

Policies for developing subsidised and middle income housing

The housing market is unable to meet the high demand for housing stock, which is placing a heavy burden on the lowest-income households.

For years now, France has been experiencing high demand for housing that the market is unable to absorb.

On 1 July 2010, INSEE estimates put the total housing stock at 33.5 million units, an increase of 1.1% over one year. This trend has been relatively consistent nationally over the past 20 years, yet several sources of data indicate that a 'housing crisis' has sprung up in recent years. Since the start of the 2000s, real estate markets have begun to show high price inflation and an insufficient supply of housing in several "tight" areas. Correlatively, the outlay of households on housing costs has increased by at least two points and is creating a heavier burden on low-income households.

In response, the French government launched a series of large-scale initiatives to address the housing crisis, which is largely focused in the major metropolitan areas of Paris, Côte-d'Azur and Corsica, and to a lesser extent in Marseille, Lyon, Bordeaux, Montpellier, Strasbourg, Nantes, Toulouse, and elsewhere. The overseas territories are a special case, since they combine the constraints of high demand with a deteriorated stock of existing housing.

French public policies to support the development of the housing supply fall into 2 categories:

- offering tax incentives and subsidies to institutional players to help produce rental units at regulated prices, called subsidised or middle income housing;
- offering tax incentives to private landlords to help produce housing inventory at regulated prices.

In addition, other initiatives aim to stimulate demand among the lowest-income households:

- personal monthly financial assistance granted to low-income households to help them pay their rent and utilities, or even purchase homes;
- financial assistance to low-income households to purchase new housing (zero-interest loans).

An ambitious national policy aims to expand the supply of subsidised housing.

The French government has committed to funding 150,000 subsidised housing units per year as soon as possible.

It has adopted several mechanisms to achieve this goal:

- Better knowledge of the demand for subsidised housing, via a **national record system** (SNE). This now-unified system provides accurate information, on the national, regional, and local levels, about the characteristics of applicants: type of household, resources, preferred municipalities, etc. It allows each territory to adapt its programme of funding for housing in response to identified demand.
- Increased mobilisation of all stakeholders: HLM (social housing) entities, which produce on the order of 80% of all new subsidised rentals each year, have committed to producing 120,000 subsidised rental units annually from 2013-2015. Regional committees made up of the national government, local authorities and associations of elected officials, construction professionals, Action Logement and the Caisse des dépôts et consignations (joint funders) meet regularly to track the progress of this pact.
- Special funding (tax exemptions and reduced VAT rates, low-interest loans, special premiums, and pooled equity between entities) to build subsidised housing.

Municipalities are required to promote social diversity.

French law no. 2013-61 of 18 January 2013, on using public property for housing purposes and increasing the obligations to produce subsidised housing, strengthened previous provisions by requiring 25% of all housing to be subsidised by 2025 in France's major metropolitan areas and regions where tight market conditions justify a greater emphasis on production.

Municipalities that fall into this category but do not meet this legal requirement or reach their catch-up goals, updated each quarter, will have funds deducted annually from their operating budgets based on the number of subsidised housing units not provided.

The 25% quota will apply for the first time in 2014. This law should have a considerable impact on production of subsidised housing, since the catch-up goals should represent more than 60,000 subsidised housing units annually, up from 22,000 units annually before the law. This additional production will be located in the country's tightest markets.

Public property is being put to use

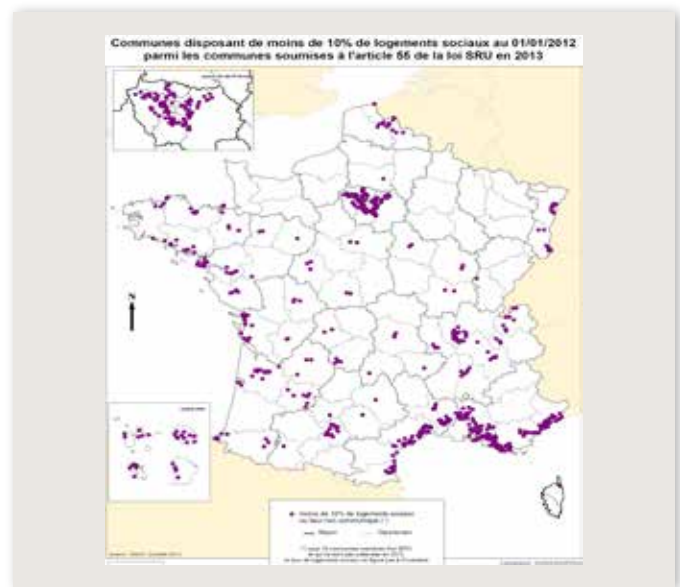
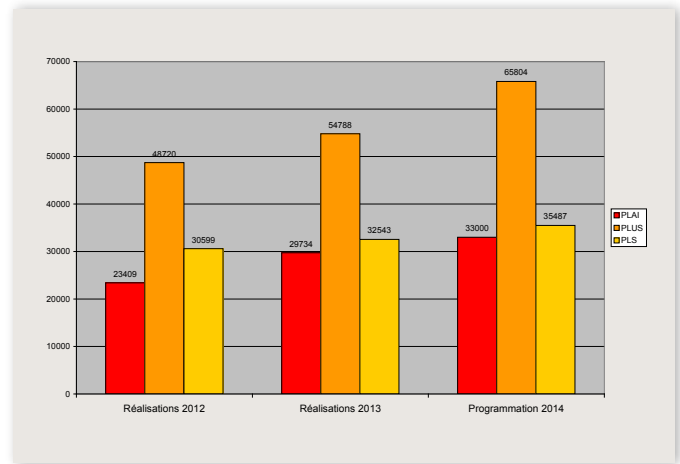
To meet this urgent need, the law of 18 January 2013 also calls for the government to use property owned by state and its public institutions to produce subsidised rental housing at a low cost in sectors with obvious need.

Specifically, the law calls for discounts on the sale price of land owned by the government or its public institutions if it is used to build subsidised housing. This discount could even mean that the land is free in some cases.

Middle income housing will be expanded in tight markets to round out the supply between private and public inventory

There is practically no housing inventory at moderate rent levels, between the rents charged for subsidised housing and unregulated rates. This raises questions about housing for the middle class, creates rigidity in the housing market, and makes it difficult to find housing, particularly for households whose income is slightly above the threshold for subsidised housing but far too low to afford decent housing on the private market. These conditions justify the development of this complementary segment. Indeed, the French housing supply is characterised by a 36% gap between monthly rents at market rates and the rents charged for subsidised housing across the entire country; this figure is much higher in tight markets. In metropolitan Paris, for example, it was 55% in 2006 (latest data available).

To encourage the development of a new rental inventory in the tightest markets and thus free up spaces in subsidised housing, the government is working to develop a mid-range rental supply targeting the households described above. This growth will depend on institutional investors (banks and insurance companies, which had gotten out of residential real estate) returning to the market.



Another way to expand this type of rental option or support home purchases by these same households will be via division share ownership and long-term leases, to reduce the financial burden of the property itself in transactions.

New legislation (2014 finance bill, government order of 20 February 2014) is now in place to organise the conditions of this new production.

The government's target is to **build 60,000 middle-income housing units each year**, both subsidised homes for purchase and rentals at monthly rates 20% below market level.

Inter-municipal associations are developing local programming

To effectively implement the programmes for subsidised rentals and middle-income housing, the government plans to involve and lean on local authorities and public establishments for inter-municipal cooperation (EPCI).

All groups of municipalities with housing authority, more than 50,000 residents total, and at least one municipality of 15,000 residents or more are required to develop a **local housing programme** (PLH), as are conurbations and urban communities.

The PLH has gradually been adopted as the strategic document for programming and implementing local housing policies. It is no longer a simple research document; it has become a key factor in local development alongside urban planning and transportation plans. It expresses the political strategy of the municipality or EPCI regarding housing for six years and is a valuable decision-making tool.

Local urban planning schemes (PLUs) that set the application conditions for building permits within a territory are also operational tools to help local authorities support this policy of developing the inventory of subsidised and middle-income housing.

