

## Social Housing Policy in Japan

The Japan Federation of Housing Organizations (Judanren)

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### 1. Changes in Housing Policy - The Three Pillars of Housing Policy

#### Trends in Japanese Housing Policy

In the immediate postwar period, Japan faced a housing shortage of 4.2 million units. The government implemented emergency measures, including the construction of temporary housing. The economy subsequently began to recover, however, and by the early 1950s it was apparent that Japan would need to establish systems to supply permanent housing.

In 1950, Government Housing Loan Corporation (GHLC, now Japan Housing Finance Agency) was established to provide long-term, low-interest finance for the construction or purchase of houses. "The Publicly-Operated Housing Act" of 1951 enabled the central government to provide subsidies to allow local governments to supply low-rent housing (publicly-operated housing). In 1955, Japan Housing Corporation (JHC, now Urban Renaissance Agency) was established to overcome a housing shortage resulting from an influx of people into Japan's major cities, by supplying housing and land for housing to working people. These three measures were the foundation of what is now known as the "publicly funded housing supply system."

Severe housing shortages continued during Japan's period of rapid economic growth, in part because of the concentration of people into major cities. Another factor was the shift to the nuclear family lifestyle. This situation led to the passage of "The Housing Construction Planning Act" in 1966, the aim of which was to provide a powerful impetus for housing construction based on cooperative efforts by central and local governments and the public. Under this law, the cabinet began to adopt comprehensive Housing Construction Five-year Programs encompassing construction by the private sector as well as by the central and local governments.

These programs led to the acceleration of housing construction, with the result that by 1973 the total number of houses exceeded the total number of households in all

metropolitan areas and prefectures. Japan had reached its goal of one house per household, ending two decades of postwar housing shortages. Quantitative housing needs had been met, and in subsequent five-year programs the emphasis shifted to factors relating to the quality of housing, including residential environments and housing performance.

In recent years, rapid demographic aging and a falling birthrate have prompted a major shift in the focus of housing policy. Instead of policies designed to ensure an adequate quantity of housing, the emphasis now is on improvement in the overall quality of residential life, including the residential environment. There have also been radical changes in the policy tools used to directly supply housing and housing financing, including the Loan Corporation, publicly-operated housing and the Housing Corporation.

The final step in this process was the passage of “The Basic Act for Housing” in 2006. This law provides a road map for the achievement of enhanced residential living standards by the Japanese people today and in the future. In September of the same year, a cabinet resolution was passed that adopted the Basic Program for Housing as the basic national plan for the realization and promotion of the basic principles and measures set forth in the Act.

Note that the Plan is reviewed about every 5 years as a rule in consideration of the forecast of the future social and economic situations and, based on this, a plan that covers a period of 10 years from FY2016 to FY2025 was approved in a cabinet meeting in March 2011.

Measures are now being implemented under this program with the aim of ensuring that all citizens are able to achieve enhanced residential living standards.

## 2. One of the Three Pillars of Housing Policy:

### Publicly-Operated Housing and its construction of Housing

- Publicly-Operating Housing Systems

Publicly-operated housing is rental for low-income people that is built, bought or rented by prefectural and municipal governments using central government grants. As of March 31, 2016, Japan’s stock of publicly-operated housing amounted to about 2.17 million units.

The local government, who provide publicly-operated housing, set monthly rents each financial year according to various criteria, including the declared incomes of occupants, the location and size of the housing, and how old the housing is. To qualify for publicly-operated housing, individuals must meet income criteria that issued by local ordinances and demonstrate that they are currently unable to meet their housing needs. Occupants are generally selected through a public lottery system. However, low-income people with housing problems, especially aged households, single-parent households and households of persons with disabilities, can be housed on a preferential basis at the discretion of housing providers, depending on circumstances in the locality.

- Its construction of housing

Following the establishment of the publicly-operated housing system in 1951, construction of publicly-operated housing was used as a method to overcome the housing shortage caused by war damage. During Japan's period of rapid economic growth, massive construction programs were undertaken to provide housing for workers and their families, who were moving in large numbers into metropolitan areas. Construction of publicly-operated housing reached a peak of over 100,000 units annually during this period. In recent years, the number has fallen to around 16,000 units per year, of which about 90% are rebuilt units.

Table1: System Overview of Publicly-Operated Housing

	Publicly-Operated Housing
Target group	Low-income people with housing problems
Age criteria	None
Income criteria	<ul style="list-style-type: none"> <li>○ Income bracket               <ul style="list-style-type: none"> <li>• In principle, in the range of less than 50% (¥259, 000 of monthly income), the local government establish the ordinance, considering the 25% (¥158,000) criteria specified by a Cabinet Order.</li> <li>• Discretionary provision (for the elderly, etc.): the local governments establish the ordinance. In the range of less than 50% (¥259, 000 of monthly income), the local government establish the ordinance about income standard for the discretionary provision.</li> </ul> </li> <li>&lt;Eligibility for rent assistance&gt;</li> <li>○ Income bracket: 0-40%</li> </ul>
Supply method	<ul style="list-style-type: none"> <li>○ Built by local government</li> <li>○ Build by private sector, purchased or rented by a local government</li> </ul>
Housing improvement cost	<ul style="list-style-type: none"> <li>○ By including the construction cost, etc. of public housing in the project cost which is subject to the calculation of a grant-in-aid, as a general rule 1/2 of such project cost (in the case of using a social-capital improvement general grant-in-aid, etc.) shall be granted to the local government.</li> </ul>
Rent	Rent based on occupant's income, location and size of house, etc. (The central government provides grants to local governments to support the reduction of rental fees.)

• Effective Use of Housing Stock

While housing stock that was created during the first phase of publicly-operated housing construction was conveniently located, it has deteriorated with age. Furthermore, many units fail to reflect contemporary standards in terms of size, facilities and other factors.

Some of these units are now being replaced with medium- and high-rise structures, while others are being extended and renovated. The aim of these projects is to improve residential living standards, allow people to live closer to their places of work, and optimize land utilization.

Another priority in recent years has been the development of publicly-operated housing

that is more amenable for the elderly and for people with disabilities. Related improvements include the installation of handrails and the elimination of level differences. Publicly-operated housing constructed around 1970 is now aging and has deteriorated, relative to other housing in terms of residential living standards, facilities and other factors. There is a growing need for the improvement of this housing. This is reflected in regional housing plans, which call for the utilization of housing stock in ways that are suited to regional characteristics. Housing is now being systematically improved in accordance with these policies.

Table2: Publicly-Operated Housing Stock by Year of Construction (the end of 2015)

Year	1945-1954	1955-1964	1965-1974	1975-1984	1985-1994	1995-2004	2005-2014	2015	Total
Ten thousandth of units	1.1	7.2	63.2	57.8	40.6	30.5	15.4	1.2	216.9
Percentage	0.5%	3.3%	29.1%	26.7%	18.7%	14.1%	7.1%	0.5%	100%

Source: Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

### 3. New Housing Policy Framework

#### Reasons for Housing Policy Reform

Housing policy in Japan has yielded certain benefits under the eight Housing Construction Five-Year Programs. Those benefits include the alleviation of a severe housing shortage and the improvement of residential living standards, through efforts to ensure that quantitative requirements have been met while also responding to changing needs. At the core of housing policy have been measures relating the direct supply of housing and housing finance by various organizations, including Government Housing Loan Corporation (now Japan Housing Finance Agency), publicly-operated housing schemes, and Japan Housing Corporation (now Urban Renaissance Agency).

As a result, in the recent housing situation, quantitative needs have been met, and new priorities have arisen as a result of social and economic changes that include rapid demographic aging, a declining birthrate and increasingly serious environmental problems. From a qualitative perspective, the standard of housing and residential environments is still inadequate, and Japan cannot yet claim to have developed a housing stock that provides good housing performance. This situation will require a major shift in the basic framework of housing policy. The priority now is to improve the

overall quality of residential living standards in Japan, including residential environments, while also providing safety-nets for those whose housing needs require special consideration, such as low-income people.

#### 4. One of New developments in Housing Policies -Building a Residential Safety Net-

“The Act to Promote the Supply of Rental Housing for People Who Require Consideration in Securing Housing” was enacted in July 2007. It is intended to encourage the effective use of the existing housing stock by means of priority residence schemes and other measures to streamline the management of publicly-operated housing, which plays a central role in securing stable housing for the elderly, households with children and other low-income groups. Equally important, it will promote the creation of a flexible, multilayered housing safety net that is tailored to regional circumstances, encouraging the private sector to supplement publicly-operated housing by supplying public rental housing, improving information systems to support people in moving into rental housing that accepts the elderly and households with children, and revitalizing the overall housing market by instituting rental claim guarantee schemes and streamlining conditions to allow NPOs and other organizations to provide financial support for housing.

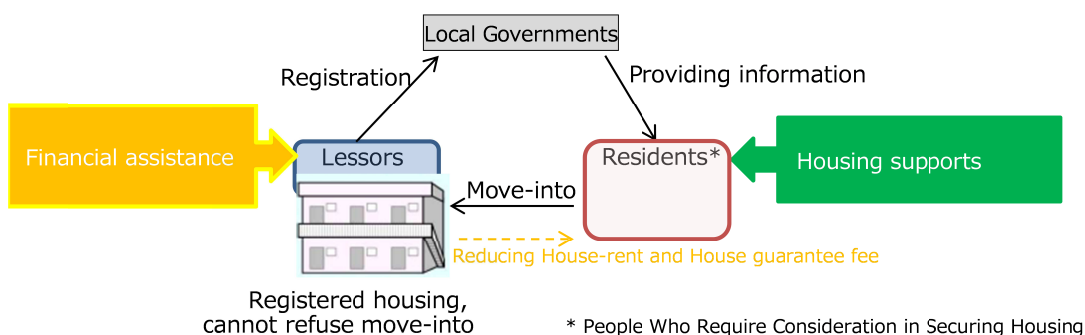
#### Building a Newly Residential Safety Net

In order to enhance housing safety and net functions by utilizing private rental housing and vacant housing, it was enforced in April 2017 and put into effect in October 2017 on a "For the Law to Partially Revise the Law Concerning the Promotion of Offering of Rental Housing to Those Who Require Special Housing Consideration" under which measures will be taken, such as registration systems for rental housing that is intended for the promotion of smooth move-in for those who require special housing-consideration.

New Residential Safety Net consists of 3 major programs.

- 1). Rental Housing registration system for people who require consideration in securing housing
- 2). Financial assistances on renovation of registered rental housing and residents of the housing
- 3). Housing supports for people who require consideration in securing housing

## Image of New Housing Safety Net System



1). Rental Housing registration system for people who require consideration in securing housing.

The system is for lessors who would like to register their rental housing in prefectural and city governments. The registered rental housing cannot refuse people who require consideration in securing housing. The governments provide the information of the registered rental housing to lessees, and then based on the information, those people will be able to apply to move into the registered rental housing.

2). Financial assistance on renovation of registered rental housing and residents of the housing.

The new program has financial assistance on the expenses for renovation of registered rental housing and on reducing the financial burden of the residents. There is assistance on renovations such as renovating share houses, aseismic repairs and making barrier-free housing. Those works should be only for residents who require special housing-consideration. Although both the local and the central government assist together generally, the central government can assist the operators directly in the beginning stage. In addition, the Japan Finance Assistance Agency allows for financing to contractors for the renovation expenses.

The program for financial assistance for residents in registered rental housing, assists lower house-rent and house-rent guarantee fees, respectively. The local and the central government cooperate together to support either for low-income residents. As the assistance of low house-rent for the lessees of registered rental housing, the subsidy is the maximum of 40,000 JPY per month, paying on differentiation between market house-rent and house-rent for residents. The target period of the subsidy is the maximum of 10-years in principle. And it evaluates the necessity of the subsidy every 3

years.

As the assistance of low house-rent guarantee fees for registered guarantee providers or the Housing Support legal entities, the subsidy is the maximum of 60,000 JPY, paying on the differentiation between the normal guarantee fee and the fee owed by the residents.

The subsidy is only for the house-rent guarantee during the residents life in rental housing. It requires for the entities not to ask its residents for an additional cosigner. It is possible to receive both subsidies, but the total amount should not exceed 480,000 JPY per year.

3). Housing supports people who require special consideration in securing housing. The new system allows for appointing NPOs or organizations, which render housing assistance, as Housing Support legal entities. The Housing Support legal entities will conduct operations such as providing information and consultations for people who require special consideration in securing housing to move into private sector rental housing, monitored living support, and rental guarantee system for residents in registered rental housing, and so on.

Regarding welfare recipients, it has new additional procedures on proxy payments on behalf of residents. Regarding rental guarantee business, the national registration system is built for qualified entities and the government can register the entities as they properly manage and operate the guarantee businesses.

Furthermore, it has a program that the registered rental guarantee providers and the Housing Support legal entities are capable of being insured their rent guarantee by Japan Housing Finance Agency.