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Strategic planning to provide affordable housing. Academic view and a case study.

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Affordable Housing in 21st Century

Strategic Planning for Affordable and Sustainable Housing in Cities

Prague, 21st June 2019



The problem



- Housing affordability is the household capacity to cover (with its income) housing costs of a particular house
- There is a traditional association between income/purchase capacity and house/land Prices (Glaeser and Gyourko, 2003):
 - PTI ratio (Price to income)
 - DTI ratio (debt to income)
- Rental market: rising rents relative to income, reduces affordability

The problem



- The Great Recession
 - lost Jobs and reduce wages
- Soft economic recovery with job creation are concentrated in few sectors and cities
 - Workers move towards those locations
 - Stressing rental market ... increases on their prices
- As a result:
 - General increase on affordability problems
 - Social consequences, [Li \(2015\)](#)
 - New affordability problem dimensión, [Wetzstein \(2017\)](#)

Because low income?



- No at all.
- Great Recession primarily affected property financial assets
 - stigma for investors in housing sector
- Mortgage market was shown as Δ risk sector due to the financial system exposure
- → Diminishing investment and credits flows
- → Constrain housing construction ... historical minimum

NUMBER OF DWELLINGS STARTED. PERMISSIONS

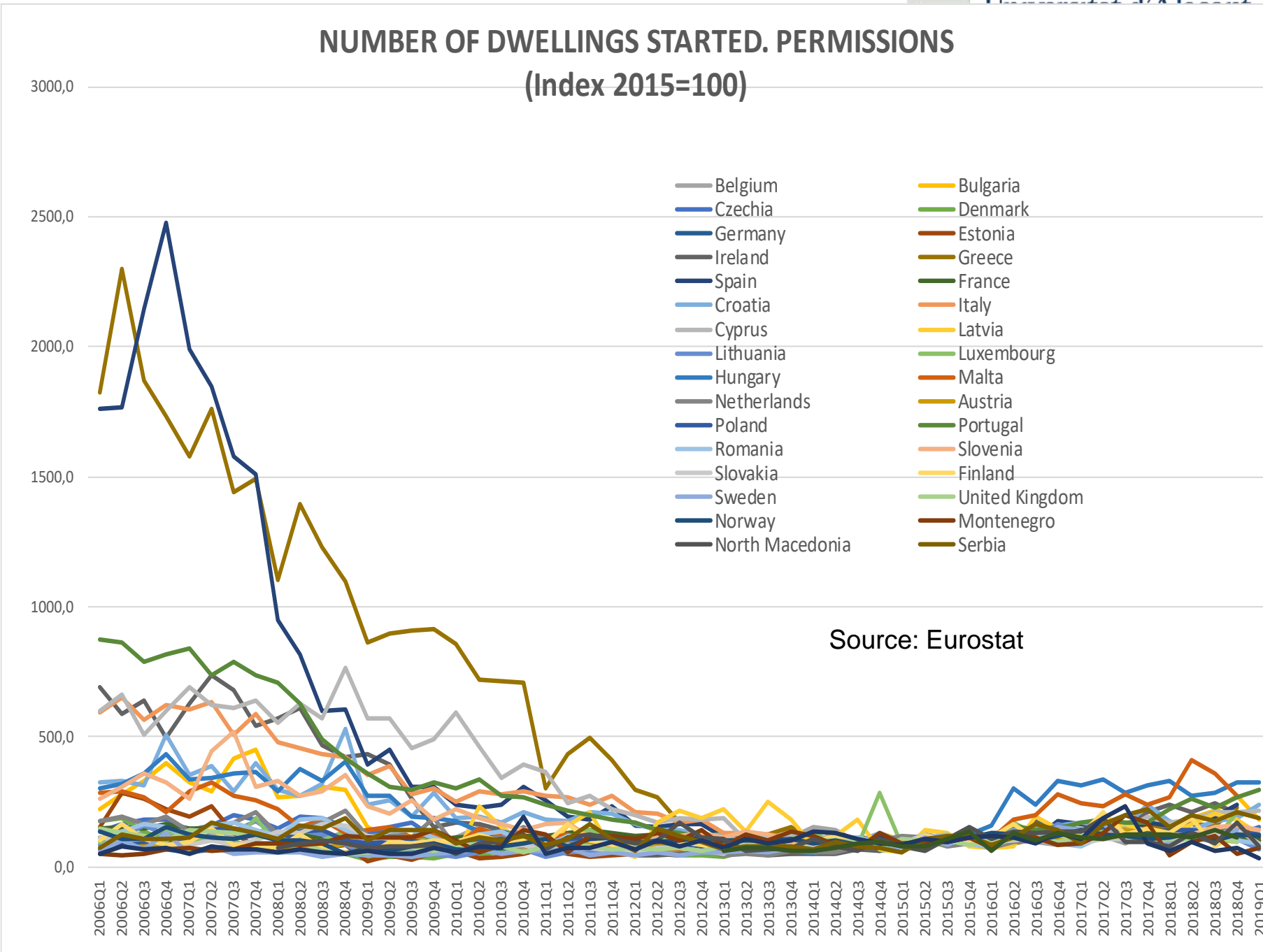
(Index 2015=100)

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- Belgium
- Bulgaria
- Czechia
- Denmark
- Germany
- Estonia
- Ireland
- Greece
- Spain
- France
- Croatia
- Italy
- Cyprus
- Latvia
- Lithuania
- Luxembourg
- Hungary
- Malta
- Netherlands
- Austria
- Poland
- Portugal
- Romania
- Slovenia
- Slovakia
- Finland
- Sweden
- United Kingdom
- Norway
- Montenegro
- North Macedonia
- Serbia

Source: Eurostat

2006Q1 2006Q2 2006Q3 2006Q4 2007Q1 2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2 2009Q3 2009Q4 2010Q1 2010Q2 2010Q3 2010Q4 2011Q1 2011Q2 2011Q3 2011Q4 2012Q1 2012Q2 2012Q3 2012Q4 2013Q1 2013Q2 2013Q3 2013Q4 2014Q1 2014Q2 2014Q3 2014Q4 2015Q1 2015Q2 2015Q3 2015Q4 2016Q1 2016Q2 2016Q3 2016Q4 2017Q1 2017Q2 2017Q3 2017Q4 2018Q1 2018Q2 2018Q3 2018Q4 2019Q1



Just because low income?

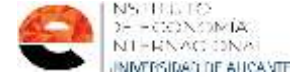
- Result: Lack on housing supply
 - Increasing prices (**Aura and Davidoff, 2008**)



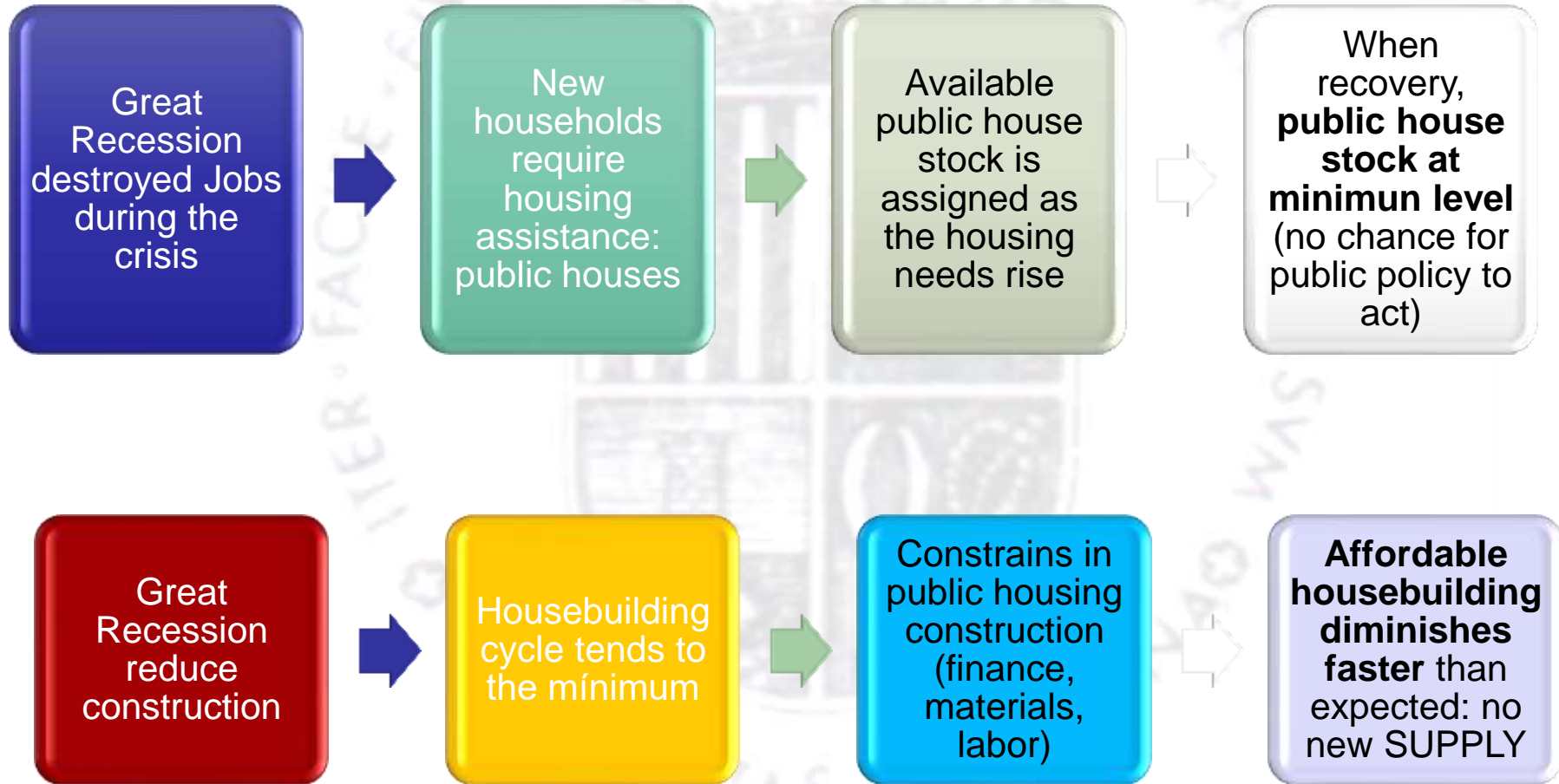
No matter the household income, lack on supply increases prices or, simply, makes housing unaffordable because there are not units on the market.

Planning somehow would contribute

Been, et al. (2019), Monk et al (1996), Calder(2017)



Worst for public housing supply! 2 dimensions



Coming back to the problem

- Lack on housing supply \longleftrightarrow Δ supply

New: Increase construction ? Δ Existing units supply

- Public Budget? (framework: Budget constrains)
- Land regulation constrains? (Calder, 2017)
- Turn to private initiative: more units in supply
 - Incentives? to private rental market (Gibb, 2018)
- With private development process
 - Incentives to build public/affordable houses

Land planning role?



- The role of land planning (Cho and Linneman, 1993)
- Intervention... excess of regulation are associated to fall on new supply... Yan, et al.(2014), Pendall (2000), Glaeser and Ward (2009), Quigley and Raphael (2005)....
- And on the increase on prices... Feiock(2004), Ihlanfeldt (2007), Green et al (2016)
- Effects on prices and type of constructions, Ihlanfeldt, K. R. (2007).
- Change the supply elasticity, generating affordable problems ..Chesire (2009)
- In general, negative evidence related to land planning impact on housing affordability



Role of land planning. A case

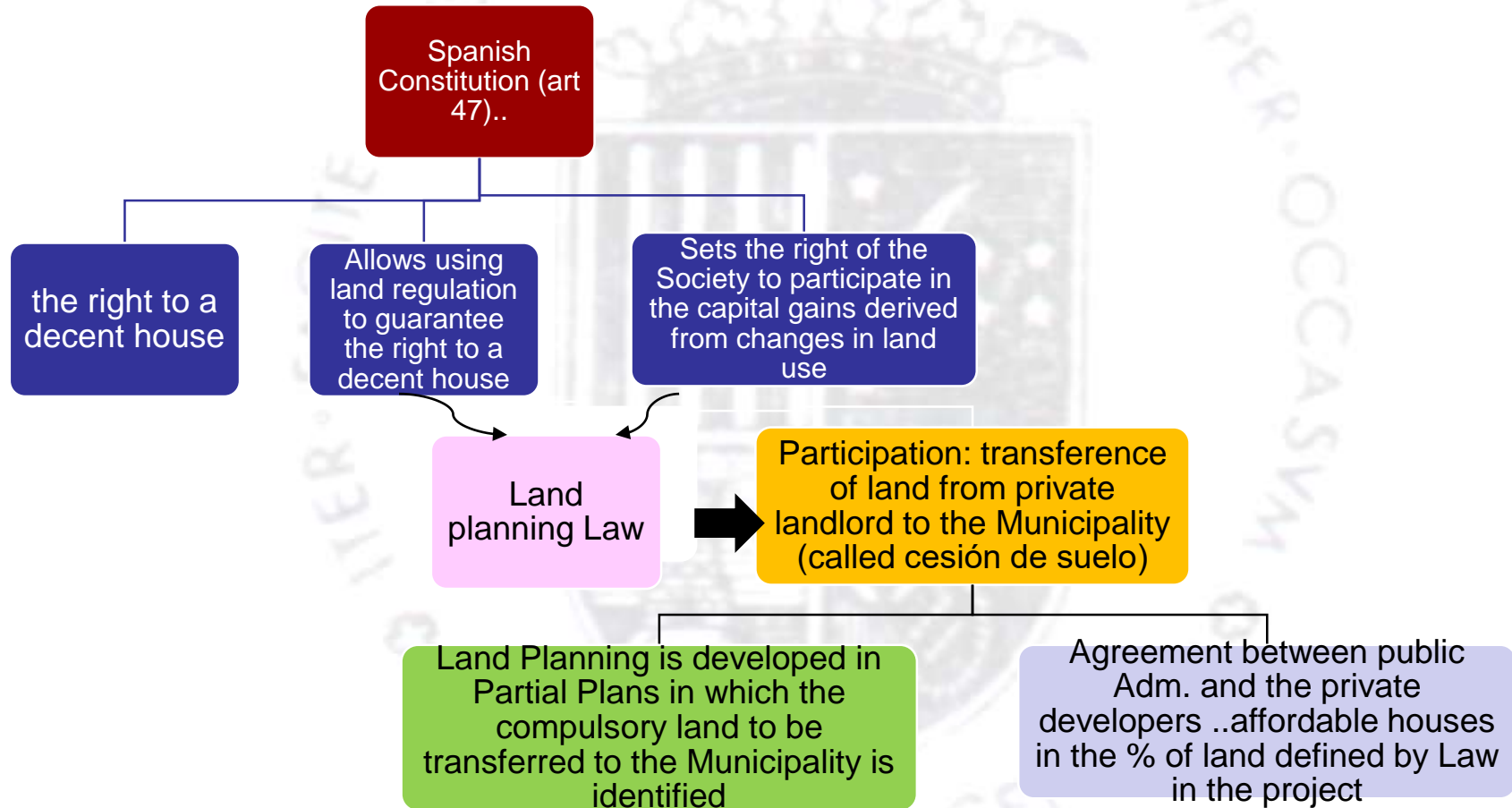
(to improve affordability from the supply perspective)

- **A case study:** Land provision to build affordable houses
- Regulatory process:
 - Main Planning Law establishes a % of total urban land to be assigned the municipality
 - Compulsory
 - Implicates a transference of land ownership from landlord to municipality
 - Only can be used to build affordable/public housing
 - Very debatable in its application

Role of land planning



(to improve affordability from the supply perspective)



Role of land planning



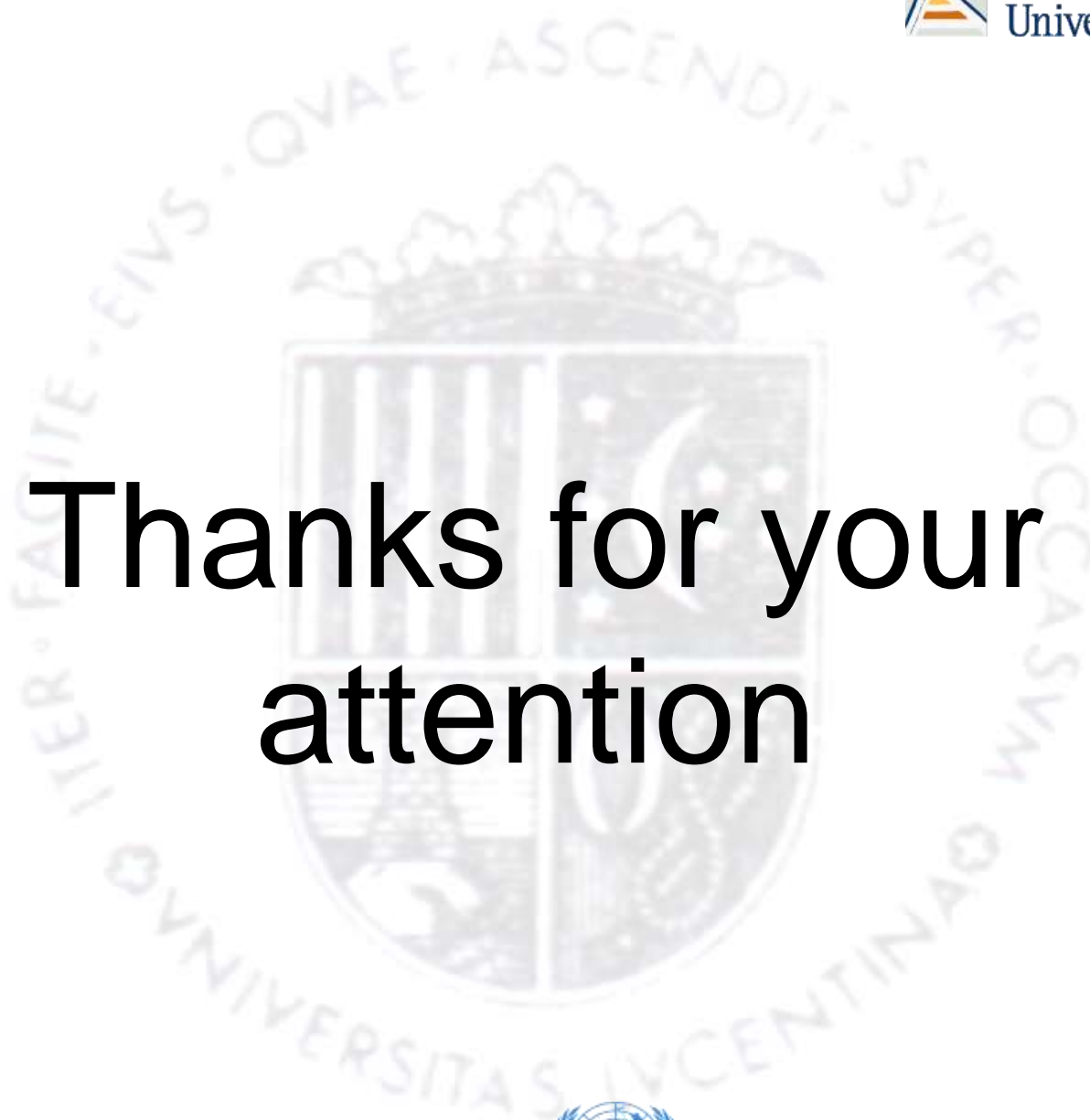
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(to improve affordability from the supply perspective)



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- After the Land Plan has been approved:
 - The municipalities receive, as a donation, the ownership of the assigned % of total land to develop public/affordable houses.
 - Public Land Patrimony
 - The land is used only for that purpose
- Very debated measure, because:
 - The amount and location of that land is difficult to calculate in those complex acting units/projects
 - The High Court remarks some 'excess' from the public power
- Some % of land cessions: 30%, 20% of total urban use Madrid pre-crisis: 50%



Thanks for your attention

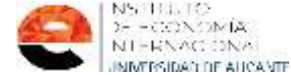




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