

## PH5.1 MEASURES FINANCING AFFORDABLE HOUSING DEVELOPMENT

### Definitions and methodology

This indicator presents an overview of measures financing the development of new affordable housing as reported by responding countries to the 2016 OECD Questionnaire on Affordable and Social Housing (QuASH 2016). The scope of this indicator encompasses grants, subsidised loans or loan guarantees, tax relief or subsidised land to developers to finance the development of affordable housing for low-income households - not including measures to support the development of social rental housing. Dwellings can be intended for owner occupation, rent or other types of tenure.

Countries reported a wide range of measures, and the full list of measures and a summary of the main characteristics is provided in Table 5.1.1 in Annex I. Although it is difficult to identify a common thread among the surveyed measures, they all aim to:

- increase housing supply at rent/prices below market rates
- support low- to middle-income households, although not always exclusively

The measures in this indicator concern supply-side support and do not include subsidies which are directly provided to households to help them with accessing existing affordable housing whether it is for rent or for sale.

These measures also do not include the direct provision of social rental housing by public authorities or public support to the provision of social rental housing by third parties, as defined by responding countries (see indicators PH 2.1, 2.2 and 2.3).

### Key findings

Measures financing the provision of new affordable housing can be distinguished according to the type of housing tenure they support.

- Affordable rental housing (or ‘intermediate rent’ as it is referred to in some countries such as France) receives public support in Australia, France, Japan, Spain, Switzerland, the United Kingdom and the United States. Affordable rental housing can include different types of arrangements for the provision of below-market rental dwellings. In some countries support for affordable rental housing is linked with temporary agreements ensuring that subsidised dwellings are let at affordable rent for a minimum time period (for 10 years in Australia, 9 years in France, 15 years initial period subject to extension in the United States). In case of developments including several housing units, affordable housing schemes can set a minimum share of dwellings to be let at affordable rent and/or to tenants with incomes below a given ceiling. For instance in France a reduced VAT rate applies to developments where a minimum 25% concerns social housing, while under the HOME Rental programme in the United States in projects with more than five units 20% has to be allocated to households with incomes below 50% of the median family income for the area. Measures can also include programmes to develop housing for specific target groups such as the elderly or disabled. For example, Japan has

two different programmes providing subsidies to developers to build barrier-free dwellings for affordable rent, one targeting low-income elderly households and another programme providing for all elderly regardless of their income. In England, the Care and Support Specialised Housing Fund provides capital funding for specialist housing providers for the development of specialist housing to meet the needs of older people and adults with disabilities.

- Supply-side measures for the development of affordable housing for owner- occupation are less widespread than demand-side measures supporting home buyers directly (see PH 2.1, 2.2 and 2.3). In Cyprus and Luxemburg there is direct provision by public developers of homes that are sold at an affordable price to households with certain characteristics in terms of income and household composition. In Chile a reduced VAT-rate applies to the development of affordable owner-occupied dwellings with a value below a certain threshold. In Austria grants and soft loans are funded and administered by the provinces for the development of owner-occupied housing. The Federal government in the United States allocates grants to states and local entities to build affordable housing for owner-occupancy, through the HOME Homebuyers programme.
- Some countries have implemented measures to foster the supply of homes to be used as intermediate tenures such as ‘shared ownership’ (including in England and Finland) and ‘rent-to-buy’ (e.g. in France). Under shared ownership schemes, the resident buys an initial share of the value of the home and pays a rent on the remainder, and s/he has the right to increase ownership up to 100% after a certain number of years. Under rent-to-buy agreements residents can rent the home for a set amount of time and in a second phase can exercise their option to buy.
- Some countries have adopted broad-based measures which support new affordable housing development across tenures. For example, “Investment in Affordable Housing” in Canada provides grants from the national level to provinces and territories to implement a range of measures, which include not only development of new affordable housing but often also subsidies for home buyers and housing allowances. Similarly, the Community Development Block Grants and the HOME Investment Partnerships Program in the United States finance different types of measures including among others the supply of affordable housing for rent and home ownership. In England, the Affordable Homes Programme and the Affordable Homes Guarantee programme support the supply of new affordable housing for rent, for sale and through shared ownership. In Poland, a preferential VAT-rate is applied to housing that falls under the definition of ‘social building’, which can include rental, owner-occupied as well as cooperative housing conforming to requirements on the size and cost of the dwellings. In New Zealand, a recently adopted programme aims at mobilizing crown-owned land in Auckland for affordable housing supply.

#### **Box 1. Affordable housing supply in the United states**

In the United States, the most important policy instrument for the development of affordable housing is the Low Income Housing Tax Credit (LIHTC) programme which has financed 2.78 million housing units since its inception. The programme was created in 1986 as a means to involve the private and non-profit sector into affordable housing provision. States and local LIHTC-allocating agencies issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. Investors who purchase ownership interests in qualified project receive federal tax credit annually for a period of 10 years that offset their other tax liability dollar-for-dollar. At least 40% of the residential units in the development receiving LIHTC funding must be let at affordable rents and occupied by individuals whose income is 60% or less than the area median gross income, or alternatively, 20% of units are both rent restricted and occupied by individuals whose income is 50% or less than the area median income. These requirements apply to a 15-year initial "compliance period" and a subsequent 15-year "extended use period".

Other major tools for the creation of affordable housing at Federal level are the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant (CDBG) Program. Both funds are helping

communities develop new affordable housing for both renters and homebuyers.

The CDBG Program was established in 1974 as an annual grant to localities and states to assist in the development of “viable communities”. CDBG’s eligible activities are diverse and range from residential rehabilitation to infrastructure to public services, with a focus on low-and middle-income households. Accordingly, beneficiaries of CDBG funded projects must have incomes below 80% of the area median income, and further restrictions may apply at the local level.

The HOME Program was created in 1990 specifically to increase the supply of affordable housing for low-and very low-income households. States and local governments—also known as Participating Jurisdictions (PJs) — receive federal grants whose amounts are determined using a formula designed to reflect relative housing need. Communities use them - often in partnership with local non-profit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. In case of supply of affordable rental housing, at least 90 percent of benefiting families must have incomes below 60% of the HUD-adjusted median family income for the area. In rental projects with five or more assisted units, at least 20% of the units must be occupied by families with incomes that do not exceed 50% of the HUD-adjusted median family income for the area.

**Measures supporting affordable housing supply in the United States, 2013**

Funding programme	Homes delivered yearly	Federal grants (US Dollars)	Federal grants (% of GDP)
LIHTC	90,000.00	8,000,000,000.00	0.05%
HOME	22,613.00	992,500,000	0.01%

Source: OECD Questionnaire on Affordable and Social Housing, 2016

Note: Figures on spending on affordable housing supply through the CDBG Program are not available.

**Data and comparability issues**

Measures presented in this indicator generally complement but sometimes overlap with other policy measures described under other indicators in the policy section of the Affordable Housing Database. This is notably the case where countries have adopted programmes funding new affordable housing supply as well as other measures under the same broad-based measures. For example, regarding, the supply of affordable housing for owner-occupancy, in some cases a single measure/scheme can simultaneously subsidise both the development of new homes as well as the households purchasing these dwellings.

**Sources and further reading:**

Wilson, W.(2016), *Stimulating housing supply - Government initiatives (England)*, House of Commons Briefing Paper, Number 06416, 15 June 2016

Peppercorn, I.G. and Taffin, C. (2009), “Social housing in the USA and France: Lessons from convergences and divergences”, *Urban Planning Overseas* (3), 26-33

Rowley, S., et al. (2016), Subsidised affordable rental housing: lessons from Australia and overseas, *AHURI Final Report No. 267*, Australian Housing and Urban Research Institute, Melbourne.

U.S. HUD, “Home and CDBG Guidebook”, <https://www.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf> (accessed on 5 December 2016)

**ANNEX 1**

**Table PH 5.1.1: Measures financing affordable housing development: overview of existing measures<sup>1 2</sup>**

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
Australia (3)	National Rental Affordability Scheme (Australian Government)	The scheme provides financial incentives to persons or entities to build and rent dwellings to low and moderate income households. Dwellings must be let at below-market rates and support from this scheme is given for 10 years.	affordable rental dwellings	Natural or legal persons complying with criteria	Rents for dwellings benefitting from this scheme must be at least 20% lower than markets rents	Yes	..	grant	National/Federal
Austria	Subsidy scheme of the provinces ( <i>Wohnbauförderung der Länder</i> ) for the construction of new owner-occupied dwellings	Subsidies schemes of the Austrian Provinces offer grants and soft loans for the construction of new owner-occupied dwellings.	affordable owner-occupied dwellings	All types of developers are eligible	A maximum price applies to dwellings built with support from this scheme. There are also standards in terms of dwelling size and quality/energy efficiency.	Yes	Applicants must have permanent residence in Austria. In some provinces, applicants have to be registered in Austria as their main residence for several years before they can apply	grant	Regional/State

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
Canada	Investment in Affordable Housing (IAH)	Investment in Affordable Housing provides co-funding from the national level to Provinces and Territories, which in turn have the flexibility to design and deliver programs that are tailored to address local housing needs. About 49.5% of the total IAH allocated budget goes to funding supply of new affordable homes.	both affordable owner occupied and rental dwellings, as well as a range of other measures	..	..	..	All programmes are targeted at households in need	grant	National/Federal
Canada	Financial tools to facilitate the creation of affordable housing without on-going subsidy	Canada Mortgage and Housing Corporation (CMHC) Affordable Housing Centre offers assistance such as Seed Funding, Proposal Development Funding and Mortgage Loan Insurance Flexibilities.	..	All types of developers are eligible	A maximum price or rent applies to dwellings built with help from CMHC's Affordable Housing Centre	No	..	preferential loan	National/Federal
Chile	VAT Credit for Housing Construction (DL N° 901/1975, Art. 21)	Construction companies are entitled to deduct 65% of the VAT debit determined on the sale (net of land value) of new residential properties from their First Category Income Tax advance monthly payments. The deductible amount is limited to UF 225 per housing unit.	affordable owner-occupied dwellings	Construction companies	An upper limit applies to the dwelling value.	..	..	reduced tax rate	National/Federal
Croatia	Financing loans for construction or reconstruction	This measure provides credit financing for the construction or reconstruction of family houses. It is part of the Program of State Subsidised housing construction	affordable owner-occupied dwellings	..	..	..	..	preferential loan	National/Federal

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
	of family houses	(POS)							
Finland	Interest subsidy on loans for shared ownership housing	Subsidies to cover interests (above 3.8 %) on loans taken by not for profit companies to develop shared ownership housing. Under this type of arrangement, the resident buys an initial share and pays a rent on the remainder, and then has the right to increase ownership up to 100% after 5 years.	affordable dwellings under shared ownership	Not for profit companies	A maximum price applies to dwellings built with support from this scheme	No	No	interest subsidies	National/Federal
France	Income tax credit to encourage rental investment (Scellier-Pinel)	This measure allows landlords who buy a new dwelling to get an income tax credit, if they agree to let the dwelling at an affordable rent for at least 9 years. The global amount of the tax credit can reach 21 % of the total amount of the rental investment. The rate of the tax credit is 2 % for the first nine years, and 1% for the following three years. Although the measure does not directly support developers, it supports new supply of rental housing by focusing on newly built dwellings	affordable rental dwellings	Natural or legal persons	A maximum rent per square meter applies, varying across different areas. The eligible properties can be either: new, sold before completion, or existing properties requiring extensive works to be transformed into habitable residential properties.	Yes	..	Tax relief	National/Federal

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
France	Intermediate rental loan ( <i>Prêt locatif intermédiaire</i> or PLI)	Loans from this scheme can finance the purchase, construction or rehabilitation of a dwelling to be let at affordable rent. It is available from the public bank Caisse des Depots et Consignations (CDC) or from other credit institutions signing an agreement with CDC. The loan has a low interest rate and long maturity.	affordable rental dwellings	Legal persons/companies	A maximum rental charge per square meter applies, varying across different areas.	Yes	..	preferential loan	National/Federal
France	Reduced value added tax rate	A reduced Vat rate applies to newly built dwellings and to transformation of office spaces into residential dwellings in certain areas. The dwellings concerned must belong to a housing complex composed by a minimum of 25% of social housing	affordable rental dwellings	Legal persons/companies	A maximum rental charge per square meter applies, varying across different areas.	Yes	..	reduced tax rate	National/Federal

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
France	Social rent to buy loan ( <i>Prêt social location accession</i> or PSLA)	The social rent to buy loan finances construction or purchase new dwellings, to be let with an option to buy under a specific arrangement. In the first stage, the household pays a monthly fee. Part of it represents the (capped) rent, and the rest is a financial contribution that will be deducted from the price of the home at the time of purchase. In the second phase, the household exercises his option to purchase, according to the financial dispositions agreed at the beginning.	affordable dwellings under rent to buy	Legal persons/companies. The developer (public housing company or private developer) has to sign an agreement with the State and must obtain an approval decision	Cap on rent and on purchase price	Yes (varies according to urban areas and household composition)	..	preferential loan	National/Federal
Japan	Project for Development of Housing with Supportive Services for the Elderly	This scheme provides grants for rental housing owners who develop housing with supportive services for the elderly	affordable rental dwellings	All types of developers are eligible	There are limits to the dwelling size as well as standards for accessibility (the dwellings must be barrier-free) and earthquake resistance	No	Dwellings are available to elderly people	grant	National/Federal



	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
Japan	Persons Requiring Special Assistance in Securing Housing - relief residence promotion business	This scheme provides subsidies in order to achieve a stable supply of residents of elderly households such as low-income	affordable rental dwellings	All types of developers are eligible	A maximum rent applies. Furthermore there are limits to the dwelling size as well as standards for accessibility (the dwellings must be barrier-free) and earthquake resistance	Yes	Dwellings are available to low-income elderly households	grant	National/Federal
Korea	Support for rental housing owners to remodel housing	This scheme provides loans for throughout housing remodelling, provided the owner lets the dwelling at a low rent.	affordable rental dwellings	All types of developers are eligible	A maximum rent applies to dwellings built with support from this scheme. There are also standards in terms of dwelling size and quality.	Yes		preferential loan	National/Federal
Luxemburg	Building subsidies for public developers ( <i>Aides à la construction d'ensembles</i> ) for affordable home ownership	Through this scheme the government participates in the financing of land acquisition, planning and construction of dwellings by public developers (i.e. Fonds du Logement, Société Nationale des Habitations à Bon Marché and municipalities)	affordable owner-occupied dwellings	Public developers only	Maximum size of the dwelling depending on household's size and composition. Selling prices defined in collaboration with the Housing Ministry. At least	Yes	The recipient must occupy the dwelling for at least 15 years in case of a flat or 19 years in case of an individual house	grant	National/Federal

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
					60% of homeowners must satisfy income conditions				
New Zealand (4)	Auckland Vacant and Underutilised Crown Land Programme.	Available public land is sold to developers or to iwi on a deferred settlement/payment basis. They use their own capital to develop the land and commit to delivering certain outcomes with respect to dwelling yield, development pace and the proportion of houses built for social housing and/or sold at affordable price points.	both affordable owner occupied and rental dwellings	.. (d)	The affordable homes built on land from this programme must be priced below NZD 550,000. Preference is given to mixed tenure proposals	..	..	subsidised land	National/Federal
Poland	Refund of part of the cost incurred for the purchase of building materials	Refund of part of the cost incurred by a natural person for the purchase of building materials to build his/her own house	affordable owner-occupied dwellings	Natural persons building a home for themselves/ their family	There are limits to the dwellings' size	No	Recipients must not own another dwelling and must be aged below 35	grant	National/Federal
Poland	The preferential VAT rate for housing	The preferential rates of VAT (8% instead of the standard 23%) for housing is applied to supply, construction, renovation and alteration services. Preference is given to so-called "social housing", but the definition of	both affordable owner occupied and rental dwellings	..	..	..	..	Reduced tax rate	National/Federal

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
		"social housing" for taxation purposes is wider than that of social rental housing (for the latter, see indicator PH 4.3) and includes also owner-occupied housing built with public support.							
Spain	Aid programme for rental housing	This programme is intended to facilitate access to rental housing for people on low incomes and large households	affordable rental dwellings	Private and public housing developers	..	..	..	..	Regional/ State
Switzerland	Subsidized land lease	Some municipalities offer land to non-profit housing organizations on a leasehold basis and with a right to build on that land. The lease of the land is often subsidized, i. e. the non-profit organization doesn't pay the market rent on the land (this is the subsidy-element). There are many different systems of such leaseholds varying across municipalities.	affordable rental dwellings	non-profit organization s/cooperatives	..	..	..	subsidized land	Municipal
United Kingdom (England)	Shared Ownership and Affordable Homes Programme (SOAHP)	SOAHP provides capital funding for new affordable homes outside London, mainly for access to home ownership through shared ownership and rent to buy schemes.	affordable shared ownership, rent to buy and supported						National

	Measure name 2016 to 2021	Description	Tenure type rental accommodation	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
United Kingdom (England)	Starter Homes	The Starter Homes Initiative aims to help young first-time buyers (below 40 years) purchase a home with a minimum 20% discount off the market price. Homes available for purchase under this programme will be new dwellings built according to established criteria and on designated sites. In exchange for a reduced sale price, developers of Starter Homes will enjoy discounts on payments to local authorities as part of the 'planning obligations' that are required to obtain planning permission on new developments.	affordable home ownership		The discounted price should be no more than £250,000 outside London and £450,000 in London. Homes cannot be resold or let at their market value for at least 5 years.	No	Available to first time buyers under the age of 40. Purchasers need to secure a mortgage for the 80% sale value of the home.	..	National
United Kingdom (England)	Affordable Homes Programme (AHP) 2015 to 2018	AHP provides capital grant funding to supply new affordable housing – for Affordable Rent (including social rent and affordable rent), and affordable home ownership (shared ownership). A separate programme for London is administered by the Greater	affordable owner occupied and rental dwellings, as well as shared ownership						National

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
		London Authority.							
United Kingdom (England)	Affordable Homes Guarantee Programme (AHGP)	AHGP makes the Government guarantee, grant and conversions (where needed) available for the provision of new build affordable housing for Affordable Rent and for affordable home ownership (shared ownership). A separate programme for London is administered by the Greater London Authority.	affordable owner occupied and rental dwellings, as well as shared ownership						National
United Kingdom (England)	Care and Support Specialised Housing Fund	The Fund provides capital funding for specialist housing providers for the development of specialist housing to meet the needs of older people and adults with disabilities or mental health problems.	affordable rental dwellings						National

	Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
United States	Low Income Housing Tax Credit program (LIHTC)	LIHTC allows states to distribute federal tax incentives for construction or rehabilitation of affordable rental housing. Tax credits reduce the federal income tax of investors who participate. The investor receives a tax credit paid annually over a 10- year period and cannot withdraw his/her/its investment for 15 years.	affordable rental dwellings both affordable owner occupied and rental dwellings, as well as a	private and non-profit developers	Maximum rents are defined, based on tenants at maximum income (60% of area median gross income) paying no more than 30% of their income for housing.	Yes	At least 40% of the residential units in the development receiving LIHTC funding must be let at affordable rents and occupied by individuals whose income is 60% or less than the area median gross income, or in alternative 20% of units are both rent restricted and occupied by individuals whose income is 50% or less than the area median income.	Tax relief	Federal, administered by state housing finance agencies Federal grant to local entitlement jurisdictions
United States	Community Development Block Grants (CDBG Program)	This measure includes CDBG rental construction and acquisition for rehabilitation activities		..	..	Yes	recipients must have incomes below 80% of area median income	Grants	

Measure name	Description	Tenure type	Types of developers	Requirements applying to the dwelling	Income threshold for end-users	Other eligibility criteria	Type of aid	Administration level
		range of other measures						
United States	HOME Investment Partnerships Program provides formula grants to states and localities to fund a wide range of activities - often in partnership with local non-profit groups. HOME Rental programme supports rental acquisition, new construction, and rehabilitation activities	both affordable owner occupied and rental dwellings, as well as a range of other measures	..	HOME funds per unit are limited by National Housing Act limits for elevator type projects in the area.	Yes	All beneficiaries must have incomes below 80% of the area median income. In case of rental supply, at least 90 percent of benefiting families must have incomes below 60% of the area median income. In developments with more than 5 units, 20% of them must be occupied by families with incomes that do not exceed 50% of area median income.	Grants	Federal grant to local entitlement jurisdictions

OECD Affordable Housing Database – <http://oe.cd/ahd>

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

Notes:

1. Information was not provided for Bulgaria, Belgium, Denmark, Iceland, Israel, Italy, Slovakia and Turkey. Germany: Information is not included as there are no programmes for the construction of affordable housing provided across the country. However, there are initiatives at the local level with funding from the municipalities.
2. The Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Mexico, the Netherlands, Portugal, Romania, Slovenia and Sweden currently have no measures supporting the supply of affordable housing (as defined in QuASH). In Ireland an affordable rental pilot scheme was announced as part of Budget 2016 but it will only be rolled out in 2017.
3. Australia: Two additional programmes exist for which all funding has been committed, and they are currently phasing out: Housing Affordability Fund (HAF) (Australian Government); Building Better Regional Cities (BBRC) (Australian Government).
4. New Zealand: under the Auckland Vacant and Underutilised Crown Land Programme, in most cases the land is subject to Treaty of Waitangi settlements' under which iwi/hapu must be given the first opportunity to purchase and/or be the developer of the land. Opportunities not taken up by iwi/hapu are offered to a developer panel established via a competitive tender process. The programme has only started in 2015, but sites acquired for the Programme to date are expected to yield approximately 1,500 dwellings, of which 20 percent are expected to be affordable and a further 20 percent sold to social housing providers.

Source: OECD Questionnaire on Social and Affordable Housing, 2016.