

III LATIN AMERICAN AND CARIBBEAN FORUM ON HOUSING AND HABITAT
Santo Domingo, Dominican Republic, June 12 – 14, 2018

Housing Laboratories (LAVs)

Conceptual Note

Housing Lab. Social Rental Housing

Wednesday, June 13, 11 am-3.30 pm
Room Embajador III

1

Objective:

To explore the potential of Social Rental Housing as an alternative for vulnerable population groups to gain access to adequate and safe housing, from the standpoint of social justice.

Key words:

Rented housing, housing policy, urban development in Latin America and the Caribbean.

Description

Issues

Home ownership rates have been on the rise in Latin America since the 1950s, together with the process of accelerated urbanization in the region, due to: housing policies focused on home ownership; greater informality; and policies to control rental prices (IDB, 2014). The major problems as regards the housing backlog and accessibility in the region, which still prevail at the present time, will not be solved simply by means of policies geared to home ownership, be it through public subsidies to acquire a home, or through the regularization of informal settlements. Thus, considering the different types of tenure and the diversity of the demand, the challenge lies in envisioning a housing policy that favors a balance between home ownership and rentals in Latin America and the Caribbean region.

Concepts

For the sake of structuring the discussion, it is necessary to first differentiate between the concepts of 'rentals' and 'social rental housing'. According to Peppercorn and Taffin (2013), a rented house is the property of a public or private person, managed by a public or private person and used by a third party who pays rent, in return. It is a simple agreement between the owner and the tenant, for the latter to occupy the property at a fixed price and for a specific period of time. Social rental housing, on the other hand, refers to housing that is rented at below-market prices. The difference between market prices and those of social rental housing is covered by public or private aid, aimed to offer housing to a specific group of the population that is considered to be disadvantaged from a financial, social and/or cultural standpoint.

According to Cechini (2015), social rental housing is a policy that should respond to a demand that differs depending on the location, the scale and the population groups themselves, in order to provide universal access to the basic right to housing, as well as to other basic services as jobs, mobility and social services. The modality of social rental housing, therefore, is a solution yet to be explored. It would increase access to quality housing, in a suitable location, with improved accessibility and lower financial risk for low-income populations, the elderly, the disabled and the migrants, thus contributing to reduce the abysmal inequality in Latin American cities.

Experiences in the LAC region

There are few recent public policy experiences in the area of rentals in Latin America. Bolivia, Chile and Colombia stand out as regards their national policies, where rentals are seen as an

intermediate solution for home ownership. As for the municipalities, the cases of Sao Paulo and Buenos Aires represent local actions in which rentals are geared to specific population groups.

In Chile, the Rental Subsidy Program (*Programa de Subsidio de Arriendo de Vivienda*) was created in 2013 aimed to offer an interim alternative, previous to permanent housing. It prioritizes young people with an income between 275 and 981 USD and minimum saving capacity of approximately 157 USD at the time of enrolment. The subsidies are estimated according to the rental values, and they are offered for a maximum period of five years. There is also the ‘housing leasing’ program that provides access to the private market of new or used properties, through a real estate company for the leasing of real estate units by means of a rent-to-own contract.

In 2015, Colombia created a program for social rental housing aimed exclusively at the people affiliated to the National Savings Fund (*Fondo Nacional de Ahorro – FNA*), who have a monthly income between one and four minimum salaries. The rent is estimated according to the person’s income, and the tenant is eligible to acquire the real estate unit. The first stage of the program included the selection of 1,500 families who did not have access to credit. In 2017, another program called ‘Save your Rent’ (*Ahorra tu Arriendo*) was offered to unemployed people affiliated to the National Savings Fund, with a monthly income between two and six minimum salaries. The objective of this program is to help with up to 95% or 100% of the value towards the acquisition of new or recently built houses, without any down payment. Beneficiaries pay a monthly amount (similar to a rent) during a period of time agreed upon with the FNA (up to 30 years), before they become home owners.

3

Bolivia has developed a proposal for a ‘Rental Housing Program’ (*Programa de Vivienda de Alquiler – PVA*) that prioritizes the needs of the vulnerable groups of the population and includes three different modalities: ‘Solidarity Rentals’ (*Alquiler Solidario*), ‘Fair Rentals’ (*Alquiler Justo*) and ‘Rent-to-Own Contract’ (*Alquiler con Opción a Compra*). Two key characteristics should be highlighted in this Program. In the first place, the property right of the real estate units is always in the hands of the State, except in the case of the ‘Rent-to-Own Contracts’. This means that the Program does not provide credit for housing, thus preventing the potential beneficiaries from having to meet the requirements of risk assessment. Secondly, and different from other social housing programs, the Bolivian PVA operates based on the supply, by generating a stock of real estate units that will only later be offered to meet the demand.

In 2002, the municipality of Sao Paulo approved two modalities of social rental housing. The first modality is that of public property, which included the construction of three projects in the downtown area, totaling 768 units, funded by the IDB. Under this modality, maintenance costs are the responsibility of the Municipal Housing Fund (*Fundo Municipal de Habitação*). The second

modality is that of a rental ‘voucher’ or allowance, under an agreement between the ‘*Caixa Econômica*’ bank and the municipality to transfer the value of the rent directly to the owner of the property.

In the first case, the people in the target group were the homeless and people who live in risk areas, the elderly and the disabled. However, this program was not continued and/or extended due to the maintenance costs and the difficulties in managing and collecting payments with limited social work. The second modality, or voucher, was extended in 2007, and it presently has a monthly budget of approximately 30 million USD, to support a group of 30 thousand families whose monthly income is below three minimum salaries. This program has also lost its focus, and it now functions in the case of relocations due to public works. Presently, the municipality is considering a return to social rental housing in 10 buildings in the downtown area. There would be several alternatives for managing the properties and priority would be given to families with an income of up to 1.5 minimum salaries.

In the city of Buenos Aires, Habitat for Humanity (HPH) Argentina has developed a pilot program called ‘Protected Rentals’ (*Alquileres Tutelados*). Under this program, families who live in informal rental situations have access to ‘protected’ rentals, so that later they can transition to formal rental situations. Based on this pilot program, and within the framework of the ‘Solid Ground Campaign’ (*Campaña Suelo Seguro*) created by Habitat International, Habitat for Humanity (HPH) Argentina is seeking to influence a public policy linking urban voids and fair rentals. Presently, 300 women are receiving support from this program. Another municipal program called ‘Renting is Possible’ (*Alquilar se puede*) aims to help households whose income is not enough to pay for a formal rent. It is geared to families who already live in the City of Buenos Aires and whose rent to income ratio is below 30%. It offers these families a monthly subsidy and aid for administrative payments.

4

Key Questions

Specifically, this Housing Lab (LAV) seeks to answer some questions, which have been organized into six groups, as follows:

1. CONCEPTS AND POLICY:

- 1.1. Which concepts underpin the proposed policy for Social Rental Housing? Is it possible to conceive a wide-ranging policy for Social Rental Housing, or would it be a diversified policy with specific modalities and niches?

- 1.2. What are the ways to address the widespread idea, both amongst the population in general and within the State itself, that Social Rental Housing is an intermediate step prior to ultimate housing accessibility, which is home ownership?
2. SUPPLY:
 - 2.1. What is the property rental supply on the part of the formal market for low-income families? What are its characteristics? How can the supply on the part of the informal market be identified? How do the subsidies for social rental housing affect market prices?
 - 2.2. Is there a planned set of modalities for social rental housing, as for example: public management of public real estate units; private management of public real estate units; rental of private real estate units? How can we define the most adequate application of each modality to a specific program of Social Rental Housing?
3. DEMAND:
 - 3.1. What is the demand for social rental housing programs? How can the target groups for each modality be defined?
 - 3.2. What are the prioritization criteria (age, income levels, family composition, other)?
4. PLAYERS AND INSTITUTIONAL ARRANGEMENTS
 - 4.1. Who are the public and private players involved (the State, cooperatives, associations, companies, etc.)? What are the institutional arrangements involving these players?
 - 4.2. How can the programs of Social Rental Housing be coordinated so as to expand their actions beyond their specific experiences?
5. MANAGEMENT AND COSTS
 - 5.1. How can the programs be managed? Example: Should there be direct governance of the public real estate units, including the management of contracts and buildings, or should there be transparent monitoring of the outsourced management and of the incentives for access to the private market of social rental housing?
 - 5.2. What are the operating costs of these programs and what is the share of financial support on the part of each player?
6. RENTALS, SOCIAL PROGRAMS AND URBAN DEVELOPMENT
 - 6.1. What are the ways ahead as regards the policies that combine social rental housing and other social programs geared towards inclusion and income generation?

6.2. What are the roads ahead as regards policies that combine, for example, social rental housing and urban development with incentives to occupy well located urban voids and underutilized buildings?

References

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