

Cambridge Centre
for Housing &
Planning Research

Using incentives to improve the private rented sector for people in poverty: An international policy review

Anna Clarke and Michael Oxley

October 2017

with country appendices by

Michael Carliner (USA), Kees Dol (Flanders, Belgium),
Marietta Haffner (Germany), Joris Hoekstra (France)
and Michelle Norris (Republic of Ireland)



UNIVERSITY OF
CAMBRIDGE

In partnership with

JRF

JOSEPH
ROWNTREE
FOUNDATION

How can landlords be incentivised to improve the private rented sector for people in poverty?

This international review seeks to identify policy interventions used elsewhere in the world to improve the private rented sector for people in poverty that may be transferable to England. We first analyse existing incentives and disincentives in England, then look at policies in France, Belgium, Ireland, and the USA to see what lessons can be learned.

The focus is on policies which have the potential to improve:

- Affordability
- Housing quality
- Security of tenure
- Access to housing for households in poverty.

The next stage of the project will set out three costed proposals for use in England.

Contents

1.	Executive Summary	3
2.	Introduction	5
3.	The current English context.....	8
4.	The use of landlord incentives in other advanced economies.....	18
5.	Summary of incentives in use in other countries.....	32
6.	Conclusions: The top candidates for further development in an English context	39
7.	Appendix 1 Flanders, Belgium (Kees Dol)	45
8.	Appendix 2 France (Joris Hoekstra)	52
9.	Appendix 3 Germany (Marietta Haffner)	69
10.	Appendix 4 Republic of Ireland (Michelle Norris)	78
11.	Appendix 5 USA (Michael Carliner)	89
12.	References.....	98
13.	Acknowledgements	104

1. Executive Summary

There are a number of schemes currently running in the UK that provide incentives for landlords to reduce rents, improve housing quality or take vulnerable tenants.

These include:

- Rent a Room Scheme - tax-free rental income for owner occupiers and tenants providing furnished accommodation;
- accredited landlord schemes - run by local authorities or professional bodies;
- tax relief on property maintenance;
- Feed-in Tariffs - which reduce tenants' electricity bills;
- direct benefit payments of rent to landlords - on behalf of vulnerable tenants or those already in arrears;
- capital gains tax deductions for improvements made to a home;
- lettings relief on capital gains tax - for people renting out a home they used to live in;
- free advice - on improving the energy efficiency of properties.

In understanding the context of the private rented market in England, it is important to consider not just the financial incentives on landlords, but also the disincentives to house low income groups, improve housing or offer greater security to tenants.

These include:

- welfare cuts - since 2010, meaning benefits no longer cover rent for many tenants;
- restrictions posed by mortgage lenders - preventing longer tenancies and letting to people in poverty;
- long delays in evicting tenants - causing landlords to be risk adverse about letting to vulnerable tenants;
- HMO regulation and licensing - increasing the costs and regulation for landlords offering shared housing;
- tax changes - increasing costs for landlords, possibly passed on in rents.

A range of existing changes have been proposed by the 2014 the Chartered Institute of Housing and the Resolution Foundation report¹, most of which hinged on developing landlord accreditation and offering tax concessions to those who registered. Landlords themselves have argued for a range of tax concessions and improvements to the courts and welfare system, which could in turn help to remove the current disincentive to let to low income households.

The international review has shown many examples of tax reductions in return for allocation of accommodation (of a required minimum standard) to low income households (or other need categories) at sub-market rents. It has also shown the importance of long-term rent guarantees which are offered in return for long-term provision of accommodation (of a required minimum standard) to low income households. Incentives via Social Rental Agencies include rent guarantees, avoidance of voids, reduced management costs and tax incentives linked to the use of such agencies.

From this work, we have proposed a shortlist of eight examples worthy of consideration for use in England, to be discussed with the steering group.

These are:

1. Fiscal incentives for investors – tax breaks mainly for large-scale investors
2. Fiscal incentives for that reduce landlords' taxable income – many of which apply to individual landlords
3. Capital gains tax provisions the promote long term ownership of rental properties
4. Cheap loans for construction and acquisition of rental properties
5. Rental agency arrangements that reduce landlords' costs and risks
6. Personal vouchers targeted at households that reduce landlords' costs and risks
7. Rent guarantees
8. Rent gap payments

A final selection of three proposals will be fully costed in the final stage of this project.

¹ <http://www.resolutionfoundation.org/app/uploads/2014/08/PRS-and-incentives-report-Aug-2014.pdf>

2. Introduction

The rise in the private rented sector (PRS) in England has led to growing numbers of households facing insecurity and high costs. The private rented sector also has the highest rates of disrepair. There is therefore growing concern to improve the PRS, especially for families.

Recent changes to taxation in the PRS have focused interest on the possible use of tax as a means of changing behaviour. The abolition of the wear and tear allowance increases incentives for landlords to invest in maintaining furnishings, while the increase in stamp duty is likely to weight the market in favour of first time buyers rather than buy to let investors. Landlords remain concerned about the changes to income tax and mortgage interest, and are lobbying for changes to this new measure. It is therefore extremely timely to consider whether there are ways of incentivising landlords to offer affordable, good quality and secure housing to low income households, and to families in particular.

The aim of this policy-focused international review is to identify incentive-based policy interventions used elsewhere in the world that may be transferable to England.

The focus is on incentives that improve:

- affordability²;
- housing quality;
- security of tenure;
- access to housing for households in poverty.

Subsidies have long been used to incentivise home owners and landlords alike to invest in energy efficiency improvements to their homes, yet there remains much potential to improve this aspect of England's housing stock.

In other countries, there are examples of exemptions and reliefs for equivalent taxes that are linked to rent, allocation and quality conditions. There are also examples of capital gains taxation reductions for long term holding of properties, possibly promoting longer term tenancies. These incentives for landlords or investors have the potential to improve the delivery of acceptable standards and tenancy conditions to private sector tenants in England.

² Affordability is taken to relate to all housing costs - i.e. to include both rent and utility bills. This means that energy efficiency improvements or micro-generation are possible ways to reduce housing costs.

A subsequent publication will set out three detailed, costed proposals for use in England.

Research Methods

The project began with a review of existing taxation for landlords in England. We then analysed both the existing incentives and disincentives for landlords to improve the sector.

The project developed an advisory group which helped inform this work consisting of representation from the following organisations:

- The Joseph Rowntree Foundation (JRF)
- The Residential Landlords Association (RLA)
- The National Landlords Association (NLA)
- Pricewaterhouse Coopers (PwC)
- HM Revenue and Customs (HMRC)
- Department for Communities and Local Government (DCLG)
- Greater London Authority (GLA)
- Greater Manchester Combined Authority
- Association of Residential Letting Agents (ARLA)
- National Approved Lettings Scheme
- The Chartered Institute of Housing (CIH)
- University of York
- University of Sheffield
- London Borough of Newham

We then undertook an international review of policy examples. International experts were recruited from around the world in order to identify the key initiatives already in place throughout Europe, North America and Australia³. The countries chosen were:

³ The country appendices for France, Flanders, Germany, Ireland and the USA give some information on particular initiatives in these countries. They are not intended to provide a comprehensive picture of housing policy in each country, rather, they concentrate on incentives that are central to this research.

- Australia
- Flanders (Belgium)
- France
- Germany
- Republic of Ireland
- United States of America

An evaluation of policies identified through this international review has resulted in a shortlist of options for further investigation. This shortlist will be discussed with the project advisory group.

This means that the format of the appendices varies from county to country in order to best provide this information.

3. The current English context

Taxation and private landlords

Private landlords in England are either individuals or companies. At present, they are treated separately in the tax system.

Individual landlords

Individual landlords pay **income tax** on the profits from their rental properties at the same rates of tax as other earned income. Any income they receive from property rental will be included in their tax return. They therefore receive a personal allowance (£11,500 in 2016/17), pay 20 percent tax on income up to £45,000, 40 percent on income up to £150,000 and 45 percent on income over £150,000 (as well as losing the personal allowance from £125,000). Before they work out the profit on which they are taxed, landlords may deduct the costs of managing the property (such as letting agency fees), legal fees, replacement furniture, insurance, any utility bills or council tax they are responsible for, ground rent, and expenditure on maintenance and upkeep (but not improvements).

Until recently, landlords could also deduct mortgage interest payments as an allowable expense. However, from 2017 to 2020, new rules are being phased in which limit the amount of tax relief on mortgage interest payments to 20 percent, rather than 40 percent or 45 percent, as would normally be claimed by landlords with higher gross incomes. This increases the tax bill for landlords whose *gross* income from letting properties is in excess of the higher rate tax allowance.

Individual landlords also pay **Capital Gains Tax** when they come to sell a property. The capital gain is worked out as the increase in value of the property when sold, compared to the price paid (if after 1982). Current rates of capital gains tax are 18 percent and 28 percent, with the higher rate due on profits and income over the higher rate tax threshold (currently £45,000). The cost of buying and selling the property is tax deductible, as are the costs of any improvements (but not maintenance) made to the property. The first £11,300 of capital gains is tax free in any one tax year.

Landlords would not normally pay **VAT** on their profits as letting properties is an exempt activity for VAT. Landlords pay VAT on goods and services used in maintaining or improving their properties and cannot usually claim this back.

It is usually tenants rather than landlords who are liable for **Council Tax**. However, if a property let as a House in Multiple Occupation (HMO) or shared

house with separate tenancies granted to each tenant, then this responsibility falls on the landlord rather than the tenants.

If being a landlord is their main employment, landlords will also pay **Class 2 National Insurance Contributions** of £2.85 a week, where their profits are above £6,025 a year.

Stamp Duty is a transaction tax on buying property with differential rates depending on the value of the property. Landlords who purchase new homes since 2016 have had to pay an additional three percent Stamp Duty, which homeowners do not pay.

Company landlords

Company landlords pay tax in the same way as any other business. This means they pay **employers' national insurance contributions** on pay to staff. Their staff pay **income tax** and **employee's national insurance contributions** as normal.

Companies pay **Corporation Tax** (currently 19 percent) on both their profits and any capital gains from selling properties, though there is an indexation allowance to compensate for the effect of inflation whilst the asset was owned. They can also delay paying tax on capital gains if they re-invest the proceeds in buying new properties, by making use of Business Assets Rollover Relief. The tax due will then be due only when the replacement property is later sold.

Company landlords can pay out profits to shareholders in the form of **dividends**. These are taxed at 7.5 percent (basic rate), 32.5 percent (higher rate) or 38.1 percent (additional rate), after a tax free allowance of £5,000. No National Insurance Contributions are payable on dividend income.

Companies can deduct the costs of running their business from their taxable profit. Unlike individual landlords, companies can still deduct interest on loans in full from their taxable profits.

Company landlords pay **Stamp Duty** in the same manner as individual landlords, also paying the additional three percent levy. They are also liable for **Council Tax** in the same situations as individual landlords.

Incentives

There are already some financial incentives in England aimed at reducing rents (possibly via increasing supply), improving housing quality, or housing people in poverty. These include:

Rent a Room Scheme

The Rent a Room Scheme was designed to encourage people to take a lodger and therefore increase the availability of rented housing, exerting a downward pressure on rents. The first £7,500 received in rent from a lodger is tax exempt. This was increased in April 2016 from £4,250.

Tax relief on property maintenance

Changes were recently made to reduce tax relief on mortgage interest payments but landlords can still claim full relief on the cost of maintaining their properties. Since the abolition of the Wear and Tear Allowance in 2016, landlords have to physically spend the money on the maintenance of furnished lettings in order to claim the tax relief. This strengthens the incentive for them to do so.

Capital gains tax deductions for improvements made to a home

Landlords have to pay capital gains tax on the uplift in value of a property when they come to sell it. Improvements which are tax deductible can include installing energy efficiency measures or building extensions, but do not include normal maintenance of the property, such as decorating.

Lettings relief on capital gains tax

This is a reduction to capital gains tax given to people who rent out a home which they have previously lived in. It is worth up to £40,000 and provides an incentive for homeowners to let out their homes (rather than leave them empty) if they are away for a long period.

VAT exemptions

Most work on properties (by builders, plumbers, etc.) is charged at the standard 20 percent VAT. However, there is a zero rate for building a new property, or for carrying out work for disabled people in their home. There are also reduced rates of VAT for installing energy saving products and mobility aids for people over 60, as well as for renovating a property that has been empty for two or more years.

Accredited landlord schemes

Some local authorities seek to improve the physical standards of housing stock and standards of management by offering accreditation to local landlords. Landlords who join such schemes receive benefits such as being able to advertise their properties on online portals, being locally recognised as a good landlord, receiving tenant referrals from the council and discounts on HMO license fees. Membership organisations such as the National Landlords

Association, Residential Landlords Association and Property Ombudsman also offer accreditation, and sometimes training and legal advice, to members.

Feed-in Tariffs

Feed-in tariffs allow landlords (in common with owner occupiers) to be paid by their energy supplier for installing electricity-generation technologies, such as solar panels, which feed surplus power back to the National Grid. Tenants benefit from lower fuel bills if landlords install such measures, as they can use the free electricity whenever the technology is generating it.

Direct benefit payments of rent to landlords

Private rented tenants are normally expected to pay their rent themselves and claim any benefit entitlement (either Housing Benefit or Universal Credit) separately. However, the DWP can make payments direct to landlords on behalf of vulnerable tenants who are judged to be at high risk of failing to pay their rent or losing their home. Landlords can also apply to receive payments direct for any tenants, once they are eight weeks in arrears (two months for those on Universal Credit). These measures help incentivise landlords to let to tenants with poor payment histories, and to retain tenants who have failed to pay their rent but are entitled to benefits. Such tenants must still pay any shortfall between the LHA amount and the actual rent direct to the landlord.

Energy efficiency incentives

There are currently no financial incentives available to encourage landlords to improve the energy efficiency of their properties (as opposed to micro-generation via the feed-in tariff). The Landlords Energy Savings Allowance (LESA) was abolished in 2015. It had been designed to encourage landlords to improve the energy efficiency of their properties and allowed landlords to claim up to £1,500 per year on expenditure relating to insulation and draft proofing. In contrast, in Scotland, there are grants and loans available to landlords to improve the energy efficiency of their housing, including the Home Energy Scotland Loan⁴, the HEEPS Equality Loan⁵ and the Resource Efficient Scotland SME Loan⁶.

There is, however, **free advice** on improving the energy efficiency of their properties available to landlords in England from the Energy Saving Trust⁷.

⁴ <http://www.energysavingtrust.org.uk/scotland/grants-loans/home-energy-scotland-loan>

⁵ <http://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

⁶ <http://www.energysavingtrust.org.uk/scotland/grants-loans/sme-loan-scheme>

⁷ <http://www.energysavingtrust.org.uk/scotland/businesses-organisations/landlords>

The Green Deal has been recently relaunched under private finance, but is yet to make many loans. The demise of government funding in this area has left a deficit of incentives to improve energy efficiency, and hence improve affordability of housing. A variety of possible alternatives have been proposed (APPG, 2016; Hall & Caldecott, 2016; Westminster Sustainable Business Forum, 2016). Looking specifically at incentives, the 2013 report by the UK Green Building Council assessed a range of possible options and recommended variable Stamp Duty, variable council tax rates and a feed-in-tariff (which was subsequently adopted) (UK Green Building Council, 2013).

Disincentives

In understanding the context of the private rented market in England, it is important to consider not just the financial incentives for landlords, but also the disincentives to house low income groups, improve housing or offer greater security to tenants.

These include:

Welfare cuts

Since 2010, cuts to welfare benefits have meant that increasing numbers of tenants who rely on benefits find that their housing benefit (or the housing component of Universal Credit) does not cover their rent. Recent cuts include the freezing of and below inflation increases to LHA, and the benefit cap affecting families in high rent areas in particular. Sanctions imposed on tenants for failing to keep their job-seeking agreements also commonly cause gaps in LHA payments, in turn causing arrears. Administrative errors and delays can also cause problems. Landlords are aware of the LHA limits and the risk of arrears from benefit-dependent tenants and therefore often unwilling to let to low income tenants as they fear they will be unable to pay their rent.

Restrictions posed by mortgage lenders

Landlords with mortgages must comply with any restrictions their lender places on letting out their property. These sometimes include a ban on letting to tenants dependent on benefits, and a requirement that the property is let on a six to twelve month assured shorthold tenancy. Recent research by the RLA suggests that about 90% of the buy-to-let market is covered by lenders who currently prohibit landlords from letting to tenants who receive benefits.⁸ This

⁸ www.landlordtoday.co.uk/breaking-news/2017/5/btl-lenders-fuelling-discrimination-against-tenants-on-housing-benefit?source=related_articles

can prevent landlords from offering longer tenancies or housing tenants in poverty.⁹

Long delays in evicting tenants

Delays in the court system cause risks for landlords, which are exacerbated by policies in some local authorities requiring tenants to remain in a property after notice has expired in order to be eligible for rehousing. It had been hoped that the Homelessness Reduction Act would end this practice, but the final wording of the Act does not explicitly do so. The possibility of a long delay with no rent causes landlords to be risk-averse when considering housing tenants deemed likely to fail to pay their rent.

HMO regulation and licensing

Mandatory and selective licensing for HMOs and increased safety standards, even for small HMOs, provide disincentives for landlords to let their properties as shared housing. This may help families to find accommodation, but make it harder for single people, in particular those under 35, to find a room to rent.¹⁰

Tax changes

Taxation of private landlords has increased. Changes to personal taxation means that if their gross income (including rent) is over the higher rate tax threshold, landlords can no longer offset mortgage interest against tax in full. Landlords with large amounts of borrowing are likely to be most affected and could look to increase rents to compensate, or exit the sector, possibly causing a reduction in private rented housing and resultant increase in rents. Furthermore, a three percent levy on stamp duty for landlords buying new homes was introduced in 2016. This is likely to dampen the rate at which the sector grows, exerting an upward pressure on rents.

The Right to Rent checks

Right to Rent checks by private landlords in England were introduced in February 2016. These require landlords to ensure that tenants have the documentation necessary to satisfy a Right to Rent check, such as a UK or EEA passport or immigration status document. If tenants lack these, they must provide other documentary proof such as a birth certificate, driving license, benefits paperwork or a letter from certain government departments. A recent

⁹ In Ireland legislation outlaws discrimination against housing allowance recipients (communication from Michelle Norris)

¹⁰ Pattison, B & Reeve, K (2017) Access to homes for under-35s: The Impact of Welfare Reform on Private Renting, Centre for Regional Economic and Social Research, Sheffield Hallam University. <https://research.rla.org.uk/wp-content/uploads/SHU-Access-to-homes-for-under35s.pdf>

survey by the RLA found that landlords were now less likely to consider letting to those without a British passport, or to those with only temporary rights to reside in the UK (Residential Landlords Association, 2017). These include UK born people without passports and migrants, many of the poorest people in the UK.

Existing suggestions to improve incentives

The recent (2014) report by the Chartered Institute of Housing and the Resolution Foundation explored the issue of landlord incentives and made a number of recommendations. These focused around establishing a nationally agreed set of standards for accreditation, covering both property conditions and housing management, as well as introducing a range of tax changes to incentivise landlords to become accredited.

The recommendations of the Chartered Institute of Housing and the Resolution Foundation's report were as follows:

- Allowing **accredited landlords to deduct an amount for repairs and maintenance in excess of what is spent** and/or limiting the allowance for expenditure on repairs and maintenance that non-accredited landlords can offset (with the proviso that work needed to bring a property up to accreditation standard is always fully tax deductible).
- Allowing **accredited landlords to benefit from capital gains tax rollover relief**, meaning that if a rented property is sold and the proceeds are reinvested in another, the landlord can defer the payment of capital gains tax on any profit they had made. The report suggested linking rollover relief to the length of time for which the property has been rented out and the length of time for which the landlord has been accredited.
- **Reinvigorating the Green Deal** (which has since been disbanded). Under the deal, landlords were able to make energy efficiency improvements without having to pay all the costs upfront¹¹.
- Treating property improvements that result in a **higher Standard Assessment Procedure (SAP) rating as an allowable expense**. Current practice is for these to be treated as improvements to a property, and therefore tax deductible, in terms of CGT but not income tax, when a landlord comes to sell.

¹¹ www.gov.uk/guidance/getting-a-green-deal-information-for-householders-and-landlords

- Supporting local authorities to increase **tenancy support services** to tenants at high risk of tenancy failure. This support could be offered to tenants of accredited landlords.

Meanwhile, other suggestions have been **made by landlord bodies** for reductions in tax to landlord, many of which could have a positive impact on tenants in poverty. These include:

- Treating private landlords as businesses in terms of rollover relief for capital gains tax, to enable them to manage their portfolios more flexibly¹²;
- Incentivising long-term ownership by reintroducing tapering Capital Gains Tax on a similar basis to the indexation allowance permitted for company landlords¹³;
- Reducing VAT on renovations and home improvements¹⁴;
- Addressing the problems caused by welfare reforms¹⁵;
- Addressing the complexity of council tax liability for HMOs¹⁶;
- Preventing excessive fees for HMO licenses¹⁷ and reducing the use of selective licensing for HMOs¹⁸;
- Improving the efficiency of the court system¹⁹;
- Removing the Right to Rent checks, on the grounds that landlords are less likely to rent to those without a British passport, often the poorest in society;
- Reversing the cuts to mortgage interest tax relief, as landlords say they are planning to increase rents as a result (Simcock, 2016), or leave the market.

Whilst the tax changes are likely to reduce the rate at which the sector grows, these claims should be treated with some caution as there is no apparent clear mechanism that would increase the achievable market rent. Independent research published by LSE suggests a more limited impact overall (Scanlon and Whitehead, 2016).

¹² <https://landlords.org.uk/news-campaigns/campaigns/capital-gains-tax-cgt>

¹³ <https://landlords.org.uk/news-campaigns/campaigns/capital-gains-tax-cgt>

¹⁴ <https://landlords.org.uk/news-campaigns/campaigns/value-added-tax-vat>

¹⁵ <https://landlords.org.uk/news-campaigns/campaigns/local-housing-allowance>

¹⁶ <https://landlords.org.uk/news-campaigns/campaigns/council-tax>

¹⁷ <https://landlords.org.uk/news-campaigns/campaigns/discretionary-additional-and-selective-licensing>

¹⁸ <https://landlords.org.uk/news-campaigns/campaigns/discretionary-additional-and-selective-licensing>

¹⁹ <https://www.landlords.org.uk/news-campaigns/campaigns/possession>

Other possible changes to the PRS which may improve security for tenants offer no particular benefit to landlords. Research into landlords' views on types of tenancy, however, found that landlords were much more likely to consider o

Table 1 shows our analysis of the possible impacts of the different incentives discussed.

Table 1 Possible impacts of incentives and disincentives

		POSSIBLE EFFECT				
		REDUCE COSTS BY INCREASING SUPPLY	REDUCE COSTS BY OTHER MEANS	INCREASE QUALITY	IMPROVE STABILITY/ SECURITY	IMPROVE ACCESS FOR LOW INCOME
INCENTIVES CURRENTLY OPERATING IN ENGLAND	RENT A ROOM ALLOWANCE	X				
	ACCREDITED LANDLORD SCHEMES			X		
	TAX RELIEF ON MAINTENANCE			X		
	THE FEED-IN TARIFF		X	X		
	DIRECT BENEFIT PAYMENTS					X
	CAPITAL GAINS ALLOWANCES FOR IMPROVEMENTS		X	X		
	LETTINGS RELIEF ON CAPITAL GAINS	X				
	VAT REDUCTIONS	X	X	X		
	ENERGY EFFICIENCY ADVICE		X	X		
DISINCENTIVES CURRENTLY OPERATING IN ENGLAND		INCREASE COSTS BY REDUCING SUPPLY	INCREASE COSTS BY OTHER MEANS	REDUCE QUALITY	REDUCE STABILITY/ SECURITY	REDUCE ACCESS FOR LOW INCOME
						X
					X	X
						X
		X	X			X
		X	X			
						X
CHARTERED INSTITUTE OF HOUSING AND RESOLUTION FOUNDATION RECOMMENDATIONS		REDUCE COSTS BY INCREASING SUPPLY	REDUCE COSTS BY OTHER MEANS	INCREASE QUALITY	IMPROVE STABILITY/ SECURITY	IMPROVE ACCESS FOR LOW INCOME
				X	X	
				X	X	
				X	X	
			X	X		
			X	X		
				X	X	X
LANDLORDS RECOMMENDATIONS					X	
					X	
			X	X		
						X
						X
			X			X
			X			X
		X	X?			
	INTEREST TAX RELIEF					

Other parts of the UK

Wales and Scotland have generally opted for increased regulation of the PRS rather than incentives. In Wales, Rent Smart Wales was launched in 2015 to register all private rented properties and ensure that the landlord and/or the agent managing the property is licensed, which includes having attended mandatory training. The new Renting Homes (Wales) Act also makes changes to tenancies, but again relies on increased regulation rather than incentives as the means to achieve a more professional PRS. It will be compulsory to issue the tenant with a written tenancy agreement when the Act comes into effect.

Meanwhile, the Private Housing (Tenancies) (Scotland) Act, soon to come into effect, removes the landlord's ability to end tenancies in Scotland unless certain circumstances apply. These include situations where the tenant is in arrears or has broken their tenancy agreement, the landlord intends to sell, live in or refurbish the property, or the property is to be or has been repossessed by the lender. Notice periods are also increased. The Act will allow rent increases only every 12 months and allows tenants to appeal against above-market rents. It also allows local authorities to designate "Rent Pressure Zones", where rents increases can be restricted to inflation plus one percent for up to five years.

4. The use of landlord incentives in other advanced economies

The research explored the use of landlord incentives in other advanced economies.

An internationally comparative study of the PRS for the English Department of Communities and Local Government (Oxley et al, 2010) identified four types of private rental housing. These are shown in Table 2.

Table 2: What counts as private rented housing in advanced economies?

CATEGORY	OWNERSHIP	ALLOCATION AND RENTS
1	PRIVATE OWNERSHIP BY INDIVIDUALS AND COMPANIES	BY MARKET FORCES MARKET RENTS
2	PRIVATE OWNERSHIP BY INDIVIDUALS AND COMPANIES	NOT BY MARKET FORCES LINKED TO EMPLOYMENT OR FAMILY RELATIONSHIPS
3	PRIVATE OWNERSHIP BY INDIVIDUALS AND COMPANIES	NOT BY MARKET FORCES SOCIAL ALLOCATION CRITERIA LINKED TO RECEIPT OF A TAX CONCESSION OR SOFT LOAN RENTS LIMITED INCOMES OF OCCUPANTS LIMITED CONCESSIONS, RENT LIMITATIONS AND ALLOCATION CONDITIONS OFTEN TIME LIMITED
4	NON-PROFIT ORGANISATIONS AND PUBLIC BODIES	BY MARKET FORCES MARKET RENTS

Source: Oxley et al (2010)

Housing that is privately owned but socially allocated (as category 3 in Table 2) was found to be important in several countries in providing housing for low income households at sub-market rents. Investors and landlords were incentivised to supply such housing through the use of a range of time-limited tax concessions and soft loans. The resulting forms of private rental housing with rent limits and social, rather than market, allocation were found to be particularly well developed in Germany, France and the USA.

Several other international studies (e.g. Haffner et al 2009, Oxley et al 2010, Whitehead et al 2016) have confirmed the importance of private rental sector incentives in promoting rent limitations and allocation to low income households. The countries identified **Error! Reference source not found.** in are frequently shown to have incentive schemes to encourage the supply of private rented housing to low income households. In some countries, for example, Germany and the USA, official data either does not identify a social rented sector or shows only a small social rented sector, and a large privately owned rental sector performs some of the functions require of social housing in other countries. A study of the relationship between the PRS and the social

rented sector in six European countries (the five in plus the Netherlands) shows that the boundary between the private and social rented sectors has become increasingly blurred, with social housing organisations sometimes providing market rental housing and privately owned housing often meeting needs that were once satisfied by the social sector (Haffner et al, 2009).

A common feature of incentive schemes in other countries is that they use “conditional object subsidies” (Haffner et al 2009, Oxley 2014) to promote a series of responses by the private rental sector. These subsidies go directly to landlords, developers or investors, unlike “conditional subject subsidies” (Haffner et al 2009, Oxley 2014), such as housing benefits, that go to households. The exact specification of the subsidy varies from country to country but the conditions usually involve (a) minimum quality standards for the rental housing, (b) limits on initial rents and rent increases so that rents are below market levels, and (c) limits on the incomes of households that are eligible to occupy the housing.

Capital gains tax in countries with large private rented sector countries typically includes concessions for holding property for several years. In the USA, the rate of capital gains tax is higher for short term gains (less than one year) than for long term gains. Short term gains are taxed at the relevant marginal rate of income tax. The maximum long term rate in 2016 was 23.8 per cent and for some lower income people, it may be zero. If capital losses exceed gains, the excess can be used to reduce other income, such as wages, up to an annual limit of \$3,000. In Australia, there is a 50 per cent reduction after one year. In Germany and France, the tax advantages of owning rental dwellings for longer periods are even more significant. Deductions begin after five years of ownership in France and liability is zero after fifteen years. In Germany, no capital gains tax is due for individuals after ten years of ownership (see Oxley et al 2010).

Table 3: Tenure in selected countries (% of housing stock)

	PRIVATE RENTED	SOCIAL/PUBLIC RENTED	OWNER OCCUPIED
ENGLAND (2015)	20	17	63
FRANCE (2014)	21.9	17.4	57.7
GERMANY (2014)	50.4	4.2	45.4
USA (2015)	32.7	4.3	63
AUSTRALIA (2011)	28.6	4.3	61.7
IRELAND (2016)	18.8	9.7	69.8
FLANDERS (BELGIUM) (2015)	19.7	7.1	71

Source: England: DCLG (2016) *Live Tables on Dwelling Stock, Live Table 104*

France, Germany, Netherlands: *Housing Europe (2015) The state of housing in the EU 2015*

USA: *US Census Bureau, 2015 American Housing Survey*²⁰

Australia: *Australian Bureau of Statistics*

Republic of Ireland: *Country report for this study*

Flanders (Belgium): *own calculations from country report for this study*

Where totals do not add up to 100, this is due to rounding/omission of 'other tenures'.

The countries in **Error! Reference source not found.** have been shown by previous studies to be especially relevant to the current investigation, in that they offer a range of conditional object subsidies that incentivise private sector supply for social purposes. The evidence from each of these features prominently in the rest of this report. For Germany, France, Flanders, Ireland and the USA, country specific reports on the use of incentives have been prepared and are provided as appendices.

The use of tax incentives to promote rented housing with rent limits and allocation conditions related to incomes has the longest and most sustained history in Germany, where it has been the standard post war model for the social provision of housing. In France, there have been a plethora of tax and soft loan initiatives in the last four decades which have sought to stimulate the supply of rented housing for particular income groups. These have often targeted "intermediate" income groups, who have been too poor to find acceptable housing in the market place, but not poor enough to qualify for social housing intended for very low income households. Both the USA and Australia have championed the use of tax concessions that give investors in newly created rental housing tax benefits, if said newly provided accommodation has rent limits and is occupied by specified low income groups.

²⁰ Includes Michael Carliner's own estimates of publically and privately owned subsidised units subject to allocation criteria

In Ireland, compliance with tax provisions that allow landlords to claim mortgage income tax relief on dwellings is conditional on landlords registering their properties with the Residential Tenancies Board (www.rtb.ie) and this results in inspection to ensure that the property is of an acceptable standard. Tax relief is available at a higher level if dwellings are available to low income households who are housing allowance recipients.

A strong feature of the Flemish housing system has been the use of “social rental agencies” that effectively act as intermediaries between low income tenants and private landlords. Such intermediation is also to be found in Ireland and Australia (and there are already examples in England). In other countries, such agencies or intermediaries variously provide services that reduce landlords’ costs (such as arranging repairs), guarantee long term tenancies and rental income, and offer support to tenants who need more than low cost housing. All these provisions can make it less costly and less risky for landlords to accept low income households.

In the USA, vouchers for low income households have been important in encouraging some landlords to accept such tenants. The voucher ensures that the landlord will receive an acceptable rent whilst the tenant pays a rent below market level. There are some similarities to the recently introduced “Visale” system in France, where tenants with a voucher have their rent guaranteed.

The following sections give more information on the selected countries and these are followed up in additional depth in the country appendices.

Flanders, Belgium

Flanders has traditionally had a relatively small rental sector and an even smaller social-public rental housing stock²¹. The percentage of owner occupiers stands at around 71 percent, with 27 percent renters and 2 percent of undefined (or rent free) tenure (Heylen, 2015a). The rented housing stock breaks down to about 70 percent private landlords (individuals), 3 percent commercial companies and 27 percent social-public owners (p. 4, Heylen, 2015b). Overall, no more than 7 percent of the entire Flemish housing stock can be regarded as affordable social-public housing.

In the 1980s, a severe economic crisis, rising unemployment and increasing need for affordable (social) rental housing, combined with the lack of government support, both financial and ideological, for more affordable rental housing, led to several grass roots initiatives (De Decker, 2002). The most successful of these initiatives were Social Rental Agencies (SRAs), which were

²¹ The situation in Wallonia, the French speaking part of Belgium, does not differ much

gradually institutionalised and financially supported by the three regional governments.

SRA's rent dwellings from private landlords for a term of nine years and sublet them to vulnerable households with (urgent) housing need. The SRA offers support to the vulnerable (sub) tenants by linking them to welfare services. The SRA guarantees rent payments to the landlord and also guarantees that the dwelling is vacated in the same state as when it was first occupied²². The SRA can also subsidise and carry out renovations in order to stimulate (lower income) landlords to rent out their properties to a SRA.

The SRA's offer four main benefits to the landlord:

- Guaranteed rent payments by the SRA;
- Long term lease of 9 years²³;
- Maintenance and renovation assistance and/or subsidies;
- Low management costs;
- A landlord renting to a SRA may also be able to reduce tax payments through lower VAT and property tax liabilities (see Appendix 1 Flanders, Belgium (Kees Dol)).

The rent of any individual dwelling is negotiated between the SRA and the landlord, but the rent should always be below the market level. This system may lead to rent differences for comparable dwellings. Although the rents may be relatively high compared to dwellings rented out by the public social housing sector, the tenant can apply for a housing (rent) allowance. In fact, the SRA can assist in applying for this allowance.

France

In the first decades after the second world war, the proportion of private rented housing in France fell, and that of social rented and owner-occupied housing rose. Many private rental homes were sold off, poor-quality dwellings were demolished and there were few incentives to build new homes in the private rental sector. At the same time, the government provided strong support for the development of both the social rental sector and the owner-occupancy

²² SRA can take care of the maintenance of the dwelling

²³ Recently (2017) it has become possible to use shorter term contracts of three years, but the standard is still nine years.

sector. The social rental sector was stimulated through subsidies and low-interest loans for social rental landlords, whereas the owner-occupied sector was stimulated through various favourable loans for home owners (Van der Heijden, Haffner and Reitsma, 2002).

The above trend was reversed in the beginning of the 1980s, when the French home ownership sector temporarily collapsed as a result of the economic crisis and high interest rates. In an attempt to keep the production of new housing at an acceptable level, the French government then introduced a series of tax benefits that aimed to improve investment conditions for private rental landlords. These tax benefits are still in place, although the specific conditions have been changed regularly over the past decades (Hoekstra and Cornette, 2014). At least partly as a result of the tax incentives, the proportion of private rental dwellings stabilised and even shows a slight increase in recent years. Currently, the French private rental sector has a share of 23 percent.

The vast majority (over 95 percent) of French private rental dwellings are owned by private individuals. Two-thirds of private rental landlords only possess one dwelling. In the last decades, the number of private rental dwellings let by individual landlords has increased significantly, mainly as a result of the advantageous tax deductions to which these landlords are entitled (Haffner et al, 2009). The proportion of institutional rental landlords has declined steadily since the 1970s. This is due to the fact that these institutions are increasingly focusing on investing in areas other than housing, where they can enjoy higher returns. Dwellings let by institutional private rental landlords are generally of higher quality than those of private landlords (Donner, 2000), and tend to be concentrated in the larger agglomerations (Haffner et al, 2009). In order to stimulate institutional investment in the private rental sector, the fiscal treatment of institutional investors has recently become more advantageous, with a 10 percent VAT rate and exemption from local property taxes for a 10-year period. Furthermore, the *Caisse des Dépôts* (a public investment fund) has introduced a special investment fund for institutional investors: the *Fonds Logement Intermédiaire* (Oxley et al, 2015, Haffner et al, 2016).

The most important incentives for investment in the private rental sector are the tax incentives for individual investors. Some of these incentives are targeted at better quality affordable rental housing for households whose incomes are too high to access the social rental sector (intermediary rental housing). Tax incentives that seek to increase the supply of intermediary rental housing typically use criteria such as the income of the tenants and the maximum rent that may be asked. There is usually a direct relationship between the strictness of these criteria and the fiscal advantage that the landlord enjoys: the stricter

the criteria with regard to income of the tenant and rent level, the higher the fiscal advantage for the landlord.

However, some incentives target lower income households and several examples are given in Appendix 2 France. The most recent of these, the *Louer Abordable* tax incentive (introduced in 2017), runs for a period of 6 to 9 years (depending on whether or not it is combined with subsidised renovation work). The rents that can be asked, the income of the prospective tenants and the fiscal advantages for the landlord differ between regions. The *Louer Abordable* tax incentive provides a tax deduction which discounts up to 85 percent of the rental income depending on the location rent levels and incomes of the tenants. The highest rate applies if the dwelling is let via an intermediary organisation.

Such intermediary organisations select tenants, guarantee rents and take care of maintenance. As explained in Appendix 2 France, the most prominent example of such an arrangement is Solibail, an organisation which is connected to the central government. Individual private rental landlords can decide to let their dwelling to Solibail. Subsequently, Solibail uses these dwellings to accommodate households with modest incomes who urgently need a dwelling. These households are housed by Solibail for a maximum period of 18 months, after which they are supposed to have found a regular dwelling, usually in the social rental sector. Tenants that rent a dwelling through Solibail pay an income-dependent rent, whilst the landlord receives a higher rent.

An additional landlord incentive is provided by the *Visale* rental guarantee initiative which was introduced in the beginning of 2016. It offers private rental landlords a completely free insurance against non-paying tenants. This insurance scheme is run by *Action Logement* which, in the case of a non-paying tenant, will pay the rent on behalf of this tenant. In its turn, *Action Logement* will try to recover the money from the tenant at a later stage. *Action Logement* is funded through an employer levy and supported by the government (see Appendix 2 France). The *Visale* initiative, whilst beneficial to lower income households, is also intended to help employees with temporary or short-term contracts secure private sector dwellings. The *Visale* rental guarantee reduces the risk to landlords of accepting such tenants.

In order to be eligible for the *Visale* rental guarantee, the private rental landlord must ask a monthly rent of less than € 1,300 (€ 1,500 in Paris). Tenants are eligible to participate in *Visale* if they meet one of the following conditions:

- they are less than 30 years old (students living at their parents' home are not eligible);

- they have temporary/precarious employment in the private sector and have started this job less than 3 months before they sign the rental contract;
- they rent a dwelling within the framework of rental intermediation.

Tenants who want to use the *Visale* guarantee are not allowed to spend more than 50 percent of their income on housing costs.

Germany

Contrary to other Western European countries, including the UK, all housing in Germany is legally private, including housing rented by municipalities (Kofner, 2017; Whitehead et al., 2016; Haffner, 2011; Haffner et al., 2009). A separate social rental sector based on dwelling ownership does not exist. Some housing is temporarily subsidised with conditional supply-side subsidies which limit rents and focus allocation on target groups. When the subsidy regime/term ends, the dwellings will join (in the case of subsidised new construction) or re-join (in the case of subsidised occupancy rights) the regular rental stock.

The design of the housing system is rooted in the social market philosophy that the country has been adhering to since after the second world war. This uses the market to achieve social goals (Haffner, 2011). Maximum subsidised rent levels are lower than market rents but take account of local market rent levels, geographically differentiated housing allowances and household incomes. The target groups are those households who cannot take care of appropriate housing themselves. These include low-income groups, households with children, single parents, pregnant women, the elderly, the disabled and the homeless.

The subsidy conditions refer to the target group (income limits), dwelling size and the length of time for which subsidies apply. Some conditions have been set by federal/national or federal state law/regulation (like the income limits and the dwelling size), whilst others (e.g. term of subsidisation, rent levels and changes during the term of subsidisation, 'type of housing services', and occupancy or allocation commitment) are open to negotiation between the investor and the municipality/subsidy-giver involved.

As a result of legislation in 2001, there are three types of allocation rights that municipalities can negotiate with the landlords in receipt of subsidy.

1. A general right of allocation (*allgemeines Belegungsrecht*) – This is really more of an agreement between the subsidising body and the recipient landlord to let a particular dwelling only to home seekers with an occupancy permit from the municipality. The landlord can then choose

freely among the candidates. This is, in effect, a right of placement that can be exercised by the landlord.

2. Right of nomination (*Benennungsrecht*) – This allows the subsidising body to nominate three home seekers with occupancy permits, from whom the recipient landlord can then choose. This is, in effect, a limited right of placement by the landlord.
3. Individual right of allocation (*Besetzungsrecht*) – This gives the municipality the right to allocate the dwelling in question to a particular home seeker with an occupancy permit. Thus the landlord has no say at all in the allocation of the dwelling.

There is a diversity of arrangements within Germany and in Appendix 3 Germany, incentives in Berlin and Munich are described in detail. This provides greater depth to the description of the incentives and their conditions and illustrates the range of options in use.

Republic of Ireland

The Republic of Ireland has a similar private renting system to England and Wales in terms of the framework of legislation and regulations which govern the sector, and also in terms of tenure patterns. This tenure contracted steadily for most of the 20th Century (it accommodated 26.1% of households in 1946 and 8.1% of households in 1991) but has grown significantly during the 21st Century (18.8% of households were private renters in 2010).

Since the early 1990s, arrangements for the regulation of private renting in Ireland has diverged from England and Wales because a) the Irish government has been more activist in regulating security of tenure to improve the rights of tenants than its British counterpart, and b) the Irish government has also introduced measures to increase the supports available for low income private renting households receiving Rent Supplement (equivalent of housing benefit). The most significant milestones in this process are summarised in Appendix 4 Republic of Ireland where the elements of these reforms which have had the most beneficial impact on low income households are discussed.

The reforms include the Rental Accommodation Scheme (RAS) which was established in 2004 and extended nationwide on a phased basis between 2005 and 2007. It aimed to address the problems associated with the operation of Rent Supplement, the Irish version of housing benefit. Rent Supplement was introduced in the late 1970s and consists of a cash allowance towards the rents of tenants in private rented accommodation who are in receipt of social security benefits or on state education/training schemes. Claimants make a flat rate contribution to the costs of their rent and the additional public subsidy they

receive is capped to reflect family size and location. The benefit is withdrawn entirely when claimants enter full time employment.

RAS targets long-term receipts of Rent Supplement (of more than 18 months) and who are considered to be in long-term housing need. It enables local authorities to enter into long-term leasing arrangements with private landlords or housing associations to lease accommodation for subletting to these tenants who (like mainstream social housing tenants in Ireland) pay an income related rent and continue to live in the RAS subsidised housing if they gain employment. The tenant enjoys security of tenure for the duration of the lease. All types of private landlords are eligible for RAS. Local authorities draw up leasing contracts with landlords for periods of one to four years. The rent is paid directly to the landlord by the local authority and these payments are guaranteed. Due to the guaranteed nature of payments, the lease payments are set below market rent (typically 8 to 12% below).

A value for money study of the RAS in 2011 (see Appendix 4 Republic of Ireland) claimed that RAS offers better value for money than Rent Supplement and, very significantly, better value for money than mainstream social housing. However, as explained in Appendix 4, the findings are based on contestable assumptions. There can, be problems in accessing dwellings to lease via RAS, particularly in cities where private rents are inflating rapidly. But it is argued (see Appendix 4 Republic of Ireland) that, from the tenants' perspective, having a local authority official negotiate a lease with a private landlord is far more preferable than the tenant having to do so, particularly in a booming market.

There is also information in Appendix 4 on 2016 legislation which introduced rent pressure zones. If an area is designated a rent pressure zone, the housing minister is allowed to restrict rent increases (for existing tenancies, not new ones) to a maximum of 4% per annum for a three-year period. This suggests that the Irish government is not relying entirely on incentives to bring positive impacts on access to housing for households in poverty, the affordability of accommodation, security of tenure and housing quality.

United States of America

U.S. rental housing assistance policies are largely designed and financed by the federal government, but administered by local or state government agencies. States and localities have the power to impose taxes, and for other government functions such as education they are the primary source of funds, but for housing they rarely use their own money. In addition to administering housing programs funded by the federal government, states and localities establish housing policies through their regulatory authority.

Serious quality deficiencies in housing occupied by low-income renters are relatively rare, but serious affordability problems are widespread. Several government initiatives have attempted to address the problems of both quality and affordability. Unlike some policies benefitting homeowners, however, none of these are entitlements available to all eligible households. In 2013, of the 28 percent of renters characterised as “extremely low-income”, only a third were beneficiaries²⁴.

Appendix 5 USA describes the two largest ongoing incentive rental housing programs in the USA: Housing Choice Vouchers (HCV) and Low-Income Housing Tax Credits (LIHTCs).

Under the HCV program, households selected for assistance rent privately-owned housing units meeting quality standards. The difference between the gross rent for the unit (up to a maximum “payment standard”) and 30 percent of the beneficiary household’s income is paid directly to the landlord. In order to receive vouchers, households must have “very low income” (<50 percent of area median), and local Public Housing Agencies (PHAs) are required to use at least 75 percent of their vouchers for families in the “extremely low income” (<30 percent) category. PHAs often give preference to target populations such as the disabled or homeless. Despite the substantial subsidy available, and despite (or because of) the long time on waiting lists, many of the selected households fail to secure housing, and must forfeit their vouchers. It is argued in Appendix 5 USA that one of the keys to success is aggressive support by the PHA in identifying and/or recruiting landlords, as well as counselling beneficiary households. The landlord must sign agreements with both the tenant and the PHA. The PHA must inspect the unit for quality before executing an agreement, and annually thereafter.

As explained in Appendix 5 USA, there are a number of landlord incentives in the HCV. A portion of the rent, typically large, is paid to the owner on time directly by the PHA, limiting the risk of non-payment. Marketing is simplified, and vacancies may become less likely. Rents charged for HCV tenants by landlords may be higher than they would be able to get from unassisted tenants, especially if the market rent for the dwelling is below the payment standard. It is suggested in Appendix 5 USA that these landlord-friendly provisions incentivise some private owners to not only accept assisted low-income households as tenants, but to actually prefer such tenants. However, some owners are unwilling to accept tenants with vouchers. That is arguably partly a reflection of a stigma attached to such tenants and partly a negative reaction to the inspection demands and red tape connected to the program.

²⁴ HUD 2015, Joint Center for Housing Studies 2015

Low-Income Housing Tax Credits (LIHTCs) provide federal tax benefits to equity investors in new construction and substantial rehabilitation of rental housing reserved for tenants with limited incomes paying limited rents. The restrictions on incomes and rents must remain in effect for 30 years or more. The LIHTC was created in 1986 and has financed about 2.9 million rental housing units, of which the majority represented new construction. Authority to grant credits is delegated to state Housing Finance Agencies (HFAs), with the amount that they can grant each year based on state population. In addition to the tax credits for equity investors, HFAs are also authorised to issue bonds with interest payments exempt from federal tax, in amounts also based on state population, to fund low-rate mortgage loans for low-income rental projects

Developers allocated tax credits “sell” the credits to outside investors. The credits are calculated as a percentage of construction cost (excluding land) and are provided annually for 10 years after the property is placed in service. The developers building new, or rehabilitating existing, rental housing under the LIHTC program are able to raise equity capital for construction costs cheaply, and to avoid taking on excessive debt. They must accept limits on the incomes of tenants at the time of initial occupancy, become subject to limits on the rent they can charge, and follow complex bureaucratic procedures. The tenants are selected by the landlord, subject to the eligibility requirements.

Although the actual developers or operators of the rental housing could retain the credits, they generally don't have tax liabilities large enough to use the credits themselves. Third-party investors are not only able to reduce their tax liabilities by subtracting the credits from their tax payments, but also to deduct accounting losses (largely due to depreciation) from their taxable incomes.

Australia

A current inquiry in Australia is investigating changes in the private rental sector and opportunities and challenges for improving its performance, with a particular focus on lower income households. As part of this investigation, there is an ongoing study into "getting the best from the private rental sector for lower income households" which is looking at incentives for landlords (AHURI, 2017).

So far, the study has suggested that “while not all lower income households have the same requirements from the private rental sector, changes to the sector that boost affordability, stabilise tenure and improve access to, and the physical quality of, private rental housing would go some way to providing benefits for the wider public. As such, there are a number of measures governments could make to strengthen the public benefits delivered by the private rental sector”.

One such measure would be a new version of the Australian National Rental Affordability Scheme (NRAS) which was introduced in 2008, and modelled largely on the Low Income Housing Tax Credits (LIHTC) program in the USA. It focused on the delivery of subsidised private rental accommodation. It gave financial incentives for developers to invest in affordable housing projects that would be leased to low-income households at below-market rents. This included a central government contribution per dwelling per year, for up to 10 years, as either a tax offset, or cash and additional state and territory government contributions. The contribution could be offered to approved participants as a direct payment or as payment in kind. A political decision to discontinue the scheme was made in 2014.

It has been shown that “in its short life, NRAS was successful in delivering, to June 2015, 27,603 subsidised affordable rental units with another 9,980 to follow. This has increased the availability of affordable rental housing to thousands of households and lifted many of them out of housing stress – (but) the administration was “seriously flawed and incredibly complex” (Rowley et al 2016, p 83). The scheme was criticised for its poor accountability on funds spent and limited monitoring of cost effectiveness and outcomes achieved. Despite these flaws, an Australian Senate enquiry found widespread support for the scheme from diverse individuals and organisations, including researchers, academics, state representatives and organisations supporting specific housing needs groups, including the elderly, individuals with disabilities and those experiencing domestic violence (Rowley, *ibid*).

Other measures to support affordable privately owned rental housing in Australia include tenancy guarantees that help eligible tenants into private rental. State housing authorities provide private landlords or real estate agents with a formal guarantee to cover potential future rent arrears or property damage. There is also evidence of the value of Private Rental Brokerage Programs (PRBPs) that aim to help vulnerable households access and sustain private rental tenancies. They usually do this through advice, information, introductions and support to compete successfully for rental properties, and sustain their tenancies over the longer term. Programs are provided by a diverse range of government and non-government organisations (AHURI, 2017). Both guarantees and PRBPs provide indirect support for landlords by reducing the risk of accepting vulnerable tenants.

5. Summary of incentives in use in other countries

As the country appendices show, tax incentives have supported large numbers of privately owned affordable dwellings in several countries. Whether or not these are truly net additions to the housing stock is often a matter of contention, with differences in modelling producing different results (Oxley, 2014).

Administrative complexity is sometimes a downside of such schemes (see for example Rowley et al 2016, p 83), but evidence from the USA points to the political popularity of LIHTCs despite some inefficiencies: “the design of the program has proven to be good politics, even if it imposes non-trivial costs and inefficiencies. Providing subsidies in the form of tax benefits, rather than direct spending or “block grant” intergovernmental transfers, is somehow more palatable to those uncomfortable with activist government, even when the fiscal impact is equivalent” (Appendix 5 USA).

Tax incentive programmes in other countries are typically time-limited with the obligations to impose rent limits and allocation criteria running out after an agreed period, which might be anything from three to fifty years. At the end of the period, the dwellings become part of the market sector unless subsidies are renewed and new arrangements are made with landlords. The German and American appendices in particular point to the concerns and actions associated with these time limitation provisions.

Evaluations of social rental agency or local authority leasing arrangements with private landlords show several positives. In Flanders, for example, high satisfaction rates with landlords is reported and in Ireland, one study points to better value for money than income supplements and mainstream social housing. However, in all countries where such arrangements apply, sourcing sufficient dwellings from the private sector is a key problem.

Often measures in other countries have not been subject to rigorous evaluation of their impact. This is sometimes, as the appendix for France shows, because initiatives are new and the evidence base is small. Sometimes it would appear that the political acceptability of an initiative is sufficient to keep it in place.

Table 4: Private rental sector incentives in selected countries: a summary

COUNTRY INCENTIVE		POSSIBLE EFFECT				
		REDUCE COSTS BY INCREASING SUPPLY	REDUCE COSTS BY OTHER MEANS	INCREASE QUALITY	IMPROVE STABILITY/ SECURITY	IMPROVE ACCESS FOR LOW INCOME
AUSTRALIA	TENANCY GUARANTEES: STATE HOUSING AUTHORITIES PROVIDE PRIVATE LANDLORDS OR REAL ESTATE AGENTS WITH A FORMAL GUARANTEE TO COVER POTENTIAL FUTURE RENT ARREARS OR PROPERTY DAMAGE.			X	X	X
	TAX INCENTIVES TO PROMOTE INVESTMENT IN PRIVATELY OWNED RENTAL HOUSING FOR LOWER INCOME HOUSEHOLDS: NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS, DISCONTINUED IN 2014).	X		X		X
FLANDERS (BELGIUM)	RENT GUARANTEES AND MAINTENANCE SUPPORT FOR LANDLORDS FROM GOVERNMENT BACKED SOCIAL RENTAL AGENCIES WHOSE USE ALSO GIVES TAX BENEFITS		X	X		X
	RENOVATION SUBSIDY FOR LONG TERM LETS VIA SOCIAL RENTAL AGENCIES			X	X	
FRANCE	LOANS FOR INDIVIDUAL AND INSTITUTIONAL INVESTORS (IN CONSTRUCTION OR RENOVATION) IN RETURN FOR CAPPED RENTS AND LETS TO LOW INCOME HOUSEHOLDS	X	X	X		X
	TAX INCENTIVES FOR INDIVIDUAL LANDLORDS: EXPENSES DEDUCTION WITH THE POSSIBILITY OF NEGATIVE GEARING: LARGER DEDUCTIONS FOR LOWER RENTS AND HIGHER NEED	X	X	X	X	X

	GROUPS (UP TO 85% OF THE RENTAL INCOME MAY BE DEDUCTED FOR TAX PURPOSES)					
	RENTAL INTERMEDIARIES THAT OFFER RENT GUARANTEES AND MAINTENANCE SERVICES AND WHOSE USE ATTRACTS TAX DEDUCTIONS		X			X
	GOVERNMENT BACKED INSURANCE FOR RENT PAYMENTS (100% FREE INSURANCE AGAINST NON-PAYING TENANTS) IF RENT IS AFFORDABLE FOR TARGET GROUPS		X	X		X
GERMANY	GRANTS AND SOFT LOANS IN RETURN FOR RENT CONTROLS AND SECURITY OF TENURE		X	X	X	X
	NEGOTIATED SUBSIDIES FROM LOCAL GOVERNMENT IN RETURN FOR LETTING TO VULNERABLE GROUPS		X		X	X
REPUBLIC OF IRELAND	HIGHER MORTGAGE INTEREST TAX RELIEF IF LET HOUSING OF ACCEPTABLE QUALITY TO LOW INCOME TENANTS.			X		X
	LONG TERM RENTS PAID BY LA, WHO THEN LEASE TO LOW INCOME GROUPS AT AFFORDABLE RATES		X	X	X	X
USA	LOW INCOME HOUSING TAX CREDITS FOR CONSTRUCTION OR CONVERSIONS/IMPROVEMENT TO INCREASE QUALITY IN RETURN FOR SUB-MARKET RENTS FOR 15-30 YEARS. CAN BE COUPLED WITH ACCESS TO LOW COST LOANS AND OTHER SUPPORT.	X	X		X	X
	HOUSING CHOICE VOUCHERS: LOCAL PUBLIC HOUSING AGENCIES PAY DIFFERENCE BETWEEN "FAIR MARKET RENT" AND 30 PERCENT OF THE BENEFICIARY HOUSEHOLD'S INCOME DIRECTLY TO LANDLORDS OFFERING ACCEPTABLE QUALITY HOUSING TO LOW INCOME TENANTS.		X	X		X

A summary of incentives by country is provided in Table 4. It shows that certain incentives, such as some of the tax measures in Australia, France and the USA, have been focused on creating new affordable housing supply. However, there are many other conditional tax incentives, including some others in these countries, that are intended to improve accessibility by low income households to the existing stock. This reflects the reality that in all these countries, most private rental housing is supplied from the existing stock by small scale private landlords, and cost reductions for these landlords can be the key to encouraging them to accept lower income households. Cheap loans have been a part of the arsenal of incentives in, for example, France, Germany and the USA. The provision of fiscal subsidies, in almost all cases, comes with checks on the quality of the accommodation supplied.

The likelihood of long term tenancies are enhanced in all the countries either (a) directly by fiscal incentives that apply for several years as long as affordability and occupancy criteria are met (e.g. Australia, Germany, France, USA), (b) indirectly by the use of rental agencies or intermediaries that reduce risks by guaranteeing rents and in some cases supporting tenants through advice and information (e.g. Flanders, France, Ireland) or (c) indirectly by capital gains tax provisions that encourage long term ownership (e.g. Germany, France, Australia, USA).

Access for low income groups is promoted by incentives in each country that are conditional on rent limits and allocation of dwellings to specified need groups, usually defined in terms of limits on household incomes.

Typology of incentives

Table 5 shows that private sector landlords are offered a variety of fiscal incentives across different countries. These include grants, soft loans and/or tax reductions in return for allocation of accommodation (of a required minimum standard) to low income households (or other need categories) at sub-market rents. The table also shows that tax reductions are available to landlords in return for tenancy registration (and quality control).

Furthermore, long-term rent guarantees are offered in return for long-term provision of accommodation (of a required minimum standard) to low income households including guarantees/insurance against rent default.

Incentives via Social Rental Agencies include rent guarantees, avoidance of voids, reduced management costs and tax incentives linked to use of Social Rental Agencies, including higher rates of expenses deductions (e.g. France).

In short, incentives either reduce tax bills, reduce operating costs, guarantee rental income and thereby increase the rate of return on investment from renting to low income households, or reduce the risk of renting to low income vulnerable tenants (through a variety of devices, including the use of social rental agencies).

Table 5: Types of incentives in use in selected countries

	Incentive	Examples	
		COUNTRY	Key features
1	TAX LIABILITY REDUCTIONS AGAINST RENTAL INCOME THROUGH % RENTAL INCOME DEDUCTIONS	FRANCE	UP TO 85% OF THE RENTAL INCOME DEDUCTABLE FOR TAX PURPOSES. FOR INDIVIDUAL LANDLORDS - WITH THE POSSIBILITY OF NEGATIVE GEARING- LARGER DEDUCTIONS FOR LOWER RENTS AND HIGHER NEED GROUPS: <i>LOWER RENTS FOR TARGET GROUPS</i>
2	TAX LIABILITY REDUCTIONS FROM RENTAL INCOME THROUGH ALLOWABLE EXPENSES DEDUCTIONS	GERMANY	HISTORICALLY, DEPRECIATION ALLOWANCES AND EXEMPTIONS FROM REAL PROPERTY TAX WHICH HAVE BEEN AVAILABLE TO ALL INVESTORS IN HOUSING, INCLUDING PRIVATE INVESTORS: <i>LOWER RENTS FOR TARGET GROUPS</i>
3	TAX LIABILITY REDUCTIONS FROM RENTAL INCOME LINKED TO TENANCY REGISTRATION	IRELAND	HIGHER MORTGAGE INTEREST TAX RELIEF IF HOUSING OF ACCEPTABLE QUALITY REGISTERED AND LET TO LOW INCOME TENANTS. <i>REGISTRATION BRINGS QUALITY CHECKS; HIGHER RATE RELIEF EXPECTED TO INCREASE AVAILABILITY TO LOW INCOME TENANTS</i>
4	TAX CREDITS FOR THIRD PARTY INVESTORS	A. AUSTRALIA B. USA	A. NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS, DISCONTINUED IN 2014). <i>TO PROMOTE INVESTMENT IN PRIVATELY OWNED RENTAL HOUSING OF ACCEPTABLE QUALITY WITH RENT LIMITS FOR LOWER INCOME HOUSEHOLDS</i> B. LOW INCOME HOUSING TAX CREDITS FOR CONSTRUCTION OR CONVERSIONS/IMPROVEMENT OF <i>ACCEPTABLE QUALITY DWELLINGS WITH SUB-MARKET RENTS FOR 15-30 YEARS FOR LOW INCOME HOUSEHOLDS</i>
5	SOFT LOANS	FRANCE	LOW INTEREST, LONG TERM LOANS WITH TAX ADVANTAGES FOR INDIVIDUAL AND

			INSTITUTIONAL INVESTORS TO PROMOTE ADDITIONAL AFFORDABLE SUPPLY. <i>MAXIMUM RENTS AND MAXIMUM INCOMES FOR TENANTS FOR FIXED TIME PERIODS.</i>
6	CAPITAL GAINS TAX LIABILITY REDUCTIONS²⁵	<p>A. FRANCE</p> <p>B. GERMANY</p> <p>C. AUSTRALIA</p> <p>D. USA</p>	<p>A. LIABILITY FALLS WITHIN YEARS OF OWNERSHIP</p> <p>B. FOR INDIVIDUAL INVESTORS, NO LIABILITY AFTER 10 YEARS OF OWNERSHIP</p> <p>C. 50 PER CENT REDUCTION AFTER ONE YEAR</p> <p>D. LIABILITY FALLS AFTER ONE YEAR OF OWNERSHIP</p> <p>(See PwC, 2016)</p>
7	RENTAL GUARANTEES THROUGH SOCIAL RENTAL AGENCIES	<p>A. FLANDERS</p> <p>B. FRANCE</p>	<p>A. RENT GUARANTEES AND MAINTENANCE SUPPORT FOR LANDLORDS FROM GOVERNMENT BACKED SOCIAL RENTAL AGENCIES</p> <p>B. RENTAL INTERMEDIARIES THAT OFFER GUARANTEES AND MAINTENANCE SERVICES AND WHOSE USE ATTRACTS TAX DEDUCTIONS</p> <p><i>EXPECTATION OF LONG TERM ACCEPTABLE QUALITY LOW RENT ACCOMMODATION FOR LOW INCOME HOUSEHOLDS</i></p>
8	RENTAL GUARANTEES FROM GOVERNMENT	<p>A. AUSTRALIA</p> <p>B. IRELAND</p> <p>C. FRANCE</p>	<p>A. TENANCY GUARANTEES FROM STATE HOUSING AUTHORITIES TO PRIVATE LANDLORDS OR AGENTS: COVERS FUTURE RENT ARREARS OR PROPERTY DAMAGE</p> <p>B. LONG TERM RENTS PAID BY LOCAL AUTHORITY WHO THEN <i>RENT TO LOW INCOME GROUPS AT AFFORDABLE RATES</i></p> <p>C. 100% FREE INSURANCE AGAINST NON-PAYING TENANTS, IF RENT IS AFFORDABLE FOR TARGET GROUPS</p> <p><i>RISK REDUCTIONS EXPECTED TO INCREASE AFFORDABLE SUPPLY TO TARGET GROUPS</i></p>
9	RENT GAP PAYMENTS	USA	LANDLORDS GET PAYMENTS TO BRIDGE GAP BETWEEN MARKET RENT AND LOWER RENT PAID BY VOUCHER RECIPIENTS.

²⁵ PwC (2016) Real Estate Going Global: Worldwide country summaries
<http://www.pwc.com/gx/en/asset-management/publications/pdfs/pwc-real-estate-going-global-2016.pdf>

			<i>INCREASED INCENTIVE TO ACCEPT HOUSE LOW INCOME TENANTS</i>
10	COST REDUCTIONS THROUGH USE OF SOCIAL RENTAL AGENCIES	A. FLANDERS B. FRANCE	A. SOCIAL RENTAL AGENCIES REDUCE MANAGEMENT AND MAINTENANCE COSTS AND VACANCY RATES GIVING <i>INCENTIVES TO IMPROVE QUALITY AND TO HOUSE LOW INCOME TENANTS</i> B. USE OF SOCIAL RENTAL AGENCIES (OR INTERMEDIARIES) CAN REDUCE MANAGEMENT AND MAINTENANCE COSTS AND ATTRACT TAX CONCESSIONS GIVING <i>INCENTIVES TO IMPROVE QUALITY AND TO HOUSE LOW INCOME TENANTS AT SUB-MARKET RENTS</i>
11	RISK REDUCTIONS THROUGH ACCEPTANCE OF PERSONAL VOUCHERS	USA	HOUSING CHOICE VOUCHERS RESULT IN LARGE % OF RENT PAID DIRECTLY TO LANDLORD AND PROBABILITY OF LOW VACANCY RATE. THUS INCENTIVE TO <i>HOUSE LOW INCOME TENANTS AT SUB-MARKET RENTS.</i>
12	PURCHASE OF ALLOCATION RIGHTS BY LOCAL GOVERNMENT	GERMANY	NEGOTIATED SUBSIDIES FROM MUNICIPALITIES IN RETURN FOR LETTING TO VULNERABLE GROUPS. <i>INCREASES PROBABILITY OF TARGET GROUPS FINDING ACCEPTABLE ACCOMMODATION</i>

6. Conclusions: The top candidates for further development in an English context

The review of international incentives has shown that a wide range of incentives are in place in other countries to incentivise private sector landlords to house households in poverty. These incentives typically promote the provision of housing of an acceptable standard at sub-market rents to specified target groups. The target groups are most usually defined as households below given income levels.

It is not, however, appropriate to take a policy measure from another country and simply transplant it in another. Policy transfer of this sort is unlikely to work, largely because the operation of any policy instrument is specific to the context in which it operates. In the case of rental housing policy, this context includes the interaction between all rental and ownership housing markets, the institutions that supply and finance housing, and the taxation system. All these vary from country to country and it means that an approach that works well in one country might be inappropriate in another. However, the international review does suggest several ideas which, with appropriate sensitivity to the specifics of the context, might be adapted for application in England.

To evaluate the case for an in-depth investigation of the application of an overseas private rental incentive idea in England, a set of criteria might be applied in assembling a short list. The criteria could usefully include:

1. The impact of the policy instrument in the country in which it currently operates. This should include the impact on housing affordability, housing quality, security of tenure and access to housing for households in poverty;
2. The potential impact on poverty in England;
3. The compatibility of the instrument with the English taxation and welfare benefits system. This will apply particularly to fiscal incentives;
4. The compatibility of the instrument with the English housing finance system. Again, this will apply particularly to fiscal incentives;
5. The compatibility of the instrument with English housing supply and support institutions, such as local authorities, housing associations and other agencies;

6. The compatibility of the instrument with the motivations and drivers of English private sector landlords – both institutional and individual landlords;
7. The extent of the institutional and bureaucratic change that would be required to apply the instrument in England;
8. Views on the potential of the instrument, as evidenced by previous research and reviews and current consultation;
9. Views on the likely cost of implementing the instrument, which can be tested by subsequent investigation.

Taking account of these criteria and the international evidence, there are eight broad categories of incentives that could be investigated for application in England. These are:

1. Fiscal incentives for investors – tax breaks mainly for large-scale investors;
2. Fiscal incentives for that reduce landlords' taxable income – many of which apply to individual landlords;
3. Capital gains tax provisions that promote long term ownership of rental properties;
4. Cheap loans for construction and acquisition of rental properties;
5. Rental agency arrangements that reduce landlords' costs and risks;
6. Personal vouchers targeted at households that reduce landlords' costs and risks;
7. Rent guarantees;
8. Rent gap payments.

Each of these is explained in turn:

1. Fiscal incentives for investors – tax breaks mainly for large scale investors

To build on the key overseas example, this would mean implementing a form of American style Low Income Housing Tax Credits.

In the USA, they deliver additional new (or newly refurbished/converted) acceptable quality housing units that have low-income occupancy and limits on rents.

An advantage of pursuing this option is that there is a good deal of evidence from the USA of its working since 1986 and there has been some preparatory

work on exploring implementation in the UK (see Oxley et al 2014). Also, it might be useful in further incentivising institutional investment in private renting, as it has the potential to reduce corporate taxation.

The disadvantages include the major changes to institutional arrangements that would be required to introduce tax credits in England. It would be a big change, requiring the acceptance of such tax credit arrangements by government, the establishment of a market in tax credits and a set of arrangements to monitor compliance with the tax credit allocation, rent limits and dwelling quality requirements.

2. Fiscal incentives that reduce landlords' taxable income

Fiscal incentives that reduce landlords' taxable incomes generally apply to individual landlords by deducting a proportion of rental income to arrive at taxable income.

This could mean building on the operation of several French initiatives. The latest is the *Louer Abordable* tax incentive which gives a tax income deduction of up to 85 percent of rental income depending on the location, rent levels and incomes of the tenants. It is intended to promote rentals at sub-market levels for low income households. Using the evidence from France would be an advantage, as would the fact that such an incentive could work within the current system of income tax for rental landlords in England. It would also be possible to explore the concept of negotiated tax advantages. These would be tied to allocation with a degree of negotiation by local authorities over the subsidy/allocation conditions as happens with municipalities in Germany.

An alternative would involve allowing enhanced cost deductions to arrive at taxable income. There are many variations of this option depending on which costs are allowable. One option would be to introduce depreciation allowances as have been used in Germany; another would be to allow generous deductions for improvement work. A straightforward option would be to follow the Irish example and attach conditions to the availability of tax relief on borrowing costs, with larger deductions for the provision of housing to low income groups.

The availability of the tax deduction could, furthermore, as in the Irish case, be conditional on tenancy registration, thus promoting checks on quality. In this respect, it would, more generally, be in line with the Chartered Institute of Housing and the Resolution Foundation's proposals (see section two of this report) for tax incentives to be linked to tenancy registration and compliance with national property standards.

The advantages would include the availability of information from the operation of the initiative in Ireland, compatibility with the current system of income tax for

rental landlords in England, and potential support from landlords (given that it could ease their tax burdens after recent increases in tax liabilities through lower allowable cost deductions).

3. Capital gains tax provisions that promote long term ownership of rental properties

In several other countries, capital gain tax liabilities fall the longer the property is owned. As explained in Section 4, there is no capital gain tax liability for landlords in Germany after they have owned a property for ten years, and liability falls over time in France. Whilst this is not specifically intended to support long term tenancies, the promotion of long term ownership may also increase the probability of long term tenancies. However, even if the measure promotes long term tenancies, it may have little direct impact on households in poverty.

This change would be relatively easy to implement through the current taxation system. It would also be compatible with (although different from) the Chartered Institute of Housing and the Resolution Foundation recommendations and landlord organisation calls for changes to rollover relief and the provision of tapered capital gains tax liability (see Section 3 of this report).

4. Cheap loans for construction and acquisition of rental properties

Soft loans have been used, particularly in Germany and France, to support privately owned rental housing with rent limits and income related allocation systems. Table 9 Main characteristics of the four most important loans for rental landlords in France (2014) Table 9 of this report provides some details on the French system, and shows how loans and tax incentives can be linked to promote affordable housing.

An advantage of this option would be the opportunity to build on information from France in particular. It would also be relatively easy to envisage this working within the English housing finance system. Extending and modifying the process of lending to housing associations so that lending was available on a similar basis to some landlords could be considered.

5. Rental agency arrangements that reduce landlords' costs and risks

There are many variations of rental agency arrangements in the countries considered. The most developed example is the Social Rental Agencies model in Flanders, but there are also Rental Intermediaries (France), private rental brokerage schemes (Australia), Public Housing Agencies (USA) and local authorities engaged in the Rental Accommodation Scheme in Ireland. Each of

these agency arrangements provides a means for landlords and tenants to achieve mutual gains from the services provided by the agencies. The rental agencies do not own dwellings but offer a variety of services to landlords that can reduce the costs and the risks of accommodating tenants in poverty. For landlords, this includes, in several cases, management of properties and rental guarantees. Tenants can also benefit from the advice and support services provided by agencies. Their use can (as in France and Flanders) attract tax concessions. In the Flemish case, the agencies “take over” the dwellings and provide a full management service. In Australia, at the other end of the scale, the agencies are more simply a means to connect landlords and tenants.

An advantage of exploring this option is the large information base related to the varied range of models within and between countries. Such an approach is also clearly compatible with the context in England, in that there are already several examples across the country of social rental agencies assisting in the provision of privately owned dwellings for low income households (see the examples and approaches identified in England and Scotland in Shelter Scotland, 2015). The current arrangements in England could be built on to provide additional incentives, for example the type present in Flanders, to encourage high quality private sector supply for vulnerable households.

The challenge would be to suggest a model of Social Rental Agencies for England that can best achieve improved access to acceptable privately owned rental housing for households in poverty.

6. Personal vouchers targeted at households that reduce landlords' costs and risks

The key examples are Housing Choice Vouchers in the USA and the *Visale* in France. The development of a proposal for England could work imaginatively from the evidence base provided by these examples.

Personal vouchers targeted at types of household, distinguished by income and maybe by location (with lots of local discretion), could be considered. These would incentivise landlords to accept households in receipt of a voucher – because it guarantees rents and more generally reduces the risks associated with accepting specific groups of tenants.

7. Rent guarantees

The international investigation has shown several examples of rental guarantees for landlords. In many cases, these are provided through social rental agencies but, in Ireland, the guarantees come through contracts with local authorities. Such guarantees do not necessarily guarantee a market rent.

In the Irish case, for example, guaranteed rents are typically 8% to 12% below market levels.

Rent guarantee models that promote long term tenancies for low income households could be considered in more detail as a means to encourage landlords to house vulnerable people.

8. Rent gap payments

In the USA, low income housing vouchers tenants pay a sub-market rent, but landlords receive a higher rent. The contractual provisions involve Public Housing Agencies. These arrangements could be built on to develop such a model for England that would incentivise landlords through the certainty of market rents. This would need to be sensitive to the local housing markets and local needs

In other countries, these eight options rarely work alone. They are most usually part of a package with, for example, the use of rental agencies attracting rent guarantees and tax concessions, and cheap loans generating tax breaks. The future development of three of these options could usefully look at combinations of measures that would best achieve the improved housing and poverty reduction objectives that are central to this project.

7. Appendix 1 Flanders, Belgium (Kees Dol)

The growth and impact of the Social Rental Agencies (SRAs)

Data of the *Grote Woononderzoek* (Great Housing Survey) (Heylen, 2015b) shows that 1 percent of the rental stock was rented out via a Social Rental Agency (SRA) in 2005, which increased to nearly 3 percent in 2013 (see table 7). Indeed, the absolute figures in Table 8 also show a rapid growth of SRA dwellings, and the SRA managed stock in 2016 is more than five times the size of the stock in 2000. This coincides with the aim of the last Flemish coalition governments to expand the social housing stock (see VOB, 2011). The latest housing policy document of the Flemish coalition²⁶, explicitly reconfirms this aim, both for public social housing and for dwellings rented out via SRAs.

Table 7 also shows that the Social Housing Companies have a much larger housing stock than the dwellings rented out via SRAs. Within the total Flemish social housing sector, the impact of the SRAs is generally small, but the size of its stock is growing.

Table 6 Typology of owners of rental dwellings in Flanders, 2005 and 2013

	2005	2013
PRIVATE LANDLORD	71%	67%
PRIVATE LANDLORD, MANAGED BY SRA	1%	3%
COMMERCIAL COMPANY	4%	3%
SOCIAL HOUSING COMPANY (PUBLIC)	19%	19%
OTHER SOCIAL-PUBLIC	5%	5%
OTHER	0%	3%
TOTAL	100%	100%

Source: Heylen, 2015b, adaption by author

Studies on the profiles of private landlords show that a vast majority are 'small' property owners with 64 percent renting out one single dwelling, while a further 15 percent rent out two dwellings (Heylen, 2015b). A survey among landlords

²⁶ Vlaamse Regering, 2014

who rent out via an SRA shows that about 77 percent rent out one single dwelling (De Decker et al. 2012), with a further 14 percent renting out two dwellings.

Table 7 Overview: Evolution of SRA dwellings

	2000	2003	2009	2015	2016
TOTAL SRA DWELLINGS	1636	2792	4913	8329	9143
TOTAL SRA OFFICES	29	35	51	48	48
SRA COVERAGE IN % OF ALL (308) FLEMISH MUNICIPALITIES	X	X	77%	X	94%

Source: SRA dwellings and SRA offices = VWSM; Coverage municipalities De Decker, 2012 and VWSM, 2016

General aim of SRAs

From the very beginning, in the 1980s, the principal aim of SRAs was to provide affordable housing to households who otherwise have a (severe) housing need. The formal social housing sector was too small to cope with rising demand for affordable housing, and grass roots organisations developed a way to stimulate private landlords to rent out properties to vulnerable households.

Housing need for vulnerable households is often related to a problematic personal history. As such, SRAs also actively offer help to vulnerable (difficult) tenants. The goals of the SRAs thus go beyond housing provision for lower incomes but they also aim to assist vulnerable households in **accessing the housing market** and **securing their tenancy**. They do this by providing private landlords with guaranteed rental payments and maintenance of the dwelling. SRAs demand decent housing quality from landlords and they can assist in applying for maintenance and renovation subsidies from the Flemish government. To summarise, the following objectives apply to the SRAs (De Decker, 2012):

- to increase the number of houses available for vulnerable people and households
- to improve the quality of the accommodation in the lower end of the private rental sector

- to provide housing at an affordable rent
- to link housing with (welfare) support for tenants

Target groups for SRAs

SRAs predominantly target households or individuals who have an urgent housing need and limited financial means²⁷.

The eligible annual income level roughly stands at around €24,000 for single person households and €36,000 for multi-person households.

‘Housing need’ is generally defined as homelessness, high housing cost in the current dwelling, poor dwelling quality, debt problems and evictions. Individuals may also have urgent housing need because they leave (social) shelter accommodation, prison or hospital.

SRAs use a points system in order to have an objective indication of the urgency of the situation. The highest priority points are awarded to households or persons with no housing shelter at all, living in an officially declared overcrowded dwelling or living in an uninhabitable accommodation.

In practice, many SRA dwellings (45 percent) are distributed to people who suffered from homelessness (VOB, 2012)²⁸. This does not only refer to people without any shelter at all, but also to people who involuntarily need to live with others. A majority (72 percent) have an income at the subsistence level.

Allocation criteria for SRA candidates

When allocating housing, SRAs need to take account of certain allocation criteria²⁹:

- Preferences of the candidate;
- Rational occupation of the dwelling (no under-occupation or overcrowding);
- Absolute priority rules (among these are: candidate has found a fit dwelling, removal from dwelling because of demolition, dwelling fits need of handicapped person);
- Registration time in the register (waiting list);

²⁷ This contrasts somewhat with the priority criteria of the Social rental companies, where waiting lists are more important than urgent housing need.

²⁸ This is the last year when a more detailed report by the umbrella organisation VOB was provided.

²⁹ Agentschap Wonen Vlaanderen, 2017

- Points system.

The **points system** applies a number of objective rules to the candidate. It also includes general indicators of housing need:

- Effective homelessness or threat of homelessness;
- Inferior quality housing or overcrowded housing;
- Affordability (in relation to income);
- Minors who (intend to) live independently with assistance of social services.

Again, these general criteria are broken down into categories and are awarded points (11, 14, 17 or 20 points). The highest points are awarded to effective homelessness (not having any shelter, sleeping rough), or living on an uninhabitable dwelling³⁰.

Private Landlords and the SRAs

Which landlords are eligible?

In principle, all private landlords are eligible, but the dwelling needs meet the quality standards required by the Flemish Housing Code. It should be noted that a landlord does have access to incentives for repairs and renovations during the contract with an SRA. A survey by De Decker et al (2009) among SRA landlords indicated that about 77 percent rent out one single dwelling to an SRA. About 95 percent rent out up to three dwellings, while there are just a few single cases where a landlord rents out more than five dwellings to an SRA.

Main benefits for landlords

The SRAs offer four main benefits to the landlord:

- Guaranteed rent payments by the SRA
- Long term lease of 9 years³¹
- Maintenance and renovation assistance and/or subsidies

³⁰ See De Decker et al (2012) for a more detailed breakdown. The 2017 income criteria are (with some exceptions): €24.092 for single person household, €26.111 for single person household with handicap, €36.137 for all other household types, plus €2.020 per dependent person.

³¹ Recently (2017) it has become possible to use shorter term contracts of three years, but the standard is still nine years.

- Low management costs

The SRA 'takes over' the dwelling and lets it out to its target group. The SRA takes care of the registration of candidates and allocates dwellings, thus the landlord hardly has any management costs. As mentioned before, the guaranteed payment also applies in cases where the dwelling is vacant or the (sub)tenant gets into arrears.

In return, the landlord must provide a dwelling below market rent level. However, there are **no legal criteria for rent setting** with regard to SRA dwellings. The rent of any individual dwelling is negotiated between the SRA and the landlord. This system may lead to rent differences for comparable dwellings. Although the rents may be relatively high compared to dwellings rented out by the public social housing sector, the tenant can apply for a rent allowance. In fact, the SRA can assist in applying for this allowance.

Other benefits and securities for private landlords:

- Rent payment guarantee - no default, arrears etc. as the SRA always pays the rent.
- Maintenance of the dwelling – it is the responsibility of the SRA to return the dwelling to a similar state as when first occupied, excluding more structural renovations.
- Renovation premiums - SRAs need a dwelling of proper quality when renting out. Where landlords wish to rent out via an SRA, he/she can claim several renovation premiums and subsidies.
- Fiscal advantages - under certain conditions, a landlord can claim a tax reduction after renovation costs.
- VAT reduction for new dwellings – reduced rate of VAT (from 21% to 12%) where a landlord rents out a new dwelling for at least 15 years to a SRA.
- Reduction on property tax - from 2.5% to 1.5%.
- No risk of 'vacancy levy' - Flanders has a vacancy levy on empty dwellings. This is avoided because SRAs actively search for new tenants and, given their waiting lists, there will be no risk of vacancy. The levy imposes a small penalty after the dwelling has been vacant for several months.
- No risk of judicial procedures - the SRA is responsible for all the tenant's duties

- Professional partner - the SRA act as management company and asks no fee. It also takes away the hassle of the management.

Against all these benefits and securities, the landlord must be prepared to lower the rents to a more social level. The rent level is determined in negotiation with the SRA. The reduced rent might be regarded as a result of a lower risk premium and no management fee.

Landlord survey 2009

There is no doubt that the success of SRAs depends on the willingness of landlords to rent out their properties. In 2009, a survey was held among (SRA) landlords in order to measure their opinions about the system. The survey was limited to those landlords that actually rent through SRAs. There is thus no information on motives for private landlords choosing not to rent through SRAs. Table 9 gives a summary of the most important advantages and disadvantages of renting out via an SRA, according to the interviewed landlords. The overall impression is that they are quite satisfied, mainly because of the benefits offered by SRAs. However, a substantial number of these landlords mention the lower rental income as a major disadvantage.

Table 8 Five most important advantages and disadvantages for working with SRA (number of respondents)

MOST IMPORTANT ADVANTAGES	MOST IMPORTANT DISADVANTAGES
INCOME SECURITY (232)	LOW(ER) RENTAL INCOME (156)
LESS WORK AND FEWER WORRIES (88)	NO DISADVANTAGE (106)
CONTINUITY OF RENT WITHOUT VACANCY (46)	NO CONTROL OVER (SUB)TENANT (61)
AVOIDANCE OF PROBLEMS WITH TENANTS (31)	NO CONTROL IN GENERAL (31)
SECURITY IN GENERAL (31)	BAD SERVICE SRA (21)

Source: De Decker, (2012), adaption by author

Conclusion

The Flemish government has put a considerable amount of effort into stimulating the growth of the Social Rental Agencies. They rent dwellings from private landlords and sublet them to (vulnerable) households with an urgent

housing problem. The sector has grown substantially in the past years, but the entire stock is still quite small. Overall, the system appears to be evaluated quite positively by the landlords. However, the speedy growth of the system may need a different way of support, and this is currently under investigation by the Minister of Housing.

8. Appendix 2 France (Joris Hoekstra)

Incentives to stimulate the private rental sector

There are two main ways in which the French government attempts to stimulate the private rental sector:

- Soft loans for individual and institutional investors
- Tax incentives for individual investors³²

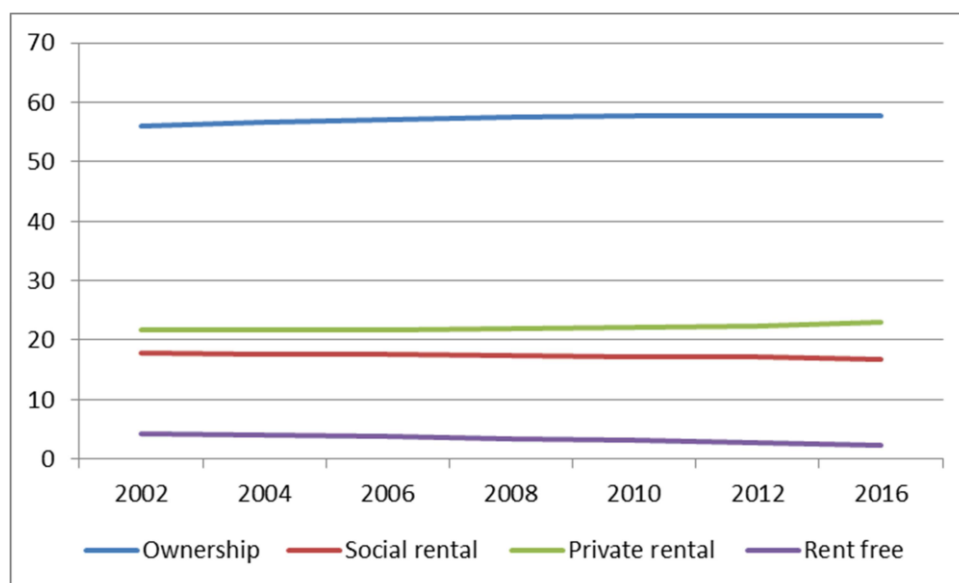
Soft loans for individual and institutional investors

French rental landlords are financially supported through a sophisticated system in which the savings of individual households (accumulated in any bank) are used to provide loans to landlords who build rental housing. These savings are deposited in tax-free saving accounts for households such as the *Livret A* scheme or similar schemes (with a ceiling of 22,900€ per account) (Amzallag and Taffin, 2003). The above financial system is coordinated by a financial institution devoted to public interest called *Caisse des Dépôts*³³. The *Caisse des Dépôts* provides four main loans, each of which has its own specific characteristics.

³² As indicated above, there are also tax incentives for institutional investors. These are not discussed in the remainder of this paper because they have a rather marginal impact compared to the tax incentives for individual investors. Moreover, they attempt to stimulate the production of new private rental housing for middle-income groups, whereas the focus of this paper is on private rental housing for households with a modest income.

³³ *Caisse des Dépôts* is a public investment fund. Among other things, the *Caisse des Dépôts* provides low-interest loans to social rental landlords. A substantial part of the money that *Caisse des Dépôts* invests comes from tax-free saving accounts for French households (e.g. the so-called *Livret A* scheme).

Figure 1 Development of the French private rental sector since 2002



Source: INSEE

Table 9 Main characteristics of the four most important loans for rental landlords in France (2014)

	PLA-I	PLUS	PLS	PLI
TARGET GROUP	SOCIAL RENTAL LANDLORDS	SOCIAL RENTAL LANDLORDS	ALL INVESTORS	ALL INVESTORS
INTEREST RATE	LIVRET A – 0.2% (0.8% IN 2014)	LIVRET A + 0,6% (1,60% IN 2014)	DEPENDS ON CREDIT PROVIDER AND TYPE OF LANDLORD, USUALLY AROUND LIVRET A + 1.1% (2,1% IN 2014)	DEPENDS ON CREDIT PROVIDER AND TYPE OF LANDLORD, USUALLY AROUND LIVRET A + 1.4% (2,4% IN 2014)
VAT-RATE	Low (5%)	Low (5%)	Low (5%)	NORMAL ³⁴ (20%)
EXEMPTION OF LAND AND PROPERTY TAXES	YES (25 YEARS)	YES (25 YEARS)	YES (25 YEARS)	NO
MAXIMUM TERM OF THE LOAN	40 YEARS (50 YEARS FOR THE VALUE OF THE LAND)	40 YEARS (50 YEARS FOR THE VALUE OF THE LAND)	30 YEARS (50 YEARS FOR THE VALUE OF THE LAND)	30 YEARS (50 YEARS FOR THE VALUE OF THE LAND)
AMOUNT OF THE LOAN	VARIABLE, MAXIMUM 100% OF INVESTMENT COSTS	VARIABLE, MAXIMUM 100 % OF INVESTMENT COSTS	> 50% OF INVESTMENT COSTS FOR BUILDING	VARIABLE

³⁴ However, for renovation work, the low Value Added Tax applies

DURATION OF CONTRACT WITH STATE (SPECIFIES MAX RENT LEVELS AND MAX INCOMES OF TENANTS TO WHICH THE HOUSING IS ALLOCATED)	LONG TERM	LONG TERM	TERM OF THE LOAN: MINIMUM 15 YEARS (LONGER TERM FOR SOCIAL RENTAL LANDLORDS)	TERM OF THE LOAN: MINIMUM 9 YEARS (LONGER TERM FOR SOCIAL RENTAL LANDLORDS)
MAXIMUM AMOUNT OF DIRECT SUBSIDY (AS PERCENTAGE OF INVESTMENT COSTS)³⁵	25%	DEPENDS ON TYPE OF INVESTMENT, USUALLY BETWEEN 5% AND 10%	NO SUBSIDY	NO SUBSIDY
MAXIMUM RENT LEVEL IN THE MOST EXPENSIVE REGION (PARIS) 2014	€5,94 /m ²	€6.26 /m ²	€ 13 / m ²	€ 18.38/ m ²
MAXIMUM RENT LEVEL IN THE CHEAPEST REGION 2014	€4.53 /m ²	€ 5.11/m ²	€ 7.67/m ²	€ 7.67/m ²
MAXIMUM INCOME LEVEL (BASED ON TAXABLE INCOME: REVENUE IMPOSABLE)	DEPENDS ON REGION AND HOUSEHOLD SIZE, < 60% OF THE INCOME CEILING OF PLUS DWELLINGS	DEPENDS ON REGION AND HOUSEHOLD SIZE	DEPENDS ON REGION AND HOUSEHOLD SIZE, MAXIMUM 130% OF THE INCOME CEILING OF PLUS DWELLINGS	DEPENDS ON REGION AND HOUSEHOLD SIZE, MAXIMUM 140-180% OF THE INCOME CEILING OF PLUS DWELLINGS
NUMBER OF DWELLINGS FINANCED IN 2013, AMOUNT OF LOANS IN 2013	29,700 LOANS € 2.03 BILLION	54,700 LOANS € 5.9 BILLION	32,500 LOANS € 760 MILLION	2,800 LOANS € 45 MILLION

Source: Oxley et al., 2015 (slightly adapted)

The first two loans in Table 10 (PLA-I, PLUS) are only available to social rental landlords. These loans are destined for the realisation of affordable social rental dwellings for households with a lower income. The last two loans in the table (PLS, PLI) are also accessible for individual and institutional private rental landlords. These loans are meant for the realisation of new dwellings in the so-called intermediary segment of the French rental market. In general, individual and institutional investors are not very interested in taking up PLS and PLI loans. This is related to the fact that these loans are accompanied with rather strict conditions with regard to the rent setting, the income of the tenants and the duration of the arrangement. Consequently, the majority of PLI and PLS loans are taken out by social rental landlords (Oxley et al., 2015, Haffner et al. 2016).

³⁵ In case of relatively high land costs, part of these costs may be subsidised by the government as well.

The French intermediary rental sector

The French intermediary rental sector occupies a middle position between the social rental sector and the private rental sector. The rent levels in this sector are higher than in the social rental sector, but lower than in the unregulated private rental sector. Tenants who want to live in the intermediary rental sector generally have to meet certain income criteria, however, the income limits that apply are higher than those in the social rental sector. Finally, the rent regulation and tenant protection in the intermediary rental sector is less strict than in the social rental sector, but stricter than in the private rental sector.

The idea behind the French intermediary rental sector is that it fills the gap between the social rental sector and the unregulated private rental sector, by offering a good alternative to tenants from both sectors. For tenants in the social rented sector with a slightly higher income, the intermediary sector might offer an opportunity to make a housing career within the rented sector. Tenants in the private rental sector, as well as newcomers on the housing market with a slightly higher income who are not entitled to enter the social rental sector, will be attracted by the relatively good price-quality relationships. In France, intermediary rental dwellings are especially needed in regions with a relatively tight housing market, in which there are large price differences between relatively 'cheap' social rental dwellings and relatively expensive private rental dwellings (Hoekstra and Cornette, 2014).

French intermediary rental dwellings are mainly provided by individual private rental landlords. Many of these individual private rental landlords make use of the various tax incentives that are provided by the French government. These incentives assure that in exchange for the financial support of the government, landlords have to meet certain criteria with regard to the rent level and the income of the tenants. The financial arrangements between government and individual rental landlords in the intermediary rental sector apply to a rather long (typically more than seven years) but nevertheless fixed period of time. When this time period has passed, the dwellings concerned are again part of the free rental market. In this respect, the French intermediary rental sector has many similarities with the German social rental sector (Oxley et al., 2015). Recently, some initiatives have been taken to stimulate institutional investment in the intermediary rental sector (see section 5.6).

Tax incentives for individual investors

By far the most important incentives for investment in the private rental sector are the tax incentives for individual investors³⁶. The way in which these incentives work can only be understood within the context of the French tax

³⁶ Taken from Hoekstra (2013)

system. Individual private rental landlords have to pay income tax on the rental income they receive from their property. If the annual gross rental income is under €15,000, the *micro-foncier* regime applies. Under this regime, a fixed percentage of 30% may be deducted from the rental income in order to offset the costs incurred by the landlord. The *micro-foncier* regime cannot be combined with tax incentives that aim to encourage individual investment in the rental sector.

In the case of individual private rental landlords who receive over €15,000 in rental income, the standard *foncier* regime is obligatory. However, individual rental landlords with a rental income below € 15,000 may also opt for this regime type if they think it is more favourable for them than the *micro-foncier* regime. Under the standard *foncier* regime, the expenditure that the landlord incurs in connection with letting his property (not only maintenance costs, but also the property tax, interest on mortgages, and costs of refurbishment and improvement) may be deducted from the rental income. These expenses may in fact be higher than the rental income. A negative balance of a maximum of €10,700 per year may be deducted from the private rental landlord's income.

Individual private rental landlords who let dwellings under the standard *foncier* regime benefit from tax incentives. Various tax measures have been brought in over past decades. These are usually named after the Ministers who introduced them: *Quiles-Méhaignerie*, *Périssol*, *Besson*, *Robien*, *Borloo* etc. The incentives generally entail a yearly deduction of a percentage of the investment costs (if the tax incentive is aimed at the production of newly built dwellings), or a yearly deduction of a fixed percentage of the rental income (if the tax incentive is aimed at the mobilization of existing dwellings).

Some of the tax incentives for private rental sector investment (e.g. *Besson*) can be interpreted as an attempt to provide more and better quality affordable rental housing for middle- class households whose incomes are too high to get access to the social rental sector (this concerns so-called intermediary rental housing). They can be seen as the French answer to the housing problems that are experienced by so-called key-workers, especially in the big cities. Tax incentives that seek to increase the supply of intermediary rental housing typically use criteria such as the income of the tenants and the maximum rent that may be asked. As far as this is concerned, there usually is a direct relationship between the strictness of these criteria and the fiscal advantage that the landlord enjoys: the stricter the criteria with regard to income of the tenant and rent level, the higher the fiscal advantage for the landlord.

However, there have also been tax incentives without any income restrictions for tenants and no or very high maximum rents (e.g. *Périssol*). These incentives are primarily aimed at stimulating (private rental) housing production, regardless of the target group for this housing (Taffin, 2008). Finally, it should be noted that

not all tax incentives focus on the production of newly built rental dwellings. There are also incentives that aim to make existing dwellings available for the rental market (e.g. *Borloo ancien*).

Using the private rental sector to house vulnerable households

Traditionally, vulnerable households in France are housed in the social rental sector. The policy incentives designed to stimulate private rental housing are mainly intended to increase the supply of intermediary rental dwellings, destined for middle-income groups. Nevertheless, there have been some notable exceptions to this rule. For example, the *Lienemann* tax incentive, active from 2002 to 2004, had strict norms with regard to the income of the prospective tenants and the rent that could be asked (with income and rent limits depending on the region). This tax incentive had a term of 3 years with a possibility of extension³⁷. It provided a fiscal reduction of 46 percent of the yearly rental income.

The *Borloo ancien* tax incentive, which started in October 2006 and is applicable to both older and newer existing dwellings, is another tax incentive that was intended to stimulate the supply of low-rent housing by private rental landlords. This tax incentive has three different levels of fiscal reduction:

- 30 percent of taxable rental income, if the rent is set at an intermediary level (this level differs between regions)
- 60 percent of taxable rental income, if the rent is set at a social level (this level differs between regions)
- 70 percent of taxable rental income, if the dwelling is sublet to an intermediary organisation (against an intermediary or social rent) that uses the dwelling for accommodating households that are in immediate need of finding a dwelling (this only applies to regions with a tight housing market).

The *Borloo ancien* tax incentive runs for 6 years, or for 9 years when it is combined with subsidised renovation work.³⁸

³⁷ In general, the tax incentives that aim to stimulate rental housing with relatively low rents, destined for lower income groups, have a shorter term (3 or 6 years) than the tax incentives that intend to stimulate the intermediary rental segment (these incentives usually have a term of 9 years or more)

³⁸ Hoekstra, 2013, www.anil.org

Recent developments

Since February 2017, the *Borloo ancien* tax incentive has been replaced by the *Louer Abordable* (Affordable rent) tax incentive (also called *regime Cosse ancien*)³⁹. Compared to the *Borloo ancien* tax incentive, the *Louer Abordable* tax incentive better takes into account the large regional differences within France. In this tax incentive, the rent levels, the incomes of the prospective tenants and also the fiscal advantages are subject to a regionalisation.

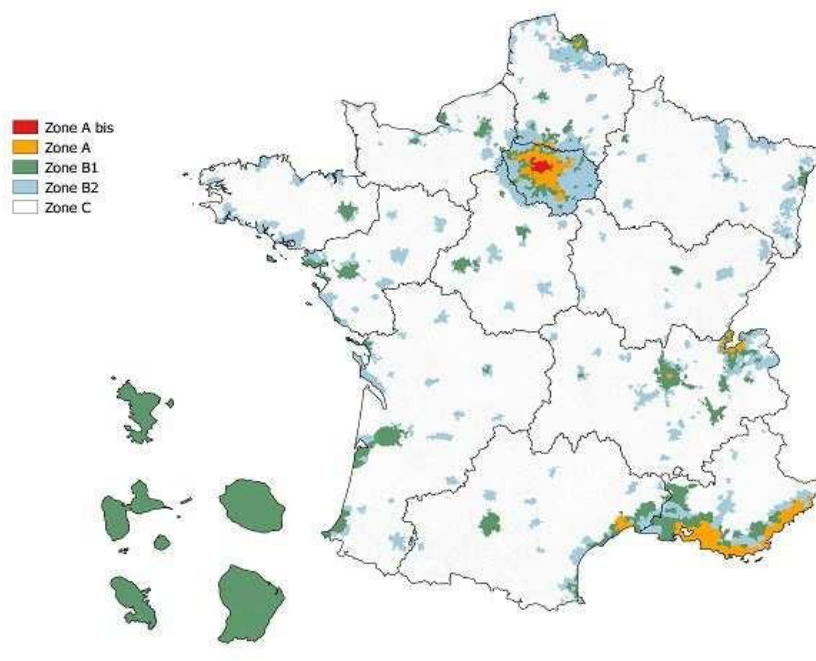
Dispositif Louer Abordable

Just like the *Borloo ancien* initiative, the *Louer Abordable* tax incentive runs for a period of 6 to 9 years (depending on whether it is combined with subsidised renovation work). The rents that can be asked, the income of the prospective tenants and the fiscal advantages for the landlord differ between regions.

³⁹ There is also a new tax incentive that attempts to increase the production of newly built private rental dwellings: *le dispositif Pinel*. However, since this incentive focuses at the intermediary rental sector and thus at middle-income groups, it is not discussed in more detail. The *Pinel* tax incentive is the successor of the *Duflot* tax incentive that is described in Hoekstra (2013).

Figure 2 and Table 10 to Table 14 illustrate this in more detail. Subsequently, Table 15 provides an overview of the main features of the tax incentive.

Figure 2 Different housing market regions in France



Source: www.rendementlocatif.com/

Table 10 Rent ceilings in the different French housing market regions (figures for 2017)

RENT CEILING (MONTHLY RENT IN EUROS PER M ²)	ZONE ABIS	ZONE A	ZONE B1	ZONE B2	ZONE C
INTERMEDIARY RENT	16,83	12,5	10,07	8,75	8,75
SOCIAL RENT	11,17	9,06	7,80	7,49	6,95
VERY SOCIAL RENT	9,16	7,05	6,07	5,82	5,40

Source: www.rendementlocatif.com/

Table 11 Percentage of fiscal deduction in the *Louer Abordable* tax incentive

	ZONES A, ABIS ET B1	ZONE B2	ZONE C
INTERMEDIARY RENT	30%	15%	ONLY RENTAL INTERMEDIATION
SOCIAL RENT	70%	50%	ONLY RENTAL INTERMEDIATION
VERY SOCIAL RENT	70%	50%	ONLY RENTAL INTERMEDIATION
RENTAL INTERMEDIATION	85%		

Source: www.rendementlocatif.com/

Table 12 Income ceilings for the intermediary rental sector (figures for 2017)

HOUSEHOLD COMPOSITION	ZONE A BIS (€)	ZONE A (€)	ZONE B1 (€)	ZONE B2 (€)
ONE PERSON	37 126	37 126	30 260	27 234
COUPLE	55 486	55 486	40 410	36 368
ONE PERSON OR COUPLE WITH A DEPENDANT PERSON	72 737	66 699	48 596	43 737
ONE PERSON OR COUPLE WITH 2 DEPENDANT PERSONS	86 843	79 893	58 666	52 800
ONE PERSON OR COUPLE WITH 3 DEPENDANT PERSONS	103 326	94 579	69 014	62 113
ONE PERSON OR COUPLE WITH 4 DEPENDANT PERSONS	116 568	106 431	77 778	70 000
ONE EXTRA DEPENDANT PERSON	+ 12 954	+ 11 859	+ 8 677	+ 7 808

Source: <http://www.anah.fr/proprietaires/proprietaires-bailleurs/le-niveau-de-ressources-des-locataires/>

Table 13 Income ceilings for the social rental sector (figures for 2017)

HOUSEHOLD COMPOSITION	PARIS AND SURROUNDINGS (€)	REST OF ILE-DE-FRANCE (€)	OTHER REGIONS
ONE PERSON	23 146	23 146	20 123
TWO PERSONS, EXCEPT YOUNG COUPLES	34 593	34 593	26 872
3 PERSONS			
ONE PERSON WITH A DEPENDANT PERSON YOUNG COUPLE	45 347	41 583	32 316
4 PERSONS			
ONE PERSON WITH 2 DEPENDANT PERSONS	54 141	49 809	39 013
5 PERSONS			
ONE PERSON WITH 3 DEPENDANT PERSONS	64 417	58 964	45 895
6 PERSONS			
ONE PERSONS WITH 5 DEPENDANT PERSONS	72 486	66 353	51 723
ONE EXTRA DEPENDANT PERSON	+ 8 077	+ 7 393	+ 5 769

Source : www.anah.fr/proprietaires/proprietaires-bailleurs/le-niveau-de-ressources-des-locataires/

Table 14 Income ceilings for the very social rental sector (figures for 2017)

HOUSEHOLD COMPOSITION	PARIS AND SURROUNDINGS (€)	REST OF ILE-DE-FRANCE (€)	OTHER REGIONS (€)
ONE PERSON	12 733	12 733	11 067
TWO PERSONS, EXCEPT YOUNG COUPLES	20 756	20 756	16 125
3 PERSONS ONE PERSON WITH A DEPENDANT PERSON YOUNG COUPLE	27 207	24 949	19 390
4 PERSONS ONE PERSON WITH 2 DEPENDANT PERSONS	29 781	27 394	21 575
5 PERSONS ONE PERSON WITH 3 DEPENDANT PERSONS	35 427	32 432	25 243
6 PERSONS ONE PERSONS WITH 5 DEPENDANT PERSONS	39 868	36 495	28 448
ONE EXTRA DEPENDANT PERSON	+ 4 442	+ 4 065	+ 3 173

Source : <http://www.anah.fr/proprietaires/proprietaires-bailleurs/le-niveau-de-ressources-des-locataires/>

Table 15 Main features of the *Louer Abordable* tax incentive

OPERATIONAL SINCE	1 FEBRUARY 2017
AIM	INCREASE THE SUPPLY OF AFFORDABLE PRIVATE RENTAL DWELLINGS THROUGH THE MOBILIZATION OF THE EXISTING DWELLING STOCK
ELIGIBLE LANDLORDS	INDIVIDUAL LANDLORDS IN THE PRIVATE RENTED SECTOR
TENANTS TARGETED	TENANTS WITH A LOW OR MIDDLE INCOME
BRIEF DESCRIPTION	DEPENDING ON THE SITUATION (REGION, RENT LEVEL, TYPE OF TENANTS), 15 TO 85% OF THE RENTAL INCOME MAY BE DEDUCTED FOR TAXES
GOVERNMENT INVOLVEMENT	CENTRAL GOVERNMENT PROVIDES THE TAX INCENTIVE

Rental Intermediation

Table 16 shows that the *Louer Abordable* tax incentive provides a tax deduction of up to 85 percent of the rental income, if the dwelling is let via an intermediary organisation. Such intermediary organisations may carry out the following tasks and provide the following guarantees:

- tenant selection;
- guaranteed rental payments (even if the dwelling is empty);
- care of daily maintenance.

The most prominent example of such an arrangement is Solibail, an organisation which is connected to the central government. Individual private rental landlords can decide to let their dwelling to Solibail. Subsequently, Solibail uses these dwellings to accommodate households with modest incomes who urgently need a dwelling. These households are housed by Solibail for a period of maximum 18 months, after which they have to find a regular dwelling, usually in the social rental sector. Tenants that rent a dwelling through Solibail pay an income-dependent rent. This is not the rent that is received by the landlords. The latter rent is tied to the intermediary rents (see Table 10).

In Ile-de-France (the region around Paris), the area in which the Solibail initiative is most prominent, more than 10,000 households have already rented a dwelling through the initiative. A survey among the owners of the dwellings that are part of the Solibail programme has shown that 80% is positive about their experience with the Solibail organisation.⁴⁰

Solibail is not the only organisation that acts as a rental intermediary. A list on the website of the French ministry responsible for housing shows dozens of comparable organisations, active across the whole of France. Some of these organisations offer the same comprehensive arrangement as Solibail, whereas others act ‘only’ as intermediaries between landlords and tenants, and don’t provide guarantees of maintenance or against non-payment. It is not clear how many dwellings are let by the intermediary organisations in total, but it must be a considerable number. For example, Soliha⁴¹ (another important rental intermediary, active in different parts of France) manages 23,600 private dwellings that are let for social purposes. ntal intermediation initiative.

Table 16 provides a schematic overview of the main characteristics of the rental intermediation initiative.

Table 16 Main features of the rental intermediation initiative

OPERATIONAL SINCE	IN PLACE FOR SEVERAL YEARS
AIM	PROVIDE HOUSING TO HOUSEHOLDS WITH A MODEST INCOME THAT ARE IN URGENT NEED OF ACCOMMODATION
ELIGIBLE LANDLORDS	INDIVIDUAL LANDLORDS IN THE PRIVATE RENTED SECTOR
TENANTS TARGETED	TENANTS WITH A LOW INCOME
BRIEF DESCRIPTION	NON-PROFIT ORGANISATIONS ACT AS INTERMEDIARIES BETWEEN LANDLORDS AND TENANTS WITH A MODEST INCOME. THESE ORGANISATIONS SELECT THE TENANTS AND MAY OFFER A GUARANTEE AGAINST NON-PAYING TENANTS, AS WELL AS BASIC MAINTENANCE SERVICES.
GOVERNMENT INVOLVEMENT	CENTRAL GOVERNMENT PROVIDES A TAX INCENTIVE (<i>DISPOSITIF LOUER ABORDABLE, SEE EXAMPLE 1</i>) THAT MAKES PARTICIPATION IN THE INITIATIVE ATTRACTIVE FOR LANDLORDS. THE VARIOUS TIERS OF GOVERNMENT ARE ALSO INVOLVED IN THE INTERMEDIARY RENTAL ORGANISATIONS (AS A PARTICIPANT OR AS A PROVIDER OF FINANCIAL SUPPORT).

⁴⁰ <http://www.cohesion-territoires.gouv.fr>

⁴¹ <https://www.soliha.fr/mouvement-soliha/>

Visale rental guarantee

On January 1, 2016 the *Garantie des Risques Locatifs*, an insurance against non-paying tenants for which landlords had to pay, was replaced by the free *Visale* rental guarantee. This guarantee is provided by the *Action Logement* scheme. Any private company employing over 19 people has to put money in this scheme, which is designed to express social solidarity between employers and employees on the one hand, and wider society on the other hand. The rate, initially set at 1 percent of the total gross wage bill of private companies, has been set at 0.95 percent since 1992. The largest proportion of this money (0.50 percent) goes to the *Fonds National d'Aide au Logement (FNAL)*, which uses it to finance housing allowances. The rest of the contribution (0.45 percent) is used for financing social housing and urban renewal operations, as well as for providing financial support, advice and services to households (Hoekstra and Cornette, 2014). The *Visale* rental guarantee can be seen as part of the latter task.⁴²

The *Visale* initiative was introduced in the beginning of 2016. The background of it is that people in France sometimes cannot find a dwelling in the private sector close to their job. The landlords of private rental dwellings often ask the tenant for a deposit (e.g. key money) or other guarantees as some kind of insurance against potential non-payment of rent. For employees with temporary or short-term contracts, it may be difficult to provide such a deposit or guarantee. The *Visale* rental guarantee seeks to solve this problem by offering private rental landlords a completely free insurance against non-paying tenants. The risk of this insurance is run by *Action Logement* which, in the case of a non-paying tenant, will pay the rent on behalf of this tenant. In its turn, *Action Logement* will try to recover the money from the tenant at a later stage.

In order to be eligible for the *Visale* rental guarantee, the private rental landlord must ask a monthly rent of less than € 1,300 (€ 1,500 in Paris). It should be noted that *Visale* offers an insurance against non-paying tenants but not against damages to the dwelling provoked by the tenant. Tenants are eligible for participating in *Visale* if they meet one of the following conditions:

- they are less than 30 years old (students living at their parents' home are not eligible);
- they have temporary/precarious employment in the private sector and have started this job less than 3 months before they sign the rental contract;

⁴² This text is based on the website of the French ministry responsible for housing, as well as on the website <https://www.locservice.fr/guide/reussir-sa-location/garantie-risque-locatif.html>

- they rent a dwelling within the framework of rental intermediation.

Tenants who want to use the *Visale* guarantee are not allowed to spend more than 50 percent of their income on housing costs. All *Visale* contracts are made through the *Visale* website⁴³ to which both landlords and tenants have access in a personal space. In Table 17, the main features of the *Visale* initiative are briefly summarised.

Table 17 Main features of the *Visale* initiative

OPERATIONAL SINCE	1 JANUARY 2016
AIM	MAKE IT EASIER FOR PEOPLE WITH A PRECARIOUS JOB, AS WELL AS FOR YOUNG PEOPLE, TO FIND A DWELLING IN THE PRIVATE SECTOR. INCREASE THE SUPPLY OF PRIVATE RENTAL DWELLINGS BY OFFERING MORE SECURITY TO LANDLORDS.
ELIGIBLE LANDLORDS	INDIVIDUAL LANDLORDS IN THE PRIVATE RENTED SECTOR WITH A RENT BELOW € 1.300 OR € 1.500 (PARIS)
TENANTS TARGETED	YOUNG PEOPLE, PEOPLE WITH A PRECARIOUS JOB, PEOPLE LIVING IN A RENTAL INTERMEDIATION ARRANGEMENT
BRIEF DESCRIPTION	LANDLORDS ARE INSURED AGAINST NON-PAYING TENANTS FOR A PERIOD OF 3 YEAR.
GOVERNMENT INVOLVEMENT	ALTHOUGH THE <i>VISALE</i> INITIATIVE IS ADMINISTERED BY THE <i>ACTION LOGEMENT</i> . IT IS SUPPORTED BY THE FRENCH MINISTRY RESPONSIBLE FOR HOUSING

⁴³ www.visale.fr

Conclusions

France has a long history of government support for the private rental sector. Initially, this government support has mainly focused on stimulating the so-called intermediary rental sector, a sector that caters for middle-income groups. Recently, however, there is increasing interest in using the private rental sector for housing households with modest incomes. Several factors may play a role in this development:

- The introduction of an enforceable right to housing in 2007, which stimulated the French government to do more for people who experience trouble in finding suitable accommodation.
- The increasing number of people in precarious employment.
- The housing shortages, leading to high house prices and rent levels, in several parts of France, particularly in and around Paris, on the Mediterranean coast and in the bigger cities.

The *Dispositif Louer Abordable*, Rental Intermediation and *Visale* rental guarantee initiatives all attempt to ease the effects of the above factors. However, to what extent they really succeed in doing so remains unclear at the moment of writing. We have not been able to find evaluations, or detailed quantitative information on the uptake of the various measures discussed. Furthermore, the costs of the measures are not (yet) clearly documented. This is probably due to the fact that these costs are dependent on various unknown factors (the take-up of the tax incentive, the proportion of non-paying tenants etc.).

9. Appendix 3 Germany (Marietta Haffner)

Subsidies to promote social allocation

Germany relies on “a system of temporary subsidies for social rental housing at moderate profits which finally returns the dwelling to the private market” (Kofner, 2014:5). The supply-side subsidy system consists of a conditional subsidy that goes to the investor in rental housing. The 2001 Wohnraumfördergesetz/Housing Subsidy Law (WoFG) overhauled the law of 1956 (Kofner, 2014, 24; Haffner et al., 2009), but did not change the basic mechanisms of the conditional supply-side subsidy. The 2001 WoFG was last adapted in 2015, according to the law webpage of the Bundesministerium der Justiz und Verbraucherschutz.⁴⁴ Kofner (2017:66; see also Cornelius and Rzeznik, n.d.; Whitehead et al., 2016) describes the changes that were embodied in the 2001 law and took place thereafter, as well as an evolution from “classic” to “modern” policies. Programme design and regulation are now in the hands of the federal states, instead of the national government. The subsidies are now narrowly targeted on vulnerable groups, while in the past they were much less focused on these groups. The intensity of the subsidisation per dwelling has decreased. Furthermore, in the early years, subsidy periods lasted from 45-50 years; nowadays the terms amount to 10-25 years. Last, but not least, municipalities can also negotiate claims/rights to existing housing, instead of new construction only.

The supply-side subsidy system in Germany has moved from a universal to a differentiated approach, dependent on the local housing market as well as the financial capacity of the municipality in question to top up federal (and state) funds.

Aims of the incentives

The law regulates the subsidisation of housing supply in a wide variety of tenure neutral options (renting, owning, coops), namely new construction (including acquisition of housing units within two years of construction), modernisation of housing, acquisition of a so-called Belegungsrecht⁴⁵ (allocation or occupancy right)) in existing stock, and acquisition of existing stock for ‘social’ purposes (conditions of allocation/occupancy and/or rent)

The allocation or occupancy commitments are the outcome of negotiation between the landlord-investor and the subsidy-giver/municipality. The

⁴⁴ <https://www.gesetze-im-internet.de/wofg/BJNR237610001.html>

⁴⁵ <http://www.linguee.com/german-english/translation/belegungsrecht.html>

commitments give the subsidy-giver the right to allocate the subsidised dwellings, those dwellings and other dwellings or only other dwellings.

The types of aid can be public funds, guaranties and the like, or the provision of 'lower' (than market priced) building plots.

The basic premise of the subsidies that promote privately owned provision of social housing is that the social housing created should comply with the necessary economic and social requirements that contribute to maintaining the living surroundings, taking into account the state of the local or regional housing market. Projects that are linked to urban restructuring and development measures should be preferred. Subsidisation should also take into account, among other things:

- the creation and maintenance of a socially stable occupant mix
- the creation of balanced neighbourhoods from diverse perspectives (economic, cultural, social), also in relation to employment and public transport
- the preservation of affordable housing when modernisation works are subsidised⁴⁶

It is possible to determine maximum subsidised rent levels which could be lower than local rent levels. These should take account of local rent levels, the geographically differentiated housing allowances⁴⁷ ((Haffner et al., 2009), the household incomes of the tenants and the development of these incomes. Unnecessary subsidisation should be prevented, or compensation payments should be arranged. The recipients of the subsidies are those investors providing new construction or allocation/occupancy rights to the subsidy-giver/municipality. It is important that the investor is willing to fulfil the requirements of the subsidy.

Target groups

The target groups are those households who cannot take care of appropriate housing themselves. These include low-income groups, households with children, single parents, pregnant women, the elderly, the disabled and the homeless. Certain income limits by type of household may not be surpassed when allocating the dwellings. However, the 16 federal states of the Federal Republic of Germany are allowed to set their own income limits, different from the ones listed in the WoFG. The local and regional housing markets are leading here, and the desire to create a socially stable living environment is

⁴⁶ Cornelius and Rzeznik, n.d.:45-46

⁴⁷ <http://www.bmub.bund.de/themen/stadt-wohnen/wohnraumfoerderung/wohngeld/>

listed as one of the reasons to diverge from the national income limits. The federal state government can also delegate this right to the highest state authority.

How the incentives work

The basic mechanism consists of providing public aid in the form of a conditional, supply-side subsidy. The conditions refer to the target group (income limits), dwelling size and the length of time for which subsidies apply, among others. Some of these conditions will have been set by federal/national or federal state law/regulation (like the income limits and the dwelling size), whilst others (e.g. term of subsidisation, rent levels and changes during the term of subsidisation, 'type of housing services', and occupancy or allocation commitment, are open to negotiation between the investor and the municipality/subsidy-giver involved.

The federal states and the municipalities cooperate in social housing provision (in the form of supply-side subsidisation). The federal states (the authorised body) regulate the procedures for as far as the federal framework law (WoFG 2001) has not put in place provisions. Municipalities are allowed to supplement the subsidies provided by the federal state if they comply with the higher level rules. Furthermore, federal states, municipalities and others may stimulate the provision of adequate building land, and the provision of advice. The agreement between the subsidy-giver (the municipality) and the investor will be determined in writing, either by a public law contract or a by an administrative act. The agreement will contain the agreements about the aim of the subsidies, the extent of the subsidisation, the subsidy term, the interest rate and the repayment of the financial aid, the income limits to be applied, the dwelling sizes and the legal consequences of changes in ownership of the property in question. Furthermore, the agreement will contain information about the type and term of occupation commitments and the type, extent and term of rent level commitments.

Broader, so-called co-operation, agreements can also be made⁴⁸. These are broader than those described above as they include a number of parties, each with a role to play in the improvement of the local housing situation and in social stability.

On 1 September 2006, central government "bowed mainly out of the social housing policy" (Cornelius and Rzezniak, n.d.:46; 44). Oversupply in housing in many regions and low population and household growth made subsidisation of new housing in many parts of Germany unnecessary, while housing shortages

⁴⁸ see for further details Haffner et al., 2009

persisted in other, mainly growing, urban areas (Westerheide 2011, Kholodilin forthcoming; Kofner, 2017; see also Whitehead et al., 2016:82). A constitutional reform of the WoFG made it possible for the federal government to transfer the responsibility for 'bricks and mortar' subsidisation (except for the framework law WoFG 2001) to the federal states, but it paid financial compensation until the end of 2013.

Because of re-emerging housing shortages in the late 2000s, the federal funding provided to the states was extended until the end of 2019 (see below). Kofner (2017: 66) notes that the federal subsidies are allocated according to population, rather than according to need.

The aim of geographic differentiation in policies was achieved. Cornelius and Rzeznik (n.d.:46) explain: "Since the reform, several states passed their own Housing Promotion Acts. ... Accordingly, there is no longer a single approach towards the social housing policy. ... Although not many outstanding differences can be noted, some innovations seem nevertheless revolutionary, especially in the field of social housing. For example, the states of Baden Württemberg 299 [LWoFG of 11-12-2007 (GBl. 581)] and Schleswig Holstein 300 [SHWoFG of 25-04-2009 (GVBl. 194)] gave up one of the most basic characteristics of the social housing system and introduced market rents instead of the so far applicable cost rent (Kostenmiete)."⁴⁹

Kofner (2014) confirms the diversity of subsidy intensity across federal states. He speaks in terms of multipliers of state funds in relation to federal funds: they ran from zero (no subsidisation from the state for 'new' social housing, although federal funds were used for other allowable purposes, like modernisation) to 10 (10 Euros of state subsidy per 1 Euro of federal subsidy). More specifically, Kofner (2014) reports that Berlin and other federal states had stopped providing social housing subsidies in 2010, while Hamburg supplemented one Euro of federal subsidy with 10 Euros from the state budget. North-Rhine Westphalia and Bavaria are also listed as having produced new social rental housing. Kofner (2017) confirms that subsidised rental housing has lost market share over the years.

According to Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit (2017), the federal framework laws are still applicable, unless the federal states have enacted their state housing subsidy laws or their laws on occupation and rent level determination (Wohnungsbindungsgesetz – WoBindG)⁵⁰, as per the federal states of Baden-Württemberg, Bayern

⁴⁹ A brief scan of <https://wm.baden-wuerttemberg.de/de/bauen/wohnungsbau/wohnraumfoerderung/> did not deliver any clarification. But see Kaufmann and Hager (2013: 14) which is referred to in the answer to question 2h.

⁵⁰ Bundesministerium der Justiz und Verbraucherschutz (<https://www.gesetze-im-internet.de/wobindg/WoBindG.pdf>; 31 July 2017; Kholodilin (forthcoming)

(Bavaria), Berlin, Bremen, Hamburg, Hessen, Niedersachsen, Nordrhein-Westfalen (North-Rhine Westphalia), Rheinland-Pfalz, Schleswig-Holstein und Thüringen. The latter law regulates the occupation rights, as well as the rent levels. If cost price rent for subsidised dwellings has been traded in for market rents, as Cornelius and Rzeznik (n.d.:46) report, the state would have had to enact a state Wohnungsbindungsgesetz.

The examples of Berlin and Bavaria/München show the diversity of measures in place.⁵¹

Berlin

The federal state of Berlin reports that, by the start of 2016, Berlin still had about 116,000 traditionally subsidised rental dwellings from the programme that lasted until 1997. This number was expected to fall to about 79,000 dwelling by the beginning of 2026 (without any new subsidisation). These dwellings would be lost as a result of the expiring subsidy scheme but also because of early repayment of the subsidised loans by the investors, due to lower market interest rates than the rates of the subsidised loans. In the latter case, the subsidy period ends after 10-12 years after repayment.

In reaction to the growing shortages in dwellings (in contrast to the situation in late 1990s and early 2000s), the Berlin government introduced new supply-side subsidies in 2014 and offered a decrease in interest on the subsidised loans in order to prevent investors from early repayment. Early in 2016, the 2015 housing supply law (Wohnraumversorgungsgesetz) was enacted. It overhauled and complemented the 2011 Housing Law (Gesetz über den Sozialen Wohnungsbau in Berlin; Wohnraumgesetz Berlin – WoG Bln) and introduced a number of measures:

- Subject subsidy for households living in no longer subsidised (social) rental housing (without Anschlussförderung, see below) which are considered unaffordable;
- Increased control over rent levels, costs and maintenance by Investitionsbank Berlin, which provides the subsidised loans;
- Implementation of Belegungsbindungen (occupation rights) with no further large exceptions;
- Increase of period of occupation rights after early repayment of subsidised loans.

⁵¹ From webpages http://www.stadtentwicklung.berlin.de/wohnen/sozialer_wohnungsbau/ and http://www.stadtentwicklung.berlin.de/wohnen/sozialer_wohnungsbau/wohnraumgesetz/index.shtml (both accessed on 31 July 2017).

In relation to the first measure, in 2016 an expert committee was asked to come up with solutions for those 28,000 dwellings for which the first period of 15 years of traditional subsidisation (which Berlin stopped in 1997) ended after 31 December 2002. Because of budget problems at that time, the Berlin government had decided not to provide the so-called Anschlussförderung, a subsequent period of limited subsidisation. This allowed the landlord/investor to increase the rents to cost price rents. In many of these cases, the cost price rent was relatively high, as the construction costs of subsidised rental dwellings had been relatively high in Berlin.

München

Bavaria has a website with the legal options for supply-side subsidisation of housing⁵². For the realisation of 'social' rental dwellings, a 30 percent grant is possible plus a lower-than-market interest loan for a maximum for a maximum of 60 percent of subsidisable costs. Bavaria states that it adds own funds to the federal funds that are available for subsidised housing.

Munich⁵³, as one of the Bavarian municipalities, works with five-year housing programmes. The present one is called Wohnen in München VI (Living in Munich VI) and it will run from 2017-2021. Munich works with a number of different approaches which presumably integrate the legal options of Bavaria, but do take advantage of the federal and Bavarian funds that are available for subsidised housing (as described above). Munich adds its own funds.

Munich distinguishes target groups from homeless to other groups (implying lower to higher income groups), three income groups (as prescribed by Bavarian rules) and five general programmes, which run from cheaper land prices to income-related assistance, next to the Bavarian options of grants and cheaper loans. München Modell⁵⁴ (Munich model), is a programme that is not focused on the groups with the biggest needs, but on those with lower to middle incomes. Its funds are based on a maximum of two thirds of planning gains that are put into the project. This seems to be realised via British Section 106

⁵² See www.stmi.bayern.de/buw/wohnen/foerderung and www.stmi.bayern.de/assets/stmi/buw/wohnen/iic1_uebersicht_wohnraumfoerderung.pdf (accessed on 31 July 2017).

⁵³ From www.muenchen.de/rathaus/Stadtverwaltung/Referat-fuer-Stadtplanung-und-Bauordnung/Stadtentwicklung/Grundlagen/Wohnungspolitik.html and www.muenchen.de/rathaus/Stadtverwaltung/Sozialreferat/Wohnungsamt/Sozialwohnung.html (both accessed on 31 July 2017).

⁵⁴ See webpages: www.muenchen.de/rathaus/Stadtverwaltung/Referat-fuer-Stadtplanung-und-Bauordnung/Wohnungsbau/Muenchen-Modell-Mietwohnungen.html and <https://www.muenchen.de/rathaus/Stadtverwaltung/Kommunalreferat/immobilien/sobon.html> (both accessed on 31 July 2017).

options. Cornelius and Rzeznik (n.d.:47-48) state that a number of other cities have introduced similar models.

With the Wohnen in München VI programme, Munich lists 12 aims on the website. Among others, it has increased the income limits for the München Modell (50 to 60 percent of households would be eligible), it aims of for a social mix of neighbourhoods, and it does not forget about aims to improve the energy standards.

Evaluations of the impact of incentives

An evaluation of the supply-side scheme of Berlin by Kaufmann and Hager (2013, produced a number of suggestions for improvement on the following topics: term of notice and rent increase, hardship provision when rent is too high or the tenant moves house, and diverse options and definitions of when the subsidisation period ends, including those based on the early repayment of the subsidised loan or the continued subsidisation after subsidisation period formally ends. Generally, these items seem to call for more clarification and/or more transparency for tenants and/or landlords/investors. They are intended to protect an actor (mostly the tenant) more. One of the big worries is also the (unplanned) loss of subsidised rental dwellings to the commercial market.

Last but not least, Kaufmann and Hager (2013) compare the evaluation of the Baden Württemberg Housing subsidy law (Landeswohnraumförderungsgesetz, LWoFG)⁵⁵ with its Berlin equivalent (Wohnraumgesetz Berlin, WoG Bln. Kaufmann and Hager (2013) state that the LWoFG designed a new way of subsidising housing as it introduced a number of innovations in comparison to the national WoFG, which the WoG Bln did not. One of those innovations was not to use a cost price rent as benchmark for the subsidised rent level, but a social benchmark rent based on the market rents of comparable dwellings (Mietspiegel: for a description of the rent control system in the rental sector, see <http://www.bmub.bund.de/themen/stadt-wohnen/wohnraumfoerderung/wohngeld/>: Haffner et al., 2009; Cornelius and Rzeznik, n.d.). They conclude that legally, Berlin would be able to introduce such a rent benchmark, and that it would seem practicable, given the more valid data available for the Mietspiegel than in Baden-Württemberg. The supply-side subsidies will have made accommodation more affordable and more accessible for low-income groups, though in the early days targeting was less prominent than today (Haffner et al., 2009). No large differences in housing

⁵⁵ Kaufmann and Hager give the following reference: Sicko/Zeitj/Ziekow, "Überprüfung der Auswirkungen des Landesgesetzes zur Förderung von Wohnraum und Stabilisierung von Quartiersstrukturen (Landeswohnraumförderungsgesetz – LwoFG)", LT BaWü-Drs. 15/2492 of 17.10.1992.

quality were observed between these types of dwellings. Security of tenure does not differ between subsidised and non-subsidised rental dwellings (Haffner et al., 2009; Cornelius and Rzeznik, n.d.).

The subsidy system can be classified as tenure neutral and currently, it is flexible in the types of dwellings and activities that can be subsidised, as well as in the financial measures implemented. It can be adapted to the local housing market context and it is considered market conforming, which cannot be called a surprise as it finds its roots in the social market economy philosophy. Kofner (2014:56) confirms: “In Germany, the social housing sector uses only limited distortion of competition. It is well integrated in most respects with the private sector. The dualism between the two sectors is limited to the necessary minimum.”

The market conforming side of the scheme also implies that it will stop, once housing shortages are considered to be solved, as has been the case in Berlin. Germany has had an oversupply of dwellings in many regions, which has led to a decline in the amount of subsidies (Cornelius and Rzeznik, n.d.:45). In combination with the temporariness of the scheme, by the end of 2010, a decrease of the share of subsidised rental units from 20 percent of the housing stock in the 1980s to less than five percent was realised (Haffner, 2011; Kofner, 2014, Cornelius and Rzeznik, n.d.; see also Kofner 2017:62).

New housing shortages require new investments and new subsidies, as the recent influx of asylum seeker illustrates. The German government tripled the amount of subsidies in two steps (for 2017 and 2018) to help federal states cope with these housing shortages (Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit, 2017; Kholodilin, forthcoming).⁵⁶

Kholodilin (forthcoming:1) confirms that “The 2010s are characterised by a surge in all classes of regulation related to the growing housing scarcity in large cities, due to interregional migration leading to a geographical mismatch between housing supply and demand.” Governance largely counters scarcity on the housing market and vice versa. His evaluation is not one of the effectiveness of the different measures or policies.

In a system like that in Germany, reliant on private actors to realise public goals, the return on investment is an important consideration. Even though all types of landlords/investors are able to take advantage of the WoFG subsidies, and they did in the past (as the almost 20 percent share above illustrates), this may have changed more recently. Oxley et al. (2015:76) note that, “Based on a seven-city case study, Bundesinstitut für Bau-, Stadt- und Raumforschung

⁵⁶ These latter increases are put into law not by the WoFG, but by the Asylverfahrensbeschleunigungsgesetz, (the 2015 Act on the Acceleration of Asylum Procedures).

(2012, p.4) concluded that ... direct investment in subsidised rental dwellings by institutional investors is non-existent, as supported by interviewees. “

The fact that the conditional supply-side subsidy schemes are temporary, can be considered to be one of the reasons why the private rental sector, with 44 percent of housing stock, is relatively large in Germany (Kofner 2017; Haffner, 2011; Haffner et al. 2009).

10. Appendix 4 Republic of Ireland (Michelle Norris)

Regulation of Security of Tenure and Rents

- 1992: New legislation increased the minimum notice period required to terminate a tenancy from 7 to 28 days, required landlords to provide tenants with an inventory of dwelling contents and rent payments (called a rent book) and strengthened minimum dwelling standards.
- 1996: Private landlords were required to register with local government, which checked compliance with minimum standards regulations. However, both enforcement and registration levels were low.
- 2000: Commission on the Private Rented Residential Sector was established, reporting in 2003.
- 2004: Concerns about the low level of registrations inspired the introduction of Residential Tenancies Act 2004. This required all private tenancies to be registered with a Residential Tenancies Board and empowered the Board to adjudicate in disputes between landlords and tenants, thereby providing a cost-effective alternative to court action.
- 2004: The same legislation provided tenants who complete a 6month tenancy with security of tenure for up to 4years and limited rent reviews to one per year, but did not limit rent increases.
- 2008/2009: Minimum standards regulations for social and private rented dwellings were significantly strengthened.
- 2015: Equal Status Acts Act 2000 was amended to make it illegal to discriminate in the letting of dwellings on the grounds of receipt of government subsidies.
- 2015: Amendments to the Residential Tenancies Act 2004 provided for longer notice in order to terminate a tenancy and required landlords to sign statutory declarations that they are selling the dwelling if this is the reason for terminating the tenancy, and also to specify that rents can only be reviewed every two years rather than every year.

- 2016: Residential Tenancies Act. 2004 was amended to provide for a form of flexible second generation rent control called 'Rent Pressure Zones' (see below).

Reforms to Subsidies for Low Income Households

- 1995: Statutory review of Rent Supplement raises concerns about escalating costs, the unemployment trap inherent in the design of the benefit and poor quality of accommodation procured.
- 1999: A second statutory review echoes these concerns.
- 2004: Rental Accommodation Scheme (RAS) was established (see below).
- 2009: Social Housing Leasing Initiative was set up. Similar to RAS, this enables local authorities and housing associations to long term lease dwellings for inclusion in their mainstream social housing stock.
- 2016: Housing Assistance Payment established (see below).

Rental assistance payment (RAS)

Initially piloted in a small number of local authorities, RAS was established in 2004 and extended nationwide on a phased basis between 2005 and 2007. It aimed to address the problems associated with the operation of Rent Supplement, the Irish version of housing benefit. Rent Supplement was introduced in the late 1970s and consists of a cash allowance towards the rents of tenants in private rented accommodation who are in receipt of social security benefits or on state education/training schemes. Claimants make a flat rate contribution to the costs of their rent and the additional public subsidy they receive is capped to reflect family size and location. The benefit is withdrawn entirely when claimants enter full time employment. Take up was initially low but increased significantly from the mid-1990s and also the average duration of claims lengthened significantly and expenditure rose.

This inspired the following concerns:

- That rent supplement take up and spending are impossible for government to control
- That rent supplement acts as 'a floor' under rents particularly in urban areas and thereby driving rent inflation and increased costs for government.

- That rent supplement claimants were having difficulties procuring dwelling and as a result of this, and the limits on caps on the supplements they receive, claimants were heavily concentrated in low income urban areas which reinforces socio-spatial segregation.
- That the arrangements for the withdrawal of rent supplement when claimants gain employment act as an unemployment trap.

Focus and eligibility

RAS targets long-term receipts of Rent Supplement (of more than 18 months) and who are considered to be in long-term housing need. It enables local authorities to enter into long-term leasing arrangements with private landlords or housing associations to lease accommodation for subletting to these tenants who (like mainstream social housing tenants in Ireland) pay an income related rent and continue to live in the RAS subsidised housing if they gain employment. The tenant enjoys security of tenure for the duration of the lease. All types of private landlords are eligible for RAS it does not target any particular type of landlord.

Funding and implementation

The scheme is funded by central government (Department of Housing, Planning, Community and Local Government) and implemented by local government (there are three city councils and 28 county councils in Ireland).

Under the scheme, local authorities draw up leasing contracts with landlords for periods of one to four years. The rent is paid directly to the landlord by the local authority and these payments are guaranteed. Due to the guaranteed nature of payments and the lease payments are set below market rent (typically 8 to 12% below). No deposit is paid. Instead there is a “retained deposit system” where the local authority agrees to cover the cost of repairs to the property in case of excessive damage by the tenant. Tenants’ contribution to the rent is paid to the local authority as mentioned above this is determined with reference to their income.

Take up and expenditure

Spending on the RAS increased from €723,000 in 2005 to €135,000,000 in 2015 and the number of claimant households increased from 505 to 20,834 concurrently.

These data only include direct expenditure and don’t cover tax expenditure on RAS. Since January 2016, landlords who rent residential property for 3 years to claimants of RAS Rent Supplement and the Housing Assistance Payment can deduct all of the interest that accrues on their mortgage during that 3-year

period from tax. Other landlords can only deduct 75% of mortgage interest from tax.

Assessments of effectiveness

No comprehensive evaluation of RAS has been produced but a number of reviews of its initial design and implementation have been conducted. Due to marked differences in the implementation context (a housing market bust and declining market rents soon after the introduction of the programme and a severe shortage of private rented accommodation and strong rent inflation in recent years), these assessments of effectiveness in improving access to housing for households in poverty, the affordability of accommodation, security of tenure and housing quality offer different conclusions.

Unpublished research⁵⁷ on the opening phase of the implementation of RAS reports that data provided by the nine local authorities responsible for piloting RAS indicate that discounts were attained from participating landlords in only 10.8% of cases. Significantly, the discounts obtained were lower in urban areas due to local authorities' lower bargaining power in competitive markets and the need to move more claimants from their existing accommodation which was found to be substandard. However, the latter was cited as a benefit of the programme too, because it forced local authorities to improve their weak record of inspecting standards of private rented accommodation.

A value for money study of RAS⁵⁸ was conducted by the Housing Agency in 2011. This found that RAS offers better value for money than rent supplement and very significantly better value for money than mainstream social housing. However, the model employed in the analysis was based on a trend of falling rents (which contracted by 21 per cent between 2007 and 2009) and also comparison of the average costs of RAS properties to average market rents not on the actual discounts achieved. In addition, comparison of the costs of RAS and that of mainstream social housing was based on the assumption that the latter had a relatively low residual value after 20 years (=30-60%).

No more recent comprehensive study of RAS has been carried out, but reviews⁵⁹ of this and related policies highlight, for example, problems in accessing dwellings to lease via RAS particularly in cities where private rents are inflating rapidly. This analysis is supported by the flat lining of growth in

⁵⁷ Norris, M & Coates, D (2010) Private sector provision of social housing: an assessment of recent Irish experiments, *Public Money & Management*, 30:1, 19-26

⁵⁸ downloadable from here: https://www.housingagency.ie/Housing/media/Media/PDFs/11-11-15-Comparative-Financial-Appraisal-of-Long-Term-Costs_Social-housing.pdf.

⁵⁹

https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Rig ht%20to%20a%20Home%20Full_1.pdf and <https://www.rtb.ie/docs/default-source/pdf-manuals/future-of-the-private-rented-sector.pdf?sfvrsn=0>

RAS claimants in recent years highlighted, as shown in Table 18. However, it is important to acknowledge that, from the tenants' perspective, having a local authority official negotiate a lease with a private landlord is far more preferable than the tenant having to do so, particularly in a booming market.

Housing Assistance Payment (HAP)

Introduced in 2014 on a pilot basis, HAP was extended nationwide in 2015 and is an ongoing programme. Like RAS, HAP was introduced to address the concerns about the operation of the Rent Scheme outlined above, particularly the unemployment trap associated with arrangements for withdrawing the benefit when claimants secure employment. These concerns were raised in numerous policy reviews since the 1990s. However, the government was pushed into taking action by the emergency stability programme agreement it signed with the IMF and the European Union in 2010. This contained a commitment to reform Rent Supplement by introducing HAP primarily on the grounds of concerns about the unemployment trap associated with the former.

The establishment of the scheme also reflects a long term aim of policy makers to transfer responsibility for subsidising for private renters from the social protection ministry to the housing ministry and local authorities. This was first flagged in policy statements in the 1990s and the rationale for this reform is that it would enable the better integration of the payment of subsidies and the inspection of dwellings which is the responsibility of local government.

Focus and eligibility

All households deemed to have a long term housing need by local authorities, including those receiving rent supplement for over eighteen months, are eligible for HAP. It is envisaged that rent supplement will continue to be available to households with a short term housing need. These eligibility criteria⁶⁰ in practice limit eligibility to benefit dependant households.

Funding and implementation

HAP is funded by the housing ministry and implemented by local authorities. Under the terms of this scheme, households eligible for HAP must source their own accommodation from a private landlord and the tenancy agreement is between these two parties. In addition, the dwelling must meet minimum statutory requirements for rented accommodation and the landlord must be tax-compliant. However, unlike rent supplement, HAP rents are paid directly to

⁶⁰ Full details of how HAP operates are available on this dedicated website: <http://hap.ie/>

landlords by the local authority and payment will be made up front rather than in arrears.

Furthermore, the tenant households' contribution to rent is not a flat rate, it is calculated using the same income related rent determination formula which applies to mainstream social housing in the local authority operational area where the households resides.

In addition, unlike rent supplement recipients, HAP claimants can continue to receive the payment when they enter full time employment, although the rent they pay to the relevant local authority will be increased as their income rises. However, no subsidy will be available after the household income reaches a specified level, and limits⁶¹ on the level of the rent which will be subsidised by HAP.

Take up and expenditure

Spending on HAP decreased from €34,845,000 in 2014 to €15,643,800 in 2015. The number of claimants increased from 485 to 6,100 concurrently. These data only include direct expenditure and don't cover tax expenditure on RAS. Since January 2016, landlords who rent residential property for 3 years to claimants of RAS Rent Supplement and the Housing Assistance Payment can deduct all of the interest that accrues on their mortgages during that 3-year period from tax. Other landlords can only deduct 75% of mortgage interest from tax. Details of the incentives to encourage landlords to participate in HAP are available⁶².

Assessments of effectiveness

No comprehensive research has been published on the design or implementation of HAP to date. However, some broad reviews of government subsidisation of low income private renters have been produced which do examine this scheme. These provide some assessment of the effectiveness of HAP in improving access to housing for households in poverty, the affordability of accommodation, security of tenure and housing quality.

A review of the scheme from a rights based perspective by Maynooth University⁶³ complains that HAP does not provide tenants with the same

⁶¹ Details of the rent limits are available here:

http://www.citizensinformation.ie/en/housing/renting_a_home/housing_assistance_payment.html#l4292e

⁶² <http://hap.ie/uploads/files/pdf/landlord-booklet-english.pdf>

⁶³

https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full_1.pdf

security of tenure as mainstream social housing and, in order to address this, they recommend that the legislation regarding security of tenure of private renting tenants should be amended and that local authorities should be required to source and offer HAP accommodation, and to re-house, if HAP tenants lose rental accommodation. They also raise concerns that the current practice of removing HAP recipients from the waiting list for mainstream social housing undermines their chances of achieving security of tenure.

They also argue that lack of supply of private rented housing poses immense problems for operationalising HAP, particularly in the Dublin area, and this claim is supported by media reporting and by recent changes to the terms of this scheme, specifically by the introduction of the 'Homeless HAP' in February 2015. This enables local authorities in the Dublin region to pay a rental subsidy for homeless households of between 25 and 50% above the general HAP limits (depending on location in Dublin City Centre for the suburbs). In addition, comparison of the limits on HAP rent payments and average rent payments in different parts of Ireland conducted by the Simon Community of Ireland⁶⁴ indicates that the former are significantly lower than the latter in urban areas.

On the other hand, a review of HAP conducted for the Residential Tenancies Board⁶⁵ argues that this scheme is a significant improvement on Rent Supplement on the following grounds, as it will:

- enable tenants to take up employment thus removing one of the primary disincentives to returning to work, which is a feature of the Rent Supplement scheme;
- enable claimants to secure accommodation more easily by providing guaranteed payments to landlords in advance from the relevant local authority;
- will inspire more confidence among investors in the private rented sector with guaranteed payments.

The report also suggests (p. 41) that 'A major improvement will also be the greater security provided to tenants due to the direct involvement of local authorities', although the reason why local authorities' involvement would provide greater security is not specified.

⁶⁴ http://www.simon.ie/Portals/1/EasyDNNNewsDocuments/160/LockedOutVII_SimonCommunity.pdf

⁶⁵ <https://www.rtb.ie/docs/default-source/pdf-manuals/future-of-the-private-rented-sector.pdf?sfvrsn=0>

Rent Pressure Zones

The Planning & Development (Housing) and Residential Tenancies Act 2016 was enacted in December 2016, introducing rent pressure zones. If an area is designated a rent pressure zone, the housing minister is allowed to restrict rent increases (for existing tenancies, not new ones) to a maximum of 4% per annum for a three-year period. After three years, the rent pressure zone designation is reviewed and may be extended or removed. For the purposes of the legislation, an 'area' is defined as the entire operational area of a local authority (i.e. a city or county council) or a small area within this (a local electoral area or ward for local government elections).

This development was inspired by very significant inflation in private rents⁶⁶ in Ireland particularly since 2012. Other reports⁶⁷ also indicate that rents nationally increased by 25% between Q1 2012 and Q1 2017. Rent increases have been higher in high demand markets such as Dublin.

Focus and eligibility

This measure applies to most private rented residential tenancies in Ireland and all parts of the country. The only properties which are exempt are those which are new to the rental market, have not been let in the previous two years or have been subject to substantial renovation.

The specific procedure for identifying potential rent pressure zones⁶⁸ is as follows. The Housing Agency (a housing ministry quango) regularly analyses data on rents supplied to the Residential Tenancies Board as part of arrangements for registering new tenancies:

- If these data identify areas where a) annual rents have increased by more than 7% for four out of the previous six quarters; and b) rents are above the national average,
- and consultation with the relevant local authority and of the housing and rental market in the area indicates there is a case for a rent pressure zone, then
- the RTB director recommends to the housing minister that a rent pressure zone be declared and the minister issues an order implementing this.

⁶⁶ [https://www.rtb.ie/docs/default-source/rent-index/prtb-rent-index-report-\(final\).pdf?sfvrsn=2](https://www.rtb.ie/docs/default-source/rent-index/prtb-rent-index-report-(final).pdf?sfvrsn=2)

⁶⁷ [http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-\(3\).pdf?sfvrsn=2](http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-(3).pdf?sfvrsn=2)

⁶⁸ <https://www.rtb.ie/rent-pressure-zones/rent-pressure-zones>

The 2016 Act provided for the immediate introduction of rent pressure zones in the Dublin area and the administrative area of Cork City Council.

Funding and implementation

Two government agencies manage the implementation of this policy. The Housing Agency (www.housing.ie) reviews rent trends and carries out consultations with local authorities. The Residential Tenancies Board collates the data on rents (from the tenancies which are registered with it) and makes the recommendation to the housing minister regarding the declaration of rent pressure zones. In addition, if a tenant feels that their rent has been increased by more than is allowed in the relevant rent pressure zone, they can make a dispute application to the Residential Tenancies Board. If this is successful, the Board can direct the landlord to reduce the rent.

Assessments of Effectiveness

No research has been conducted to date on the impact of rent pressure zones on the improvement of access to housing for households in poverty, the affordability of accommodation, security of tenure and housing quality. The latest assessment of rental market trends carried out by the Residential Tenancies Board⁶⁹ indicates that the pace of rent inflation has diminished following the introduction of rent pressure zones – from 0.1% in the first quarter of 2017, compared with an increase of 2.8% in Q1 2016.

Table 18 Housing by tenure in the Republic of Ireland

	1946	1961	1791	1981	1991	2002	2006	2011	2016
% OWNER OCCUPIED	52.6	59.8	70.8	74.7	80	79.8	77.2	70.1	69.8
% PUBLIC RENTED	16.5	18.4	15.9	12.5	9.8	7.1	11	9.7	9.7
% PRIVATE RENTED	26.1	17.2	10.9	10.1	8.1	11.4	10.3	18.6	18.8
% OTHER	4.7	4.6	2.4	2.6	2.1	1.7	1.5	1.6	1.7

Source: Geary Institute for Public Policy

⁶⁹ [http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-\(3\).pdf?sfvrsn=2](http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-(3).pdf?sfvrsn=2)

Table 19 Spending on rental housing, Republic of Ireland

TENURE	PRIVATE RENTING				SOCIAL HOUSING	
FUNDING SCHEME	RENT SUPPLEMENT	HAP	RAS SPENDING	SOCIAL HOUSING LEASING	LOCAL AUTHORITY HOUSE BUILDING	ALL HOUSING ASSOCIATION HOUSE BUILDING
	€000s	€000s	€000s	€000s	€000s	€000s
1995	69,455				191,085	15,000
1996	79,486				202,414	12,000
1997	95,611				222,136	15,349
1998	111,737				265,584	11,660
1999	127,702				298,994	13,853
2000	150,740				419,994	25,194
2001	185,800				670,799	54,799
2002	259,900				792,151	78,126
2003	339,300				659,475	95,864
2004	353,800				707,566	86,555
2005	368,705		723		804,976	80,661
2006	388,339		6,200		902,020	99,361
2007	391,466		27,385		941,273	113,766
2008	440,548		53,025		979,729	156,290
2009	510,751		83,396	642	690,536	158,513
2010	516,538		100,076	3,776	418,699	113,647
2011	502,474		115,917	13,817	189,164	40,724
2012	422,536		125,429	20,815	116,879	70,700
2013	372,909		130,886	27,337	55,336	55,500
2014	338,347	34,845	133,512	34,845	80,000	40,295
2015	311,059	15,644	135,000		149,185	

Source: Geary Institute for Public Policy

Table 20 Numbers of tenants supported under social housing initiatives, Republic of Ireland

	LOCAL AUTHORITY TENANTS	HOUSING ASSOCIATION TENANTS	RENT SUPPLEMENT CLAIMANTS	HOUSING ASSISTANCE PAYMENT	RENTAL ACCOMMODATION SCHEME	SOCIAL HOUSING LEASING	TOTAL
1990	91,799	3,014					94,813
1991	96,396	3,514					99,910
1992	98,359	4,033					102,392
1993	98,199	4,923					103,122
1994	99,555	5,824	28,800				134,179
1995	97,219	6,835	31,800				135,854
1996	98,394	7,752	34,700				140,846
1997	98,862	8,508	36,800				144,170
1998	99,259	8,933	40,000				148,192
1999	99,163	9,572	41,900				150,635
2000	119,392	10,523	42,683				172,598
2001	119,392	11,776	45,028				176,196
2002	113,856	13,136	54,213				181,205
2003	107,253	14,753	59,976				181,982
2004	108,496	16,306	57,874				182,676
2005	109,779	17,710	60,176		505		188,170
2006	111,350	18,950	59,861		2,838		192,999
2007	114,133	20,635	59,726		5,756		200,250
2008	118,396	22,531	74,038		8,158		223,123
2009	120,557	24,524	93,030		8,595	437	247,143
2010	128,014	25,283	97,260		14,220	866	265,643
2011	125,958	26,028	96,803		16,815	1,193	266,797
2012	132,485	26,705	87,484		17,386	1,259	265,319
2013	133,668	26,916	79,788		20,173	1,042	261,587
2014	135,644	27,273	66,409	485	20,473	1,062	251,346
2015	136,818	27,674	56,959	6,100	20,834	1,477	249,862

Source: Geary Institute for Public Policy

11. Appendix 5 USA (Michael Carliner)

Overview

Income Eligibility

Most programs to benefit low-income renter households require that tenants have incomes at or below a ceiling promulgated by the Department of Housing and Urban Development (HUD) and described as a percentage of local area median income (AMI), adjusted for family size. The determination of local AMI and of the ceilings for the low-income categories is convoluted, and the actual eligibility ceilings are often not calculated as the described percentage.

Rents

Under most project-based assistance programs (conditional object subsidies), the rent is limited, with the purported objective of the gross rent (including utilities) being no more than 30 percent of income. In reality, tenants under newer programs such as the LIHTC and vouchers commonly end up paying above 30 percent of their incomes, although generally less than those who do not benefit from one or more of the programs. Since most rental units require tenants to directly pay for some or all utilities, the maximum contract rent is typically reduced to account for an estimated utility cost.

Tenant Selection

Tenant selection in privately-owned housing with project-based subsidies is generally done by the property owners or managers, rather than public agencies, subject to the eligibility restrictions of the program. Like operators of fully-private housing, operators of assisted housing are subject to laws prohibiting discrimination based on race, etc. Further requirements and stricter enforcement typically apply to housing with project-based assistance, with operators expected to create, and obtain approval for, marketing plans to facilitate fair access. Under these arrangements, and with the supply of assisted units well short of the number of eligible households, low income households seeking assisted low-income housing are typically on multiple waiting lists.

Quality

In general, all new construction and major renovation is subject to extensive regulation and inspection, following local building codes. Although there are also regulations governing existing structures, these are less stringent and less routinely enforced than regulations for construction, with inspections commonly

only triggered when a complaint is filed. For assisted housing, including housing occupied with tenant-based assistance (conditional subject subsidies), standards may be more stringent, and inspections routinely conducted.

Location

In recent years, there has been increased consideration of the effect of housing policies on the location of low-income households. The voucher program, for example, is seen as providing opportunities for beneficiaries to live in housing that is not located in neighbourhoods of concentrated poverty, with high crime, poor schools, etc.

Earlier project-based subsidy programs, especially public housing, tended to be located in poor locations. Even though there have been exhortations to locate new LIHTC properties away from areas of concentrated poverty, that program has features favouring less-desirable locations.

Length of Commitment

Owners of rentals with project-based assistance are obligated to continue to conform to program requirements, such as only admitting tenants who meet the income and other eligibility standards and charging restricted rents, for a period of years. The commitment is typically at least 15 years, more commonly 20 to 30 years, or longer. These restricted periods have expired, or soon will expire, for large numbers of privately-owned assisted rental units. As a result, much effort is now devoted to persuading owners to extend their commitments, rehabilitating deteriorated assisted units at the end of their commitment periods, arranging for transfers of ownership to entities willing to maintain low-income occupancy, or accommodating tenants displaced from homes exiting the programs.

The following describes the two largest ongoing rental housing programs in the U.S.: Housing Choice Vouchers and Low-Income Housing Tax Credits.

Housing Choice Vouchers

Housing Choice Vouchers (HCV), the U.S. version of what are commonly called “housing allowances,” or, in the UK, “housing benefit”, are subsidies for tenants toward the cost of rent.

Under the HCV program, households selected for assistance rent privately-owned housing units meeting quality standards. The difference between the gross rent for the unit (up to a maximum “payment standard”) and 30 percent of the beneficiary household’s income is paid directly to the landlord. The number

of vouchers available is far below the number of theoretically-eligible households.

Although most vouchers are portable, some are assigned to specific properties, and some may be used to support homeowners. The voucher program dates from 1974, and at the end of 2016, covered about 2.3 million households.

Program Eligibility and Operation

The HCV program is funded and regulated by the federal government, specifically by HUD. It is administered by some 2,400 local public housing agencies (PHAs).

In order to first receive vouchers, households must have “very low income” (<50 percent of area median), and PHAs are required to use at least 75 percent of their vouchers for families in the “extremely low income” (<30 percent) category. PHAs often give preference to target populations such as the disabled or homeless. Eligibility is set at the time a household is first selected. If their income subsequently rises, they are not ejected from the program, but their required payment goes up and the subsidy declines, and may become zero.

There are long waiting lists for the limited number of vouchers. Among those with vouchers in 2016, the average wait before being chosen was 30 months. Once chosen, a household must secure qualified housing within a limited time (usually 2 to 4 months). Despite the substantial subsidy available, and despite (or because of) the long time on waiting lists, many of the selected households fail to secure housing, and must forfeit their vouchers. Regular, current measures of such failure are not available, but estimates have been in the range of 20 to 30 percent⁷⁰. One of the keys to success is aggressive support by the PHA in identifying and/or recruiting landlords, as well as counselling beneficiary households. [Freeman, 2011].

The PHA sets the “payment standard” for rent of units with the appropriate number of bedrooms based on a fair market rent (FMR) determined by HUD, generally calculated as the 40th percentile rent in the local area. As noted above, vouchers provide a subsidy equal to the difference between the payment standard rent (or the actual rent if lower) and 30 percent of the household’s income. If the tenant ends up in housing with rent above the standard, their rent burden will exceed 30 percent. The rules do not permit them to pay more than 40 percent when they first receive voucher assistance in a particular unit, but many ultimately pay more than 40 percent, perhaps because their utility bills turn out to be higher than assumed, their incomes have declined, or the rent increased after first occupancy.

⁷⁰ Graves 2016, Finkel and Buron 2001

The landlord must sign agreements with both the tenant and the PHA. The PHA must inspect the unit for quality before executing an agreement, and annually thereafter.

Incentives/Disincentives for Owners

There are a number of elements of the HCV program to attract landlords. A portion of the rent, typically large, is paid to the owner on time directly by the PHA, limiting the risk of non-payment. Moreover, a tenant with unpaid rent or other obligations to the landlord cannot move out and retain their voucher. Marketing is simplified, and vacancies may become less likely. Rents charged for HCV tenants by landlords may be higher than they would be able to get from unassisted tenants, especially if the market rent is below the payment standard, even though the PHA is supposed to ensure that the rent is “reasonable in relationship to the rent charged for comparable unassisted units.” These landlord-friendly provisions in the operation of the HCV program incentivise some private owners to not only accept assisted low-income households as tenants, but to prefer such tenants. [Rosen, 2014]

Other owners, however, are unwilling to accept tenants with vouchers. That unwillingness is partly a reflection of a stigma attached to such tenants and partly a negative reaction to the inspection demands and red tape connected to the program. Regarding the stigma, unsubsidised tenants may disapprove of the presence of the HCV tenants and move out. This possibility, as well as economies of scale in navigating the program requirements, contributes to the concentration of tenants with vouchers in particular properties and neighbourhoods.

It is illegal (though still common) for landlords to discriminate on the basis of race, colour, religion, sex, familial status, national origin, or disability. In most of the U.S., however, there is no similar legal prohibition against discrimination based on whether a prospective tenant would be using a voucher. Some states and localities have enacted prohibitions against discrimination based on “source or income” (including vouchers) and such prohibitions have been found to make a significant difference in the ability of HCV beneficiaries to successfully find housing. [Freeman, 2011]

Properties receiving benefits under the Low Income Housing Tax Credit (LIHTC) program must accept applicants with vouchers, irrespective of whether there is a state or local source of income rule. Reliable data regarding the number of vouchers used in LIHTC properties is not available, but it appears to be substantial, with one estimate suggesting that half of LIHTC units are occupied by tenants with vouchers (or other rental assistance), which would mean more than half of vouchers are used in LIHTC properties. [O'Regan and Horn 2013]

Low-Income Housing Tax Credits

Low-Income Housing Tax Credits (LIHTC) provide federal tax benefits to equity investors in new construction and substantial rehabilitation of rental housing reserved for tenants with limited incomes paying limited rents. The restrictions on incomes and rents must remain in effect for 30 years or more. The LIHTC was created in 1986 and has financed about 2.9 million rental housing units, of which the majority represented new construction.

Tax credits are offsets to federal income tax. Authority to grant credits is delegated to state Housing Finance Agencies (HFAs), with the amount that they can grant each year based on state population. Demand from developers for credits exceeds the supply of credits available, and projects are selected based on developer commitments that go beyond the minimum obligation under the LIHTC statute. Thus, successful proposals commonly include reserving at least some of the units in the project for households with incomes well below the “60 percent of median” required under the tax code, as well as incorporating state priorities such as location near transit or accommodating particular populations.

In addition to the tax credits for equity investors, HFAs are also authorized to issue bonds with interest payments exempt from federal tax, in amounts also based on state population, to fund low-rate mortgage loans for low-income rental projects. Projects with such debt funding automatically also receive LIHTC credits (at a reduced rate). Thus, the tax-exempt bonds are another part of the LIHTC program.

Program Operation

Developers allocated tax credits “sell” the credits to outside investors. The credits are calculated as a percentage of construction cost (excluding land) and are provided annually for 10 years after the property is placed in service. For new construction and substantial rehabilitation without tax-exempt bond financing, the annual credit is roughly 9 percent of construction. For existing structures and for construction with bond financing, the annual credit is about 4 percent. The HFA may increase the credit amounts by up to 30 percent for projects that would otherwise not be financially feasible, but doing so reduces the number of projects that can be supported.

The statutory requirement is that either 40 percent of the units in the property are reserved and affordable for tenants at 60 percent of AMI, or that 20 percent are reserved and affordable for tenants at 50 percent of AMI. Apparently the expectation was that developers would only want a few units set aside, and that there needed to be a minimum. The credits are only provided for set-aside units, however, so projects generally have all, or nearly all, units designated as

reserved, and except where they have made further voluntary commitments in the competition for allocations, developers elect the 60 percent of AMI standard.

The maximum rents for LIHTC properties are based on the number of bedrooms, in an indirect application of the 30 percent of income affordability principle. It is assumed that the number of residents will be 1.5 times the number of bedrooms, and the maximum gross rent is 30 percent of the maximum eligible income for a household with that number of members. If the tenant is responsible for paying for one or more utilities (e.g., electricity) the maximum rent is reduced by an estimate of the tenant's cost.

LIHTC rents are often less than 30 percent of the maximum eligible income, either because the owners committed to meeting a more stringent income and affordability standard, or because the allowed maximum is higher than the market will bear.

The basic LIHTC income and rent restriction requirements do not address the circumstances at the low end of the renter income distribution. About half of all renter households have incomes below 60 percent of AMI. The amount of subsidy from the standard LIHTC formula alone is not adequate for reaching much lower incomes. To serve tenants with lower incomes, LIHTC tax benefits are often combined with other forms of subsidy. These include credits against state taxes, grants funded by the HOME programme, transfers of public land, or vouchers.

Although the tenant eligibility and rent restrictions apply for 30 years or more, a distinction is made between the "compliance" period, covering the first 15 years, and the subsequent "extended use" period. At the end of the compliance period, the initial outside investors are no longer at risk of having their previous tax benefits recaptured, and these passive investors typically sell their interests to the manager. Alternatively, the property is sold to a new owner, often a non-profit, willing to accept the continued income and rent restrictions. [Khadduri et al, 2012]

Incentives and disincentives for owners

The developers building new or rehabilitating existing rental housing under the LIHTC program are able to raise equity capital for construction costs cheaply, and to avoid taking on excessive debt. They must accept limits on the incomes of tenants at the time of initial occupancy, become subject to limits on the rent they can charge, and follow complex bureaucratic procedures. The tenants are selected by the landlord, subject to the eligibility requirements.

Although the actual developers or operators of the rental housing could retain the credits, they generally don't have tax liabilities large enough to use the

credits themselves. Third-party investors are not only able to reduce their tax liabilities by subtracting the credits from their tax payments, but also to deduct accounting losses (largely due to depreciation) from their taxable incomes.

The 1986 Tax Reform Act that created the LIHTC, and subsequent legislation and regulations, imposed restrictions on individuals' use of accounting losses and other devices (including credits) from passive real estate investment. Most LIHTC investment thus comes from corporations—especially financial corporations.

Banks not only enjoy tax benefits from LIHTC investments, but also are rewarded with favourable assessments of their community service under the Community Reinvestment Act [OCC, 2014]. During much of the history of the LIHTC program, the secondary mortgage market agencies Fannie Mae and Freddie Mac accounted for large shares of LIHTC investment, reflecting their similar mandates to support low-income housing, but as those entities' profits and tax liabilities disappeared, and as they were placed under government control, they were displaced from the market for credits.

The LIHTC tax benefits provided to investors can be revoked, and past benefits recaptured, if the project falls out of compliance with program requirements. This threat induces otherwise-passive investors (or the syndicators that often act as intermediaries) to monitor the project operation. Considering sometimes-weak enforcement by government agencies of requirements for tenant incomes, rents, quality, etc., the tax consequences for investors represents a device for enforcing compliance.

Because the credits are based on initial construction cost, the arrangement provides an incentive to substitute initial construction for land cost and for upkeep and other operating costs, to the extent such substitution is possible. This means, for example, that there is an incentive to build an amenity-filled structure in a less-desirable neighbourhood with low land costs rather than a less elaborate structure in a better location.

Political and Policy Issues

The LIHTC was included in the 1986 Tax Reform Act, as a partial offset to the elimination of tax provisions favouring rental housing in general and some specific provisions for low-income housing. Thus, the use of tax legislation as the vehicle for housing policy is partly a quirk of history, but the design of the program has proven to be good politics, even if it imposes non-trivial costs and inefficiencies.

Providing subsidies in the form of tax benefits, rather than direct spending or “block grant” intergovernmental transfers, is somehow more palatable to those uncomfortable with activist government, even when the fiscal impact is

equivalent. Moreover, in terms of legislative procedures, spending for subsidies would require annual appropriations, while the LIHTC is effectively self-renewing.

The assignment of credit authority to states based on population does not consider where there are housing shortages or high cost burdens, but it does guarantee that all states, including those without pressing housing needs, have a stake in the program. State governments are provided the opportunity to use the federal government's money to pursue their priorities.

Additional information

Household Incomes, HUD Income Limits, and Poverty Definition

Eligibility in housing programs is generally specified for a 4-person household as a percent of local area median income (AMI). For example, the LIHTC program usually sets the maximum income for a 4-person household at 60 percent of local median. For households of fewer (or more) than 4 persons, the maximum is a percentage of the 4-person ceiling (e.g., for a 1-person household the ceiling is 70% of the 4-person ceiling).

The AMI is not based on 4-person households, or all households. It is the median among families, defined as 2 or more people, including a householder and related household members⁷¹.

“Local” generally means metropolitan area (for housing located in such areas), or county (for non-metropolitan locations). In moving from median family income to maximum eligible incomes, there are various adjustments to the percent of AMI standard in places with unusual incomes or rents. In fact, for 2016 about half of the roughly 2,600 areas have income limits that incorporate some (usually upward) adjustment of the value indicated by the latest local median family income. A modified value is set for 50 percent of AMI, and other percentages are derived from that. Thus the ceiling for 30 percent of AMI is 0.6 times the value for 50 percent of AMI⁷².

HUD characterises 4-person households with less than 80 percent of AMI as “low-income,” 50 percent of AMI is “very low income,” and 30 percent of AMI is termed “extremely low income.”⁷³

⁷¹ In 2015, the 125,819,000 U.S. households, with an average of 2.53 members, had a median income of \$56,516. The 82,199,000 families, with an average of 3.14 members, had a median income of \$70,697. Households consisting of 4 people had a median income of \$87,739.

⁷² See HUD Office of Policy Development and Research, FY2016 Income Limits Briefing Material, March 10, 2016, www.huduser.gov/portal/datasets/il/il16/IncomeLimitsBriefingMaterial-FY16.pdf

⁷³ Congressional Budget Office, Federal Housing Assistance for Low-Income Households, September 2015, www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf

The U.S. Census Bureau measures “poverty” according to formulas that take into account family composition but, unlike the measures used for housing assistance eligibility, these do not consider local median income. Also, poverty is defined at the family level, so that a household with non-relatives may include members who are considered to be in poverty along with members who are not. (Dalaker 2015) In general, the U.S. definition of poverty is comparable to HUD’s extremely low income. For 2016, the poverty threshold for a family of 4 including 2 children was \$24,339. For a 4-person household, the 2016 HUD ceiling for extremely low income ranged from \$21,450 to \$39,400. The estimated median family incomes ranged from \$26,000 to \$131,300, but the various adjustments increased the ceilings in low-income areas and narrowed the range.

Income eligibility is normally determined at the time of initial occupancy. In determining eligibility, as well as required contribution to rent, for a particular household, an “adjusted” household income is calculated, including deductions of \$480 for each child under 18 and deductions for disabled or elderly household members.

12. References

Australian Housing and Urban Research Institute (2017) *Getting the best from the private rental sector for lower income households*. Available online:

<http://www.ahuri.edu.au/policy/policy-analysis/private-rental-for-lower-income-households>

Agentschap Wonen Vlaanderen (2017) *Wegwijs in het sociaal huurstelsel*. Geactualiseerde versie 1.8 (maart 2017). Agentschap Wonen Vlaanderen, Brussel.

Agentschap Wonen Vlaanderen (2015) *Leidraad voor de opmaak van een lokaal toewijzings- reglement*. Agentschap Wonen Vlaanderen, Brussel.

Amzallag, M & Taffin, C (2003) *Le logement social* [Social Housing]. Paris: Collection Politiques Locales.

[Chartered Institute of Housing and the Resolution Foundation \(2014\) *More than a roof: How incentives can improve standards in the private rented sector*. London: CIH and Resolution Foundation.](#)

Clarke, A, Morris, S, Oxley, M, Udagawa, C and Williams, P (2015) *The effects of rent controls on supply and markets*. London: Shelter.

Congressional Budget Office (2015) *Federal Housing Assistance for Low-Income Households*, September 2015. Available at www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf

Cornelius, J & Rzeznik J (2014) *National Report for Germany, Bremen, Tenancy Law and Housing Policy in Multi-level Europe* (Grant Agreement No.: 290694).⁷⁴

Dalaker, J (2015) *Poverty in the United States in 2014: In Brief*, Congressional Research Service R44211, September 30. Available at <https://fas.org/sgp/crs/misc/R44211.pdf>

DCLG (2016) *Extending mandatory licensing of Houses in Multiple Occupation*. London: DCLG.

De Decker, P (2012) *Social Rental Agencies: An innovative housing-led response to homelessness*. Good practice briefing, European Federation of National Organisations working with the Homeless, AISBL, Brussels. Belgium.

⁷⁴ It will have been published in early 2014 with most information collected for up to the year 2012 (see note 1 of the Tenlaw country report on the Netherlands: http://www.tenlaw.uni-bremen.de/reports/NetherlandsReport_09052014.pdf).

De Decker, P, Vlerick, E and Le Roy, M (2009) *Eigenaars die woningen verhuren aan een sociaal verhuurkantoor. Profiel, motieven en tevredenheid*, Heverlee, Steunpunt Ruimte en Wonen

De Decker, P (2002) On the Genesis of Social Rental Agencies, *Urban Studies*, Vol 39, No 2, pp297- 326.

DKM Economic Consultants (2014) *Future of the Private Rented Sector*. Dublin: DKM Economic Consultants. Available at <https://www.rtb.ie/docs/default-source/pdf-manuals/future-of-the-private-rented-sector.pdf>

Donner, C (2000) *Housing Policies in the European Union*, Vienna: Christian Donner.

Finkel, M & Buron, L (2001) *Study on Section 8 Voucher Success Rates*, HUD. www.huduser.gov/publications/pdf/sec8success.pdf

Freeman, L (2011) *The Impact of Source of Income Laws on Voucher Utilization and Locational Outcomes*, HUD Office of Policy Development and Research. Available at www.huduser.gov/publications/pdf/freeman_impactlaws_assistedhousingrcr06.pdf

Graves, E (2016) *Rooms for Improvement: A Qualitative Metasynthesis of the Housing Choice Voucher Program*, *Housing Policy Debate* 26:2, 346–361. Available at <http://dx.doi.org/10.1080/10511482.2015.1072573>

Haffner, M., Hoekstra, J., Tang, C. and M. Oxley (2016) *Exploring Institutional Investment in Social Rental Housing in the UK, The Netherlands and France*, *Housing Finance International*, pp. 28-34.

Haffner, M A (2011) *Secure occupancy in rental housing: A comparative analysis. Country case study: Germany*, Delft, Delft University of Technology, OTB Research Institute for the Built Environment. Available at <https://repository.tudelft.nl/islandora/object/uuid%3A885ad9dd-4a76-432a-859f-a03b7855fd56?collection=research>.

Haffner, MEA, Hoekstra, JSCM, Oxley, MJ & Heijden, HMM van der (2009) *Bridging the gap between social and market rented housing in six European countries?* Amsterdam: IOS Press BV. Available at <https://repository.tudelft.nl/islandora/object/uuid%3Ad35c0ed4-7874-4413-8b90-25352ec8c980>

Hearne, R & Murphy MP (2017) *Investing in the Right to a Home: Social Housing, HAPs and HUBS*. Maynooth: Maynooth University. Available online at <https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full%201.pdf>

Heijden, H van der, Haffner MEA & Reitsma A (2002) *Ontwikkeling van de woonuitgaven in zes West- Europese landen* [Trends in housing expenditure in six West-European countries] Delft: Delft University Press.

Heylen, K (2015a), Grote Woononderzoek 2013. Deel 2. Deelmarkten, woonkosten en betaalbaarheid. Steunpunt Wonen. Leuven, Belgium.

Heylen, K (2015b) Grote Woononderzoek 2013, Deel 5. De private huurmarkt: vraag- en aanbodzijde. Steunpunt Wonen, Leuven, Belgium.

Hoekstra, J. and Cornette, F (2014) TENLAW: Tenancy Law and Housing Policy in Multi-level Europe. National Report for France.

Hoekstra, J. (2013) Affordable Rental Housing Produced by Private Rental Landlords: the case of France. Work supported by the Economic and Social Research Council (grant number ES/K007564/1)

HUD (2016a) FY2016 Income Limits Briefing Material, Office of Policy Development and Research. Available at www.huduser.gov/portal/datasets/il//il16/IncomeLimitsBriefingMaterial-FY16.pdf

HUD (2016b) Programs of HUD. Available at <http://portal.hud.gov/hudportal/documents/huddoc?id=HUDPrograms2016.pdf>

HUD (2015) *Worst Case Housing Needs: 2015 Report to Congress*, Office of Policy Development and Research. Available at https://www.huduser.gov/portal//Publications/pdf/WorstCaseNeeds_2015.pdf

HUURpunt (2017) Jaarverslag Huurpunt VZW 2016. Federatie van SVK's Vlaanderen, Brussels, Belgium.

Joint Center for Housing Studies (2015) *America's Rental Housing*. Cambridge, MA: Harvard University. Available at www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americas_rental_housing_2015_web.pdf

Kaufmann, M & Hager J (2013) Evaluierung des Wohnraumgesetzes Berlin (WoG Bln) – einschließlich der Darstellung der sich hieraus ergebenden Änderungsvorschläge für eine gesetzliche Nachfolgeregelung, Freshfields Bruckhaus Deringer. Available at http://www.stadtentwicklung.berlin.de/wohnen/sozialer_wohnungsbau/wohnraumgesetz/download/evaluierungsgutachten_wogbln.pdf

Kholodilin, KA (2016) Quantifying a century of state intervention in rental housing Germany. *Urban Research & Practice*. pp. 1-62. Available at <http://dx.doi.org/10.1080/17535069.2016.1212251>

Kofner, S (2017) Social Housing Germany: an inevitably shrinking sector? *Critical Housing Analysis*. 1: 61-71.

Kofner, S (2014) The Private Rental Sector in Germany. OECD Research on private rental sector. Consultancy report: Germany. No place of publication: Stefan Kofner.

Khadduri, J, Climaco, C, and Burnett, K (2012) *What Happens to Low-Income Tax Credit Properties at Year 15 and Beyond*, HUD Office of Policy Development and Research. Available at www.huduser.gov/portal//publications/pdf/what_happens_lihtc_v2.pdf

Monk, S, Tang, C & Whitehead C (2012) *The Private Rented Sector in the New Century: A Comparative Approach*. Cambridge: CCHPR.

OCC - Office of the Controller of the Currency (2014) *Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks, Community Development Insights*. Available at www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf

O'Regan, KM and Horn, KM (2013) What Can We Learn About the Low-Income Housing Tax Credit Program by Looking at the Tenants? *Housing Policy Debate*, 23:3, 597-613. Available at DOI: 10.1080/10511482.2013.772909

Oxley, MJ, Lishman, R, Brown, T, Haffner MEA & Hoekstra, J (2010) Promoting investment in private rented housing supply. International policy comparison, London, Department for Communities and Local Government. Available at <http://www.communities.gov.uk/publications/housing/investprivaterentedhousing>

Oxley, MJ, Tang, C, Lizieri, C, Mansley, N, Mekic, D, Haffner, M. & Hoekstra, J (2015) *Prospects for Institutional Investment in Social Housing*. Research commissioned by the IPF Research Programme 2011-2015

Oxley, MJ (2014) Boosting the supply of affordable rented housing in the UK: learning from other countries, ESRC Impact Acceleration Account (IAA). <http://www.esrc.ac.uk/news-events-and-publications/evidence-briefings/boosting-affordable-housing/>

Oxley, MJ & Haffner, MEA (2012). Comparative housing research. In Smith, SJ, Elsinga, Fox O'Mahony, L, Seow Eng, O, Wachter, S & Gibb, K (Eds.), *International Encyclopedia of Housing and Home (Vol. 12)* (pp. 199-209). Oxford: Elsevier

Pattison, B & Reeve, K (2017) Access to homes for under-35s: The Impact of Welfare Reform on Private Renting, Centre for Regional Economic and Social Research, Sheffield Hallam University. <https://research.rla.org.uk/wp-content/uploads/SHU-Access-to-homes-for-under35s.pdf>

- Private Residential Tenancies Board (2013) The PRTB Rent Index. [https://www.rtb.ie/docs/default-source/rent-index/prtb-rent-index-report-\(final\).pdf](https://www.rtb.ie/docs/default-source/rent-index/prtb-rent-index-report-(final).pdf)
- PWC (2016) Real Estate Going Global. Worldwide country summaries. Germany, <http://www.pwc.com/qx/en/asset-management/publications/pdfs/pwc-real-estate-going-global-2016.pdf>
- Residential Landlords Association (2017) Right to Rent Headline Findings: January 2017 Survey (Residential Landlords Association)
- Residential Tenancies Board (2017) *The RTB Rent Index Quarter 1 2017*. Clonakilty: RTB. Available online at [http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-\(3\).pdf?sfvrsn=2](http://www.rtb.ie/docs/default-source/default-document-library/rtb-rent-index-2017-q1-(3).pdf?sfvrsn=2)
- Residential Tenancies Board (2017) Rent Pressure Zones. Article available online at <https://www.rtb.ie/rent-pressure-zones/rent-pressure-zones>
- Rosen, E (2014) Selection, Matching, and the Rules of the Game: Landlords and the Geographic Sorting of Low-Income Renters, Joint Center for Housing Studies, W14-11, June www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w14-11_rosen_0.pdf
- Scanlon, K and Whitehead, C (2016) Taking stock: Understanding the effects of recent policy measures on the private rented sector and Buy-to-Let (London School of Economics)
- Shelter Scotland (2015) *Social models of letting agencies*. Edinburgh: Shelter Scotland. Available online at: http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/social_models_of_letting_agencies
- Simcock, T (2016) Landlord investment, finance, and tax report 2016. (Residential Landlords Association)
- Simon Community Galway (2017) Locked out of the market VII. Galway: Simon Community Galway. Available online at http://www.simon.ie/Portals/1/EasyDNNNewsDocuments/160/LockedOutVII_SimonCommunity.pdf
- Stone, W., Parkinson, S., Sharam, A. and Ralston, L. (2016) *Housing assistance need and provision in Australia: a household based policy analysis AHURI Final Report 262*. Melbourne: Australian Housing and Urban Research Institute. Available online: <http://www.ahuri.edu.au/research/final-reports/262>

Taffin, JC (2008) The tax incentives to private investors in France (1984-2007) and their impact on the private rented markets. Paper for the ENHR working group on private rented markets. Dublin Workshop 2008.

Vlaams Parlement (2016) Beleidsbrief Wonen 2016-2017. Vlaams Parlement, Brussel.

Vlaams Parlement (2015) Sociale woningen: beleid en financiering. Verslag van het Rekenhof aan het Vlaams Parlement.

Vlaamse Regering (2014) Beleidsnota Wonen 2014-2019. Vlaamse Regering, Brussel.

VMSW (2017) Jaarverslag 2016 Vlaamse Maatschappij voor Sociaal Wonen.

https://issuu.com/vmsw/docs/vmsw_jaarverslag_2016_web

VOB (2012) SVK Jaarrapport 2011. Vlaams Overleg Bewonersbelangen, Berchem.

Westerheide, P (2011) "The private rented sector in Germany." In Scanlon, Kath, and Ben Kochan (eds.) Towards a sustainable private rented sector. The lessons from other countries. Pp. 45-59. LSE London: London.

Whitehead, C, Scanlon, K, Monk, S & Tang, C, with Haffner MEA, Lunde, J, Andersen, L, Voigtländer, M (2016) Understanding the Role of Private Renting – A Four-Country Case Study. Cambridge & Copenhagen, University of Cambridge & Boligøkonomisk Videncenter. Available at <http://www.bvc.dk/english/Pages/Publications.aspx>.

13. Acknowledgements

The authors would like to thank the members of the steering group and PricewaterhouseCoopers LLP for their input into this research.

We are also indebted to our six international experts: Michael Carliner (Harvard) for information on the USA, Kees Dol (TU Delft) for information on Flanders, Prof Paul Flatau (University of Western Australia) for information on Australia, Dr Marietta Haffner (TU Delft) for information on Germany, Joris Hoekstra (TU Delft) for information on France, and Professor Michelle Norris (University College Dublin) for information on Ireland.

About the authors

Professor Michael Oxley is the Director of the University of Cambridge Centre for Housing Planning Research (CCHPR). Previously Professor of Housing at De Montfort University and a visiting Research Fellow at Delft University of Technology, he has published widely in the field of housing policy and housing finance, including work on investment in social housing both in the UK and internationally.

Michael's book *Housing Economics and Planning* is used on many university courses. He is a co-author of *Bridging the Gap Between Social and Market Rented Housing in Six European Countries?* Professor Oxley has led research projects for many funders including ESRC, the Joseph Rowntree Foundation, central and local government and UN Habitat.

Anna Clarke is a Senior Research Associate at CCHPR, with over 15 years' experience of research in housing policy. Her previous work for JRF was on poverty, forced moves and evictions and she has led work for the London Assembly on rent stabilisation in the PRS and on welfare reforms for a range of clients, including Shelter and the Department for Work and Pensions.