

W063 - Affordable Housing

Having now been at the helm for nearly twelve months, W063 Coordinator Ian Eilenberg judges it to be an appropriate time to acquaint the CIB Membership with the major events which have been taken place within the Commission during this period.

He notes that there have been three Regional Meetings held. One was in Melbourne, Australia; one in December was in Wellington, New Zealand organised by John Grey at Victoria University, and the third was at Stanford University organised by Boyd Paulson. At these meetings the role of W063 and its future directions were exhaustively discussed.

There are also discussions going on in the hope of generating more Regional Meetings later in the year.

A number of issues emerged from these meetings.

Firstly, there was a move forward on the writing of 'Position' papers on Affordable Housing in these countries - or in the case of the USA specifically on the West Coast situation. The plans for the writing of papers from a range of countries is now underway. But more work remains to be done in this area. It is planned that the initial work on these reports will be presented at the CIB Congress in Wellington in April 2001.

Secondly, there was an offer to undertake a Symposium in Ecuador with dates in mid to late 2001 being considered. The exact date is yet to be confirmed.

The development of communication between the members and other people interested in the subject has also progressed. The first of these was the development of the Onelist (W063@Onelist.com) email list which as well as serving for general correspondence between the members, was used by the members and those interested on the subject of Affordable Housing, for some interesting discussions on the definitions of Affordable Housing.

These definitions gave rise to a lot of comment and the differing opinions that surfaced are of interest outside the immediate circle of W063. More on this aspect below.

The next development has been the rebirth of the W063 - Affordable Housing Journal. This was established as a fully refereed Journal with all papers submitted being sent to external referees and an open and documented refereeing system in place. Ian stresses that the Commission is now actively seeking new papers on any aspect related to 'Affordable Housing' as set out in the Mission Statement. The Chief Editor is Dr. Robert Stroh at the University of Florida and papers can be sent to him at stroh@ufl.edu or Ian Eilenberg at ian.eilenberg@rmit.edu.au - or by old fashioned mail to Dr. Robert Stroh, P.O. Box 115703, University of Florida, Gainesville FL 32611-5703, USA.

The Journal, however, is being developed further. A second section is to be incorporated which will publish shorter, non-refereed papers which will discuss current research, and new developments in any of the related areas.

The Journal can be found at www.w63journal.tce.rmit.edu.au (or if you want a short cut at 131.170.150.32).

Then, as Ian mentions, there has been the work undertaken by Amon Raphael Makenya on the W063 Home Page. This has been updated and he has regularly added information for the members. He has developed a number of links to other organizations related to Affordable Housing and this section will continue to be expanded. The Home Page can be found on www.arch.kth.se/~cibw63.

Upcoming Meetings

There are two specific meetings scheduled. The first will be in Wellington, New Zealand at the CIB Congress during the period 2nd-6th April 2001 and the second in Trinidad in the second week of January in 2002 - in conjunction with W092 and possibly other Commissions. The exact date should be available shortly.

Two other meetings are pending - one possibly in South America and the other in South Africa - details of these will follow as soon as more information is available.

It is also hoped that other Regional meetings will be organised in the near future.

While conceding that the membership of W063 is at this moment relatively small, Ian points out that it is growing. The work has only just begun, but it has been a very exciting beginning indeed.



Ian Eilenberg (extreme right) at the Stanford Meeting with members including (from the left) Howard Basford - Arizona State University, Antonio Beltran - Catholic University of Guayaquil, Kang, Kyung In - Korea University, and Boyd Paulson - Stanford University.



Definitions of Affordable Housing

We mentioned above that W063 members are discussing the definitions of Affordable Housing.

It is felt that the suggestions put forward merit consideration outside W063 and Ian Eilenberg has kindly sent a summary of the principal suggestions which have been received.

As he says: This is an on-going discussion with one general consensus - there is no single definition for Affordable Housing. A view which is endorsed by Boyd Paulson who does not think that one all embracing definition to fit all countries is even necessary, although those countries who do not have standards and definitions in operation could learn from others.

From Boyd Paulson, Stanford University, USA

We define people in need of affordable housing in terms relative to the Area Median Income (AMI) for the metropolitan area where they live, and do so for varying family sizes from 1 to 10. A family of 4 is typically used for comparative purposes when comparing regions.

- Moderate Income = 80% to 120% of AMI (except in high income areas like California, where the lower boundary can drop to 65%)
- Low Income = 50% to 80% of AMI (or 65% upper bound in our area)
- Very Low Income = 30% to 50% of AMI
- Extremely Low Income is < 30% of AMI (and what we call the "poverty level" also falls somewhere in that range, but the percent varies by region)

For example, nationally the AMI for a family of 4 is \$57,000, while in our county it is about \$82,000. Thus "Very Low Income" is at about \$25,000 to \$41,000, while in the South East US it could be half that or less. For a single person in our areas the AMI is about half of the family of 4, so the numbers drop proportionately (e.g., for someone eligible for an SRO apartment).

"Affordable Housing" is defined nationwide as paying less than 30% of gross income for the sum of rent (or mortgage payment for ownership housing) plus utilities plus property taxes (for an owner) plus home or tenant's insurance. Non-profits set payments for their owners and renters to keep total housing costs at the 30% level, which is significant because most poor people in high-cost areas otherwise have to pay well over 50% of their income for housing when they go to the open market.

It is also significant here that "affordable" is not the same as "low-cost" housing. Cost refers to the cost of land, design, construction, and other development costs, and is generally by no means low cost even for affordable housing. We generally build well designed, high quality detached or attached units that would sell or rent well on the open market. Our governmental approval procedures do not really allow us to build "cheap" or "low cost" housing even if we wanted to. Thus there is a substantial gap between what it costs to build and operate this housing and what the income stream will support. We use a wide variety of government and private subsidy sources to make up the difference so that poor people can have decent housing.

From Michael Camilleri, BRANZ, New Zealand

The financial requirements of banks for a high deposit for new build puts a new home out of reach for many (maybe all) low to medium earning households. In major towns and cities in New Zealand I think a \$50,000 deposit would be the minimum. Even if the household clearly has the means to pay the loan on the full amount (provable by current rent payments), without the deposit they will be turned down. Buying homes from speculators is about the only way around this.

So if 'Affordable' means affordable to low and medium earning first buyers then it is as much a financial and social issue as a technical one.

On a broader issue, what is wrong with older houses? Many first home buyers in New Zealand started with an older (cheap) house, adapted it to their needs over time (using sweat equity) and then moved on when they could afford to or needed to. Has this model broken down in New Zealand or overseas? I know in several cities the cost of smaller, bottom-of-the-market homes has risen dramatically over the last 5-10 years - maybe this means there is a real demand for "Affordable" housing? But this price rise means a significant barrier to new homes, as the older ones are too valuable to demolish, unless high density housing replaces it.

From Peter Erkelens, Eindhoven University of Technology, The Netherlands

Like others, I do not believe in a uniform definition for affordable housing because it entirely depends on the point of view: technical, economic, social etc. Let me share with you some of my experiences.

In the Netherlands: Social housing has to conform to minimum standards (which are quite high), as prescribed by law. For rental housing there are "subject subsidies", depending on one's income. In this way for every household it is made "affordable" to rent a minimum standard house. Also for those who prefer to buy, there is a system of "object" subsidies. With these annual contributions, households are able to pay for the loans. (subject = personal/ object = house).

Of course these subsidy systems are only viable for rich countries. For the following countries Kenya and Peru, where I have been working the situation is quite different.

Kenya has building by-laws, but the minimum standards described are too expensive. Building materials like loam/adobe and timber need a special permit. As there are no housing corporations for low income families (apart from so called poolhousing), they build their own shacks from non accepted materials. In this case affordable housing is below an acceptable standard. Or they rent a sub-standard room.

In Peru there is some differentiation on low cost housing. I will present 4 different options:

1. Quite commonly people occupy a piece of land on the outskirts of a city and construct a "house" from reed etc. This practice is not in accordance with official building standards. After a period of years, according to law, the occupier on the illegal land obtains a title deed for the land and may start upgrading his house.
2. Another option is to rent a room in a large house in the town centre. This leads to over-crowding and problems with the limited sanitation and water /electricity provision.
3. In the countryside, the farmers build their houses with timber, adobe and straw, according to the traditions and depending on the materials available.
4. In the towns, due to poverty and other circumstances, people construct their own small houses with walls from adobe blocks and with a roof of tiles on reeds and mud or of cgi. According to law no more than 1.5 floor height may be constructed with adobe. As can be seen at times people construct up to 3 floors with adobes.

As there are very limited facilities for financing, in most cases, affordable housing falls below reasonable standards.



Finally I would like to make some general remarks on issues related to affordability. From studies it can be derived that there exists in general a relation between the GDP/per capita of a country and the quality of housing as expressed in rooms per house, number of people in the house, etc. Therefore one may predict that with increasing income the housing conditions will improve accordingly and so will affordability.

Therefore affordability is changing over time.

In this respect I would like to refer to different sorts of needs and demand; socio-economic needs, tribal needs, felt needs, ascertained needs, etc. and effective demand and potential demand. **FELT NEEDS:** are based on the requirements of the individuals. They exist independently of the market and the government (Turner).

For the lower income groups these felt needs are often below the level of the ascertained needs. The **ASCERTAINED NEEDS** are established by third parties like governments in order to ensure certain minimum acceptable standards. Building legislation is based on these ascertained needs.

The **EFFECTIVE DEMAND** for housing is demand at existing prices which can be met. Willingness and

the ability to pay for housing depend mainly on the household income and other factors. Effective demand is therefore economically determined. When people have more to spend they will demand housing of a higher standard. **POTENTIAL DEMAND** is a need that is not now being satisfied but is expected to be satisfied when some condition is met in the future.

