

The Role of Government in Affordable Housing Finance

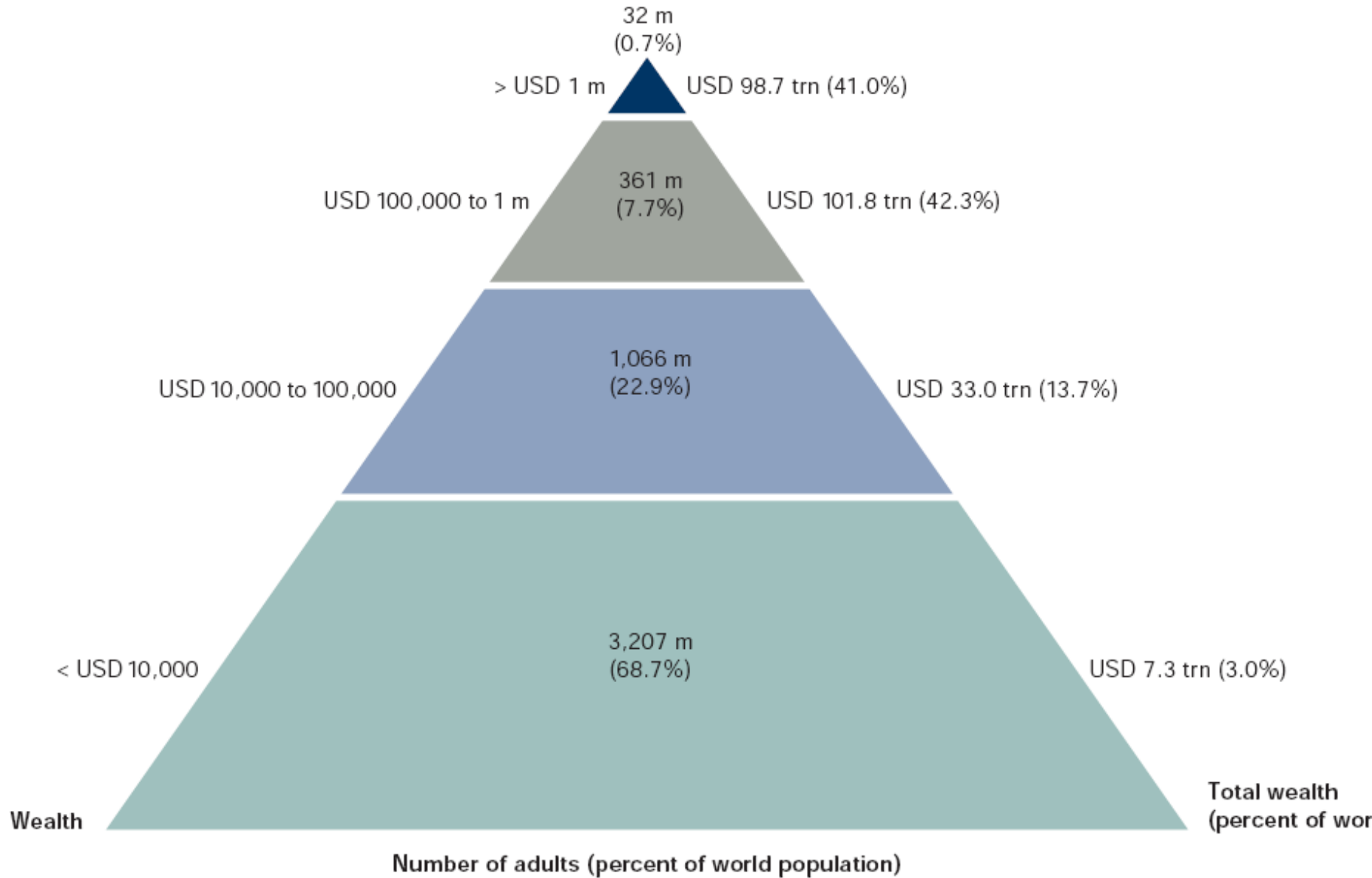
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UN-HABITAT

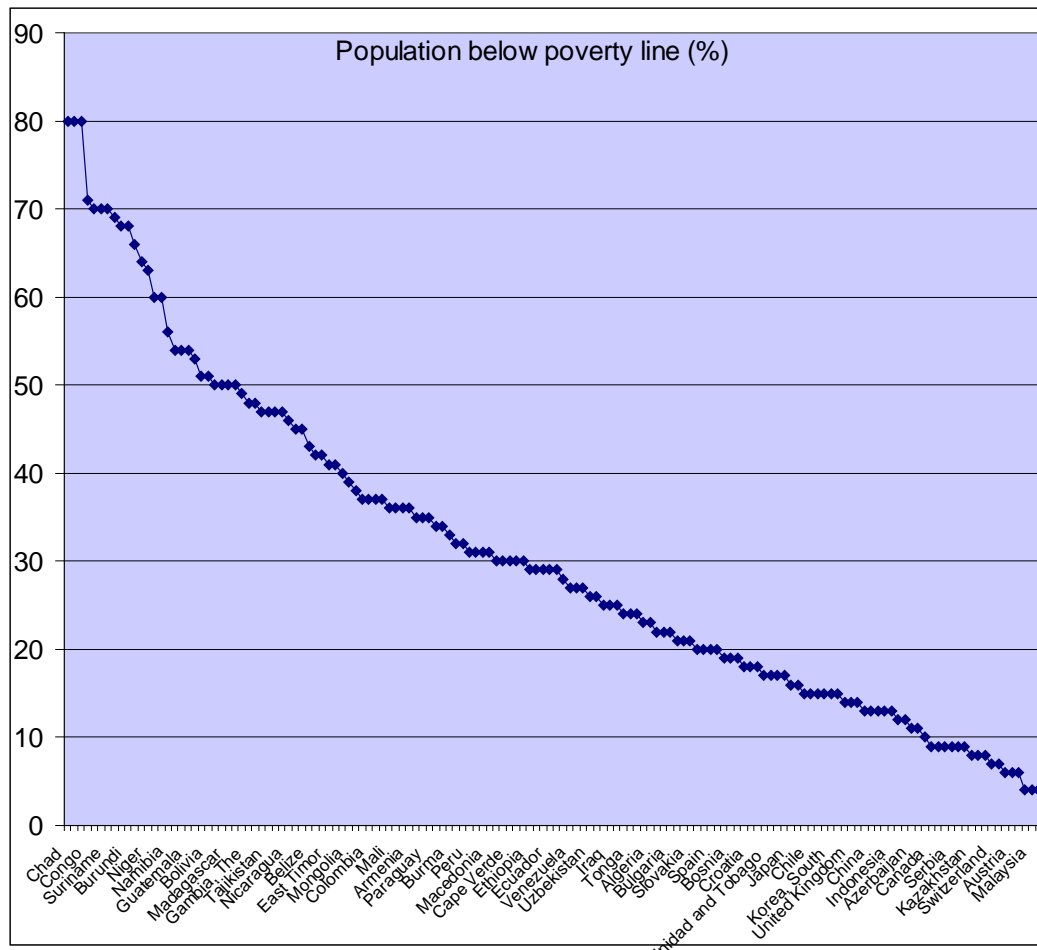
Housing and Slum Upgrading Branch

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The Global Wealth Pyramid



World Population below Poverty Line by Countries



Source: Based on: <http://www.indexmundi.com/map/?v=69>

Subsidised housing in UK and USA

	Total	Pct total housing stock (%)	Pct total renting housing (%)
UK			
Total occupied housing stock	26.65		
Housing associations	2.38	9	29
Local authority	2.59	10	32
Housing benefit for private renters	1.21	5	15
Total social housing	6.17	23	76
Excluding housing benefit	4.97	19	61
US			
Total occupied housing stock	110.69		
Public housing	1.16	1	3
Other housing with project-based subsidies	1.78	2	5
Vouchers	2.28	2	7
Low-income housing tax credit	1.90	2	5
Other federally subsidized housing	0.50	0	1
Total	7.62	7	22
Excluding vouchers	5.34	5	15

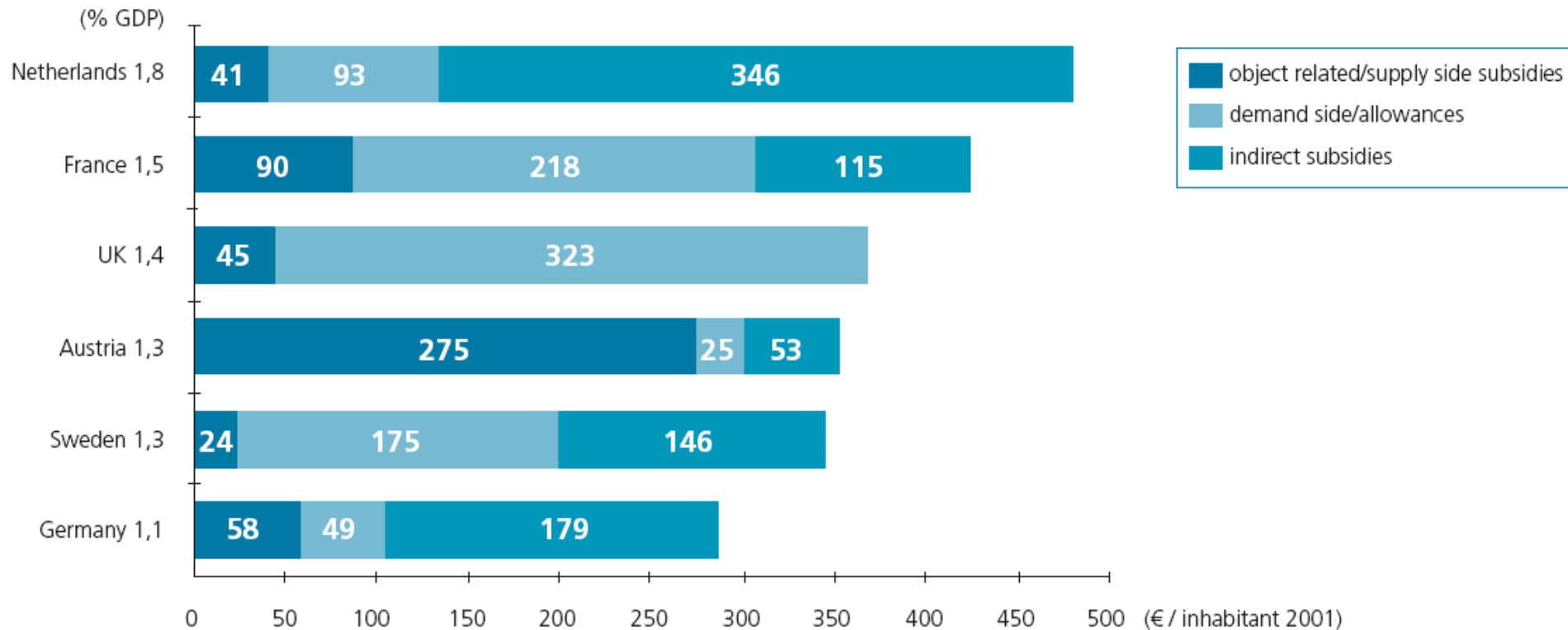
Taxes and Subsidies for Homeow ner- occupied

	UK	Denmark	Germany	Netherlands	USA
Market share	69% (2007)	52% (2004)	39% (2003)	56% (2006)	69% (2005)
VAT new construction	No 0%-rate	No, exemption	No, exemption	Yes	No, not applicable; also no sales tax
VAT repairs/ renovation	Yes	Yes	Yes	Yes	Not applicable
Transaction tax for acquisition of existing dwelling (stamp duty)	Yes, exemptions and temporary deductions; also for newly-built	Yes	Yes also on newly-built	Yes	Yes, in some states; some exemptions
Imputed rent taxation	No	No	No	Yes, for as long as mortgage is being repaid	No
Mortgage interest deduction	No	Yes	No	Yes	Yes
Other cost deductions	No	No	No	Yes	Yes
Capital Gains Tax	No principal dwelling exempted	Yes exempted if occupied by owner and land area is limited to 1400 sq m	Yes if sold 10 years of acquisition	No	Yes if dwelling is not owner occupied for 3 of the last 5 years
Property, real estate or land tax	Yes, council tax	Yes, 1) local land tax 2) local real estate tax	Yes, municipal real estate tax called land tax	Yes, local real estate tax	Yes, local real estate tax
Housing allowances	No	No	Yes	Yes, only possible for mortgagors with mortgage guarantee	Yes, in some states
Non-fiscal subsidy (incl. one-off)	Yes	No	Yes	Yes	Yes

Taxes and Subsidies for Social Rental Housing

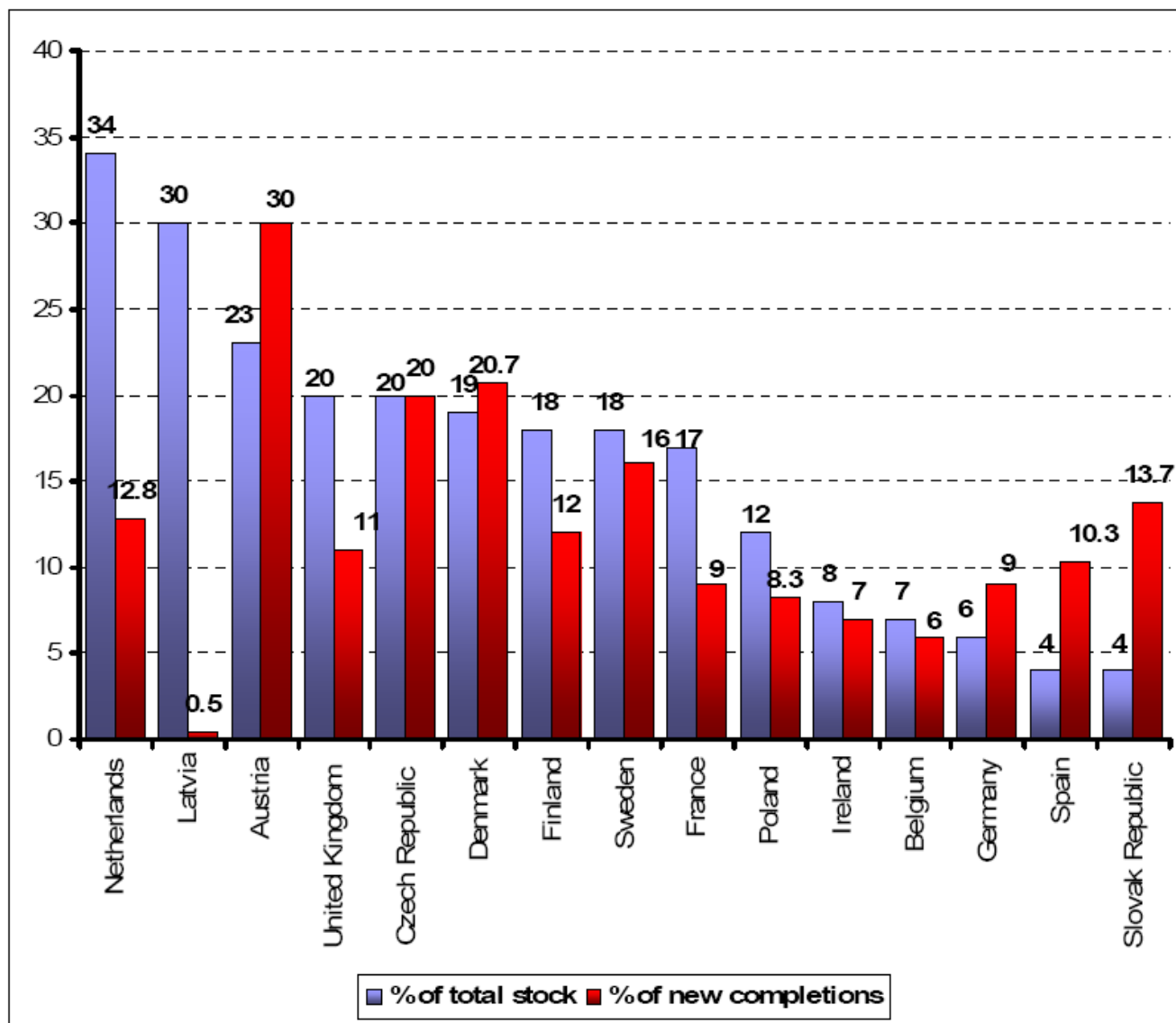
	UK	Denmark	Germany	Netherlands	USA
Market share	18% (2007)	20% (2004)	7% (2003)	33% (2006)	2% (early 2000s)
VAT new construction	No 0%-rate	No, exemption	No, exemption	Yes	No, not applicable; no sales tax
VAT repairs/ renovation	Yes but local authorities reclaim, RSLs do not	Yes	Yes	Yes	Not applicable
Transaction tax for acquisition of existing dwelling (stamp duty)	Mostly exempt, applicable to new dwellings too	Yes	Yes, applicable to new dwellings too	Yes	Yes, in some states; with some exemptions
Rental income taxation	Yes, but exemptions depending on legal status	No, exempted	Yes	Yes	Exempted
Mortgage interest deduction	Yes	Not applicable	Yes	Yes	Not applicable
Other cost deductions	Yes	Not applicable	Yes, depreciation deduction	Yes	Not applicable
Corporate Tax concessions	Yes, exemptions for some social landlords	Yes, exempted	Yes	Yes	Not applicable
Capital Gains Tax	No but some capital gains could be liable to corporation tax	Not applicable	Yes	Yes	Not applicable
Property, real estate or land tax	No, council tax liability is firstly with the occupier but can fall on the owner of a property	Yes, land tax as for other tenures	Yes, municipal real estate tax	Yes, local real estate tax	Yes, local real estate tax
Non-fiscal subsidy for landlord (incl. one-off)	Yes	Yes	Yes	Yes	Yes

Approaches to Housing Subsidies in Advanced Countries



Source: Bauer E (2009)

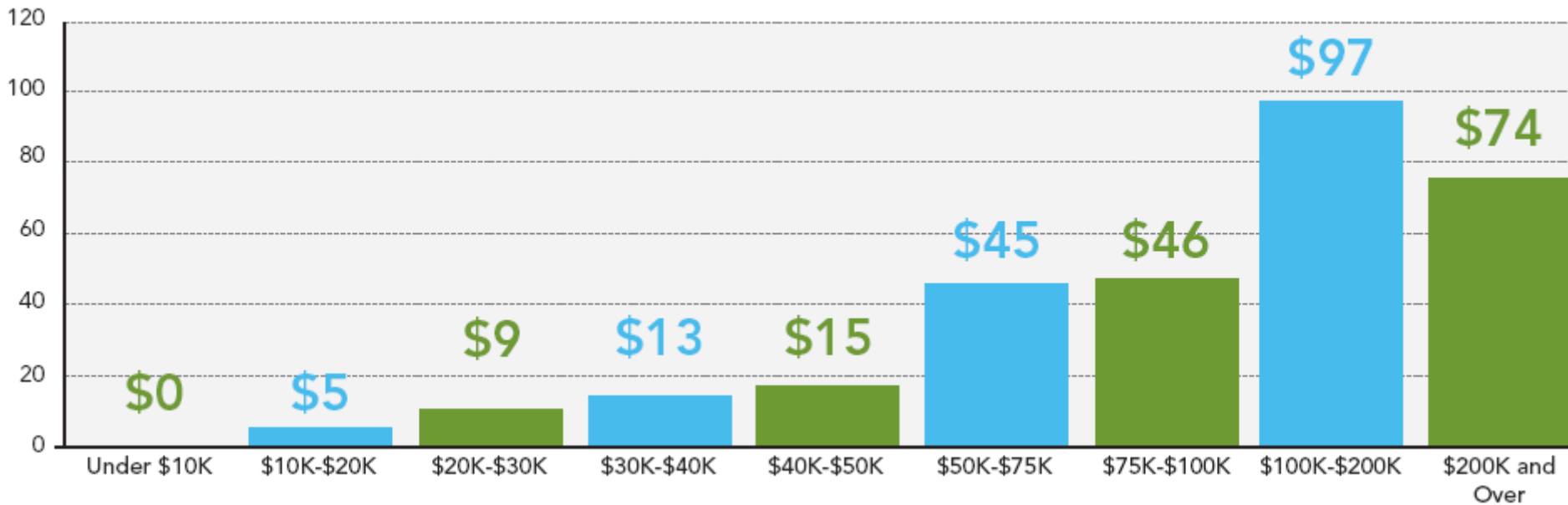
Social Housing: Stock and New Completion, 2004



Source: Tsenkova S (2008)

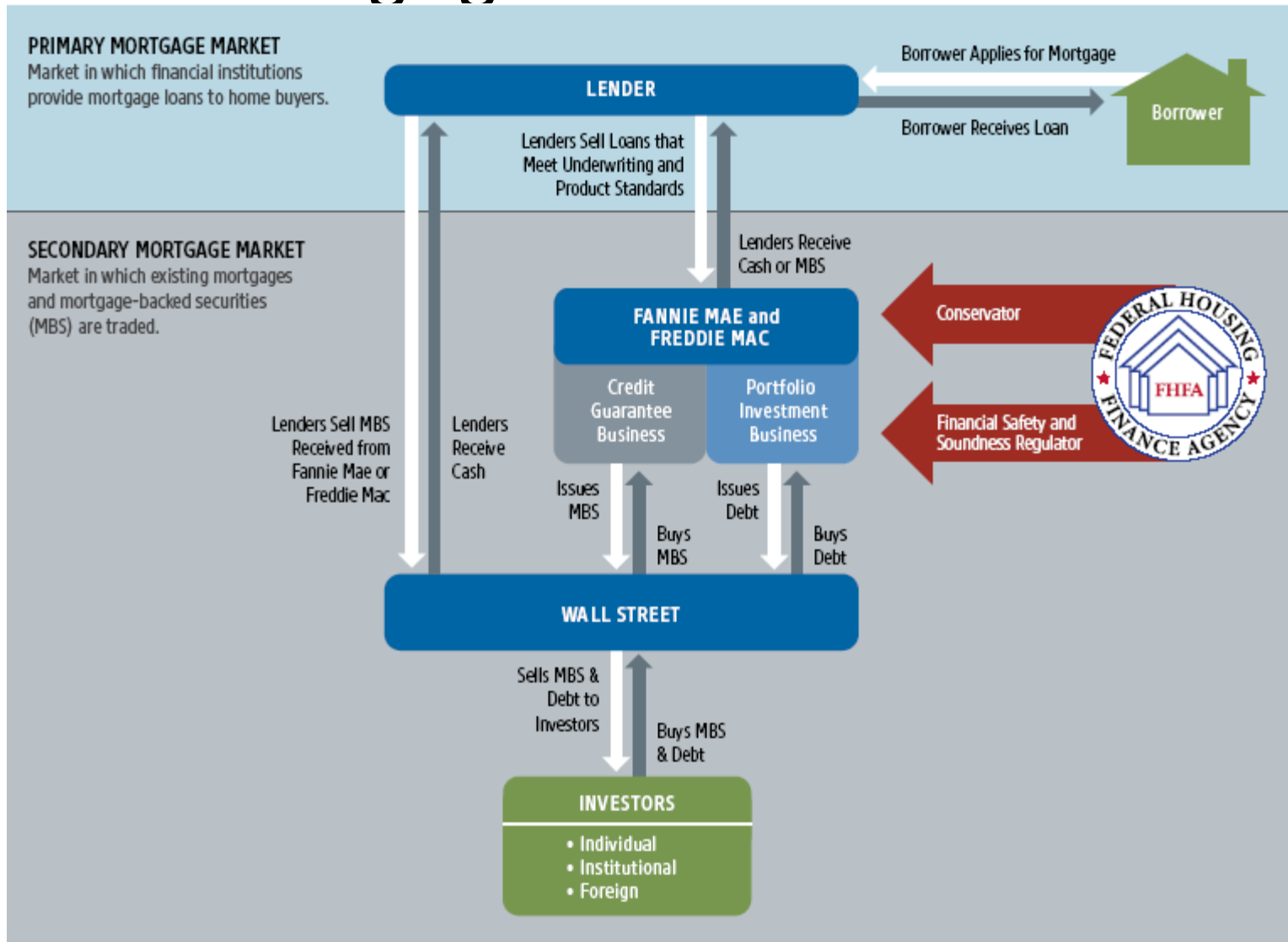
Income Distribution of \$304 Billion Existing Housing Subsidies in USA, 2010

In Billions of Dollars



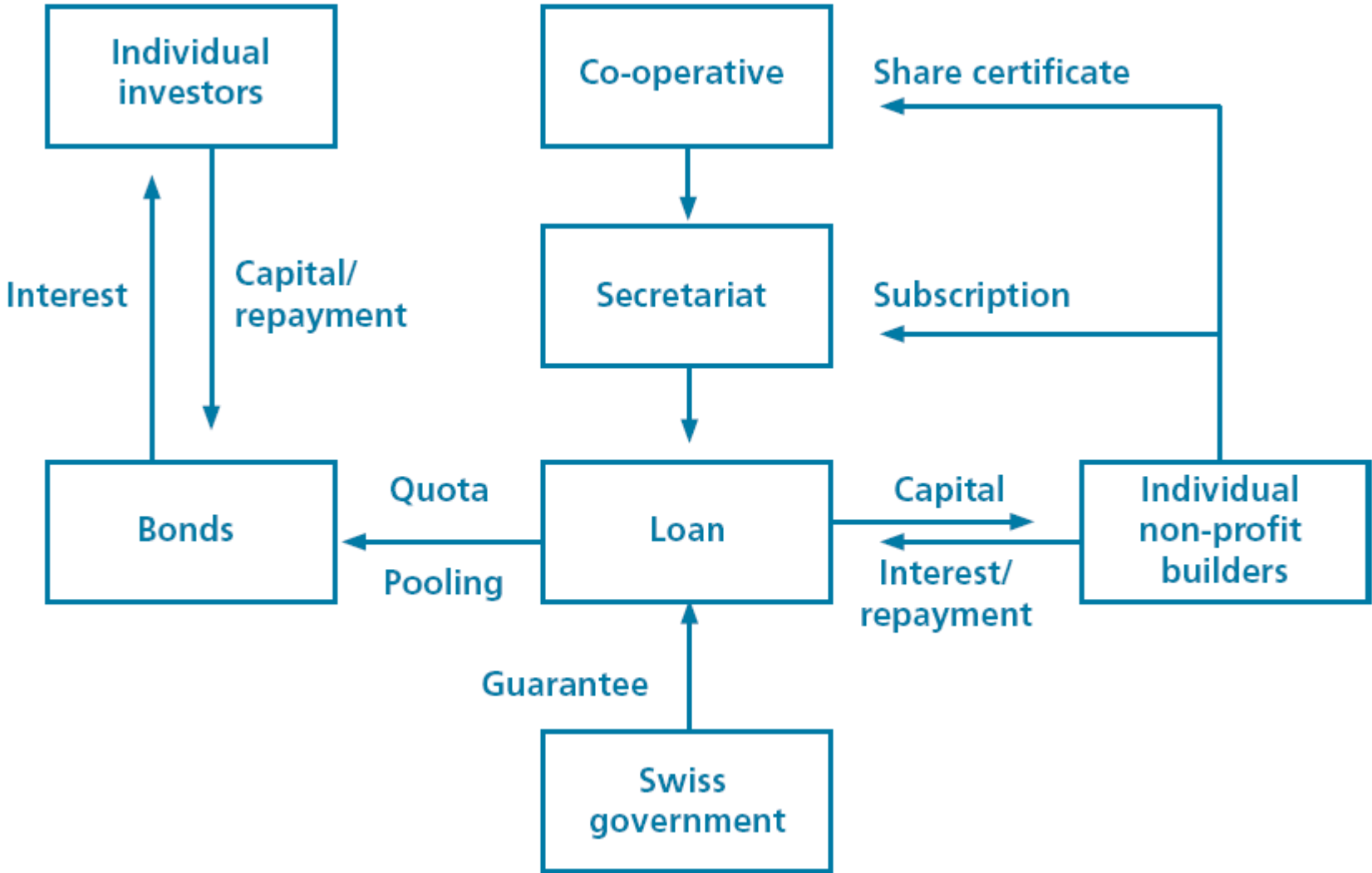
Source: Carroll R, O'Hare J F, Swagel P L (2011)

Role of Government Agencies in Mortgage Finance in USA



Source: Federal Housing Finance Agency (2013)

Swiss Cooperatives Issuing Bonds



Source: Lawson J (2009)

- **Social partnerships** – two or more parties agreeing to work together to achieve shared social objectives, and
- **Commercial partnerships** – an agreement where the financial risks and rewards are identified and allocated between two or more parties in the implementation of the project.

Under the broad notion of a commercial partnership there are many other arrangements that can be agreed between parties. Some of the more common arrangements regularly applied to the development of an affordable housing project are:

- **Joint ventures** – where all risks and rewards are defined and allocated in a project at the outset with the “profits” or “returns” to the partners being in proportion to the risks they carry.
- **Alliance** – where partners proceed to implement a project on the basis of a set of agreed commercial principles in an open book transaction.
- **PPP (Public Private Partnership)** – where all project risk is generally transferred from the public sector to a private sector partner in return for an agreed income stream over a period of time generally related to the life of the asset.

Source: Affordable Housing Solutions

Thank you very much