidies represents an observable shift in housing policy thinking, away from the reliance largely or solely on demand side measures (especially housing allowances) that has dominated the past two decades.

The two countries in this study that have experienced the most significant decline in their social housing systems are England and Germany. In England, sales to tenants under the 'right to buy' program and demolitions have reduced the size of the sector from about 30 per cent of total dwellings in 1980 to 18 per cent in 2005 (Pawson 2006). In Germany, where a 'social market' policy model applied, regulated and subsidised private landlords historically provided a high proportion of (time limited) social housing. However, as subsidies for new investment have been cut back and subsidies for the existing stock have expired, the numbers of social housing units have shrunk rapidly. There have also been large-scale demolitions of poor-quality former state housing in the East and sales of municipal housing companies to reduce municipal debt. The net result is a substantial drop in social housing from about 20 per cent of the stock in the West in the late 1960s to around 6 per cent overall today (Busch-Geertsema 2004; Haffner, personal communication).

4.4.2 Renewal and social inclusion

Renewal of existing stock is a major need, and a large and increasing public and private expenditure area. This is a much bigger task in many places other than Australia because of the small size, low quality and multi-unit form of much international social housing. Consequently, many countries have separate funding arrangements for improving their existing social housing.

In some countries (UK, USA, Ireland, Netherlands), renewal efforts have been directed to social housing. In others (France, Canada), private housing may also be involved. In the former cases, the driving aim is to break down concentrations of social housing that have come to be associated with poor community and individual outcomes. Unlike most of Australia's social housing, many of the estates comprise mostly high-rise, high-density flats.

Similarly to Australia, however, it is common practice for redevelopment to involve the replacement of mono-tenure social housing estates with mixed-tenure estates. One large-scale initiative has been the HOPE VI program in the USA, which, as discussed in section 4.5, has resulted in the demolition of a significant proportion of public housing in socially distressed areas. In the USA, replacement of public housing is often not provided off-estate; rather, displaced tenants are given vouchers to enable them to move to private housing in another neighbourhood. In other cases, notably France, the Netherlands, UK and Ireland, the demolition and/or upgrading and privatisation of social housing has been accompanied by other planning and funding strategies to promote the supply of alternative forms of affordable housing in new residential developments. For example, in France, changes to the Town Planning Outline Act were made in 1991 to try and achieve a more even allocation of social housing across communes (local neighbourhoods). Under this reform, a minimum quota of 20 per cent social housing was made mandatory for all communes in cities of more than 50,000 inhabitants (SIG 2006). In 2000 the Urban Solidarity and Renewal ACT strengthened these provisions, including an objective to achieve the target over 20 years and penalties for non-complying communes (Blanc 2004).

Recently, the USA has also strengthened the capacity of public housing authorities to borrow on capital markets or issue bonds for their stock improvement needs by providing capital funds as collateral or debt servicing (HUD 2006b).

In a major national drive in this area in 2000, the UK government announced its goal of bringing all social housing up to the decent homes standard by 2010 by encouraging the use of a mix of public and private investment channelled through housing associations, stock transfer associations and municipal arm's length management companies. Four core elements of the standard to be addressed are disrepair, fitness for habitation, modern facilities and thermal comfort (DETR 2000). Up to 2.2 million social housing dwellings were estimated to not meet the standard in 1997. The initial focus has been placed on the worst housing in deprived areas and the program has been extended to some private dwellings housing vulnerable households. So far restorative and/or preventative work has been carried out on 3.6 million dwellings. Recently, the guidelines have been revised to strengthen progress towards the target and to encourage social landlords to integrate their decent homes activities with two other key tenets of UK social housing policy: the provision of additional social housing and the creation of socially mixed communities (DCLG 2006).

There is a large and growing evidence base concerned with the effects of estate renewal, which cannot be explored in this study. (For a useful overview of empirical

research from the UK and the Netherlands on the social outcomes of estate restructuring, see Kleinhans 2004.)

4.4.3 Eligibility, allocations and income mixing

Increasing demand for more affordable housing and dwindling low-rent supply have meant that means testing of access and more intensive targeting of available social housing to the neediest households has become the prevailing regime in most countries. It is notable, however, that these processes have had a very different impact on smaller and larger social housing sectors.

Countries with larger sectors, such as the Netherlands, Austria and France, have been able to retain an income mix among their social housing tenants that has helped to protect the financial viability of providers, maintain political support for social housing (through contributing to both financial independence and a broader resident constituency), reduce the spatial segregation of disadvantaged households, and provide a degree of self-financed renewal and new construction. In the Netherlands, the already comparatively broad target group for social housing has been expanded recently to acknowledge the difficulties in affording home ownership faced by an increasing proportion of households. In France, eligibility limits for social housing still provide access for two-thirds of the population (SIG 2006). Income mixing has been maintained partly through the provision of significant nomination rights for employees (typically up to 30 per cent), whose firms contribute a share of their payroll to the social housing sector (see section 4.6).

In smaller systems, means testing and targeting have increased housing management costs and socio-spatial segregation, with significant flow-on effects to other government programs and services. Subsequently, some countries with small sectors, notably parts of the USA, have deliberately reintroduced income mix into their housing allocation policies to try and offset the negative social impact of heavy targeting. A similar approach is under discussion in Belgium.

The growing scarcity of affordable housing, and political and community expectations that the neediest households should be assisted first in taxpayer-subsidised housing, means that residualisation has intensified in social housing sectors. In Anglophone countries with safety net approaches to welfare and a dual tenure system, this trend is more extreme than in Western European countries that tend to embrace more universal welfare philosophies and operate a unitary rental market. Nevertheless, even European countries with larger income mixed systems have experienced residualisation in the poorest parts of their sectors (i.e. estates with low-quality or unpopular housing and/or in poor locations). Some indication of the extent of income mixing in social housing in selected European countries is given by the data in Table 4.11, which also shows that there is not a direct relationship between size of sector and residualisation. Therefore policy factors are important.

Table 4.11: Social housing tenants with income in lowest 50 per cent of the income distribution as proportion of all social housing tenants (1990s)

	<i>Social housing^a (%)</i>	<i>Households below median income^b (%)</i>
Belgium	6	72
(West) Germany	6	68
France	17	64
Netherlands	35	70
UK	20	84

Notes: a. Data on social housing is more recent than data on income mix.

b. The comparable proportion in Australia is estimated from available data to be around 90 per cent (AIHW 2005).

Source: Van der Heijden and Haffner 2000, p. 86 and Table 2.1.

Increasingly, countries with heavily stigmatised social housing areas, such as France, England and Scotland, are adopting stronger cohesion and social integration strategies (as discussed in section 4.5) designed variously to stabilise existing communities, prevent future problems, improve 'problem' areas or create social mix in new or renewed communities. For example, in England, community lettings policy allows for a share of rentals to specified groups other than those in acute need on individual social housing estates. Groups offered housing may be those who are economically active or those who through their skills and participation are judged to be able to provide additional benefits in the local community (Griffiths et al. 1996). Social housing agencies throughout Europe are also placing more emphasis on their role in promoting training and job initiatives for existing residents, although how significant the benefits of this approach are has not yet become apparent (Blanc 2004).

4.4.4 Financial viability

The financial problems of the existing Australian social housing system (Hall and Berry 2004) seem to be more acute those of most of the other countries in this study. In Australia, a combination of tight targeting to very low-income households and no provision to directly subsidise the housing costs of public tenants has resulted in a situation where most state housing authorities cannot meet their operating costs from their existing revenue. This has produced major distortions in the public housing system, including under-maintained assets and the diversion of national subsidies intended for growth to defray provider deficits. Over the past decade, public housing rents have also been increased significantly in Australia (over 25 per cent in some jurisdictions) to help offset this problem.

For several countries in our study (Netherlands, UK, Germany, France) operational viability is addressed (partly) indirectly, through the provision of personal housing allowances to eligible low-income households living in social housing¹⁰. Allowances typically take account of household income, household type/size and the rent charged by the provider, which in most social systems is moderated by the social goals of providers (or by regulation) and by any fiscal benefits that accrue to them as (mostly) not-for-profit agencies. In other cases (USA, Canada, NZ), central governments give

¹⁰ Providers may also be receiving ongoing subsidies for past commitments to the acquisition of housing, especially where loan finance (rather than capital grants) was involved. In countries with larger social housing systems, economies of scale, income diversity and the accumulation of surpluses over time have also assisted viability. In the Netherlands, the financial independence of the housing associations (secured in 1995) drives a more commercially focused, risk-based approach to management (see Milligan 2003).

social housing providers revenue supplements from central budgets to ensure the stability and continuity of the existing sector. Such operating subsidies are separate from any subsidies that may be provided to support new supply. They are calculated to cover the gap between the rent affordable by low-income tenants and provider costs (USA, Canada) or market rents (NZ). Following a report of the Harvard University School of Design, a new formula is being introduced in 2007 in the USA, which calculates federal subsidies to public housing authorities on the basis of the performance of individual properties (known as 'asset-based funding') rather than on an organisational basis. The new formula is intended to create incentives that will drive resolution of revenue problems associated with high-cost or obsolete properties (HUD 2006b).

Denmark operates a project-based historic cost rent system, where rents are related to the recurrent costs of each housing project that is developed but indexed over time. Where rents are considered too high for tenants to afford, providers may receive subsidies (e.g. to assist with interest payments on their loans) and tenants have a say in rent adjustments and the amounts reserved for maintenance (Boelhouwer 1997). Although rent is tied to project costs, rent paid by social housing tenants is not reduced when mortgage loans expire. Instead the proceeds go towards local and central funds (the National Building Fund) and are used by not-for-profit housing associations for renovation and upgrading of older housing stock. Funds are projected to reach €34 million in 2008 and to grow substantially to €256 million in 2019. (Section 4.6 refers to possible changes to this policy.)

In Austria, the continuing emphasis on subsidising an adequate supply of housing is claimed to have assisted in limiting the need for housing allowances, while keeping overall housing expenditures comparable with other countries. An interesting feature of the Austrian system that promotes viability is that tenants are encouraged to take equity in their housing and after 10 years have a right to buy. The situation in Belgium is similar to that in Australia. Social housing rents have been kept low for very low-income households, but quality and viability issues are now surfacing in the social rental sector (Winters 2005). Finally, Switzerland has an extensive system of regulated rents that applies to the large private rental sector and to social landlords who also receive subsidies necessary to keep their rents affordable (Ball 2005).

4.4.5 Service monitoring and improvement

Development of monitoring frameworks and performance standards to drive service improvements in social housing is an emerging priority. Typically these functions are the responsibility of a national or regional agency, which is independent of housing providers. For example, the NZ government expanded the role of the Department of Building and Housing to include an oversight role in relation to the performance of Housing New Zealand, the public housing corporation. In the UK the Audit Office has traditionally monitored local housing authorities and the Housing Corporation has monitored RSLs. This separation is currently under review, with a view to achieving a streamlined and more consistent regulatory framework. In the USA, HUD places a strong emphasis on improving physical quality and management accountability in state-based PHAs, by employing a wide range of incentives and monitoring tools to achieve specific improvement targets, with a focus on efficient property-based management, housing improvements and estate renewal (HUD 2006b). Similarly in Ireland, the Department of Environment and Local Government has introduced a mix of enabling mechanisms and enforcement measures to drive improvements in the management and quality of public housing provided by local authorities. While the focus of management initiatives was initially relatively narrow, concentrated on improving tenant participation in management functions and localised management of

disadvantaged estates, a broader and more strategic agenda for service reform is being pursued gradually (Norris and O'Connell 2002; Norris and Winston 2004).

4.4.6 Intergovernmental roles and delivery mechanisms

Among our selected countries, responsibility for the funding and policy framework for social housing depends in part on whether a federal or unitary system of national governance operates. In unitary systems (see Table 2.3), overall responsibility remains at a central level, although delivery mechanisms are increasingly likely to be diversified (see below and section 4.6) and there is growing promotion of partnership approaches and regionally differentiated policies – for example, to enable investment in social housing in growth areas and the restructuring of social housing in declining areas (e.g. the former East Germany, north England, Baltimore USA). In the federal systems of Austria, Belgium, Germany, Switzerland, Canada and the USA there has been a trend to devolve lead responsibility for social housing to state or provincial level. However, the US and Canadian governments remain involved in the funding of operating subsidies for social housing providers and in providing some funding or fiscal incentives for additional investment. Some federal systems (for example, Belgium) retain national legislation such as pertaining to rights to decent housing. Alongside devolution, Austria has a national regulatory and monitoring regime for not-for-profit or for profit providers of subsidised housing. The national government also has a continuing influence over regional housing policy via regular intergovernmental budget negotiations.

From an Australian perspective, Canada has an interesting trajectory of shifting federal/state roles in providing social and, recently, affordable housing. Until the 1990s, Canada operated a system of negotiated housing agreements between the national government, represented by the large Canadian Mortgage and Housing Corporation (CMHC), and the 13 Canadian provinces and territories. As for Australia, agreements involved federal funding for existing and new social housing on either a unilateral or a cost share basis. After an unsuccessful attempt at constitutional reform that would have made housing the exclusive domain of the provinces/territories, federal funding for additional social housing ceased in 1993. In 1996 the federal government announced it would transfer the administration of most federal social housing programs to the provinces/territories, ending 50 years of direct federal involvement (Hulchanski 2003b). The new agreements capped federal funding for housing on a diminishing basis over 30 to 50 years, thereby making no provision for replacement of the existing stock. However, major community concerns about affordability and homelessness have influenced the federal government to return to a national housing initiative for homelessness in 1999 and an affordable housing initiative in 2001 (see section 4.2). This approach is examined in more detail in section 5.4.

Regions in this study have adopted different approaches to the delivery of social housing in the past. Anglophone countries have tended to favour public authorities operating at a municipal (UK, Ireland), regional (Canada, USA and Australia) or national level (NZ) as the main providers. Western European countries have tended to favour specialised and regulated arm's length providers (housing associations, limited-profit housing construction companies, arm's length municipal housing companies). Germany opted mainly for a system of regulated private provision. Table 4.12 summarises the main delivery arrangements that apply today in the study countries.

Table 4.12: Providers of social/affordable rental housing

	<i>Provider types and scale (where available)</i>
Australia	Public housing authorities (85%) NGOs (8%) State- and community-managed Indigenous housing (7%)
NZ	Housing New Zealand Corporation (83%) Some municipalities Very small not-for-profit sector
Canada	Not-for-profits; co-ops (two-thirds of social housing) Provincial housing authorities Municipal housing companies (Toronto, Vancouver)
USA	Private and not-for-profit owners (69%) Public housing authorities (31%)
Germany a	Regulated private landlords (institutions and individuals) Municipal housing companies (est. 18%) Other housing companies Not-for-profit and limited profit co-ops
France	Moderate-rent housing agencies in the HLM sector (92%) Public-private property companies (8%)
Netherlands	Private limited-profit housing associations (99%) A very small share remains in local authorities
UK (England)	Local authorities (54%) Housing associations (46%)
Austria	Limited-profit construction companies
Switzerland	Co-operatives Public authorities Limited-profit housing companies
Belgium	Accredited private housing companies Not-for-profit housing associations
Denmark	Not-for-profit housing associations with either municipal or tenant shareholdings
Ireland	Local authorities 90% Not-for-profit providers 10%

Note: a. Many providers tend to provide a mix of private and for-profit rental and housing for owner occupation.

Sources: Fitzpatrick and Stephens (forthcoming, Table 2.1), SIG 2006, Ball 2005, Boelhouwer 1997.

Notwithstanding historic differences, the common trend now is for diversification and/or privatisation of providers, such as occurs through stock transfers or the sale of former public companies and the shift from government grants and loans to direct capital market financing. These changes are designed to open up the sector to competitive pressures that drive efficiency and choice, and to focus providers on their financial continuity and competitive role in the housing market. The most significant example of restructuring of ownership and governance is found in the UK, where England has moved from 90 per cent municipal provision to having almost equal shares of municipal and housing association landlords (albeit for a much reduced stock base) over the past 25 years (Pawson 2006). Since 2005, access to capital grants has also been opened up to private providers in England. Other countries that have promoted diversification include NZ, Belgium and Ireland. Accompanying restructuring of the existing social housing sector, the clear direction for investment in new supply is towards the mobilisation of independent profit and/or not-for-profit organisations that can mix public and private funding sources, as discussed in sections 4.2 and 4.6. A fuller discussion of intergovernmental roles and responsibilities in housing is provided in section 4.6.

4.4.7 Rents and affordability

While keeping rents affordable is an essential goal of social housing, this is achieved in diverse ways between and sometimes within countries. As discussed above, there are four main approaches:

- Historic cost rents underpinned by capital subsidies for the construction of the housing;
- Current cost rents underpinned by operating subsidies for providers or housing allowances paid to individual tenants;¹¹
- Discounted market rents that can be 'afforded' by low-cost, not-for-profit providers; and
- Income-related rents underpinned by capital and/or recurrent subsidy arrangements.¹²

In addition, many governments, particularly in continental Europe, regulate rent increases for social (and sometimes private) rental housing (see section 4.3).

The way in which rent subsidies are compensated has important implications for the viability of social housing providers and their sensitivities to income mix/targeting. In Australia the use of income-related rents without an explicit subsidy system has meant that providers have become less financially viable as targeting has intensified. Similar problems have arisen under comparable rent/subsidy models in Germany and Belgium. By contrast, in systems where social housing providers are compensated for housing lower-income tenants, they should be indifferent to housing higher- and lower-income tenants, and the composition of the sector (or a particular estate) can become a matter of direct policy, as argued to be appropriate by McNelis and Burke (2004).

Rent restructuring in most social housing systems occurs periodically to reflect market and quality shifts, and inequities between tenants of similar means. However, rising rents have become a general characteristic of social housing systems since the roll back of capital subsidies from the 1980s. It is very difficult to compare the affordability of social housing rents between the countries in this study because different methods of rent setting are used. Using an affordability benchmark measure is one way but valid comparison is marred by the use of different definitions of income, the inclusion of different housing outlays (e.g. heating costs) and by how subsidies are treated in that measure. Broadly speaking, European social housing systems appear to have better affordability outcomes than those reported in Australia, Canada or the USA (see Van der Heijden and Haffner 2000 for recent data on Europe). This could be explained by greater residualisation of Anglophone systems putting pressure on rents, especially as funding has become more constrained (McNelis and Burke 2004). However, more detailed research using robust cross-national data is required, to verify this proposition.

4.4.8 Towards best practice

Given the diverse history of social housing, generalising about good policy and practice in a contemporary social housing system is a significant challenge. Recently the UNECE undertook an assessment with housing experts, policy makers and

¹¹ Note, however, that cost rent levels depend in part on how finance is provided.

¹² More detail on rent setting in individual social housing systems in the UK, Germany, the Netherlands New Zealand, Denmark and Canada has been provided in previous AHURI-funded research (McNelis and Burke 2004).

providers of long-standing experience and practice across two dissimilar groups of countries – developed countries in Western Europe and Eastern European countries in transition – as a basis for developing broad national guidelines on social housing.

The resultant Guidelines on Social Housing are intended to:

enable policymakers to assess the various policy options that are currently available for the provision of social housing. The Guidelines address the institutional, legal and economic frameworks for social housing and experience with social housing design. They analyse the role of social housing policies for society at large. In particular, they include relevant and well-researched information on instruments available for the financing and provision of social housing (UNECE 2006, p. v).

In the context of the forthcoming review of the CSHA in Australia, the guidelines provide a well-informed comparative perspective on, and valuable checklist for, considering the role of a contemporary social housing sector. They promote the development of a national strategy to determine how to balance the need to maintain and improve the existing stock of social housing and to develop new stock for renting and owner occupation in a particular national context, subject to local housing market characteristics and developments. Because of the complexity and diversity of issues in a social housing system that require specialised and often localised attention, emphasis is placed on increasing cooperation between levels of government and fostering the engagement of a wider range of private and not-for-profit organisations. A broad-based (though not necessarily large) social housing sector with a diverse dwelling stock and differentiated resident profile is also favoured, to prevent stigmatisation. To contribute to social inclusion, the importance of integrating social housing policies with urban planning, transport and employment policies is also highlighted (UNECE 2006).¹³

As this study was being completed, a major report on the future of social housing in England in the twenty-first century was also released (Hills 2007). While in many detailed aspects the report is specific to England, it has wider applicability because of the issues it raises (such as income and tenure mixing, tenant mobility and tenant livelihoods) and the ideas it develops (such as many more kinds of subsidy options, more genuinely mixed housing estates and broadening employment-related strategies and options for social tenants), in the context of the common challenges facing national social housing sectors. It is mentioned in passing therefore as a catalyst for more debate about a positive future for social housing tenants, which was the author's main aim.

4.5 Promoting housing and neighbourhood sustainability

Sustainability as an overarching policy goal has many dimensions, including generating positive community dynamics, securing employment opportunities, improving environmental standards and energy conservation. While housing policies alone do not create sustainable or unsustainable living environments (Arthurson and Jacobs 2003), the institutional and regulatory framework of the housing system can generate intended or unintended outcomes in a dynamic market context. For example, rent-setting policies and the application of subsidies influence the ability to pay housing costs but may also create poverty traps. Allocation policies may address highest needs but at the same time may concentrate or disperse disadvantage, depending on stock configuration and location. Tenancy law may promote security but impede investment in rental supply (Arthurson and Jacobs 2003).

The system of housing supply, allocation and maintenance is integral to the quality of living environments, which vary a great deal between and within the study countries.

¹³ The guidelines can be downloaded at http://www.unece.org/pub_cat/topics/hs.htm.

For example, consider the USA, where serious inner city dilapidation exists alongside gated high-quality estates, or France where (illegal) migrants are often concentrated in poor-quality, overcrowded private rental apartments whilst a 'second homes' market booms for foreign nationals. Over the past decade, central government departments concerned with housing and urban affairs have placed increasing emphasis on creating socially inclusive living areas, improving employment and educational opportunities for disadvantaged groups to support more vibrant and sustainable urban economies, and reviving older housing estates, especially in European countries.

In 2000 the Council of the European Union agreed upon a strategy of sustainable economic growth providing more and better jobs, eradicating poverty and promoting greater social cohesion. The Council has since steered the development of National Action Plans (NAPs), which have become a catalyst for a raft of policies and legislation in the 25 member states. There has not been a similar mobilisation of effort in North America.

While national sustainability efforts in Europe extend well beyond housing policies to address health, education, anti-social behaviour, social participation, welfare dependence, employment opportunities and interagency co-operation, in this report we highlight policies that address the relationship between housing markets and sustainability specifically. Such initiatives are centred on the following:

- Social and economic development for targeted households or areas;
- Restructuring of social housing estates;
- Large-scale government-led urban renewal;
- Inclusion and dispersion of affordable housing; and
- Land use planning to steer housing output.

The country-by-country application of these strategies recently is indicated in Table 4.13 and the features of national approaches are summarised below, with a focus on the first three objectives, which have not been covered in earlier sections. Unfortunately it is not possible to convey the scale or impact of most initiatives in a short review, and so the reader is referred to primary documents and other sources for more information.

Table 4.13: Summary of national approaches to urban sustainability and housing markets

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Increase social housing		✓			✓		✓		✓			
Redevelop and mix social housing estates							✓	✓			✓	✓
Social regulation	✓	✓		✓								
Renovation		✓			✓						✓	
Regulate rental sector to improve quality		✓			✓							
Protect tenants		✓			✓		✓					
Support homeless		✓					✓				✓	
Environmental standards	✓		✓						✓	✓		
Address special needs including indigenous groups			✓				✓		✓			
Regulate allocation				✓	✓							
National urban renewal program					✓		✓	✓			✓	
Market mediation for disadvantaged					✓							
Third sector and employment initiatives						✓					✓	
Key role for local government				✓	✓	✓	✓	✓				

Much of the material in the following subsection is drawn from a range of National Action Plans for Social Inclusion and Updates to those Plans from various countries. Rather than listing each of these in the text, we provide a full list by country in Appendix 3.

4.5.1 National approaches

As will become apparent below, different countries have emphasised different dimensions of sustainability and housing in their national approach. In Austria and Canada, sustainability is more often linked with environmental goals, and these countries have pursued more comprehensive energy conservation housing policies. In other cases such as Denmark, the Netherlands and the USA, strategy has centred on the dispersal of poverty and inclusion of higher-income households in urban renewal projects. In other countries (e.g. France, Germany and Belgium), sustainability involves creating positive economic and social dynamics, including via adopting new modes of governance in local communities. Integration of labour markets, health and education services with housing markets and policies has been pursued most comprehensively in Ireland and the UK.

Austria

In Austria the central political concern in current housing and urban policy is the environment. Austria has signed the Kyoto Protocol and committed to reducing greenhouse gas emissions by 13 per cent from 1990 levels. Building regulations lie within the authority of Austrian provinces, resulting in nine different building codes that apply to the modernisation or replacement of existing buildings. These regulations have been amended to encompass energy performance and carbon emissions. Amendments concerning thermal efficiency alone are estimated to contribute 15 per cent to the 2008/12 targets (Odyssey Project 2006).

Austria is also promoting greater social inclusion in housing. Although there is a strong role for the social housing sector in Austria, especially in major cities, historically migrants have not benefited from this housing resource. Before 2003 foreign nationals were excluded from social housing and became concentrated in certain districts with small, lower-quality private rental dwellings. European directives against discrimination have made this illegal and new national laws were passed late in 2003 against racism and towards equality in housing and employment.

However, in recent years, Austria has shifted towards a more restrictive stance against immigrants and immigration, fuelled by a fear of uncontrolled immigration from Eastern Europe. A policy of integration (through nationalisation) before new migration has been promoted and a suite of new legislation has been passed, weakening the position of non-Austrian long-term residents, restricting opportunities for family reunion and work entitlements, and increasing the risk of expulsion (EMC 2004a).

Earlier Austrian strategies to promote social inclusion and reduce poverty outlined a new system for accommodating, dispersing and caring for asylum seekers, phasing out large homeless hostels and replacing them with special-needs accommodation, and establishing emergency housing for short-term residents in crisis. However in more recent reports, housing policies do not feature prominently. The appendix to the 2006 Report briefly mentions programs to prevent eviction and guarantee housing in a number of Austrian Länder (states within the country).

Belgium

In Belgium, poorer households are concentrated in the major cities, where employment opportunities and networks are strongest. These households include many ethnic minorities from former colonies such as Congo, Rwanda and Burundi, as

well as Morocco and Turkey, and new migrants and asylum seekers. Typically, recent migrants are concentrated in the poor-quality private rental sector, with some living in the social housing sector.

Since the mid-1990s, Belgium's policy on social integration has been dominated by the goal of integrating and 'inserting' existing migrant groups, notably from Morocco, into the host society via social compacts, but there are considerable regional differences. For example, the city of Mons (Wallonia) established a system of Security and Social Contracts against crime and towards greater social cohesion. These contracts involve locally initiated and regionally funded projects and are supposed to be elaborated, executed and evaluated with the active participation of the host population. This system of contracted projects has become commonplace in Belgian cities since 1993.¹⁴ In Flanders, however, much greater emphasis has been placed on emancipation, social inclusion and participative governance structures (EMC 2004b).

Belgium's National Action Plan for Social Inclusion and Poverty Reduction 2003–2005 mentions a number of new housing policy initiatives, which are also regionally differentiated. They include: a review of national taxation measures affecting housing costs and investment in renovation works; considerable increase in social housing, particularly in Flanders; subsidies for establishing local social housing rental offices; establishment of a forum for social tenants and their landlords; establishing fines for exploitative landlords and laws protecting tenants, including caravan residents; and planning measures to improve security of caravan residents. Flanders also has a new system to register the homeless and enable their access to social support. In Wallonia, a system for registering, supporting and evaluating the quality of emergency housing has been established by not-for-profit organisations.

Canada

Canada's national strategy for social inclusion and reducing poverty via housing policies is less prominent than in European countries, although information on particular programs with a bearing on social inclusion is available.

There are some CMHC programs that support more diverse housing options and ageing-in-place policies, particularly relating to the physical improvement/modification of dwellings. These were described in section 4.3.

Specifically for First Nations Canadians, CMHC provides financial assistance for on-reserve building or rehabilitating not-for-profit affordable rental housing, repairing substandard dwellings and making them accessible for people with disabilities. To assist young Aboriginal people towards self-sufficiency, on-the-job training in the housing industry is provided. Other capacity-building programs develop more general housing-related skills. A program entitled Native Inspection Services Initiative contracts out all on-reserve inspections to First Nations service providers.

Formerly, energy conservation was a prominent CMHC policy concern, with various programs promoting more energy efficient buildings to reduce greenhouse gas emissions. These included the five-year CA\$500 million 'E' housing initiative to assist about 130,000 households to retro-fit their homes. This successful high-profile program has ceased operation under the new national government.

At the provincial level, some city governments have made a name for themselves in sustainable urban planning and housing policies. For example, Vancouver's public investments have been praised for producing renowned urban success stories. The

¹⁴ More on this initiative can be found online at <http://www.toolkitparticipation.nl/cases/10>

multi-tenure False Creek development and brown field redevelopment of Granville Island as an arts and market precinct are considered among the world's best planning practice. These developments were funded partly through the city's own property investment fund and CMHC loans.

Denmark

According to the European Commission against Intolerance and Racism (ECRI), members of various ethnic minorities living in Denmark face problems when renting housing because of market conditions, housing restrictions and indirect discrimination. Typically they can access social housing only in poorer suburban neighbourhoods. Consequently, there are disproportionately high numbers of first- and second-generation immigrants in certain neighbourhoods (ECRI, quoted in EMC 2004c).

Denmark is one of the most ethnically homogenous countries in Europe. In recent years there has been rising debate about migrants and their role in Danish society. Policies on migrants have become increasingly restrictive in a climate of fear of their burden on welfare resources and intolerance towards different ethnic groups.

In terms of social sustainability, the government aims to reduce and prevent the formation of 'ghettos' in social housing and has introduced a new allocation system to achieve this. It has also established a board to monitor areas and specific integration initiatives, such as special crime-prevention activities, homework assistance and voluntary work, in the most socially disadvantaged housing areas.

While the structure and regulation of the housing market is a key factor, the achievement of social integration is largely the responsibility of local government and individual migrants, via the establishment of individual action plans for every refugee within their municipality. Access to social benefits is conditional on participation in Danish language classes or other prescribed classes (EMC 2004c). Integration councils further oversee the efforts of municipalities.

France

France has a long colonial past and for decades many migrants have arrived from former colonies and French protectorates in South-East Asia and west and north Africa. Guest workers were formerly accommodated in migrant hostels and special purpose-built accommodation, but in recent decades services have been mainstreamed with other 'disadvantaged' groups in social housing. France remains an important destination for many asylum seekers, alongside the UK and Sweden. This places some strain on the housing market, particularly at the lower end. The poor housing conditions of these groups are often compounded by cultural and family characteristics, which can lead to overcrowding (Edgar 2004).

Social exclusion of the disadvantaged (especially migrants and asylum seekers) continues to be a prominent policy issue. It has been tackled via assimilation and inclusion policies, and a housing system offering comparatively wide-ranging subsidised provision and rental allowances to assist low-income households. There has been active expansion of the social housing sector, especially to meet special needs. However, the location of much social housing, sometimes far from current employment opportunities, has exacerbated exclusion processes. Local plans for the homeless, special-needs groups and migrant populations are now required in consultation with these groups, and in turn inform national policy and programs.

France has been very active in the field of social inclusion and urban sustainability over the past decade. The 1998 Act on the *Prevention of the Various Forms of Exclusion* urged local action in government and non-government housing and planning agencies (SIG 2006). In 2002, the *Social Modernisation Act* prohibited

housing discrimination on the basis of race, religion, gender, appearance, sexual preference, family situation, health status, political opinions, or union membership or non-membership amongst other characteristics, conforming with EU directives. There is inspection, regulation and reporting on this matter at a high level (Edgar 2004).

In 2003, a broad National Strategy for Sustainable Development was produced that aimed to reduce energy usage, waste production, restore old buildings including social housing, substitute materials, and classify building products and heating appliances.

In 2004 a National Renewal Agency was established to promote urban renewal in 751 'sensitive urban zones' (through active coordinating mechanisms and subsidy allocation) and to promote measures to improve profitability of rental investment in high-demand areas. Many of these zones are high-rise social housing estates with major problems. Strategies ranging from demolition to physical refurbishment and social programs are being pursued. However, because of the poor location of many estates, tenure restructuring (and private investment) is not seen as a viable option, raising issues about how successful the approach will be (Bonneville 2005).

To avoid the development of ethnic ghettos in social housing, HLMs use quota policies and special allocation practices to promote more 'balanced communities'. However, this has reduced some groups' access to secure housing. Consequently, more NGO social support agencies have become housing market mediators for excluded groups. They have lobbied successfully for better housing conditions for disadvantaged groups and their right to adequate housing. Local Housing Solidarity funds (established on cost share basis with central government) are used to provide services to support people who have difficulty finding and keeping housing. A new registration system for applicants has been established since 2000 to streamline the allocation process, improve transparency and assist communes to find housing for the most disadvantaged. Information on housing rights and resources is now produced in the languages of many migrant groups (Edgar 2004; SIG 2006).

Germany

More than 15 years since reunification, Germany continues to grapple with considerable regional disparity in economic opportunity, which has a profound effect on housing markets. Many workers from the East migrated to more prosperous Western cities when their uncompetitive factories were closed. They left behind high-density concrete panel housing, which previously had been allocated to all, regardless of income. Much of this housing was privatised with reunification and slowly improved in size, quality and facilities. However, many better-off residents have sought alternative accommodation, leaving behind abandoned housing and an increasingly impoverished residential base.

There are now an estimated 350,000 excess units in the new federal states (former GDR). Mass demolitions and quality improvements of remaining stock are the main policy approaches, adapting to very low demand and lack of investment in the East. Inner city areas are being improved under a €2.8 billion urban restructuring program funded until 2009 (Ball 2005).

Estates developed in the West from the 1960s until 1975 have been subject to social protest due to their monotonous design, lack of infrastructure and poor connectivity to urban resources. With the exodus of wealthier tenants and arrival of poorer migrants or displaced tenants, many of these areas are considered socially problematic and only sustained through intensive social support. A third stream of urban renewal, initially involving radical demolitions, was moderated by popular protest and since the

mid-1980s has involved quality urban design, heritage preservation and new models for advocacy planning (NEHOM 2003).

According to the update of the German National Action Plan (2004), problems are currently concentrated in a few densely populated and peripheral neighbourhoods of cities, comprising neglected public spaces and mass housing estates in a living environment devoid of social and cultural infrastructure.

Between 1999 and 2004, a federal policy of the 'Soziale Stadt' or *Social City* promoted the integration of these high-needs districts by pooling public and private resources, integrating various institutions and service sectors, and enhancing city participation in neighbourhood management and economic development. Germany now has 249 districts, which are the concern of the Social City program. This program reinforces civic governance on issues to promote stability and address urban problems and has produced a myriad of initiatives, from the Alliance for Employment to Local Agenda 21 processes, Crime Prevention Councils and the Healthy Cities Network (NEHOM 2003).

Ireland

In Ireland, strong economic growth has helped to reduce poverty overall. However, stronger demand for housing and lower interest rates have led to rapidly rising house prices that in turn have produced significant affordability and supply problems.

The National Action Plan against Poverty and Social Exclusion 2003–2005 specifies that new housing supply, including social housing, must be greatly expanded to address rising demand and accommodate special needs, including those of Travellers. The target is an additional 500,000 units by 2010, including 41,500 social dwellings. High levels of social housing output were achieved in the early part of the new century, and much of this was allocated to special-needs groups. However, private housing output has continued to lag behind expectations.

A number of institutional structures have been established to further the NAP goals of poverty reduction and social inclusion, including a special cabinet committee, senior officials group, consultative group, Office for Social Inclusion, Social Inclusion Units and the Combat Poverty Agency. The NAP is monitored and progress evaluated twice a year. Social inclusion measures are evaluated at the local level by Community Development Boards. The NAP goals have been frustrated by a recent slowdown in economic growth and continuing high housing prices, increasing the risk of poverty and homelessness.

In addition to reforms to the private rental sector, improving tenure security and expansion of social housing, there are several area-based programs to progress social inclusion and urban sustainability.

In order to address urban poverty, the RAPID (Revitalising Areas by Planning, Investment and Development) Program identified the most disadvantaged urban areas in the country and targeted a proportion of social inclusion funding at these areas. The program aims to: foster public safety and prevent crime through better detection; use approved youth diversion programs and restorative schemes; make optimum use of community-based sanctions; and reduce the level of offending by ensuring that the basic needs of all families (especially young parents and lone parents), older people and ethnic minorities are met through enhanced and better co-ordinated state support services. The program also seeks better co-ordination and closer integration between government departments and agencies in the delivery of services. Area Implementation Teams have been established to prepare local plans, which are forwarded to the relevant government departments for action.

Since 2001, the Irish government has also funded the Rural Disadvantage program for 18 counties that have suffered the greatest population decline and would benefit from public and private expenditure.

Netherlands

The Netherlands has been a forerunner in a multi-pronged approach to urban renewal and urban sustainability since the early 1990s. In particular, the Major Cities program aims to prevent spatial segregation of ethnic minorities and attempts to strengthen labour and economic integration by revitalising urban economies, using a mix of physical, economic and social planning approaches. There are five objectives for the program:

1. Improving objective and subjective safety;
2. Improving the quality of the environment;
3. Improving the social quality of the environment;
4. Binding the moderate- and upper-income groups to the city; and
5. Improving the city's economic strength.

The program is also designed to promote greater collaboration with local government and the private sector, towards an 'interactive' policy with citizens, business and local organisations.

The Ministry of Housing, Spatial Planning and the Environment (VROM) is providing support for urban renewal from 2005 to 2009 via the Urban Renewal Investment Budget, which totals around €1.4 billion.

In high-amenity localities dominated by social housing, urban renewal often involves demolishing small housing and replacing it with higher-quality housing to attract home buyers. Up to 70 per cent of the newly constructed properties are designated for owner-occupation. Another strategy focuses upon the housing and care needs of older people, with the intent that renovated and new housing should be designed to be accessible for all groups.

Increasingly, neighbourhoods rather than cities have become the focus. In 2006 the government designated 56 problem neighbourhoods to be modernised under the Neighbourhoods Initiative Program of Action (VROM 2006b). Performance agreements between local authorities, housing corporations and sometimes market players are overseen by VROM. There is an emphasis on locally adapted approaches, referred to as 'customisation of neighbourhood policy'. It is claimed that the focus on neighbourhoods has accelerated the urban renewal process in terms of the demolition, redesign and replacement of social housing (Loughlin et al. 2004).

New Zealand

New Zealand's Housing Strategy *Building the Future* was developed by Housing New Zealand Corporation (HNZC) in consultation with numerous public organisations, from Treasury to Pacific Island Affairs. It describes housing as an integral part of social and economic policy requiring a broad range of policy tools (HNZC 2005).

The government's overall vision is that all New Zealanders should have access to affordable, sustainable, good-quality housing appropriate to their needs. To meet this vision, the government aims to promote well-designed and appropriately located affordable housing in well-integrated, sustainable urban communities and to improve housing quality and sustainability. A wide range of short- and longer-term actions to contribute to these goals is set out in the strategy. Some specific initiatives include healthy housing programs targeted at people living in overcrowded conditions in

public housing, stronger building codes, and initiatives for warm housing and energy efficiency.

Urban renewal initiatives in public housing estates are just beginning in NZ and so far have been comparatively small in scale. Both allocations policy and resistance to the sale of public housing assets may hamper the creation of more social mix in these estates. This policy reflects a backlash from the rudimentary privatisation plans of the previous national government.

Switzerland

The obligation to develop sustainable urban areas has been part of the Swiss Constitution since 1999, leading to the adoption of a Sustainable Development Strategy in 2002 addressing economic, social and environmental dimensions. This Strategy attempts to combat urban sprawl and the functional segregation of land uses, which dislocate work from residence, unnecessarily increasing road traffic. It also promotes the better use of natural resources such as forest timber. The goal of sustainability is also implied in efforts to curb a growing second-homes market, which can undermine tourist economies. In some popular tourist areas, there has been a ban on home purchases by foreigners for tourist accommodation.

United Kingdom

Since 1997, UK national policy has focused on the improvement of seriously deprived estates, and the creation of mixed tenure or balanced communities via the sale of social housing for ownership and the introduction of social housing into slum areas of private rental housing. The overall strategy in the UK has featured in numerous successive policy documents (see for example DETR 2000, ODPM 2005a,b). Programs of two main types are involved: quality improvements to social housing; and special local initiatives to address specific problems in the fields of employment, crime, health and education. There has been considerable evaluative research on the policy initiatives. This includes many studies by the Neighbourhood Renewal and Social Exclusion Units, over 60 reports funded by the Joseph Rowntree Foundation, the three-year EC-funded NEHOM project (2003), and a wide-ranging review of policy and its impact undertaken by Berube (2005).

This section provides an overview of the main policies dealing with social exclusion and urban renewal. The main focus of the UK National Action Plan on Social Inclusion (2002) is economic development via employment promotion and more flexible labour arrangements with attention to tax benefit reform, the minimum wage and reducing income gap between men and women. Since 2000, there have been significant efforts towards raising living standards (incomes, savings asset accumulation), improving health and educational standards and tackling homelessness, which have borne fruit according to government indicators (SEU 2001).

The most significant housing policy concerned with reducing poverty is the Housing Benefit. In recent years, efforts have been made to simplify and standardise administration of this scheme. A 10-year pilot of a local housing allowance has also been set up where, in addition to receiving benefits, recipients have been offered incentives to trade off benefits for savings, via a matched savings scheme (up to a £375 limit) and a Child Trust Fund. (Results of evaluative research on the pilot scheme can be found in Shelter 2006.)

As discussed in section 4.4, there has also been a substantial effort made to improve the quality of private and social housing to meet minimum standards. Fuel-related poverty is also a focus of efforts in different regions. In England the Warm Front

program works in partnership with the private sector to provide insulation and heating improvements. British Gas's HELP program is an example of this partnership.

There are substantial regional differences between strategies to manage social housing, for example in Scotland and Wales, as discussed elsewhere in the chapter. With regard to social inclusion aims, Scotland is moving towards greater empowerment and involvement of tenants in decision-making and housing management and providing a right to housing to homeless people. This proposal means that all homeless people will be entitled to permanent accommodation by 2012. In addition, a program of developing support services has been co-ordinated with local authorities, trusts and relevant service providers.

In England there has been considerable effort to improve social inclusion and reduce poverty at the neighbourhood level. There is a high-level Social Exclusion Unit, previously in the Office of the Deputy Prime Minister (now Department of Communities and Local Government), which launched the Commitment to Neighbourhood Renewal (SEU 2001). This strategy aims to ensure that the standards of public services such as health and education (which have received a boost in funding) in 88 deprived areas are lifted to national averages. Specific targets to reduce unemployment, poverty and crime and to improve health, skills, housing and the environment are nominated.

In relation to housing, the strategy aims to reduce substantially the number of households living in inadequate social housing, with most improvements addressing needs in the most deprived local authority areas. It is planned that more local authority homes will be transferred to Registered Social Landlords (RSLs) subject to gaining the support of a majority of tenants, and measures to tackle low demand and abandonment, including a clear lead role for local authorities and pilot funding of demolition by the Housing Corporation (SEU 2001).

The strategy is evaluated and monitored by the Neighbourhood Renewal Unit¹⁵ (NRU), which acts as an information and knowledge exchange and training resource and also operates a number of programs, including the New Deal program for combating joblessness, Neighbourhood Management for linking local services effectively, and a system of Neighbourhood Wardens and Local Partnerships to involve private and community organisations. The NRU also has considerable human resources, in the form of local area action teams, to facilitate and join up initiatives.

Critics of the government's efforts suggest that various government policies have actually contributed to social segregation, in addition to drivers such as family breakdown, competitive job markets and rising housing prices (Berube 2005). For instance, in the housing area Berube is critical of the role of the Right-to-Buy program in contributing to the residualisation of social housing, along with a lack of replacement supply, which has helped to intensify concentrations of low income and poverty in the worst estates, especially given local area obligations to house the homeless. He also notes that a serious backlog in maintenance of social housing estates remains, as does the poverty trap created by rules governing access to the Housing Benefit (and other benefits).

United States of America

US housing policy emphasises the role that home ownership and overall economic growth can play in wealth accumulation and poverty reduction, and has tried to make ownership more accessible to excluded groups. These efforts are discussed in

¹⁵ More about the Neighbourhood Renewal Unit can be found on <http://www.neighbourhood.gov.uk/>

section 4.1. National efforts to achieve urban renewal include the HOPE VI program to revitalise areas with private investment and Section 32 program to sell public housing to tenants.

The HOPE VI program was established in 1989 to revitalise or eradicate severely distressed public housing by the year 2000. The program has been an important mechanism prompting public housing agencies (PHAs) to seek new partnerships with private entities to create mixed-finance and mixed-income affordable housing. In 2003, the program was expanded to assist local governments in the production of affordable housing in Main Street rejuvenation projects. The activities permitted under HOPE VI include: the capital costs of demolition, reconstruction and rehabilitation; the provision of replacement housing; and management and technical assistance. Since 2000 it has also supported the establishment of an endowment trust for supportive services (HUD 2006c).

There have been strongly supportive evaluations of the HOPE VI program (see Popkin et al. 2004). Nevertheless, while mixed-income approaches play an important role in supplying high-quality additional affordable units and reducing the concentration of poverty, they cannot overcome the realities of housing markets and the causes of household poverty (A. Smith 2002). Despite growing policy support for the mixed tenure approach, the HOPE VI program funding has reduced substantially during the Bush administration. In 2006, only four of 26 applications were granted, totalling US\$71 million, and the program ceased to be active after September 2006.

The Section 32 program stems from an amendment to the US Housing Act 1937 in 1998, to permit the sale of public housing units to low-income families. The program offers PHAs a flexible way to sell public housing units to low-income families, with preference given to current residents of the unit(s) being sold. PHAs can retain and reuse the proceeds of sale of public housing units to meet other low-income housing needs (HUD 2006d).

4.5.2 Overview

A number of underlying themes emerge from the above review. The nature of housing allocations, market conditions and labour market opportunities are integral to the spatial-economic processes that concentrate disadvantage. In countries that rely on private market mechanisms to allocate housing resources, the poorest households can be found in the poorest-quality housing. Some public policies have exacerbated or ameliorated this process. For instance, where ageing social housing is poorly located away from employment opportunities and quality services, allocation to the most needy has concentrated households with the least resources in the worst areas. Conversely, social housing that is well maintained and attractively located close to a range of opportunities and services can, and does, provide a secure and affordable residential resource for excluded households and a springboard to economic and social participation. Evidence from evaluations of diverse estate renewal processes reinforces the significance of neighbourhood factors in more successful programs (Kleinhans 2004).

In Europe, areas of social disadvantage are accommodating an increasing population of marginalised migrants with limited education, relevant work experience or language skills. Male youths in these areas periodically express their dislocation from mainstream society in anti-social ways. Some governments require migrants, including long-term residents, to assimilate more rapidly. Other countries, such as Austria, Denmark and the Netherlands, are becoming less tolerant of differences to their national identity.

While there are a wide range of policy efforts dealing with deprived areas and social exclusion, many are said not to tackle the broader causal mechanisms sufficiently. These may include the operation of housing markets, housing allocation mechanisms, employment opportunities and conditions, as well as key services such as educational resources and the availability and quality of childcare services for working and learning mothers. The evidence so far suggests that much effort is needed to assist those on the margins of the housing and labour market to be included and well serviced. Sensitive local area strategies are necessary to lift the economic and social participation of lagging areas in an appropriate and sustainable manner. However, local strategies may collapse once project-based funding is removed.

4.6 Governance and delivery in housing systems

This section considers how recent changes to governance and institutional arrangements are shaping systems of housing provision in the study countries. It builds on the outline of political structures and institutional relations provided in Chapter 2 (see especially tables 2.3 and 2.7) and the review of changing market state relations in section 3.5 to consider major developments in governance and delivery models in the study countries.

Table 4.14 provides a summary of the main developments, which are then discussed in more detail. The main drivers of the changes that are identified seem to include:

- The complexity, volatility and greater differentiation of housing markets within regions and countries;
- Neo-liberal agendas such as public sector reform and privatisation; · Growing acknowledgement that conditions of privatisation need to change – simple formulations of *less government* and *more market* are not working; and
- The influence of international/cross-national agencies – e.g. EU directives on competition issues and overcoming regional disadvantage.

Table 4.14: Developments in governance and institutional models for housing provision

<i>Policy area</i>	<i>Austria</i>	<i>Belgium</i>	<i>Canada</i>	<i>Denmark</i>	<i>France</i>	<i>Germany</i>	<i>Ireland</i>	<i>Netherlands</i>	<i>NZ</i>	<i>Switzerland</i>	<i>UK</i>	<i>USA</i>
Social partnership 'third way models'	✓	✓		✓				✓	✓		✓	
Devolution – to varying degrees	✓	✓	✓			✓	✓	✓		✓	✓	✓
Bottom up needs assessment and planning				✓				✓	✓			
Tying social obligations to supply subsidies	✓			✓		✓	✓			✓		
Conditional land and infrastructure provision							✓	✓	✓		✓	✓
Reducing the cost of finance via intermediaries			✓					✓		✓		✓
Channelling private investment	✓			✓	✓						✓	✓
Partnerships for sustainability			✓					✓			✓	

4.6.1 Shifts in local government roles in housing

The role of local government in direct provision of housing in the United Kingdom has been radically curtailed, through privatisation schemes ('right to buy' council housing), and the transfer of council housing and targeting of funds for growth to non-government registered social landlords (Pawson 2006). Nevertheless, that level of government remains integral to meeting central government's housing affordability and decency objectives via local activities, such as planning for the housing required, negotiating contributions for affordable housing under the planning act, assessing and overseeing improvements in housing quality, registrations and nominations of applicants for places in social housing, and, in some areas, allocation of a housing allowance. Another significant development has been the allocation of significant responsibilities in housing policy and programs to regional governments in Wales, Scotland and Northern Ireland. Regions are emphasising different priorities in housing policy. For example, current English policy emphasises sustainability via local economic and social development, increasing supply in high-demand areas and improving housing quality, especially in deprived areas. Scotland's Better Homes policy (2002) emphasises reforms to social housing, housing rights and improving housing management. At the same time, the UK government has also enacted legislation to speed up development in high-demand areas in south-eastern England, effectively removing localities from the planning process in those areas. This example highlights the fluid and interwoven nature of relations in housing across spheres and regions of government.

In Ireland, local government traditionally has been a landlord of social rental housing. It is now also a partner of the national government in needs assessment and strategic development. Local governments must prepare a housing strategy, which is centrally reviewed, to address the needs of all sectors in the existing and future population, promote balanced communities and counteract segregation. Local authorities must also prepare strategies to address homelessness and plan to accommodate Traveller communities.

In the past some local governments in the larger urban areas in New Zealand built modest stocks of rental housing, mainly for older people. This stock is now ageing and in need of repair and upgrading. While Auckland city sold its housing to the national government, other councils are considering how best to maintain and manage their stock in the future. The NZ Government has indicated it does not wish to takeover this housing but will work in partnership to achieve a viable future for it. Local governments in NZ are now also being encouraged to become more engaged in planning for local housing needs by influencing development outcomes, strategy making and using new planning instruments to promote affordable housing development. Strategies for capacity building in the local government and community housing sectors are in preparation.

In Denmark, local authorities have long held the right to allocate housing association dwellings to households on their waiting lists in greatest need. They are also responsible for regulating the performance of housing providers. Local authorities recently have become responsible for implementing social integration policy, such as by formulating agreements with new migrants to facilitate and enforce social integration.

In the USA there has been a continued devolution of responsibility for housing, principally via the mechanism of block grants. Federal governments have increasingly relied upon the uptake of program funds by local community groups and additional contributions by state and city governments to maintain and manage public housing. This has contributed to a general decline in public housing and a more variable range

and coverage of programs, with some states much more active than others. Extending the use of block grants for housing to replace remaining national programs (such as section 8 vouchers) has been considered under the Bush administration but has so far not received the support of Congress. The main concern is that political considerations – for instance, of the value of rental versus ownership – may influence state priorities.

In Austria local governments are required to facilitate the provision of land for subsidised housing. This occurs particularly in the urban market of Vienna, where the city holds a strong position in the land market for social housing. In other cities and towns the situation is different and local governments have been reluctant to fulfil that role.

In Germany local governments are also required to lower the cost of land for social housing, but land scarcity and competing demands for higher-quality individual housing and high-yield land uses are increasingly making this a challenge.

4.6.2 Centralisation and devolution

There are many forms of devolution, varying from an enhanced role for local government in needs-based planning to new models of local-level governance involving community service and private sector partners. Innovations in financing housing have led to the development of financial intermediaries in the Netherlands, Switzerland and the UK, and strengthened well-established arm's-length mortgage agencies in the USA. Using government subsidies to lever private investment has also led to the development of public private partnerships (PPPs) for various housing construction, management and renewal tasks. The concept of partnership has also been extended to social service provision and economic development, where comprehensive approaches to issues such as urban deprivation have promoted 'joined-up' government strategies and partnerships with the wider community.

Devolution has often been accompanied by a transfer of diminishing amounts of housing funding to more local levels of government, but not always leading to reliance on property-based local revenue sources or abandonment of housing programs. Limited central government funding in some countries has also necessitated the development of alternative sources of revenue and investment.

The unitary state of France has continued to evolve from extreme centralism in economic and social intervention post war until the 1960s, to 'enabling neo-liberalism' until the 1980s, followed by a third and current phase of 'negotiated governance' enabling and co-ordinating local-level activities (Blanc 2004). Decentralisation laws passed in 1983 and the distribution of European Union regional funds for the environment have promoted the latest phase. Blanc cites housing improvement schemes as an example of projects requiring ongoing negotiations between central government and three tiers of local authorities and, sometimes, a fifth tier, the EU. In the latest phase, central government continues to control and set the parameters of funding streams that must be expended at a local level. There is discussion of further devolution, but local governments fear a reduction in central funds and pressure on localities to raise revenue.

As discussed earlier in this chapter, the Canadian government has been stepping away from a direct federal role in social housing and housing assistance. Devolution of programs has occurred formerly since 1996, via a series of agreements between the Canadian Mortgage and Housing Corporation (CMHC) and the provinces, the last being with British Columbia (BC) in June 2006. However, since 2001 something of a reversal has occurred, with new federal funding for a homelessness initiative and for affordable housing being offered to provinces.

The concept of social partnership between the Austrian state, market and labour remains important but devolution has pushed housing responsibility to the regional sphere, lessening the influence of this corporate arrangement. While funding for housing is still largely provided centrally under special revenue-sharing law, regional governments have become increasingly responsible for housing policy. However, over the past decade, funds allocated to the regions for housing have been declining and have not been compensated by additional regional contributions. In 2004 intergovernmental roles were renegotiated and redefined, and devolution of housing responsibilities has been accelerated from the federal to regional government. Nevertheless, housing remains an important policy area, increasingly with an environmental emphasis (see also sections 4.5 and 5.3).

A feature of the Belgium system of housing provision is the extent of devolution of housing policy in a federalist structure. Housing provision and policy has increasingly become a regional matter over the past three decades. National-level roles are limited to tax concessions for home owners and tenancy laws. Wallonia, Flanders and Brussels each have their own legislation for planning and housing. Serious structural constraints affecting the financial capacity of certain regions to cope with urban development and housing needs are apparent under this arrangement.

4.6.3 Third sector models

In the USA the emphasis of the Housing and Urban Development Strategy for 2006–2011 is ‘third sector’ provision. Community-based organisations have been long established as non-government vehicles for receipt of community development block grants and, more recently, many have expanded their housing role using low-income housing tax credits. Recently, the Bush administration has sought to assist and utilise faith-based groups.

An important feature of the Austrian system is its unitary rental housing market. Social rental dwellings, provided by limited-profit housing associations (LPHAs) comprise a substantial component of the rental sector, especially in cities such as Vienna, where they are key, sometimes dominant, players in the land market. Rents are set to recover costs, and households with a broad range of incomes are eligible. Profits can be made: up to 2 per cent of revenue can be redistributed to shareholders or owners but the remainder must be reinvested in land, refurbishment and new construction. The market presence of publicly owned LPHAs moderates rent levels across the entire market. However, there have been moves by the federal government to privatise these agencies.

A unique feature of the French housing system is the role of companies in contributing to local housing for employees. All companies with more than 10 employees are required to deposit 0.45 per cent of their total payroll in special financial institutions that collect and allocate these funds as loans to employees to buy a home or loans to HLMs to build social housing. The contributing companies have long-term nomination rights to this housing for their employees (CECODHAS 2006a).

A unique characteristic of Danish social rental housing is the role of tenants in managing housing developments. For more than 20 years housing associations in Denmark have worked within a management framework called tenants’ democracy. This is centred on a Residents’ Board, which sets part of the rent for the estate, appoints a local manager employed by the landlord but with real authority to make decisions regarding the estate, and coordinates input by residents over relevant issues such as repairs and maintenance (Aldbourn Associates 1994; Larkin and Lawson 1998).

4.6.4 Financial institutions and intermediaries

The most established and largest financial intermediaries operate in the USA housing market. At the national level, Freddie Mac and Fannie Mae are substantial, well-established government-sponsored and -regulated enterprises that channel funds into the home loans sector and have missions to promote affordable home ownership among low-income and minority households that may be discriminated against in the private market. They are discussed in more detail in section 4.1.

As outlined previously, key developments in the Dutch housing sector have been the shift from government loans to capital markets in order to finance social housing supply, and strong promotion of the ownership tenure. Several institutional developments helped to underpin these arrangements. In conjunction with the housing association and municipal sectors, the national government has established a number of arm's-length financial intermediaries to improve the financial position of the social sector and assist lower-income home purchasers. These intermediaries are: the Social Housing Guarantee fund (WSW), which guarantees capital market loans for housing associations; the Central Fund for Social Housing (CFV), which works to improve the financial position of weaker associations in the sector; and the National Mortgage Guarantee (NHG) (backed by the Home Ownership Guarantee Fund (WEW)), which formerly operated at a municipal level but now operates nationally to protect banks against default and, in turn, induce lower-interest loans for more marginal home purchasers.

Another governance mechanism to channel private investment to achieve policy goals can be found in the Austrian system. As discussed in more detail in section 5.3, the sale of Housing Construction Convertible Bonds (HCCB) directs investment into new housing construction projects, which are eligible for subsidy schemes provided by regional governments. Regional governments design the subsidy mechanisms for promoting housing and urban outcomes, defining the recipients, level and terms of subsidies, financial conditions and quality standards.

A reform in the Swiss housing system has been the establishment of an intermediary to channel private investment into affordable rental housing. As detailed in section 4.2, the Swiss not-for-profit building sector has improved its access to the capital market by establishing the Central Issuing Office of Non-Profit House Builders (Emissionszentrale für gemeinnützige Bauträger, EWG), which issues bonds with federal surety. The EWG sells 5–7 year bonds, which in turn provide long-term low-interest investment for non-profit builders (FOH 2006).

Danish social housing is funded by tenant contributions, generous local government loans (7 per cent) and subsidised capital market loans (91 per cent). In the context of the growth of rental surpluses (see section 4.4.4), the current government wants to reduce government spending and instead access these reserves to subsidise new construction of not-for-profit housing (CECODHAS 2006b). This is a similar proposal to that already operating in the Netherlands, where financing for social housing and, from 2007, a contribution to housing allowances, has been secured from the profits of past development held by the large and wealthy not-for-profit associations. As discussed in section 4.2, private investment in rental housing is also being fostered in Denmark.

4.6.5 Overview

There are many institutional innovations occurring in the 12 study countries. Devolution of responsibilities, localised housing strategies built on local needs analysis, community and private sector partnerships, joined-up government strategies and the establishment of financial intermediaries and social enterprises are all

features of changing governance structures throughout Europe and North America. Although the full implications are not easy to evaluate from such a broad review, some preliminary comments can be made. First, responsible devolution needs to balance the desire to encourage local institutions to innovate and deliver appropriate housing outcomes with the need for a secure, long-term supply of financial resources. Thus, a stable supply of resources for housing should be negotiated and established on a long-term basis, with appropriate review mechanisms to accompany devolution. Where this process is weak or absent, states and cities may turn to property-based revenue sources, which may be inequitable and politically volatile. There are also cases, such as in parts of Germany, where devolution has become policy withdrawal by the back door.

Second, the establishment of new financial relations to support social housing has proved most successful where social housing associations are independently governed and financially strong and their tenant base is also broad, as in the Netherlands and Austria, and/or there is a secure, substantial form of rent assistance provided to help service returns to private capital, as in the Netherlands and the UK.

Third, the involvement of local government in responsively planning for housing brings a key player into the more strategic level of housing policy-making. Local government's extension into developing local housing strategies and using planning mechanisms for affordable housing developments has raised diverse issues of skilling and capacity building, as well as the capability of local agencies to tackle the wider causes of local housing market problems. Much can be learned about this development from the experience of the USA, the United Kingdom, Ireland, Canada and the Netherlands in particular. A companion AHURI study to this report discusses this development in more detail (see Gurrán et al. 2007).

4.7 Summary of Australia's recent directions in housing policy

So far we have not focused on Australian policy and practice, but merely made passing reference to enable a quick contextual comparison, as this is not the focus of the empirical component of this work. To conclude this chapter and provide a basis for including Australia's housing policy approach in our final assessment of housing policies in Chapter 6, Table 4.15 provides a summary of Australia's housing policy settings and recent actions in each of the policy clusters explored in this chapter. This summary is based on our local knowledge and previous research in Australia. Readers are referred the publications cited for more details.

Table 4.15: Australia’s housing challenges and main policy responses: an overview

Facilitating home ownership for lower-income groups	<p>Promoting home ownership has been a feature of Australia’s housing policy over the long term. Major policy instruments used in the past have included deposit assistance, regulated mortgage interest rates, government home loans and loan subsidies, property tax concessions and sales of public housing. Since deregulation of housing finance markets in the late 1980s, Australian governments have generally reduced their direct role in assisting home buyers, although tax and pension policies favouring home owners remain. Australia is now experiencing falling access to home ownership among new market entrants and younger households (Yates 2000, PC 2004) and, following rapid house price escalation, a large increase in mortgage linked household debt¹⁶. Presently, there is one main national scheme that provides a tax free cash grant (of AUS\$7,000) for all first time buyers. This scheme, the First Home Owners Grant, was introduced in 2000 to help offset the impact of the new goods and services tax on housing costs for households entering the market for the first time. State governments also offer tax concessions, which reduce the transaction costs associated with buying a home for the first time. There is a patchwork of other mostly small-scale initiatives for assisting first home buyers across jurisdictions. These are least significant (and least effective) in the more populous, higher priced states. Several states have announced small / ‘pilot’ shared equity initiatives recently.</p>
Promoting investment in affordable housing	<p>Australia is experiencing severe affordability problems in the context of sustained growth in economic output, incomes and households (Demographia 2006, Powall and Withers 2006). However, national housing policy has not yet caught up with international efforts to protect and promote affordable housing and affordable housing initiatives instigated by state and local governments to date have been small scale or one off (Milligan et al. 2004, Milligan and Phibbs 2007). Since 2003, there has been an intergovernmental policy development process taking place with a focus on improving housing market efficiency, attracting private investment into the affordable end of the market, enhancing the capacity of the not-for-profit sector and considering how planning levers can be used (HPLGM 2005). The major barrier to expansion of affordable housing is the lack of government subsidies and institutional arrangements suitable to attract and channel large scale private investment.</p>
Utilising the private rental market	<p>The structure of Australia’s relatively large private rental sector is unusual in comparison to other countries in this study (except NZ). It is characterised by large numbers of small landlords who receive low rental returns on average but benefit from tax breaks for rental losses and capital gains (Berry 2000). Because of low yields, institutional investors have been largely absent from the sector (Berry et al. 2004). A decline in low cost stock is evident, together with a mismatch between household rent and income levels (Yates et al. 2004). Policies affecting the sector at the national level mainly concern tax breaks and a modest level of rent assistance provided to eligible social security recipients. Regulation of the sector, undertaken by states, is comparatively weak in the areas of rent increases, maintaining standards and security of tenure. Although housing related poverty is heavily concentrated in the sector, this has not been the subject of national action since the late 1980s (see Prosser and Leeper 1994).</p>

¹⁶ Between 1990/91 and 2004, average mortgage indebtedness rose from 43 per cent to 149 per cent of average household disposable income (PC 2004).

Reinventing social housing	Australia's social housing system is heavily residualised, poorly configured to meet future needs and socially and financially unsustainable in its present form (Hall and Berry 2004). long term funding decline, an uncertain future Commonwealth role, no capacity for growth and fiscally driven moves to rationalise assets in an already small and inadequate system. State led reforms to social housing in recent years have been centred on demand management, intensive tenancy management and asset restructuring to respond to multiple challenges that include growing waiting times, changes in need (especially the increase in applicants and tenants with complex needs), social problems on single tenure estates that have concentrations of disadvantaged households, deteriorating stock condition and poor appropriateness, and the lack of public finance. There has also been a major policy thrust to give priority for public housing vacancies to high need clients that has improved access for Indigenous people, people exiting homelessness services and people with disabilities (AIHW 2005; Flatau et al. 2005).
Promoting housing and neighbourhood sustainability	This has not been an area of national policy action in Australia recently. However community building and social inclusion programs are emerging at state level and there have been several 'whole of government' place based initiatives in the last decade. Those with a strong housing policy component have almost exclusively been located in public housing estates. A spectrum of 'estate renewal' models have been tried - from demolition to estate restructuring (bringing in market housing) to community renewal programs that are based around physical refurbishment and social and economic interventions for the existing community. Initially asset management approaches dominated these models, more recently social outcomes have been given more prominence (Randolph and Wood 2004). Beyond public housing estates, urban renewal processes have been market led in Australia with some involvement from state land development agencies in land assembly, promoting sustainable living and good urban design. In a handful of places targets for affordable housing have been included in redevelopment plans. A national program that offered funds to support urban renewal, including affordable housing projects, 'Building Better Cities', was introduced in 1991 but ceased in 1996.
Changes in governance and delivery in housing systems	Australia's allocation of responsibilities for housing are mostly static and devolution of housing related functions has not occurred recently. While there is some pressure on local government to broaden its role, there have been no transfers of funding or resources from other levels of government to enable this. Since 1996, the Australian Government has not appointed a dedicated minister for housing and / or urban affairs. National housing policies are administered through the Department of Families, Community Services and Indigenous Affairs. State / territory housing authorities have long standing responsibility for public housing assets and service delivery; funding and regulation of the community based and Indigenous not-for-profit sectors (except in New South Wales where a separate agency governed by Aboriginal people is responsible for oversight of Indigenous housing); and providing general policy advice on housing. While there has been some incremental growth in the not-for-profit housing sector (from a small base) over the last decade or so, service delivery is dominated by one large public agency in each state jurisdiction. State governments' land development, residential tenancies' regulation and land use planning functions are generally administered separately and common goals and coordinating mechanisms between housing and these areas are weak or undeveloped in many jurisdictions.

4.8 Overview

As we have emphasised throughout this report, national housing systems respond to like challenges in a rich diversity of ways. Each system has strongly embedded elements that are resilient to change. In this regard, housing systems and the policies that underpin them are said to be path dependent, adapting in ways that are strongly influenced by past policy settings and institutional arrangements, perhaps more so

than being responsive to innovative ideas (Kleinman 1996). As well, national housing systems have different capacities to respond to particular changes, whether endogenous or exogenous. For example, larger and more diversified social housing systems, like those in the Netherlands and Austria, can weather a reduction in subsidies better than smaller residualised systems. Similarly, mature home ownership systems (like Australia's) may have more capacity to sustain home ownership into the next generation under a regime of higher house prices than countries that have only recently expanded home ownership.

The assessment of contemporary housing systems and policies that we have expounded so far lends support to the tenet of much recent comparative housing research that relationships between housing and broader socio-economic conditions are complex and vary significantly between countries and over time. Nevertheless there are some discernible shared and pervasive trends over recent times, as we summarise here in a few paragraphs.

Over the past two decades, the emphasis in housing policy settings and priorities on private housing provision has been increasing in most countries studied. This shift to market policies has been accompanied by an increase in governments embracing home ownership as a core policy goal. Government investment in housing has become dominated by taxation incentives for home ownership and rental housing investors (rather than direct public investment in provision), and large and expanding programs of housing-related income assistance mainly for lower-income renters and, in some countries, home buyers.

Although the scale and profile of existing social housing systems are diverse, this sector has been static to declining. Underlying drivers that operate to a different extent in different places include cutbacks in government subsidies, demolition of poor quality and/or poorly located housing and sales to home ownership. At the same time, demand from a greater diversity of groups than in the past, many having complex or special needs, and requirements to house disadvantaged minority groups, have contributed to many active reforms to allocation policies, management models and service delivery vehicles.

As well as experiencing stagnation or decline, social housing has been subject to major restructuring, particularly on estates and in multi-unit developments, to address growing civic and political concerns about poverty neighbourhoods, segregation of ethnic groups and processes of social exclusion. Thus increasing attention has been being given to strategic policies and implementation tools and processes that can address the multi-faceted nature of the problems of physical decline and social disadvantage found in many housing estates, but with mixed results.

Sluggish housing production rates are contributing to the re-emergence of housing shortages in many cities and some local hot spots – typically well-endowed areas attractive to foreign investors and/or second home buyers. Paradoxically, such housing supply problems are occurring under prevailing conditions of prosperity and strong economic growth. This has produced greater focus on proactive ways of stimulating the housing market, such as through improving land use planning policies and procedures, adjusting fiscal mechanisms affecting development and, in some countries, adopting affordable housing supply targets and reinvesting in affordable housing. In some countries (notably the UK, France, Ireland and Canada), recognition by central government agencies of the risks of housing shortages (and related housing affordability problems) having adverse effects on economic performance has helped to generate this more proactive stance.

Nevertheless, constrained supply coupled with the widespread phenomenon of high house price inflation appears to be thwarting home ownership policies and aspirations and generating mounting pressure on the private and social rental sectors, particularly in major urban areas. This has led to new measures to utilise and support private renting as a long term-tenure option, particularly in those countries with larger private rental sectors and smaller social housing sectors. It has also led to a return to investment in social housing in some countries, although the evidence suggests that real growth rates (net of reductions in existing housing) are low.

Now, giving greater policy attention to stimulating private investment in innovative forms and tenures of housing that is priced to be affordable to low- and moderate-income households using tax and subsidy measures is becoming a strong trend. Overall, the directions discussed above signal that supply side interventions, coupled with policy triggers that stimulate and influence market production of housing, are re-emerging as a more significant component of national housing strategies in several countries, after many years of policy settings that favoured demand side strategies.

Finally, there is increasing socio-spatial and tenure segregation evident in housing markets within countries. This has led to the adoption of stronger measures to combat or prevent social exclusion in the housing sphere, especially in Europe. Among many other areas of social and economic policy action, these measures include changes to housing allocations systems, initiatives in the private rental sector to improve access for excluded groups and enhanced rights to housing for those groups. There is also mounting emphasis on the role of the planning system in promoting social mix in what have become predominantly privatised systems of housing provision in most of the countries studied.

5 SPECIFIC POLICY INITIATIVES

So far this report has been concerned with analysing national housing systems and clusters of policy responses to housing challenges that are being experienced in common by many developed countries. This chapter specifically explores a small number of promising housing policy strategies that are being used by individual countries.

The specific initiatives discussed have been selected from a longer list identified by the authors to be of potential relevance to policy development in Australia. They have not been chosen as, and are not intended to portray, 'success stories'. Rather, each aims to provide a practical demonstration of a current international approach to a policy issue of contemporary interest in Australia. The issues addressed concern facilitation of home ownership, generation of investment in affordable housing and approaches to securing long-term funding for social housing.

5.1 Methodology

Chapter 4 outlined more than 100 different recent national housing initiatives. In developing a select list suitable for further investigation in an Australian context, the following criteria were used:

- Relevance to Australian housing system and policy context;
- Potential interest to Australian policy makers;
- Potential to inform housing policy developments in Australia;
- Little or no previous research (or pending research) on the country and/or strategy that is accessible in Australia;¹⁷ and
- Well-established implementation.

Initiatives considered to meet these criteria were short-listed, grouped by policy cluster and discussed with the project user group, comprising Commonwealth and state housing policy makers. The short list provided to the user group is at Appendix 4. From this list, the final set of initiatives was chosen according to the priority given to them by the project user group members and the resources available for the project. It should be stressed that many more initiatives than those able to be researched in more detail are of policy interest. Therefore, the short list at Appendix 4 could be used to develop additional research proposals.

The initiatives chosen for further investigation in order of presentation are:

- Facilitating home ownership – Swiss pension provisions
- Investing in affordable housing supply – Austria's housing construction convertible bonds
- Intergovernmental relations – Canada's social housing agreements.

Discussion of each particular initiative covers the development, rationale and scale of the initiative, its institutional and socio-economic context, some pertinent operational or implementation details, and an assessment of relevance and applicability to Australia, including possible changes that would be required to apply a similar lever in the local context. The information provided has been obtained from public reports and

¹⁷ Particular account was taken of the body of completed and forthcoming AHURI research, which has included in-depth comparison of specific policy instruments across some of the countries in this study, particularly the Anglophone countries. (For a complete record see AHURI 2006.)

academic publications (as indicated) and has been validated with key informants in each country.

5.2 Swiss pension provisions

In Switzerland it is possible to withdraw from your individual pension savings to assist with the purchase of a house as your primary residence, to repay a home mortgage or to make value-enhancing renovations to your home. Essentially, the scheme involves the withdrawal of accumulated individual tax-exempt savings in specific segments of the Swiss pension contribution system before retirement age.

In 2005, more than 37,100 policy holders used the pension provisions to withdraw more than 2.6 billion Swiss francs (€1.6 billion)¹⁸. Between 1995 and 2001 about half of the funds withdrawn were invested in the construction of a flat or a house; about one-third was used to repay mortgages; and about 15 per cent went into renovation and extension work (FOH 2006).

As housing affordability has deteriorated in Australia, a scheme of this type has attracted interest, particularly for new entrants who face either a large deposit gap or require a large loan to enter the homebuyer market. In this context some state governments and industry groups, such as the Real Estate Institute of Australia (REIA), have been calling for an investigation of whether pension savings could be used to assist households to access home ownership. The Swiss pension provisions offer a method to encourage savings for home ownership through superannuation contributions that receive tax benefits. The Swiss experience demonstrates how such a mechanism has evolved and offers lessons in protecting pension funds from erosion.

5.2.1 *Development and rationale for initiative*¹⁹

State-funded social insurance was introduced in Switzerland in 1948. The Swiss pension system was one of the first to involve a mandatory pension accumulation scheme, which was established in legislation in 1985, long after it was adopted by referendum in 1972 (PADCO 2005). The system can now be considered to have three pillars: a state pension fund (Pillar 1), private pension fund (Pillar 2) and individually accumulated savings (Pillar 3).

Historically, there have been few incentives to own a home in Switzerland and the rate of ownership is one of the lowest in Europe. However, since 1990 contributors to the Swiss pension system have been able to withdraw their Pillar 2 and Pillar 3 savings in order to purchase or renovate their home under specific conditions. As interest paid on mortgages is also fully tax deductible in Switzerland, attractive financial schemes have been developed by the banking sector to optimise the tax benefits available for both MIRT and superannuation withdrawals (UBS 2007)²⁰.

There have been several changes to the original provisions that have resulted from problems in under-funding of the first two pillars of the Swiss system, precipitated by

¹⁸ Swiss Francs are the national currency of Switzerland. However, figures in this section are presented in Euros for ease of comparison.

¹⁹ We wish to acknowledge the valuable assistance provided by Ernst Hauri and Peter Gurtner (Federal Office of Housing) and Martin Brown (Swiss National Bank) in researching this initiative. For information on this policy, we have also drawn upon available resources from the Federal Office of Housing, Swiss Pension Fund Association, Swiss National Bank, Bank of International Settlements, UNECE and various Swiss Pension Funds.

²⁰ In this context it should also be noted that capital gains from the sale of any house and imputed rents are taxed in Switzerland. The rate of these taxes varies between cantons (Brown 2005).

an ageing society and fluctuating economic conditions. In 2002, emergency reforms were introduced to restrict withdrawal of funds for home ownership from Pillar 2 funds (PADCO 2005). Since that time pension funds have been able to refuse withdrawals where the trustees have determined that it was contrary to the needs of the fund or that the coverage was inadequate.

In 2006 lump-sum payouts for home ownership were blocked for three years and previous withdrawals have had to be repaid (in full or by instalments of at least €12,000) before additional lump sums can be withdrawn. The blocking provisions mean that new benefits purchased may not be withdrawn in the form of a lump sum for a period of three years. Effectively, these changes have frozen the pension provisions promoting home ownership until 2009 (Credit Suisse 2007, Watson Wyatt 2006).

5.2.2 Context

Institutional context

As identified above, the Swiss pension system is founded on three pillars. Pillar 1 comprises the AHV/IV: Swiss federal old age and survivor's mandatory pension scheme/Swiss federal disability pension scheme introduced in 1948. Generally, all people living in Switzerland are insured within AHV/IV. The AHV/IV covers essential needs in case of old age, disability or death. AHV/IV is a pay-as-you-go-scheme, which is financed jointly by employers and employees as well as by public funds. The minimum and maximum pension rates for a single person are €8,000 and €16,000 per year respectively, about 30 to 35 per cent of average earnings. Pensions derived from this pillar thus are based on level of earnings and years of contribution.

Pillar 2 is the occupational pension scheme in which all employees with an income above €12,000 per year are insured on a mandatory basis. The occupational pension scheme, introduced in 1985, is a fully funded savings plan made up of contributions from employers and employees. The vested benefits accumulated can be freely transferred between different occupational pension funds upon change of employer. Pillar 2 supplements the AHV/IV in case of old age, disability or death. Together with Pillar 1 it covers almost 60 per cent of annual earnings reached on retirement.

Pillar 3 captures all individual voluntary savings and comprises two accounts. Pillar 3a offers the possibility of deducting from taxable income up to around €4,000 per year for employees and up to 20 per cent of the annual income (with a limit of around €20,000 per year) for self-employed people not covered by Pillar 2. This benefit is adjusted to inflation and thus increases over time. All additional voluntary private savings are vested in Pillar 3b.

The concept of supporting home purchase using savings in Pillar 2 and 3a emerged in the late 1980s. This led to:

- In 1990, an ordinance enabling the holders of funds in Pillar 3a to withdraw the money before the official age of retirement under the condition that it be used for the financing of a private property (purchase or renovation of a flat or house repayment of an existing mortgage, participation in a cooperative etc.); and
- In 1995, a bill authorising the partial use of the funds in Pillar 2 in a similar way (PADCO 2005, p. 8).

The withdrawal of funds is subject to taxation at a preferential rate. The overall tax benefits vary with income and tax rates, which are set independently by the three levels of government (national, cantons and municipalities).

Social and economic context

As indicated earlier in this report, Switzerland is characterised as a country of reasonably well-protected renters offering favourable conditions for rental investments. Political and policy support for home ownership historically has been comparatively weak, and unlike most other countries in this study, Switzerland does not provide direct subsidies or government-backed mortgage insurance for home ownership. The mortgage lending environment is also conservative. The main form of mortgage finance is fixed-rate mortgages with durations often not much longer than 10 years. Interest-only loans are available for up to 65 per cent of the property value. Borrowing in excess of this threshold is subject to amortisation under specific repayment conditions. Owner-occupiers seeking mortgage loans must usually provide at least 20 per cent deposit. Alongside the big commercial banks (Credit Suisse and UBS), the state-owned cantonal banks play an important role in lending, contributing to a fierce competition in the mortgage market.

However, ownership has been rising steadily from 30 per cent in 1980 to 36 per cent in 2006. Since 1992 mortgage interest rates have declined significantly from 8 per cent to around 3 per cent in 2005 (BIS 2006). Over the same period, house prices have risen much less than in most other countries in this study (BIS 2006).

5.2.3 Operational environment

Pension fund regulations concerning the withdrawal of pension savings for home ownership specify rules for operating limits on withdrawals, the payment procedures, the notification of the tax authorities, the repayment terms and conditions and other operational requirements of the scheme (see Credit Suisse (2007) for current regulations).

Policy holders can pledge Pillar 2 savings as security to gain a mortgage or make the equivalent of 'mortgage instalments' to a 3a fund, which in turn serves as collateral for mortgages. In other words, in a tax regime that permits the deduction of mortgage interest, schemes are devised in which the mortgage principal remains high and the interest can be deducted from taxable incomes, whilst a regular stream of payments are channelled via the 3a accounts. This enables the policy holder to not only make tax-exempted payments to 3a accounts but also maximise interest deductions. Of course, the loan outstanding on the property remains high and this helps to explain a high level of indebtedness among Swiss households and as a proportion of GDP.

5.2.4 Relevance and applicability to the Australian context

In order to provide a framework for assessing the applicability of a tax-sheltered superannuation savings scheme to support home purchase, this section briefly considers relevant facets of the home purchase and housing finance markets, and the structure of superannuation in Australia.

While Australia has a much higher rate of home ownership than Switzerland, it is experiencing a decline in access to home ownership. A recent analysis suggests that an increase in the deposit gap is a significant contributory factor:

What has made housing even less affordable now than in the past, is the increase in the deposit gap (which) ... is now 4 times greater than it was in the 1970s (Yates forthcoming, page 7).

Under this scenario, the Swiss scheme is relevant, as it provides incentives for savings in superannuation linked to a mechanism for applying these to home ownership.

It is also relevant to note that, while Australia has a higher ownership rate overall, current purchase rates are likely to be closer to the Swiss rate²¹. Thus maintaining or increasing home ownership rates in the next generation is likely to be a challenge in both countries.

In Australia, home ownership also provides the key to post-retirement income security, especially for those reliant on the modest Aged Pension. Several researchers have explored the relationship between high rates of home ownership among retired people and the level of pension benefits in Australia (see for example Castles 1998). The achievement of outright home ownership at retirement age significantly reduces housing costs and consequently improves the living standards for those reliant on a modest pension. Conversely, elderly renters are far more likely to experience housing-related poverty.

The prospect of a decline in rates of outright home ownership at retirement age, placing greater reliance on pension incomes and increasing poverty among the elderly, is thus a concern in Australia. One response has been a proposal by the Real Estate Institute of Australia (REIA) that the federal government proclaim home ownership as the 'fourth pillar' for superannuation and self-funded retirement (REIA 1996, 1997, 2006). REIA calculations show that a renting retiree would need a superannuation fund of AU\$200,000 yielding 5 per cent per annum to pay for a modest rent of AU\$200 per week. Therefore, they argue that home ownership and the accompanying social benefits will reduce the burden on government pensions and welfare, including aged care infrastructure (REIA 2006).

Such a proposal brings into consideration the structure and capacity of our superannuation system to provide the necessary funds. The Australian pension system also comprises 'three pillars': a public safety net Aged Pension (funded from general taxation revenue); compulsory superannuation contributions known as the Superannuation Guarantee (SG) (currently set at 9 per cent of wages or salary) preserved until retirement; and voluntary contributions encouraged by tax concessions but only accessible at preservation age (55 years, 10 years before aged pension entitlement)²². Employees have the right to choose which fund employers pay their 9 per cent into and can move their funds from one to another (APRA 2006, pp. 4–5). More than half of all retirees receive the full Aged Pension and a further quarter a part pension. Only 18 per cent of Australian retirees are entirely self-funded or have alternative welfare arrangements at their disposal. While 91 per cent of employees have SG savings, the average amount is merely AU\$21,000 (Treasury 2006, p. 38).

Another relevant consideration is the housing finance system. The Swiss scheme has emerged within a relatively conservative lending environment with mortgage interest as an allowable tax deduction, offset by taxation of capital gains and imputed rent. Home mortgages are available in general for 80 per cent of the market value of the dwelling but higher thresholds apply if additional guarantees can be offered. This approach appears to have helped dampen housing prices.

An entirely different situation has evolved in Australia, where mortgages are available for up to 95 per cent of market value, a second income can be fully counted in

²¹ In Australia 26 per cent of households are currently purchasing. Comparable data is not reported for Switzerland.

²² The Australian Treasury considers that access to lump sum voluntary contributions from 55 years, encourages retirees to rely more heavily on their Age Pension in later years, representing an unsustainable burden on future government budgets. Accordingly consideration is being given to more restrictive access, which contrasts with the more flexible arrangements in Switzerland (Treasury Department 2006, p. 40).

determining borrowing capacity, and loans are being secured using the assets and/or income of third parties, such as parents. There is also no mortgage interest tax deduction in Australia. House prices have been subject to long-term real increases, which, in the context of tax-exempt capital gains and no imputed rent tax, have helped to make home ownership a very attractive investment. Nevertheless, new entrants face much greater difficulties and risks than in the past. These stem from higher house price to income ratios, low equity and historically high levels of indebtedness (Yates, forthcoming).

Changes required to pursue a similar strategy in Australia

The Swiss pension fund home savings scheme is a working example of an initiative designed to lift voluntary savings rates and to allow savings to be used as equity or security for mortgages by home buyers. It appears to have provided a sufficient level of incentives to promote access to home ownership in Switzerland (although little detailed evaluative information is available), and it has been able to adapt to changes in wider economic circumstances that have affected pension reserves.

Based on our assessment of the Swiss scheme and a comparison of housing market conditions, housing finance arrangements and superannuation savings in the two countries above, a number of matters would need to be investigated carefully before adopting a similar scheme in Australia.

First, such an instrument will stimulate demand for owner-occupied housing. Depending on housing market conditions, demand incentives have the danger of increasing prices to absorb increased capacity to pay. Therefore, in the Australian context, targeting considerations will be important – for example, limiting the application to first home buyers of lower-priced property. As well, the scheme will operate better if linked to other strategies to overcome sluggish supply in high-priced cities and the rising costs of land and house production, and to address other factors contributing to house price inflation.

Second, this type of scheme relies on the ability of households to save, and to protect and nurture those savings using tax incentives and pension fund regulations. Therefore, an assessment of the feasibility of such a scheme in Australia would require an investigation of the capacity of households to invest more savings via superannuation funds for home purchase.

Third, if a capacity to save is identified, research will also be required to establish the 'right' level of incentives that will be necessary to channel potential savings into home saver super accounts (and away from the investments on offer). Any incentives additional to those for other forms of investment will affect the revenue-raising capacity of government, so the cost effectiveness of the instrument will also need to be considered.

Fourth, in the context of the Australian tax system, unless well targeted, the scheme could further entrench regressive tax policies by favouring higher-income households who can benefit disproportionately from what are already generous tax concessions. Thus, assisting the next generation may require wider changes to the tax regime rather than merely adding another incentive for home ownership.

Finally, the effect on accumulated savings in private superannuation accounts is also an issue, as accumulated pension savings currently are modest in Australia and withdrawal of savings for home purchase could have a negative effect on individuals' savings later in the life course. The Swiss experience shows that a repayment mechanism is a necessary requirement of early withdrawals if pension funds are to be protected and governments are to achieve self-funded retirement income objectives.

5.3 Austria's housing construction convertible bonds

Unlike many other social housing systems, the Austrian system has not been pauperised or residualised and 'bricks and mortar' subsidies have not been displaced by the growth of demand side schemes. In this respect Austria stands apart from housing policy trends across much of Europe and North America. This section investigates how capital investment has been maintained for social housing in Austria, with a particular focus on a privately financed housing bond model.

A feature of the Austrian housing system is the continuing supply of finance for affordable housing for a broad section of Austrian society using housing construction subsidies. These are mostly provided for the construction of multi-storey housing in the not-for-profit sector but a share goes to other housing forms and tenures. An annual ceiling on available subsidies is set to correspond with needs and market capacity, and to manage budgetary requirements. Supply subsidies benefit around 80 per cent of the population, when small-scale modernisations are included (Deutsch, personal communication). However, subsidies do not support the development of second homes or high-cost housing (Amann and Mundt 2006).

There are two main forms of finance for affordable housing in Austria: low-interest public loans, and private investment raised through the sale of housing construction convertible bonds (HCCB). Lower-income households also receive means-tested rent allowances, although only 8 per cent of the total housing budget (about €200 million) is used for this purpose.

Below we focus on the housing bonds mechanism, which has been very successful in raising capital for government-approved, limited-profit, low- to moderate-income housing since its introduction in 1993. Between 1994 and 2004, bonds to the value of €8 billion were issued and between 1995 and 2005 more than 100,000 dwellings were financed from the sale of HCCB. Purchasers are typically long-term investors seeking a secure, low-risk investment such as insurance companies, pension funds and municipalities (Czerny 2005, Amann and Mundt 2006).

5.3.1 *Development and rationale for initiative*²³

Subsidising the housing supply has been a long-term policy direction in Austria. Government policy makers have viewed housing supply as a basic human need for almost a century (CECODHAS 2005a; Norris and Shiels 2004). Housing has been considered corporately (by government, industry and employees) as an appropriate realm for state intervention to promote economic stability, moderate wage claims, maintain a steady supply of housing and improve social welfare. Until the aftermath of World War II there were similarities with the German housing system, but over the following decades the Austrian housing model developed more along the lines of the Netherlands and to a lesser extent Sweden (Deutsch 2007).

Traditionally, national corporate agreements between government, industry and labour unions were used to secure investment in the housing sector. Since constitutional reform in 1987, this has been achieved by four-yearly negotiations between the federal government and the nine Länder governments. Today, Austrian housing policy still aims to ensure that a sufficient number of dwellings is available at all times (CECODHAS 2005a). The state plays an integral role in achieving this by channelling private investment into mortgage finance and into limited-profit affordable housing.

²³ We wish to acknowledge the valuable assistance provided by Professor Edwin Deutsch, (Technology University Vienna) in researching this initiative.

In 1993 a protected circuit of capital was created to generate private investment for affordable housing projects, involving the sale of bonds, with revenue from this to be invested in new affordable housing. The context for this initiative is documented by Deutsch *et al.* (1993), who explain that supply was unable to respond to natural population increase and high immigration levels. Furthermore, conventional Austrian mortgage loans became outdated in the context of rapidly developing capital markets. As a consequence, Austrian mortgage interest rates were above the level in neighbouring Germany. New instruments for housing finance were called for.

Several major banks created subsidiaries, called housing loan banks, with the specific objective of raising capital market funds for housing loans. These banks had preferential underwriting criteria (first-lien loans with 62 per cent maximum loan to valuation ratio similar to the classic mortgage bond, whereby only 4 per cent of the risk exposure had to be covered by asset holdings instead of the usual 8 per cent according to the Basel accord). With that allowance, the housing loan banks can operate around a 65-point transaction cost margin (in terms of net advances).

The Austrian government supported that process by an income law amendment to enable the sale of special bonds, to be known as housing construction convertible bonds (HCCB), via housing banks. Purchasers of these bonds have to hold them for a minimum of 10 years. In return, they receive tax relief on the first 4 per cent of returns (Ball 2005). More recently, bond holders have been able to deduct bonds as special expenses to a maximum amount. The base maximum amount that can be claimed is €2,920 per person per year. This allowable amount rises to €5,840 for single-income households and single parents and €7,300 for those with three or more children. However, as household income rises, the effective deductible amount declines, and disappears altogether for the fourth income quartile (Federal Ministry of Finance 2005).

The objective of lowering the mortgage rate appears to have been attained. The bond rate of the HCCB is currently 25 points below the German bond rate, and investors voluntarily offer bond terms up to 15 years or more (exceeding the 10-year requirement). It is also claimed that the presence of HCCB facility has had a moderating effect on the general mortgage rate level (Deutsch, personal communication). However, in an internationally orientated financial system such as Australia's, such an influence would be unlikely.

5.3.2 Context

Institutional

Social housing promotion is the responsibility of the regional governments or Länder, using grants, loans with low interest and public guarantees (CECODHAS 2005b). As mentioned above, with devolution and the strengthening of regional governance, Länder play an increasing role in all aspects of housing subsidy schemes, including the determination of recipients, form and term of subsidies, financing aspects and quality standards such as energy efficiency and environmental sustainability. Municipalities are also required to play a facilitative role by providing land, abating tax and determining the nature of local housing needs (Amann and Mundt 2006).

Social housing is supplied and managed by almost 200 limited-profit housing associations. These are private companies, which can be owned by municipalities, public organisations, unions, not-for-profit organisations, co-operatives and private organisations. In total they own 22.5 per cent of primary residences (740,000 dwellings) in Austria (Deutsch, personal communication).

Providers have the responsibility to provide decent housing to people below a certain income and are subject to rent regulation. They carry out land acquisition and development, construction (including that for third parties), letting and sales-related activities. They receive subsidies from the Länder in the form of grants, loans at low interest rates, land at low prices (subject to municipal policy), and exemptions from local taxes and, sometimes, land taxes and from corporate income tax (CECODHAS 2005b).

Social housing is financed from a range of sources, including: capital market loans (30 to 50 per cent); public loans (30 to 40 per cent); equity of the developer (around 10 per cent, mostly land); and the equity of future tenants (0 to 10 per cent) (Amann and Mundt 2006).

Social and economic context

Austrian housing is considered relatively affordable, although there is housing stress among lower-income households. According to Kofler (undated), housing costs are low on average due to long-term indexed tenancy contracts with rents based on costs, and the existence of sufficient supply side subsidies to maintain growth in supply.

Social housing in Austria accommodates low- and middle-income households. It is viewed as a pathway for young households en route to ownership and a tenure option to return to over the life course as living circumstances change (Deutsch 2007). In many city centres, renting is the only option and competition between social and private rents moderates rent levels. For this reason it can be considered to have the characteristics of a unitary rental system (as discussed in Chapter 2) or an integrated rental system (Deutsch 2007).

5.3.3 Operational requirements

One key requirement of a private financing model for affordable housing is a well-established, financially sound delivery system that can offer housing services to a broad range of tenants, not only those who are high risk and low income. In Austria, the viability of social housing providers is secured by using cost rents, own equity, tenant deposits, public loans and low-cost capital market loans.

A second factor is the regulatory framework. Social housing organisations in Austria are both self-audited and publicly regulated. An umbrella organisation (GBV) audits and regulates individual associations and represents them in negotiations with government, while regional governments also act as external supervisors. This arrangement improves the credit worthiness and, importantly, the financial rating of the sector.

A third operational aspect is the way in which government has steered private tax-favoured investment into required housing construction. Special agreements have been established with six housing construction banks to sell bonds and direct capital raised to government-approved affordable housing projects. Importantly, in the spirit of tenure neutrality, loans financed by HCCB are granted to municipal, non-profit and for-profit providers on identical terms. Thus loans are granted to any provider under prescribed affordability constraints – that is, rent levels must not exceed the ceilings set by the Länder subsidy schemes. Private providers are still able to make profitable returns on their investment using long-term sales strategies, such as let to buy schemes, while remaining within the income limits of approved schemes (Deutsch, personal communication).

Enabling legislation, regulatory and organisational requirements

Legislation applying to HCCBs is found in the *Housing Construction Subsidy Act*, which concerns three areas: direct subsidies (low-interest public loans), indirect subsidies (such as savings schemes and sale of HCCB) and tax incentives (income deductions) (Norris and Shiels 2004).

In Austria, the return on any kind of bonds is taxed by a withholding tax that amounts to 25 per cent. Tax is deducted from the bond coupon upon disbursement to institutional and individual bondholders alike. For the latter, bond purchases are one of a specific list of expenses that are tax deductible for low- to upper middle-income earners. As mentioned above, the level of permitted expenses declines as household income rises. This arrangement is in keeping with the aims of Austrian tax policy to prevent regressive tax effects.

*5.3.4 Relevance and applicability to the Australian context*²⁴

Austria has been one of the most effective countries in this study at maintaining a supply of affordable housing. Since the 1990s, Austria's housing policy has been strongly oriented to raising private finance for this purpose. To achieve this, Austria provides strong incentives for private investment linked to public subsidies and has established special institutional arrangements (housing banks) to channel funds raised to a well-developed not-for-profit housing sector. Additionally, unlike the supply-oriented policies of countries such as the UK, the Netherlands and the USA, Austria has sought to minimise its reliance on expenditure on housing allowances. Other strategies to achieve its aims include: aligning housing and economic policy; setting supply targets that are sufficient to promote price equilibrium; and supporting income mix in social housing.

Identifying ways of achieving sustainable private investment in the provision of additional affordable housing is a current concern of Australian governments (CoA 2003; HPLGM 2005). Key drivers of the search for new sources of finance include: increasing reliance of many low- and moderate-income households on long-term renting; a declining supply of public housing and very restricted access; a volatile private rental market with potential for sizeable rent rises; a shortage of affordable and available rental stock, particularly in the major cities; the national government's significant exposure to large budget outlays for rent assistance; and persistent poverty among large numbers of low-income private tenants (Berry 2000).

There has been no shortage of policy proposals to promote new sources of investment in affordable rental housing in Australia. Indeed, over the past decade, concerted efforts have been made by governments, industry groups and housing researchers to develop suitable models for private financing of affordable rental housing that would complement existing incentives available to home owners and private landlords²⁵. The options put forward have included two specific proposals for the sale of bonds to raise finance for affordable housing: the equity bonds model developed for the National Housing Strategy more than a decade ago (Yates 1994); and a wholesale financing model proposed by Affordable Housing National Research Consortium (AHNRC 2001).

The equity bonds model proposed the establishment of a single independent corporation or trust to issue standardised equity bonds indexed to changes in house

²⁴ Special thanks to Associate Professor Judith Yates (University of Sydney) for her valuable comments on this section.

²⁵ The National Housing Strategy (1991–1992) and the Australian Housing National Research Consortium (2001) developed the main proposals.

prices (Yates 1994:192). Finance raised would be used by not-for-profit organisations to provide dwellings at market rents to low-income renters, who would also be assisted by an adequate and secure rent allowance. This proposal aimed to provide an efficient liquid vehicle, suitable for large-scale investors, that is linked to actual price movements in the housing portfolio.

The so-called consortium model was proposed as a debt instrument involving the sale of fixed-interest government-backed bonds to institutional investors with a 20-year term at market rates, with the aim of tapping into burgeoning superannuation funds. Funds raised would be used by state housing authorities (or allocated to other regulated providers) to acquire dwellings which are in turn rented to low- to moderate-income tenants at rents set to 25 per cent of income. Subsidies would be provided to providers for the difference between rents and the cost of funds. Annual bond issues could be limited by the amount of funding for subsidies that was available. Properties would be turned over after 20 years to retire the debt, or new bonds could be issued (AHNRC 2001).

The experience of the Austrian model of housing construction bonds is highly relevant to consideration and refinement of the models mentioned above. Overall, it offers a successful example of how the sale of bonds and targeted use of the funds raised can make a scaleable and cost-effective contribution to the provision of affordable rental housing. The operation of the HCCB model provides a demonstration of the type of institutions needed to deliver the bonds, the tax incentives that have encouraged investors to purchase bonds, the regulations surrounding the use of funds raised for affordable housing (state-approved affordable housing projects), and their role in moderating the cost of finance across the wider mortgage market.

Changes required to pursue such a strategy in Australia

Several core requirements for the establishment of a housing bond finance system for affordable housing construction can be distilled from the discussion above.

First, an established and financially sound social/affordable housing sector that not only targets low-income tenants but is open to a mix of household incomes is desirable, along with appropriate subsidies for income-constrained households.

Second, a national agency will be required to accredit, audit and regulate the affordable housing sector, and promote its financial continuity and credit worthiness.

Third, there must be a willingness among long-term institutional investors to invest in the sector, which implies adequate returns to investors and financial viability for providers. This can be addressed either by subsidies to investors/providers, as in the Austrian case, or by subsidies to tenants as used in several other countries. From the limited comparative data available to us on national housing expenditure, the Austrian model appears to be very cost-effective.

Fourth, tax rulings should be made at the start of the scheme so that each bond offer does not require an individual ruling.

Finally, there must be a national institutional structure to sell bonds.

These requirements are consistent with advice provided consistently to governments in Australia about how to establish a successful private financing model for affordable housing (see, for example, Yates 1994, AHNRC 2001 and Milligan 2005).

5.4 Canada's intergovernmental agreements for social housing

Canada's historic arrangements for administering social housing programs have been based on joint responsibility and shared funding between the Canadian Government and provinces and territories, as defined in periodically negotiated intergovernmental agreements. This model is generally similar to that of Australia's, which since 1945 has been embodied in successive versions of the Commonwealth State Housing Agreement (CSHA). However, in Canada there have been only a few longer-term agreements, rather than the regular renewals that have characterised the CSHA.

In the 1980s and 1990s, adjustments in responsibilities for social housing have seen Canada move progressively to a more devolved model of administration and funding responsibilities. The mechanism discussed in this section is a long-term intergovernmental agreement for the subsidisation and administration of social housing that was proposed in 1996. Since that time, new social housing agreements between the Canadian Government and 10 provinces and territories (hereafter provinces) have been signed and agreements with three others are outstanding.

Under the agreements that have been executed, the federal government has effectively handed over responsibility for social housing to provinces with a commitment to long-term payments to support the financial continuity of the existing sector.

This section examines the rationale for and operation of that model, and considers lessons and relevance to Australia.

5.4.1 *Development and rationale for initiative*

Similarly to Australia, there is no explicit allocation of responsibilities for housing in the Canadian constitution. However, there has been a strong and enduring federal presence in housing, which had its origins in the period of post World War II reconstruction, and has been driven through the large Canadian Mortgage and Housing Corporation, which was established in 1946 (Pomeroy 1995). According to Pomeroy, the key role played by the national government up until the 1990s tended to reflect recognition of the importance of housing to the economy and its role as a policy tool for employment and general economic stimulation (Pomeroy 1995, p. 622).

Market provision through assisted and unassisted rental and home ownership has dominated national policy, just as in Australia. As a result, both countries have small social housing sectors. In Canada, social housing includes not-for-profit, co-operative and public housing forms. In aggregate about two-thirds of the stock of about 700,000 dwellings (6%) is owned and managed in the so-called 'third sector' and one-third by public authorities, offering a much more diversified system than in Australia (Pomeroy, personal communication).

From 1952 to 1978, social housing projects in Canada were financed directly by the national government – using debentures and subsequently direct government mortgages, usually with a 50-year term. From 1978 the main financing model for social housing investment became 35-year mortgages from private lenders, with a 5-year renewable term. Under both funding models, the associated debt service cost was offset by ongoing subsidy.²⁶ Before 1973 this was funded on a cost share basis. Between 1973 and 1985 national government provided the operating subsidies. In

²⁶ Canada's past attempts to finance social housing using different mechanisms are worthy of further scrutiny in Australia as they offer lessons about the efficiency of alternative financing strategies. A useful review of these approaches up until the 1990s is provided in van Dyk (1995).

what can be seen as the beginning of devolution, provinces were again required to contribute after 1985. Cost sharing arrangements varied between 25 and 50 per cent according to the size and capacity of the province (Carter 2000; Pomeroy 1989)²⁷.

By 1993 successive national government commitments to social housing subsidies had resulted in a CA\$2 billion annual housing budget for recurrent purposes (Pomeroy 1995). In the context of national commitments to public sector debt reduction and growing attention from central government agencies on accumulating commitments in housing, the 1993 national budget terminated expenditure for new social housing construction (except for a small program for aboriginal households on reserves – a federal jurisdiction). The ongoing annual federal expenditure of about CA\$2 billion continued (together with matching provincial cost sharing). However, federal funding for growth of social housing ceased.

Following the termination of the Canadian Government's role in funding additional social housing in 1993, another reform in respective federal and provincial roles was signalled in 1996 when the national government announced it would phase out its remaining role in social housing, except for housing on Aboriginal reserves, by offering to transfer the administration of most federal social housing programs to the provinces. The arguments provided for the transfer included: increasing capacity and expertise in program administration that had developed over time in the provinces (which were already responsible for management of public housing); to reduce overlap and duplication in administrative functions between the two layers of government; and to achieve economies of scale through the provinces undertaking the administrative role for all social housing programs (i.e. federally funded programs and cost-shared programs) (Carter 2000; Hulchanski 2003b).

There were financial and administrative incentives for provinces to sign the agreements. Financial inducements included the fact that the Canadian Government would: continue to provide subsidies based on the level in 1995 for the period of the current outstanding loans; offer a one-time premium for interest rate and inflation risk; and allow provinces to retain any savings in operations, as long as these were invested back into social housing²⁸. The main administrative incentive was a significant reduction in federal oversight of the provinces, which had been an ongoing source of tension between the two layers of government.

The period of negotiation of the agreements has been protracted. The smaller provinces were the earliest to sign (from 1997 to 1999), attracted to economies of scale benefits for them and savings that could be achieved in the short term. Of the larger provinces, Ontario executed an agreement in 1999 (but as part of a financial reform that shifted costs to the municipal level), British Columbia (BC) signed in 2006 and Alberta and Quebec still have not signed.

Much of the detail in the agreements forged after 1996 reflects the specific history and program structures of Canada's housing programs. Thus, for the purposes of this report we will focus on the general nature of those agreements and features of potential relevance to Australia, not on a comprehensive review or operational detail. What follows is a description of the principles and features that the agreements have in common, an assessment of the strengths and weaknesses of these as a means of

²⁷ In discussing cost sharing arrangements, it is important to note that Canadian provinces have more broadly based taxing and revenue powers than Australian states and that fiscal equilibrium between the two layers of government is much closer to being achieved than in Australia (Pomeroy, personal communication).

²⁸ At the time of the initial negotiations, savings looked promising as the interest rate on mortgages being renewed was falling.

arranging intergovernmental roles for social housing in a federated system and securing its future viability, and consideration of the implications for Australia's intergovernmental arrangements for funding and administering social housing.

*5.4.2 Principles and features underpinning the Canadian social housing agreements*²⁹

Intergovernmental roles and responsibilities

As indicated above, over the post-war period, social housing in Canada has been developed, operated and funded under a variety of different arrangements, as has also occurred in Australia. In Canada, this has resulted in a patchwork of programs, funding approaches and project-level funding agreements. Some programs were 100 per cent provincially funded and operated, some were 100 per cent federally funded, while others involved a blend of cost sharing arrangements. Typically when cost shared, the provinces had administrative oversight and were responsible for providing public accountability for projects managed on a day-to-day basis by not-for-profit and co-operative housing providers.

Under the post-1996 agreements, responsibility for the funding and administration of the social housing programs that are covered by federal agreements, including all financial obligations, has been transferred to the provinces. A partial offset for the costs of administration that passed from the federal government to the provinces under the transfer of responsibilities was provided (CHFC 1998).

The national government retains an interest in monitoring outcomes of the agreements in accord with performance (see below). However, previous reporting requirements have been considerably streamlined and only very broad performance areas and compliance rules, such as for subsidies to be directed to low-income households, are specified.

Historic program-based structures do not have to be maintained by the provinces, which are free to replace or devolve their direct program responsibilities to other agencies such as municipalities or private housing providers, provided that the broad principles set out in the agreement (and any associated third party agreements) and contractual obligations are complied with.

Financial obligations

Generally, in social housing in Canada, providers have received government funding for the difference between their operating costs (including debt servicing) and their revenues, which are derived from either costs rents or income-related rents for low-income households. As discussed above, cost sharing between the national and provincial governments for these operating subsidies has varied across programs and provinces.

In the post-1996 Social Housing Agreements, the federal government's obligations to provide operating subsidies into the future have been forward committed in full for the life of all outstanding loans on all existing properties. This commitment is an aggregate annual nominal value based on the sum of all project level subsidies in the 1995/96 fiscal year. Because the subsidy for each project matches the mortgage term, and relates to commitments from 1952 through to 1994, the aggregate amount declines over time (in line with maturity of the mortgages and linked operating

²⁹ The authors would like to acknowledge the expert advice on Canadian social housing policy and the social housing agreements provided by Steve Pomeroy (Focus Consulting, Ottawa). Other material in this section has been drawn mainly from CHFC 1998, Carter 2001, Hulchanski 2003b, CMHC 2005b; and the agreement between CMHC and BC (CMHC 2006c).

agreements). In effect, the national government's funding commitment for social housing under the signed agreements is for between 30 and 50 years (varying by province) on a diminishing basis.

A modest one-off allowance (a 'signing bonus') for inflation and interest rate linked cost increases has also been provided. However, there is no provision to adjust the federal financial commitments in future years, so the provinces now bear future interest rate risk and the risks associated with costs rising faster than rents once this contingency fund is utilised. On the other hand, the provinces can retain any savings in operations and financing. This mechanism is intended to generate incentives to reduce costs and increase efficiencies, and was claimed to offer a modest potential for new investment. Although some savings have been achieved³⁰, this has not resulted in additional development, as savings have tended to be used to replace provincial outlays (with no reaction from the federal sphere). Moreover, only a few provinces have maintained their own funding for growth (generally with falling outputs) (Carter 2000; Pomeroy personal communication).

Sustaining the existing programs of social housing will require substantial financial input by provincial governments. The social housing agreements require the provinces to ensure ongoing financial support and viability of the existing projects and to honour the existing operating agreements. In effect the provinces must continue to meet their previous share of subsidy costs in cost-shared programs and meet any net increase in costs over and above their income from rents and the subsidy provisions of the agreements for all programs.

However, provinces have some flexibility in how they meet their obligation under the agreement. Thus provinces are free to adopt other financing approaches, if these are more cost effective.

National equity interest

The Canadian Government has an equity share in about one-third of social housing projects. While title for these projects has been passed to the provinces operating under the new agreements, the national government (through CMHC) has retained an equity interest. Once realised, an equity share must be returned to CMHC if it is not reinvested on the project (including redevelopment on site) within one year. This mechanism provides an incentive for reinvestment and redevelopment.

Targeting of funding

Committed federal funding includes targeted and non-targeted amounts. Targeted amounts, which comprise the majority of funds, must be provided to households that meet household income limits³¹. Household income limits are set on a nationally consistent basis and reviewed at least each five years. They recognise the 30 per cent benchmark of affordability for appropriate and suitable housing and are sensitive to regional variations in housing costs. Non-targeted funding can be used for housing not occupied by households within household income limits. This provision supports income mixing in housing projects in keeping with objectives in Canadian housing policy that prevailed mainly from 1973 to 1985.

³⁰ Most savings to date have come from an era of lower interest rates since the late 1990s rather than from efficiency gains (Pomeroy, personal communication).

³¹ In the example of British Columbia about 17 per cent of federal funding is designated non-targeted initially. This share decreases over time.

Accountability

Accountability to the Canadian Government operates at three levels:

1. Independent audits are conducted annually to verify compliance with the terms and conditions of the agreements.
2. Annual performance reports must be provided to CMHC. The measures to be reported are limited to the amount and type of funding provided, the number of households assisted and the average incomes of those assisted that are targeted households.
3. Cyclical evaluations of specific programs are said to be required to assess their ongoing efficiency, effectiveness, appropriateness and any unintended consequences. In effect this applies to new initiatives funded with savings, which have not occurred.

While failure to meet these accountability requirements can result in holding back of federal funding commitments and breaches of the agreements can result in a requirement to refund federal funding, there is very little evidence of active monitoring or review by CMHC in practice and no evaluations have been published (Pomeroy, personal communication).

5.4.3 Assessment and implications for Australia

In the mid-1990s, when the proposal to change Canada's social housing administrative and funding responsibilities was made, Australia had also been considering options for clarifying and simplifying intergovernmental roles and responsibilities for social housing programs, using some similar arguments to those put by the Canadian Government³². While these moves did not result in fundamental changes to funding and administration of social housing at that time, the issues of funding certainty and the future of the federal government's role in social housing in particular remain current.

Comparison of the historic governance and funding arrangements for social housing in the two countries suggests that national control of social housing programs was greater in Canada than Australia before devolution in the former. For example, the Australian government does not retain any equity interest in social housing assets, which have been funded solely or jointly by them but are owned by state and territory governments (hereafter state). The Australian Government also takes a light-handed approach to its administrative roles. However, fiscal capacity is more decentralised in Canada, as Australian states do not have comparable revenue raising capacity to Canadian provinces. Thus the impetus for adjusting intergovernmental roles and responsibilities is somewhat different. Bearing these differences in mind, this section attempts to assess the effectiveness of the Canadian approach to administering social housing, and to interpret its usefulness for contributing to a sustainable future for the existing social housing portfolio in Australia.

Roles and responsibilities

The changes in Canada appear to have simplified and clarified roles and responsibilities for existing social housing programs. Responsibilities of the provinces to control and manage social housing programs are clearly defined and provide greater autonomy than in the past. This arrangement should allow for greater

³² Successive proposals were developed by the National Housing Strategy (1991–1992), the Industry Commission (1993), the Council of Australian Governments (1994) and the Australian Government (1995).

responsiveness to diverse market conditions across Canada and there is evidence of innovation in several provinces (see Carter 2000). On the other hand, it may also result in fragmentation of program outcomes and increase the risk that an individual province may not perform well over time, creating inequities between regions.

Provinces have long-term certainty of the prior level of federal funding (but in nominal terms on a diminishing basis), greater control of their own funding and incentives to improve their efficiency. Importantly, however, the factors affecting performance are not all in the control of the province, especially macroeconomic factors, which could have an adverse impact on housing finance costs and increase inflation-linked cost pressures. In this respect, it is surprising that the provinces have not sought more power to renegotiate fixed federal commitments in the event of more adverse economic conditions.

Accountability to the federal government has been streamlined and reduced, and the provinces are free to adjust their policies and programs within broad guidelines. However, in practice the role of the federal government in the social housing agreements appears to be limited to a passive monitoring role.

The move to transfer responsibility to the provinces was interpreted widely as signalling the end of a federal role in social housing (see, for instance, Hulchanski 2003b). However, under economic and demographic conditions that could be considered broadly similar to those driving housing affordability problems in Australia, and in the absence of any expansion of social housing, unmet housing need has remained high in Canada³³. Under pressure from the level of core housing need and increased homelessness, the national government has enhanced/introduced several other national housing assistance strategies since 1996³⁴. Recent partnerships with the provinces include:

- The Residential Rehabilitation Assistance Program (see section 4.3.1), which aims to preserve the existing affordable housing stock (outside the social housing sector) by providing financial assistance for repairs, retrofitting and modifications;
- Affordable Housing Agreements with the provinces negotiated in 2001 and renegotiated in 2005/06 (see section 4.2.1) to fund additional supply of affordable housing and leverage additional sources of finance through partnership approaches. Note that the government financial contribution to these partnerships (matched by the provinces) takes the form of upfront capital funding rather than recurrent subsidies as used for social housing;
- A new National Homelessness Initiative in 1999 that was renewed under a different name (Homelessness Partnering Strategy) in 2006. This is providing CA\$260 million over two years to increase services to the homeless, through partnerships with private and not-for-profit agencies. A specific focus is a 'housing first' approach based on the notion that the provision of shelter is a precondition for achieving self-sufficiency and participation. To support this approach part of

³³ In 2001, 15.8 per cent of Canadian households were recorded as having a core housing need, up from 12.2 per cent in 1991 but below the level of 1996 (17.6 per cent) (Carter 2001; CMHC 2005b). Households with core housing need are those below an income cut off that cannot obtain unsubsidised rental housing in their location that meets suitability and adequacy standards without paying 30 per cent or more of household income (van Dyk 1995).

³⁴ The national government has also maintained its dominant role in providing mortgage loan insurance and securitised home lending products and services in all parts of Canada. It retains responsibility for aboriginal housing on reserves where the current focus is on increasing housing supply and expanding home ownership. Recently, CMHC has indicated it plans to strengthen its national policy and research roles (CMHC 2005b).

the funding will be invested in additional transitional and supportive housing (Government of Canada 2006).

Overall, the revised allocation of roles and responsibilities can be seen as providing a single level of responsibility for pre-existing social housing programs only, within a national housing policy framework under which the roles of the national government and the provinces (and increasingly municipalities) continue to develop and adjust under a partnership model. The emergence of a variety of new national housing initiatives in the past decade seems to indicate that pressures for a national response to housing challenges in Canada have not abated. Adopting the approach of using separate agreements for new initiatives (such as for affordable housing) creates a danger, however, that housing policy is not cohesive, and the administration of housing programs again becomes complex, giving rise to new integration challenges (on this issue see Jones *et al.* 2007).

Financing social housing

In contrast to Australia, which operates a 'capital funding' model for social housing, the Canadian system, at least until 1994 (and continuing in some provincial programs currently) was secured through recurrent subsidies to cover operating losses including debt servicing on loans used to fund development. Despite this apparent difference, the funding needs of the two systems have converged under conditions of greater targeting, rising costs and public spending constraints. Australian providers (primarily the state and territory housing authorities) increasingly have to draw on 'capital funding' to meet their operating losses (see Hall and Berry 2004). As the annual injection of capital funding in Australia increasingly has been allocated to maintenance and improvement of the existing stock of social housing, growth in supply has dwindled or ceased altogether. In some jurisdictions with higher levels of debt (e.g. South Australia), assets are being sold to reduce debt and help to cover annual operating costs. In others (e.g. Tasmania), most new annual capital funding is required to service outstanding Commonwealth loans (Gabriel and Jacobs 2007). As recognised by the former Industry Commission (1993), this funding model presents difficulties for both the national and state governments. In particular:

- The states do not have security of funding for their long-term operating needs, because 'capital' funding is allocated in 3 to 4 year tranches only and is vulnerable to budget cutbacks;
- The Australian Government does not get the outcomes it expects – that is, additional supply from the provision of new 'capital' funding and future allocations to housing that it invested in previously (where this is being sold to raise funding for operations);
- Efficiency drivers are weak because the states are not directly accountable for the deployment of 'capital funds' for operating purposes; and
- Without the provision of additional operating subsidies (or subsidies to tenants), the states cannot meet the costs of alternative financing strategies such as private loans.

In terms of the adequacy of the Canadian approach to this issue, there are clear concerns that the level of funding being provided to protect the existing stock of social housing is not sufficient (see, for example, CHFC 1998 and Carter 2000). For instance, the Canadian social housing portfolio (like the Australian portfolio) is ageing, with significant backlog maintenance, especially in the one-third that is public (provincially owned and operated). Much of this public stock also involves deep targeting, and once the federal operating subsidies end (concurrent with mortgage maturity) many of these projects will have negative operating income from low rents,

thereby resulting in increasing subsidy costs to the provinces. However, over time this situation will be somewhat offset by younger projects in the not-for-profit sector that have better degrees of income mix and positive revenue. Also, as existing loans expire, provincial subsidy commitments will also decline and could be reallocated to the under-funded public housing portfolios (Pomeroy, personal communication).

Potentially many other factors will affect the capacity of individual provinces to deliver social housing including their revenue raising capacities, how fiscal transfers between the national and provincial governments develop in Canada, the development of local housing market conditions and provincial political/policy priorities. Overall, the funding arrangements under the post-1996 agreements and associated roles and responsibilities appeared to provide the right signals to drive efficient and accountable management and administration of the existing social housing portfolio. However, it is becoming increasingly apparent that current funding levels will not be adequate for the longer term, especially after the maturation of outstanding loans and escalating withdrawal of federal funds.

5.4.4 Summary of potential applicability

It is widely recognised that revisions to the present financial and administrative arrangements under the CSHA are essential to secure the future of social housing in Australia, to clarify the respective roles of national and state governments and to help meet the ongoing high level of unmet need for social housing. Another key issue in Australia is removal of existing intergovernmental barriers to using alternatives to direct state provision where these offer financial and service advantages³⁵. Such barriers are not present in the Canadian model, which directly supports a multi-provider system, enabled and regulated by the provinces.

The future viability of the Australian social housing system depends on annual funding allocations from the national budget. In the Australian context, clarifying the purpose of national funding and putting it on a firmer basis would provide the certainty needed for states to pursue active asset management, to encourage strategic decisions about the future use and/or redevelopment of the existing assets, and to ensure that previous national investment in the social housing sector is not vulnerable to further sell-offs to make ends meet. A national approach to securing the future of social housing will also help to establish consistent conditions for the delivery of social housing across jurisdictions and providers, and achieve clearer lines of accountability for the performance of all social housing providers (state and not-for-profit).

In Australia, a stable and long-term intergovernmental agreement is essential to secure the present capacity of the social housing sector, to provide funding certainty, and to remove barriers to the growth of not-for-profit providers. The evolving situation in Canada shows clearly the problems that can arise from the abandonment of national policy and an exclusive focus on the existing stock. Moreover, while the Canadian social housing agreements provide predictability and certainty of financial flows, they do not guarantee that these flows are adequate even to maintain the existing stock.

Drawing on the lessons from Canada, the first step in developing a model for a new funding deal should be an independent analysis of the future costs associated with securing the present share of social housing in Australia, including overcoming sizeable maintenance backlogs and/or redeveloping/reconfiguring present social

³⁵ Under present arrangements, cost shifting to the Australian Government can occur when state housing authorities transfer their stock to other providers. This has limited the willingness of the Australian Government to support the expansion of the not-for-profit sector in Australia through stock transfers.

housing portfolios. The cost benchmarks and funding needs established from this exercise should allow for both appropriate outcomes for social housing clients (covering both the affordability and adequacy of the housing and a contribution to positive non-shelter outcomes) and sufficient restructuring of the existing portfolio to better match existing and projected need for social housing.

The second step should be to identify and commit to a cost-effective way to finance the maintenance of the social sector's share of the total housing market (i.e. about 5 per cent) as a minimum supply target. In this context, Austria's housing bonds model discussed in this chapter may be instructive, as well as Canada's long-run experience with different forms of debt and equity financing of social housing.

To ensure that any revisions to present arrangements do not adversely affect housing outcomes, or have unintended consequences as has occurred in Canada, a cohesive and comprehensive national social housing policy that is well integrated with wider national and state social, economic and environmental objectives is essential to guide administrative and funding reform.

Concluding comments

We began this analysis of the long-term social housing agreements in Canada on the expectation that they may offer a model for securing the future of social housing in Australia. However, more detailed analysis has uncovered that the agreements, while having some logical and positive elements, have been motivated more by a desire on behalf of the Canadian government to withdraw from this social policy field than to secure a viable future for the social housing sector.

After more than a decade of partial implementation, the Canadian example gives some indication of the potential benefits, issues and risks associated with devolution. The evidence reviewed for this study suggests it is a cautionary tale. Some particular lessons are that:

- Projected efficiencies have not been achieved at any scale from devolution;
- Growth of social housing has not occurred under the post-1996 social housing agreements;
- The social housing agreements have not addressed backlogs in housing condition, so large liabilities in the existing stock of social housing persist (particularly that managed in the public sector);
- The long-term cost implications for the provinces of the gradual diminution of federal subsidies as loans expire are starting to become more apparent, putting the future of the heavily targeted public housing portfolio, in particular, at risk;
- In this context, provinces increasingly appear to have received a poor deal. At first under the terms of the social housing agreements, they benefited from a favourable interest rate cycle and one off bonuses on signing. However, they now face rising costs in the social housing programs that they have accepted full responsibility for, while the federal government is achieving increasing budget savings in housing, as loans expire.

Finally, the Canadian experience suggests that national interest cannot be addressed readily under a devolution model. In Canada there is evidence of rising needs and growing inequities in housing conditions between provinces, but the federal government has given away all control over the use and future development of the existing social housing sector. Growing problems have led to some federal re-engagement but the long-term future of social housing in all provinces appears to be far from secure.

5.5 Conclusion

One of the overarching goals of this study has been to showcase the potential of comparative housing research to inform policy development. In keeping with that goal, this chapter helps to demonstrate the practical application and operation of a small number of initiatives overseas, which have overlapping objectives and features with housing policy ideas that are being put forward for consideration in Australia.

This local interest makes the international examples relevant and valuable, because they provide an opportunity to understand how a prospective policy might operate and offer lessons that can assist in policy design and implementation, and risk management.

Such ideas and learning notwithstanding, there are significant issues to be taken into account in adapting policy approaches to different national contexts. Oxley (2001) provides an overview of theoretical and methodological considerations related to the transfer of policies from one context to another. While brief, the assessments given above flag some of the main issues to be considered. These include having:

- A good understanding of the historical, institutional and socio- economic context within which the initiative has been developed;
- Comprehensive information about the genesis, design and operation of the instrument, including changes that have arisen in the implementation phase and the reasons for those (e.g. endogenous or not);
- Direct evidence of the impact of the new initiative and analysis of why expected effects did or did not arise, where possible obtained from independent evaluative studies; and
- A framework for interpreting the potential applicability and of the policy and assessing its feasibility in another national context (Oxley 2001).

These perspectives will help provide a means of determining not only how but also why a particular policy approach is working (or not working). Using local knowledge and following consultation with local policy makers, an assessment can then be made about the usefulness of the policy approach in the new context and a list of matters for further investigation can be established.

The constraints of this study and limited evaluative material mean we have only been able to obtain incomplete information on the instruments chosen specifically for in-depth examination. Thus the initiatives reviewed in this chapter would require further research and consultation with policy makers before a full assessment of their applicability in Australia could be made. Material in this chapter provides a 'primer' for such a process if there is further interest among policy makers.

More broadly, the chapter helps to show how undertaking further research on modern housing policy developments (see Maclennan 2005) could help Australian policy makers keep abreast of international developments and contemplate additional goals and new ideas. It could also guard against the risks of isolationism that can arise because Australia has not featured in many comparative studies of housing policies, and tends not to have strong connections to the international agencies and regional networks that influence policy making in Europe and North America.

6 CONCLUSIONS

6.1 Summary of policy directions by country

In previous chapters we analysed and compared the strategies and elements of national housing policies in twelve countries, that have arisen in response to housing policy challenges which they (and Australia) all face to varying degrees. Prior to drawing out our overall findings about the state of housing policy, in Table 6.1 we review and extend the initial snapshot of national housing policy in each country that was provided in Chapter 2. This final appraisal is intended to convey the overall focus and coherence of each country's housing policy approach in order to complement the analysis of individual policy components presented in Chapter 4. Table 6.1 also provides a synoptic view of the way in which government responsibilities for housing are allocated, in keeping with a theme we have pursued about changing government roles in housing.

Stepping back from describing policies in individual countries and analysing specific policy instruments, we now attempt to extract the underlying characteristics and qualities that we consider exemplify the national housing policies examined throughout this report. Our conclusions are drawn from analyses of core features of systems of housing provisions presented in chapters 2 and 3, and the policy developments featured in chapters 4 and 5. Our assessment is intended to help inform Australian policy makers of the requirements and possibilities for an adequate and responsive national housing policy. For this reason, we have drawn most upon places where, by our judgement, we have found the strongest and most appropriate recent policy developments. For completeness, we also mention those cases in our study where governments have not been proactive and housing policy is comparatively undeveloped.

In drawing our conclusions, we will briefly revisit Chapter 1 by reiterating our comments on the limitations of this study's methods. While the study has produced a rich resource of information and policy ideas emerging across twelve countries, a largely desktop review of such a broad field cannot provide a comprehensive account of the impact and effectiveness of each national housing policy examined or allow generalisations about the relative worth of particular policies to be made. The merits and outcomes of particular and different national policies need to be subject to further examination and ongoing debate and discussion. Indeed, we believe the main gains of this study would be if our findings encourage Australian policy makers to seek out and participate more regularly in international housing policy discourse, and if they catalyse a wider array of in depth studies of specific international housing policies and their lessons for Australia.

Table 6.1: Summary of government roles and current policy highlights in the countries studied

<i>Country</i>	<i>Intergovernmental housing policy roles</i>	<i>Summary of major policy elements/directions</i>
Austria	Strong inter-government model. Central government allocates finances for housing policies that are developed and implemented regionally.	The long term focus of housing policy has been on maintaining an adequate housing supply, through subsidised financing. This strategy defies the general housing policy trend to shift to market provision with demand side assistance for those with weak market influence. There is evidence Austria's strategy has helped mitigate house price inflation rampant elsewhere. A successful recent initiative has been raising capital for government approved, limited profit low to moderate income housing through the sale of housing construction convertible bonds.
Belgium	Responsibility for housing policy is highly devolved to the regions. Limited scope of national policy.	Belgium has a housing tenure structure similar to Australia and policy has tended to focus on home ownership, with social housing as a safety net. The dominance of ownership policies are now being challenged and policy debates are centred on new policy instruments for the rental sector that can achieve social objectives in the private rental market and turn around the residualisation of social housing. While not sufficiently developed to assess at present, directions in Belgium may be worthy of further monitoring and research in Australia given the general similarity of our two systems of provision.
Canada	Devolution of service delivery to lower levels of government but emergence of new national policy initiatives in key areas. Strong national role in mortgage facilitation and market information / research.	Canada has pursued a systematic long term devolution of social housing and rental allowances to the provinces and some local governments, accompanied by funding transfers. Nevertheless, a strong national housing agency principally concerned with mortgage market intervention has been retained. Initiatives in affordable housing, preventing homelessness, home renovation and environmental sustainability (E Homes) have been funded jointly by national and provincial governments recently. Some dialogue around economic importance of housing.
Denmark	Central government raises and allocates funding for housing policy, which is implemented by local governments. Their roles include needs assessment, project planning, housing allocations and monitoring performance of providers.	After a long period of significant government investment, there has been a radical overhaul of the housing policy regime, encouraging greater private investment. New policy developments promote private sector financing and construction of mixed tenure developments that include social housing. Of specific interest is the expanding role of large institutional investors, such as pension funds, in the rental sector, promoted by government taxation incentives.
France	Centralised policy and financing role. National attention to key issues like housing supply and urban renewal, but growing decentralisation to local government otherwise under a policy of public-to-public partnerships.	Many housing and urban policy developments are taking place, seen as integral to national economic development and social cohesion. Funding allocations for housing are comparatively high and apply in all tenures for a wide range of households. Current priorities include leveraging private investment in rental housing, expanding supply in high demand areas and improving and investing in run down rental stock, especially in unpopular high-rise housing estates prone to civic unrest.

<i>Country</i>	<i>Intergovernmental housing policy roles</i>	<i>Summary of major policy elements/directions</i>
Germany	National withdrawal and devolution to regions, cities and municipalities.	Germany has undergone successive waves of reform of housing policy. Traditionally, national policy has been centred on providing affordable and secure rental housing using a mix of public and private providers. Over the last decade expanding home ownership became the policy focus using a mix of grants, tax concessions and subsidies for new and existing purchase and modernisation. This effort ceased in 2006. City sustainability is the latest policy focus, together with policies that are responsive to specific needs and issues in what are highly varied regional housing markets in the East and West particularly.
Ireland	Central government policy making with local government planning and delivery. Housing is a key national policy area.	Ireland has been very active over the past decade addressing issues of housing affordability by increasing public expenditure and enacting new legislation and administrative reform. Key policy goals are promoting home ownership, increasing supply, expanding social housing and affordable housing for sale and improving security of tenure.
Netherlands	Central government is key policy maker for housing and urban planning. Independence / responsibility of large housing associations sector has increased. Strength of municipal influence, especially in the land market, varies by locality and level of past involvement.	Major national policy direction is tackling large-scale urban renewal to improve housing quality, provide tenure mix, and improve social integration and safety. Constructive intergovernmental relationships and engagement of the not-for-profit sector have helped to tackle these problems at a neighbourhood level. Recent policies to promote home ownership failed to achieve targets as affordability declined sharply and the production of housing fell rapidly. Central government is now seeking to increase affordable output, with housing associations expected to play a key role in investing in new social housing supply.
NZ	Policy is led by central government and has a broadening focus. There are endeavours to mobilise local governments in larger centres / hot spots and expand third sector provision.	In the context of declining home ownership, affordability problems in the main cities and failed neo-liberal based reforms to social housing in the 1990s, there is renewed policy emphasis on expanding social housing, promoting home ownership for marginal buyers, encouraging new forms of affordable housing supply and exploring long term renting options.
Switzerland	Central government role has been reducing and devolving to cantons and local government.	Whilst government expenditure on housing is low, the Swiss government owns Cantonal banks and uses them to influence the price of housing finance, offering explicit guarantees. Private pension regulations have been used to encourage home ownership by allowing households to withdraw mandatory and voluntary private funds and tax-exempt savings to provide a deposit for residential property. Issuing federally secured bonds to provide lower cost finance to non-profit builders is a well-established instrument.

<i>Country</i>	<i>Intergovernmental housing policy roles</i>	<i>Summary of major policy elements/directions</i>
UK	Strong central government policymaking and regulation, especially for England, but significant devolution of policy making in other regions. Key local government role in implementing affordable housing planning policy. Reducing local government role in service delivery in favour of housing associations. Strong attempt to broaden housing policy to incorporate an economic focus and integrate with wider government agenda.	Housing policy and raising public expenditure on housing have been seen as important components of macro economic and social policies by the national government, geared to addressing affordability, supply and quality issues, as well as to combating labour shortages (especially of public sector workers). There have been major changes in the social housing sector centred on stock transfers to housing associations and harnessing of very significant levels of private finance to achieve the decent homes standard and to build new social housing. Extensive use of the planning system to develop mixed communities and drive greater output of affordable housing especially in southern England. Also major area based initiatives in urban renewal / community regeneration. Innovation in home ownership policy for lower incomes including various shared equity initiatives. Within a strong national policy and regulatory framework, considerable devolution of implementation tools and emergence of a variety of regional policies.
USA	Federal role has been in long term decline. However significant federal agencies remain. State, city and local responses to housing issues vary significantly.	The federal government is primarily concerned with efforts to promote ownership amongst low income and minority groups, using diverse tools that include down payment assistance, revision of mortgage insurance requirements, vouchers for ownership, investment partnerships, sweat equity and self-help programs. Regulation of lenders, education of new purchasers and assistance with restructuring of defaulted loans also feature. Administrative and financial reforms are planned for the remaining public rental sector to enable providers to borrow from the private sector. Housing vouchers have been a major expenditure area since 1970s but numbers are capped. Tax credit for producing affordable housing (since 1987) has stimulated expansion of entrepreneurial not-for-profit sector.
Australia	National government role has narrowed and is largely passive. State role dominated by the focus of housing authorities on public housing. Local government role based around traditional land use planning functions with little capacity to innovate.	Heavily market driven housing system, dominated by home ownership. Housing policy tools are limited and not well integrated with wider socio-economic and government interests. Public housing is declining due to funding cut backs, operational deficits and asset shedding. Strong advocacy for new models of affordable housing and some political / policy interest in shared equity models, but financial incentives not forthcoming so far. Very limited new initiatives or capacity building in the housing sector.

Source: the authors

Recognising the limitations of a broad, largely descriptive study, we will attempt to provide some general observations for further discussion and development. These are presented in three areas relating to: the scope of national approaches to housing policy; key institutional arrangements that underpin recent directions in national policies; and the breadth and balance of demand and supply side incentives evident in national policies. For each of these aspects, we first highlight the specific features of national approaches in the international countries. We then make a comparative assessment of the state of Australia's housing policies for each aspect.

6.2 Comparing the scope of national housing policies

National approaches to housing policy vary significantly between countries. We have found that the span of national housing policies ranges from comprehensive to limited:

- France, Ireland and the UK have the most comprehensive national policies acting across all tenures to deal with the serious housing problems they face. New Zealand recently has embarked on broadening its housing policy interests and scope.
- The housing policies of Austria, UK, the Netherlands and France appear to be most the well integrated, with broader national strategies addressing urban, regional and local sustainability. The UK in particular is starting to place much greater emphasis on the links between housing policy and economic performance, housing productivity issues, housing careers and pathways and building social capital in communities.
- In Canada and the USA, national leadership in policies for the home ownership sector (shaped particularly by mortgage financing instruments and institutions) is well established and ongoing. However, other policy areas, particularly those affecting the rental sector, have been gradually retracted in favour of devolved responses at regional and local levels, with varying success. Some recent national policy developments in these countries tend to have been a reaction to growing housing problems (such as homelessness and deteriorating affordability) rather than showing proactive leadership on shaping future housing outcomes.
- The Netherlands and Denmark have wound back comparatively high levels of national government outlays for housing since the 1990s by, among other changes, actively promoting strong partnerships, especially with the private finance sector, local government and not-for-profit delivery agencies. These partnerships are enabled and nurtured by more targeted national strategies than in the past. Nevertheless, regulatory support (such as that provided by government guarantees and rent regulation) and incentives for private investment in affordable housing remain strong in these countries, similarly to countries with the most comprehensive scope of policies.
- Germany, Switzerland and Belgium represent instances where federal interest in housing has retracted most. This appears to have contributed to those countries now having comparatively weak and fragmented housing policy responses to housing issues at regional levels, although there are local variations in responsiveness and action (such as are apparent between East and West Germany and between Flanders and Wallonia in Belgium, for example).
- Countries that have not developed or maintained strategic housing policies, such as Australia, tend to rely on limited policy options and to have a lack of institutional development. Housing outcomes are exposed to market inefficiencies and structural constraints. Housing policy is under-resourced and ill-equipped to cope with emerging housing challenges. Some countries, notably Ireland and NZ in our selection, have begun to address these weaknesses via policy renewal, legislative reform, public investment and institution building.

6.3 Comparing institutional capacity and networks

Having appropriate institutional structures and networks, and well-resourced processes of capacity building, monitoring and evaluation, seems to be crucial to the successful implementation and ongoing adaptation of both well-established and new policy directions. Below we highlight the best examples from among our study

countries of strong institutional models, partnership approaches and service delivery arrangements for government-supported programs.

6.3.1 Mechanisms for channelling investment and financial institutions

In the USA, Canada, the Netherlands and Switzerland, there are strong mortgage security and insurance/guarantee mechanisms with public objectives related to deepening and supporting home ownership. New Zealand, UK, France, Ireland and Switzerland all have government-facilitated saving mechanisms for home ownership. Government-stimulated vehicles to channel private investment (leveraged with government funds) into the provision of affordable housing for rent and/or sale are well established in Austria, the Netherlands, the UK, Denmark, Canada, the USA and France.

6.3.2 Delivery arrangements

Policies to ensure social housing providers are financially sustainable are strongest in the Netherlands, the UK, Austria, Denmark, France and NZ. Of those countries, all but NZ also have large, independent not-for-profit providers that are professionally oriented and publicly accountable for their performance. Not-for-profit sectors are both self-regulating and government regulated. In Netherlands and Denmark these sectors are financially independent and have become more influential in both policy and market developments, bringing a different balance to traditional government market debates and providing vehicles for local and regional innovation. In the USA a sophisticated and entrepreneurial not-for-profit affordable housing sector has grown up as a somewhat unintended response to a federal tax incentive that offers tax credits for investment in affordable housing (in lieu of a public housing supply side program). There have also been various national attempts in the USA to assist public housing authorities to refurbish and restructure their limited housing stock. National (or sometimes regional) governments in Canada, France, Denmark, the USA, the UK, Germany and Ireland have all embarked on programs to increase local responsiveness in housing strategies by fostering additional roles for local governments (for example, in land supply for affordable housing, stronger housing planning and monitoring and regulation of housing outcomes) and for the not-for-profit sector (such as in partnerships to supply affordable housing, neighbourhood renewal, community building and employment generation).

6.3.3 Partnerships between key agents

Collaborative and cooperative public to public partnerships (between national, regional, city and local governments) to achieve urban renewal and/or social housing supply are most developed in Austria, France, Canada, the Netherlands, Denmark and Ireland. In the European countries in particular, partnership approaches are a magnet for attracting extensive financial resources and expertise from multiple sources to investigate, negotiate and tackle what are multifaceted and complex housing and community issues. In France a key driver of the search for new governance and funding models has been isolated and stigmatised high-rise housing estates that are subject to civic unrest. The Netherlands has led the way in taking a proactive stance to restructuring mono-tenurial housing estates in its large cities, in order to replace ageing and poor-quality stock, introduce new tenures and greater urban vitality and try to prevent social breakdown.

Experimental approaches to public-private partnerships (involving a mix of actors) for addressing estate rebuilding and/or the provision of affordable housing are also widespread, but appear to be strongest in the USA and the UK. These arrangements can be very complex and vary considerably, and many are at an early phase of operation. Therefore, generalisations about their outcomes are difficult to make.

In Canada, the USA and NZ, partnerships between national governments, native and tribal organisations and sometimes a plethora of other agencies to achieve better housing outcomes linked to economic and social development goals also appear to be more advanced than those between governments, Indigenous communities/ agencies and other private agencies in Australia. The partnerships offer a flexible and responsive way of delivering housing assistance options and stimulating new models, especially in tribal or community areas.

6.4 Comparing the balance of demand and supply side incentives

After a long period of housing policies favouring demand side assistance there has been a discernible shift back to supply side interventions, in several but not all of the countries studied. Austria stands out as having maintained a long-term and comparatively stable strategy to achieve national housing supply targets, including about one-fifth provided as social housing. This appears to have helped moderate prices and rents in Austria, and thereby has also dampened the need for significant amounts of demand side assistance that are typical almost everywhere else. More recent supply side interventions are producing modest net growth in the supply of affordable housing for sale and/or rent in France, the UK and Ireland.

In current government policy in Denmark, USA, Canada, NZ and the Netherlands, a much more limited level of inducements for investment in additional supply is evident, with concomitantly lower levels of output. However, active supply side policies in some of these countries, especially Denmark, the Netherlands and the USA, are not producing net growth in affordable housing because of the scale of demolitions and transfers to home ownership. In such cases the supply side programs mainly assist the replacement of poor quality and stigmatised stock.

Belgium and Switzerland have weak demand and supply side strategies. Only Germany has no significant supply side programs at present, although this situation has developed in the context of low population growth and a major surplus of housing in the East. Germany retains demand side assistance programs, for eligible renters only since 2006.

In nearly all countries where there is substantial government investment in additional supply (through capital or operating subsidies or tax incentives), this is being used to lever diverse forms and sources of private investment. The exceptions are NZ and Ireland, which have not yet developed the institutional intermediaries and delivery vehicles to enable this, and so are still mainly expanding their supply of public housing while they take steps to build capacity in their respective third sectors.

6.5 Comparisons with Australia

How do we position Australia in comparison to the countries in this report, with regard to national approaches to housing policy, institutional developments and supply/demand approaches? Drawing on our local knowledge, the review of recent housing policy directions in Australia in Table 4.15 and our consideration of the relevance and applicability of international approaches and experience, we now turn our attention to an assessment of the comparative strengths and weaknesses of Australian housing policy settings.

6.5.1 Australia's national housing policy approach

Along the spectrum of approaches we have identified above, Australia's national housing policy seems narrowly based and largely unresponsive to emerging challenges so far. The role of national policy in promoting specific housing outcomes

in each tenure is largely not specified and not monitored. Traditionally, a range of incentives and institutions has supported home ownership, but many of these no longer operate. The public housing sector is financially constrained and growth cannot occur under current policy settings. National housing policy does not include any explicit strategies to steer the future development of the private rental market.

While the housing sector plays a major role in the domestic economy, individual wealth allocation and household security, governments have not yet addressed potential risks to Australia's economic performance and intergenerational sustainability appearing in this sector. For example, influential and related policies that lie at the core of investment in the housing sector (such as those for superannuation savings and retirement incomes, property linked tax incentives/concessions, and policies related to urban planning, land supply and land development) are not co-ordinated and do not have integrated objectives in relation to housing.

Australia also lacks adequate public information on supply and demand developments and impediments in the housing market. A strong information base is essential to develop a national strategy that is capable of responding to diverse needs and issues in the home ownership, private rental and social housing sectors, and to inform targets for desired housing outcomes, such as affordable housing. Several states recently have launched affordable housing strategies but these are constrained by fragmentation and their small scale. Consequently, they so far have not attracted the attention of private investors to any meaningful extent.

The Australian Government has reacted to some recent housing problems in the areas of homelessness and Indigenous housing, but this has tended to involve small and piecemeal initiatives whose implementation has been impacted upon by shuffling of responsibilities (and blame) between federal and state spheres. Finally we note that the role of local governments in actively pursuing socially oriented housing strategies at the local or sub-regional level is very limited in Australia, with a few notable and heroic exceptions (Gurran 2003).

Overall, despite the availability of extensive local research³⁶ and expert advice on many contemporary housing issues and prospective strategies, there is little evidence of innovative policy action being taken by Australian governments in housing beyond small, short-lived or one-off experiments.

6.5.2 Institutional capacity and networks

Australian governments played a strong role in supporting mass home ownership for most of the twentieth century, contributing to one of the highest home ownership rates in the world. However, the national policies and institutional infrastructure that supported the growth in home ownership³⁷ has been gradually dismantled from the early 1990s in favour of market mechanisms.

Australia currently lacks many of the structures that have enabled new ways of financing and delivering various forms of affordable housing and neighbourhood renewal in some of our sample countries. For example, it has not developed

³⁶ In the past 15 years, Australia has developed a highly productive, independently governed and networked model for undertaking policy-oriented housing research, the Australian Housing and Urban Research Institute (AHURI Ltd). AHURI is funded jointly by the national and state/territory governments and 14 leading universities.

³⁷ In the 1980s and 1990s government interventions at various times included having a regulated mortgage market, initiating a government-backed secondary mortgage market targeting flexible loans to lower-income earners, a national government subsidy scheme for home ownership under the CSHA and targeted deposit assistance for first home buyers.

intermediary structures to channel private finance to the housing system to meet public policy objectives. This is one reason that goals to increase private financial investment in affordable housing have not been achieved.

The use of new forms of public–private partnerships has also remained very limited in the housing area, as prospective forms do not have the confidence of potential investors and partners. Collaborative policy making processes that appear to offer encouraging ways of addressing challenges, such as neighbourhood renewal, are not widespread.

The social housing system in Australia is still dominated by large public landlords with exclusive domain. They are not subject to competitive pressures and suffer from short-term political interference. Developing additional or alternative models of provision is perceived as undermining their domain. While there has been some experimentation since the 1980s, alternative providers of social housing have been unable to expand significantly, due mainly to the absence of an asset base and a sustainable financing model.

6.5.3 Balance of demand and supply approaches

All major programs of direct expenditure on housing in Australia currently are operating predominantly on the demand side. Those programs include the First Home Owners Grant, Commonwealth Rent Assistance and funding under the CSHA, which total about AUS\$3.5b per annum (AIHW 2005).

Australia's largest expenditure on housing currently is Commonwealth Rent Assistance, which is a cash payment available to eligible Centrelink payees who rent privately. This program is characterised as an income support mechanism. It is not designed to meet a housing affordability objective and the payment is not linked to regional rent levels. The program has expanded steadily in the past decade or so mainly in response to demand. Despite the fact that nearly one million families and individuals now receive this form of assistance, housing stress levels remain stubbornly high in the private rental market, demonstrating that demand side assistance alone will not be enough to address this issue (AIHW 2005; Yates and Gabriel 2006).

Under the CSHA, public housing funding that was previously earmarked for additional supply is now being transferred to meet increasing operating and maintenance costs in the existing stock of housing. This corrosive situation has not been halted by the national government, which has also cut its overall funding for the sector.

State housing agencies throughout Australia have been active in restructuring and revitalising some public housing estates. However, they have insufficient funding to extend and accelerate these necessary processes. Moreover, without adequate funding to invest in additional housing off estates, net reductions of social housing have resulted in some jurisdictions.

Australia does not have a national settlement policy concerned with matters such as the sustainability of cities and regions, the effects of demographic change on the housing system and the impact of immigration and inter-state migration on regional housing markets. Housing markets are largely subject to market forces and market failures, and exogenous influences (such as patterns and cycles of investment, and economic and population growth rates). Strong geographical and periodic volatility in prices and conditions has been evident over the past cycle.

State governments alone do not have command over the levers needed to respond to circumstances such as the impact of the resources boom on house prices or barriers to market entry. National governments in countries such as Austria, France, Ireland

and the UK do attempt to monitor and influence the balance of supply and demand in their housing markets and to address regional differences in housing affordability and quality by using nationally lead approaches that establish targets, allocate subsidies and encourage the use of regional and local housing strategies.

6.6 Final comments and future action

In our study, no single national housing policy stands out as exemplary. While we have shown there are several countries with relatively comprehensive and proactive national policies, in general housing policy initiatives are being developed incrementally, and increases in government expenditures, where they are occurring, are modest. Nevertheless, in many countries there is a clear commitment to and stronger government leadership on housing than in Australia. The following attributes appear to be associated with the most successful international responses to emerging housing issues in recent years:

- A view of housing as being an integral part of economic, social and environmental policy, as demonstrated recently by the UK and Ireland and over a longer period by Austria, France and the Netherlands;
- Sufficient housing expertise both within and connected to government, which is committed to building policies and relevant institutions to deliver desired housing outcomes, as demonstrated in a range of countries including the Netherlands, UK, USA and Ireland and also through the role and influence of regional and supra national agencies such as the United Nations Economic Commission for Europe, the institutions of the European Union and specialised peak bodies such as CECODHAS;
- A long-term commitment to achieving desired housing outcomes, in which government plays an assertive and important role in a constructive partnership with all relevant public and private agencies, perhaps best exemplified in this study by Austria, the Netherlands and France;
- Progressive development of a modern institutional framework for delivering government-directed housing outcomes using a well-designed mix of market and non-market mechanisms. The regulatory, legislative and institutional basis that has been developed in the UK, the Netherlands, Denmark and Austria, and also still operates to some extent in the USA and Canada, is clearly necessary to help attract private finance and enable appropriate delivery of government-assisted housing services;
- A climate and practice where diversity, flexibility and local innovation can flourish without leading to the abandonment of appropriate national policy responsibilities and the efficient allocation of subsidies according to need. Countries such as UK, Ireland, the USA, Denmark, the Netherlands and France, which have resourced multiple providers and local-level initiatives through block grants and capacity building, have enabled local governments and partnership programs to lead the way in this regard. However, outcomes depend on the strength and capacity of local networks, which require nurturing, resourcing and bolstering in the short to medium term;
- Comprehensive and up-to-date market analysis and policy-oriented evaluation strategies (such as are used in the USA, UK and NZ) that can help to ensure that the efforts of government are effective, responsive and appropriate; and
- The adoption of balanced multi-tenure policies that have a common focus on increasing affordable and sustainable housing options improving tenure choice

and pathways and supporting socially mixed communities, such as those found in France, UK, the Netherlands and Ireland.

Internationally, a wealth of ideas in new housing policies and practices offers critical insights and lessons for Australian policy development, and demonstrates what can be done in particular contexts. To mine the resources provided in this report, more comparative research and policy analysis and international exchanges on policy developments should now be encouraged. This will increase our understanding of the relevance and adaptability to the Australian context of recent international initiatives, as highlighted in this study.

In particular, to maintain and extend the benefits that have arisen from this project, we consider that the Australian housing policy environment would now gain from:

- More specialised research that involves collaboration between policy makers in Australia and appropriate country experts on relevant initiatives identified in this study, especially to determine the impact of the policies we have described;
- More active involvement of Australian national and regional policy makers in international and regional housing policy networks with support from government;
- Regular and timely reviews of further international developments in specific policy areas of interest by the AHURI research network; and
- Linking different strategic players in the Australian housing system –such as potential private funders and investors, planners associated with housing policies, not-for-profit housing entrepreneurs, affordable housing developers, housing regulators, social landlords and professional and tenant associations – to leading international counterparts.

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APPENDICES

Appendix 1: Key informants

The authors interviewed and/or received specific advice and information from the following researchers and policy makers.

<i>Informant</i>	<i>Organisation</i>
Wolfgang Amann	Institute for Real Estate, Construction and Housing Ltd, Vienna
Blair Badcock	Housing New Zealand Corporation, NZ
Edward Blakely	University of Sydney, Australia
Peter Boelhouwer	Delft University of Technology, The Netherlands
Wenda van der Laan Bouma	Delft University of Technology, The Netherlands
David Brosnan	Department of Building and Housing, NZ
Martin Brown	Swiss National Bank
Darinska Czischke	CECODHAS, France
Edwin Deutsch	University of Technology Vienna, Austria
Allan Dobie	CMHC, Canada
Marja Elsinga	Delft University of Technology, The Netherlands
Roger Fitzgerald	Housing New Zealand Corporation, NZ
Mark Guslits	Toronto Community Housing Canada
Peter Gurtner	Federal Office of Housing, Switzerland
Vincent Gruis	Delft University of Technology, The Netherlands
Marietta Haffner	Delft University of Technology, The Netherlands
Magnus Hammar	International Union of Tenants
Ernst Hauri	Federal Office of Housing, Switzerland
David Hulchanski	University of Toronto, Canada
Thor Kuhlmann	City of Vancouver, Canada
Michael Kunz	UNECE
Patricia Laing	Housing New Zealand Corporation, NZ
John Landis	University of California, Berkley USA
Walter Matznetter	University of Vienna, Austria
Barrie Needham	University of Nijmegen, The Netherlands
Michelle Norris	University College Dublin, Ireland
André Ouwehand	Delft University of Technology, The Netherlands
Dan Paris	Vancity Enterprises, Canada
Graham Parkin	Housing New Zealand Corporation, NZ
Stephen Pomeroy	Focus Consulting, Canada
Hal Pawson	Heriot-Watt University, UK
Gordon Reid	British Columbia Housing, Canada
Rob Ravestein	AEDES (Federation of Housing Corporations), The Netherlands
Fred ami Rougemont	Switzerland
Kath Scanlon	London School of Economics, UK
Harry Van der Heijden	Delft University of Technology, The Netherlands
Hubert Van Eyk	Ministry Housing, Spatial Planning & Environment, The Netherlands
Ingomar Weihs	Ministry of Economic Affairs and Labour, Austria
Christine Whitehead	London School of Economics and Cambridge University, UK
Sien Winters	Catholic University, Leuven, Belgium
Judith Yates	University of Sydney, Australia

Appendix 2: International currency exchange rates³⁸

	<i>CA\$ Canada</i>	<i>€ European Monetary Union countries</i>	<i>NZ\$ New Zealand</i>	<i>GB£ United Kingdom</i>	<i>US\$ United States of America</i>
<i>1 AUS\$</i>	0.8811	0.6214	1.1311	0.4242	0.7517
<i>Value in AUS\$</i>	<i>1 CA\$</i>	<i>1 €</i>	<i>1 NZ\$</i>	<i>1 GB£</i>	<i>1 US\$</i>
	1.1349	1.6093	0.8841	2.3574	1.3303

Sources: Australian Taxation Office; authors

<http://www.ato.gov.au/taxprofessionals/ml.asp?6836>

Appendix 3: National action plans on social inclusion and updates to plans

Austria

Federal Ministry for Social Security, Generations and Consumer Protection Austria. 2004. 'Update on the 2nd National Action Plan on Social Inclusion'. Vienna. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_at_en.pdf; accessed January 2007.

Republic of Austria. 2006. 'National Report on Strategies for Social Inclusion and to Reduce Poverty', Appendix 5. Available online at http://ec.europa.eu/employment_social/social_inclusion/docs/2006/nap/austria_en.pdf; accessed January 2007.

Belgium

Belgian Government. 2003. 'Belgisch National Actieplan Social Insluiving 2003-2005 (in Dutch)'. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_be_nl.pdf; accessed January 2007.

Denmark

Ministry of Social Affairs. 2004. 'Update of Denmark's National Action Plan to Combat Poverty and Social Exclusion (NAPincl 2003/2005)'. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_da_en.pdf; accessed January 2007.

Germany

Government of the Federal Republic of Germany. 2004. 'Strategies to Enhance Social Integration: National Action Plan against Poverty and Social Exclusion 2003-2005'. Update, Contribution to the First European Social Protection and Social Inclusion Report. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_de_en.pdf; accessed November 2006.

³⁸ Values are average for year ended 30 June 2006.

Ireland

Government of Ireland (2002) National Action Plan against Poverty and Social Exclusion 2003-2005, Dublin. Available online at http://ec.europa.eu/employment_social/news/2001/jun/napincl_ir_en.pdf ; accessed November 2006

Government of Ireland (2004) National Action Plan against Poverty and Social Exclusion 2003-2005 Light Update, Dublin. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_ie_en.pdf ; accessed November 2006.

Netherlands

European Commission. 2004. 'Light Update National Action Plan 2003 for combating poverty and social exclusion'. The Netherlands. Available online at http://ec.europa.eu/employment_social/news/2001/jun/nap_incl_0305_nl_en.pdf ; accessed November 2006.

U.K.

Department for Work and Pensions. 2003. 'U.K. National Action Plan on Social inclusion 2003-2005'. Available online at http://ec.europa.eu/employment_social/news/2001/jun/napincl_uk.pdf ; accessed January 2007.

Appendix 4: Levers / strategies listed as suitable for further study grouped by housing policy cluster

Facilitating home ownership

<i>Instrument</i>	<i>Country</i>
National lead agencies to promote home ownership to marginal and excluded groups	USA, Canada
Government backed mortgage insurance	USA, Canada, the Netherlands
Use of pension savings to assist home ownership	Switzerland
Initiatives to remove barriers to and enable Indigenous home ownership	Canada, USA, New Zealand

Promoting investment in affordable housing

<i>Instrument</i>	<i>Country</i>
Specific tax, subsidy and regulatory instruments to channel private investment into affordable housing	Austria, Switzerland, the Netherlands, Denmark, UK, USA
Planning measures that require the development of affordable housing	Ireland, UK, USA, Canada, the Netherlands and France

Utilising the private rental market

<i>Instrument</i>	<i>Country</i>
Package of measures to promote rental supply and security of tenure	Ireland
Incentives for supply, quality improvements and tenants rights	France
Policy development to enhance long term housing options in the private rental sector	NZ

Reinventing social housing

<i>Instrument</i>	<i>Country</i>
Programs for increasing social housing supply	Ireland, NZ, France and Belgium, Austria, UK. The Netherlands
Policy and delivery reforms to improve client outcomes	UK
What sustains social housing systems?	Cross country analysis

Promoting housing and neighbourhood sustainability

<i>Instrument</i>	<i>Country</i>
Specific approaches to regeneration of neighbourhoods with concentrations of physical, economic and social problems.	EU member states, especially examples from UK, France, Ireland, the Netherlands
Independent structures to finance and manage housing for Indigenous people.	Canada
Cross government 'Healthy Housing Initiative' in urban areas	NZ

Changes in governance and delivery in housing systems

<i>Instrument</i>	<i>Country</i>
Long term intergovernmental agreements for the administratio of social housing	Canada
Partnerships for neighbourhood renewal	UK
'Social Cities Program' civic governance model	Germany
Role and function of regional and international agencies, such as UNECE, OECD, European Commission, in housing research and comparative information, strategic advice and stimulating policy development	Europe, North America
Roles and responsibilities for housing in federated housing systems	Belgium, Germany, USA, Switzerland, Canada, Austria

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RMIT-NATSEM Research Centre
Southern Research Centre
Swinburne-Monash Research Centre
Sydney Research Centre
UNSW-UWS Research Centre
Western Australia Research Centre



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