

Planning for Affordable Housing

A comparative analysis of Portugal, England and Denmark

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Cambridge Centre
for Housing &
Planning Research

Planning for Affordable Housing

A comparative analysis of Portugal, England
and Denmark

Dr Sónia Alves

November 2019



UNIVERSITY OF
CAMBRIDGE

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1. Background

Housing is a basic human right, recognised by Article 25 of the Universal Declaration of Human Rights¹, and one of the most fundamental human needs. However, it has occupied a relatively weak position within systems of welfare when compared to other domains of social policy, such as social protection/security, health, and education. In most countries, housing is largely a market commodity modified by subsidies and regulation (Kemeny 2001) and is by far the largest single item in household budgets. It can absorb a significant proportion household income, affecting food choices, healthcare needs, and educational prospects.

Housing not only affects the wellbeing of individuals and aspects of social inclusion and exclusion (Somerville, Sprigings 2005), but also shapes the quality of the built environment (Williams 2015). In capital cities, where there is a high demand for housing, but also limitations in terms of land and housing supply, widening economic inequality is aggravating housing costs that exceed what low to middle income families can afford. Spiralling house prices are creating a global urban housing affordability crisis (Wetzstein 2017).

Excessive housing costs are a barrier to the supply of lower income workers and are increasing the prevalence of poor housing conditions, related to overcrowding, insecurity of tenure, and in some cases homelessness, reflecting in many ways a civilizational setback in those areas.

There is increasing political and academic interest in investigating approaches and tools to help solve this unfortunate urban and social crisis. This report focuses upon the relationship between land-use planning and housing, as the planning system has been used by public authorities to influence the volume, type, location and affordability of new housing. As emphasised by Oxley (2004), it may be expected that in addition to the instruments of housing policy, planning tools can also have some effect in making housing more affordable for certain sections of the population. However, as international comparative analysis has exposed, the type and degree of government influence on planning and housing depend on the history, politics and values of each society, thus justifying the comparative perspective adopted by this project.

¹ Everyone has the right to a standard of living adequate for their health and well-being and that of their family, including food, clothing, housing, medical care, and necessary social services.

1.1. Aim of the research

The aim of this research is to investigate how land-use planning has contributed to the provision of affordable housing for low income people within new developments in three capital cities - Copenhagen, Lisbon, and London - and how it has contributed to the mix of housing tenures within new developments. It focuses upon the last 10 years and on Copenhagen, Lisbon, and London. More specifically, it examines: Have public authorities attempted to mandate or encourage developers to incorporate a proportion of affordable homes into their market-driven developments? What has been the relevance of requiring on site affordable housing provision as part of general market developments, and as a condition of planning approval? How have they done so? What has been accomplished and what has been learnt so far?

This report presents some of the key findings of the fieldwork carried out in London, Lisbon and Copenhagen between January and July 2019. Its insights are intended to stimulate debate on how to best translate findings into policy and practice during a workshop convened by the Cambridge Centre for Housing & Planning that will take place in Cambridge, on 2 December 2019. Some of the findings gathered during the fieldwork in the context of interviews and site visits, have not been included in this report. They will be explored in further works.

1.2. Methods

Bearing in mind that knowledge and practices are culturally bound and relative, the research methodology employed interpretive methods to scrutinise policies and practices in relation to their specific social, cultural, and political contexts. Because knowledge is, in the first place, constructed according to the cognitive structures of human thinking and relates to lived experience and the understandings that ensue, a crucial part of this research involved qualitative methods, i.e. interviews and thematic data analysis, in order to grasp how policymakers, local practitioners, consultants and experts interpret, use, or evaluate the potential of planning tools to provide social and affordable housing.

There were several stages in the methods employed to undertake this study.

The first step in the research was to undertake a literature review in order to consolidate existing knowledge of the current research on housing and planning and the regulatory frameworks used for the provision of social and affordable housing in each country.

The second step in the research consisted of an analysis of secondary data, examining economic and social conditions, e.g. poverty rates, housing cost overburden rate by tenure, etc. In the report, when there is no statistical data available specifically for England, or when it is more appropriate, aggregated United Kingdom data is used.

The third step consisted of drafting qualitative semi-structured interview guidelines, which included a set of descriptive, normative, and causal questions about substantive and processual issues related to the use of planning tools to tackle the housing crisis.

A fourth step consisted of in depth, face to face interviews with various stakeholders and experts in the formulation, implementation or evaluation of housing and planning policies. A total of 62 semi-structured interviews were conducted between January and July 2019 in London, Lisbon, and Copenhagen. An outline of the interviewees' institutional affiliations is presented in Annex 1. To maintain confidentiality and protect the identity of the interviewees, the list was anonymised, and no further details are provided on age, professional backgrounds, work roles, previous jobs, or gender. The interviews were anonymous in order to encourage respondents to be as open and transparent about their views as possible.

The sampling and recruitment procedure followed a combination of purposive and snowball sampling. Initial emails were sent to the departments of land use planning and housing for local, regional and national authorities (central government departments responsible for housing and land-use planning, and arm's length companies). Non-profit housing associations, academics and consultants who shape processes of policymaking were also invited to participate by email. The objectives of the study were set out in the email and interviews were scheduled.

During the interviews, interviewees were also encouraged to name a number of other stakeholders who might be interested in participating, facilitating access to new interviewees. All interviews were conducted in locations chosen by the interviewees and, in the case of London and Lisbon, in their native language. Interviews followed all the ethical procedures related to research practice. Interviewees were informed about the aims of the study. All the interviews were digitally recorded with the permission of each interviewee, anonymised and subsequently transcribed.

The fifth step involved the analysis of the collected data to generate a list of key words, ideas, phrases, and verbatim quotes. A thematic approach to data analysis was used, with themes deriving from theoretical literature as well as derived inductively from the qualitative

data collected in interviews. The coding strategy was data-driven, and codes were derived from the words and phrases used by interviewees.

To ensure that the analysis was firmly grounded within the data, the report incorporates verbatim quotes to better illustrate the prevailing ideas held by urban planners, decision-makers and other key stakeholders on the topics.

The research also included short term visits to planning and housing departments and to development sites in all three cities, to capture nuances in the application of planning obligations for the provision of affordable housing.

The research generated a large source of information, and this report presents only a part of this. Space and time limits prevent a complete description and analysis of the data collected during field work.



1.3. Case studies: justification

The choice of countries and capital cities for the current project can be classified as 'strategic sampling' based on expectations regarding information content and maximizing information utility. It is possible to justify it on several grounds.

1.3.1. Welfare state provision

The three countries are good representatives of different traditions of welfare state provision (see below), or of the 'welfare triangle', in terms of the qualitatively different arrangements between the state, the market, and the family (Alves & Burgess 2018).

1.3.2. Common issues

Secondly, differences in terms of governance structure, scale, economic performance, and demography notwithstanding, their capital cities are the main economic and political drivers of the respective countries, and have in common several trends, including increasing housing costs, problems of housing shortage and affordability, and processes of displacement and gentrification.

1.3.3. Common developments and debate

Thirdly, these capital cities have in common a lot of developments and affordable housing production, a lot of grassroots initiatives and of debates about housing affordability.

Table 1 General information on the demographic and socio-economic context of the selected countries

	Km ²	Pop. (*1,000)	Foreign population (%)	Inhabitants per km ² (2015)	GDP per capita / adjusted for purchasing power (USD)
Denmark	42,934	5,827 (2019)	8.4	131.9	49,613
UK	246,610	64,5	9.2	261	41,159
Portugal	91,916	10,627 (2018)	3.9	112.5	15,400

Source: Statistics Denmark (2019), INE (2011)

It is important to recall that Esping-Andersen (1990), who developed and applied the concepts of stratification and decommodification² to an empirical comparative analysis of 18 countries, classifies Denmark and United Kingdom as, respectively, representatives of two different ideal types: the social-democratic regime, characterised by universal provision of social security, health, and education that reduces levels of commodification and

² Esping-Andersen (1990) defines de-commodification' as the ability of individuals or households to enjoy an acceptable standard of living independent of market participation, that is, without relying upon income earned in the market sphere.

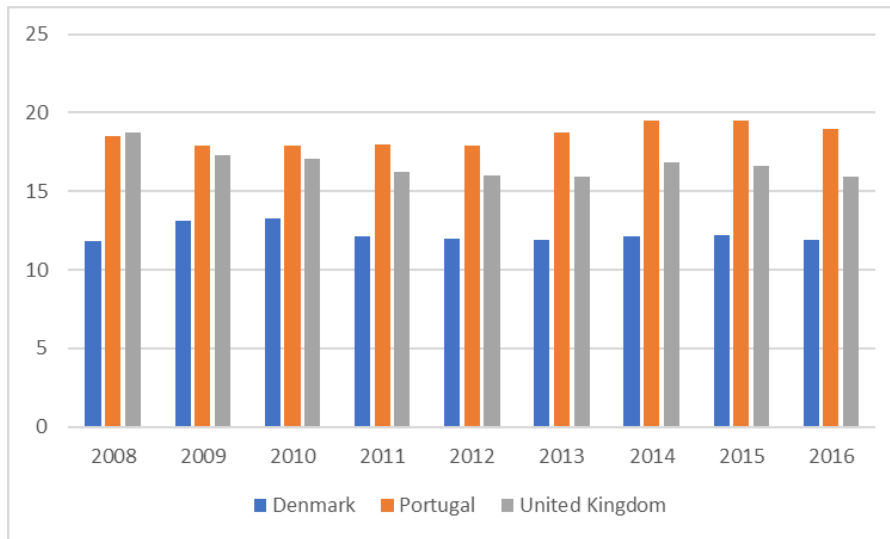
stratification, and the liberal regime, characterised by high reliance upon the market and a means-tested approach and conditional to benefits (based on the beneficiary's income and/or wealth). Using an intermediate level of de-commodification, he also identifies the corporatist regime, in which he places Italy, characterised by a level of social protection based essentially on the status of individuals in the labour market and the history of paid contributions, with the exception of social assistance. The low level of state intervention and high reliance upon family support to compensate for the widespread insufficiencies of such intervention has justified the inclusion of Portugal in another ideal type of Mediterranean regime (Alves & Andersen 2019). Table 2 presents a typology of welfare state regimes based on Esping-Andersen (1990) and Alves (2017). It is important to notice that the redistributive effects of these welfare states are low-income differences and poverty rates in the case of Denmark, and high levels of poverty and inequality in the case of the United Kingdom and Portugal.

Table 2 A typology of welfare state regimes based on Esping-Andersen (1990) and Alves (2017)

	Esping-Andersen (1990) Typology of welfare state regimes	Levels of housing de-commodification	Levels of stratification	Levels of economic inequality/ risk of poverty
Denmark	Social Democratic	High / non-profit housing associations	Low levels of differentiation (universalism)	Low
United Kingdom	Liberal	Low private sector	High levels of differentiation (use of means-testing)	High
Portugal	Mediterranean	Low private sector	High levels of differentiation (based on social occupational status, use of means-testing) family responsibility	High

Figure 1, which displays the evolution of the population 'at risk of poverty rate', after social transfers and using the cut-off point of 60% of median equivalised income (that is, the population with disposable income below the national at-risk-of-poverty threshold), shows that the highest *at risk of poverty* rates exist in Portugal, whereas the lowest rates have been observed in Denmark, reflecting a more egalitarian distribution of income.

Figure 1 Population at risk of poverty rate after social transfers (2008-2016) - cut-off point: 60% of median equivalised income)



Source: EU-SILC (2019)

1.4. Structure of the report

The remainder of the report is organised into two parts. The first part provides an introduction to aspects of policy formulation, looking at policy goals and policy means as the main components of policy making. It then looks at the main features of the planning systems in the three countries in terms of their legal and administrative systems, and their traditions (dominant values, cultures, etc.). Finally, the report discusses the long structuration of the three cities' rental markets, and offers a conceptualisation of the key terms used in this report such as the concepts of 'social housing', 'affordable housing', and 'housing affordability' vis-à-vis aspects of rent-setting, provision, and policy targeting, etc.

The second section is primarily based on the qualitative data collected from semi-structured interviews in London, Lisbon, and Copenhagen. It discusses how planning policies have assisted in the provision of affordable housing in these cities.

2. Planning for affordable housing: an introduction

2.1. Policy goals and means

Comparing the formulation and implementation of policies is an important task as it can be a source of policy learning, generating feedback that will help to inform future rounds of policy-making. It can also promote dialogue, the exchange of ideas, and create collective learning around what can be done.

This is crucial because governments, at the same stage of economic development, have a choice between different options. They can, for example, choose to promote home ownership, the rental sector, or opt for tenure neutrality, trying to offer similar conditions for those owning or renting a dwelling. Alternatively, they may adopt a residual model of social housing reserved for the poorest segments of the population or promote a more universal model that aimed at providing good quality rental housing at cost price.

Comparative studies have identified trends of internationalisation of policy design, with concepts and instruments travelling across borders (Peck, Theodore 2015). However, it should be emphasised that some ideas seem more likely to travel (e.g. right to buy) than others (land value capture), especially since the 2008 global financial crisis, which reinforced the alignment between post-2008 austerity politics and longer-running processes of neoliberal urbanism (Theodore 2019).

Research developed in different countries and cities, such as, for example, Olesen & Carter (2018), who have shown a public policy shift from traditional statist to more privatised models of service delivery; or Branco & Alves (2019) who have scrutinised the dimensions of discourse and sociocultural practice in the field of housing renewal in Portugal-, has shown that periods of crisis and austerity (such as the one that followed the stock market crash of 2008), have actually supported more liberal thinking, grounded in the allegedly virtues of the market.

At various levels of government, the way problems are discursively formulated and articulated, given that this contains an explicit or implicit diagnosis as to what the problem is and how it should be addressed, allows us to understand the processes of decision making, in terms of goals, and the selection of techniques from a toolbox that policymakers use to attain their goals. However, this process is highly constrained by aspects of credibility, financial capacity, fiscality, etc., and it also depends upon an understanding of the costs and benefits associated with different policy tools or instruments vis à vis the problems identified at the agenda setting stage.

Howlett (2011) distinguishes “substantive implementation instruments”, i.e. those used to directly affect the production, distribution, and consumption of goods and services, from “procedural implementation instruments”, “those policy techniques or mechanisms designated to directly or indirectly affect the behaviour of those involved in the production, consumption and distribution of different kinds of goods and services in society.” (Idem: 25). He explained that the latter influence structures the game without determining the outcome. The table below, based on Howlett (2011), illustrates how policy goals and policy means, the principal components of policy formulation, tend to be arranged in several layers. The rows identify the policy goals and policy means at different levels of policymaking (meta-level, programme level, and ground level).

Table 3 Policy goals and means, based on Howlett (2011)

	Meta-level/high level of abstraction	Programme level; operationalization	Programme setting; specific on the ground measures
Policy goals	General macro-level; government statements; definition of policy aims and ambitions	Specific meso-level areas that policies are expected to address in order to achieve policy aims; operationable policy objectives	Specific policy targets, that is, specific, ground-level micro-requirements necessary to attain policy objectives
Policy means	General policy implementation; preferences in terms of organizational devices, for example, for market, public or non profit intervention), for universal targeting (groups, territories)	Policy instruments; policy choices in terms of instruments used to address programme level objectives	Specific policy tool calibrations

Source: Adapted from Howlett (2011: 34).

It is possible, therefore, after Howlett & Cashore (2014), to define policy as “actions which contains goal(s), and the means to achieve them” (Idem: 17), and to consider policymaking

as an activity that involves both a technical and political process of articulating and matching actors' goals and means.

Table 4 summarises some of the key policy goals and means used in England. Further operationalisation will be developed later for the case of London.

Table 4 Planning Policy goals and means

	Meta-level (Government priorities)	Programme level; operationalization
Policy goals	<p>Accelerate the planning process</p> <p>Assist developers to build more homes, and to build their share of affordable homes</p> <p>Support the delivery of new housing and major infrastructure projects</p> <p>Policies to capture land value around the development of new infrastructure projects</p>	<p>Strategic Housing Market Assessment (SHMA) of the need for social and affordable housing (build the right type of housing to meet needs)</p> <p>Local development plans and policies</p> <p>Identification of vacant and brownfield land</p> <p>Policies that require contributions in the form of affordable housing along with market housing as a condition of planning permission</p>
Policy means	<p>General policy implementation; (preferences in terms of organizational devices)</p> <p>Private developers, housing associations, councils</p>	<p>Section 106 of the Town and Country Planning Act 1990</p> <p>Financial tools:</p> <ul style="list-style-type: none"> - Housing Infrastructure Fund, a capital grant programme to ensure necessary infrastructure is in place to unlock housing; - Housing programmes (capital grant)

		<p>Information-based (brownfield registration)</p> <p>Planning exemption to facilitate the conversion of commercial and industrial properties into homes</p>
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Source: Author

It is also important also to note that, whilst Howlett & Cashore (2014) emphasise the relevance of policy as a set of interrelated decisions taken by political actors or a group of actors that concerns the selection of goals and the means of achieving them within a specific situation, Zittoun (2014) claims that, beyond politics and policymaking, administration and routines play a significant role with regard to public policy. At different levels of administration, policy goals and means are negotiated and produced in the context of specific social and institutional practices. Whilst policies define corridors of action (e.g. in terms of goals and means), there is a margin of subjective interpretation (related to individual knowledge and values), and a range of factors and circumstances limit what is actually achieved.

2.2. Systems of land use planning, planning policies and practices

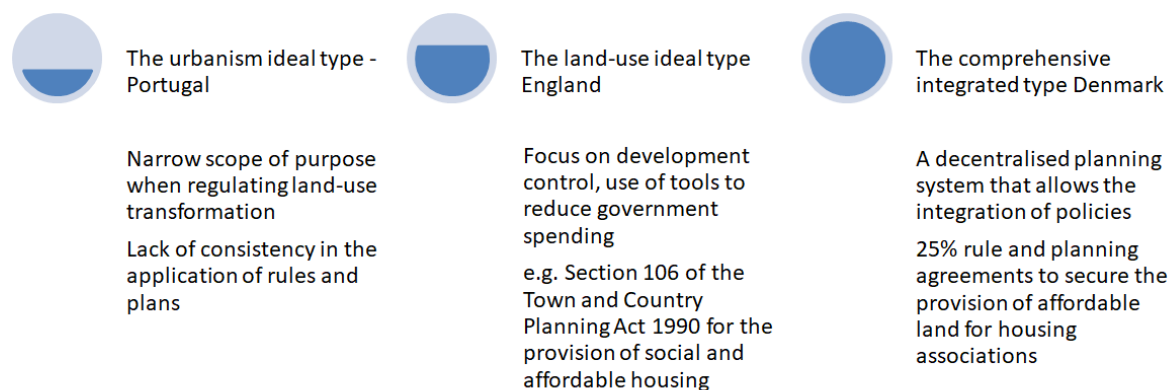
According to Nadin and Stead (2008), two main approaches can be used to classify spatial planning systems. The first starts with a classification of the legal and administrative structures within which planning operates, while the second applies a wider set of criteria to identify ideal types of planning. The former makes an essential distinction between regulatory planning systems that use zoning to classify and qualify the permissibility of land uses (e.g. Portugal and Denmark, in line with most Continental European systems) as opposed to discretionary systems in which plans only have indicative force, (e.g. England, where decisions are determined case by case). In both cases, the public sector owns the development rights independently of any private ownership of land, and every development must obtain planning permission.

In England, planning permissions are determined on a case by case basis: decisions are taken in accordance with the local development plan unless other material considerations indicate otherwise (Sheppard & Ritchie 2016). Local planning authorities may enter into site by site negotiations with developers or landowners regarding the conditions for the granting of planning permission. Developers may be asked to provide necessary, relevant and reasonable contributions for infrastructure in several ways. For example, in areas of high

housing shortage, the vast majority of the contributions required are expected to be in the form of onsite provision of affordable housing. The National Planning Policy Framework (MHCLG 2018) determines that: “Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required and expect it to be met on-site unless: i) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and ii) the agreed approach contributes to the objective of creating mixed and balanced communities” (MHCLG 2018: 17) (for more details, see section 3.1).

The second approach to classifying planning systems uses a wider set of criteria, looking at the scope of the planning system in terms of policy topics covered, or the distribution of powers among levels of government (national, regional, local). In a comparison of the systems and practices of planning across 12 European countries, Reimer et al. (2014) review the four main ideal types identified by the EU Compendium of Spatial Planning Systems and Policies in 1997. They emphasise how the competency of planning systems to promote an adequate integration of land uses, actors and funding sources varies across countries. In this regard, it is worth noting that Denmark (as well as the Netherlands) has been classified as a comprehensive-integrated ideal type, where the planning system works as a cross-cutting coordinator and regulator of sectoral policies with spatial impact (Reimer et al. 2014; Buitelaar & Bregman 2016; Needham 2014; Elinbaum & Galland, 2016), whilst England and Portugal are classified as a land-use and a urbanism planning ideal type, respectively (see Figure 2).

Figure 2 Ideal-types of planning & features of the systems



Source: Author, based on Reimer et al. (2014)

However, the English and Portuguese planning systems and cultures are quite distinct. Portugal uses zoning, with plans and regulations allegedly providing legal certainty (de Kam et al. 2014), but the reality is that, in Portugal, as in other countries, there is room for

discretion at the planning and development control stages. Moreover, Portugal, like other Mediterranean countries, is known for its lack of consistency in application of rules and enforcement (Giannakourou 2005), the gap between statutory plans (that classify and qualify the permissibility of land uses) and implementation. As a result of this, the Mediterranean 'city archetype' has been described by its simultaneously compact and dispersed form, with considerable differences of class, culture, and a demography in which the concept of 'informality' (or spontaneity of settlement) can be preponderant (De Rosa & Salvati 2015).

The relationship between planning and housing, in terms of the use of regulatory planning mechanisms to achieve housing goals, and specifically, the inclusion of social and affordable housing in new developments, has also been an object of research in several international studies (e.g. Whitehead 2007, Calavita & Mallach 2010, de Kam et al 2014, Gurran & Bramley 2017) that identify the use of both mandatory and voluntary planning tools. Mandatory tools are, for example, used when land is re-zoned for residential development, when planning rules are changed for particular projects, or following significant infrastructure investment. Voluntary tools are used as planning incentives, within the existing planning and development control framework, to encourage the inclusion of affordable housing as part of residential development.

In some countries, such as England, the granting of planning permission and the provision of infrastructure is typically seen as a discretionary action that typically increases land values, with many arguing that the owner has no moral right to the full increase of land value that arises from planning decisions (see, for more details, House of Commons 2018). Several forms of land value capture have been implemented to cover part of the cost of providing new public infrastructure or services, namely those that are made necessary by development (Oxley 2004). However, in other countries this is not the case, and inclusionary housing zoning and other mechanisms of land value capture, as a form of wealth redistribution, are rarely implemented (Calavita & Mallach 2010).

2.3. Housing policies

As illustrated in Figure 3, housing occupies a relatively weak position within systems of welfare when compared to domains of social policy such as social protection/security, health, and education. Spending also varies considerably between the three selected countries, in 2015 a higher spending was recorded in the United Kingdom (4.7% of total social protection expenditure), almost double that in Denmark (2.2% of total social protection expenditure) and almost inexistent (0% of total social protection expenditure) in Portugal.

It is worth noting that in, 2011, in a state of near bankruptcy, Portugal acceded to a programme of economic and financial adjustment applied by the Troika (the European Commission, the European Central Bank, and the International Monetary Fund), in which Portugal received a loan of 78bn Euros, but agreed to a memorandum of understanding with creditors to implement a package of austerity measures which included the reduction of investment in the housing sector and liberalization of the private rental sector in 2012 (Alves & Branco 2019).

Figure 3 Social protection expenditure, by function (%) in 2015

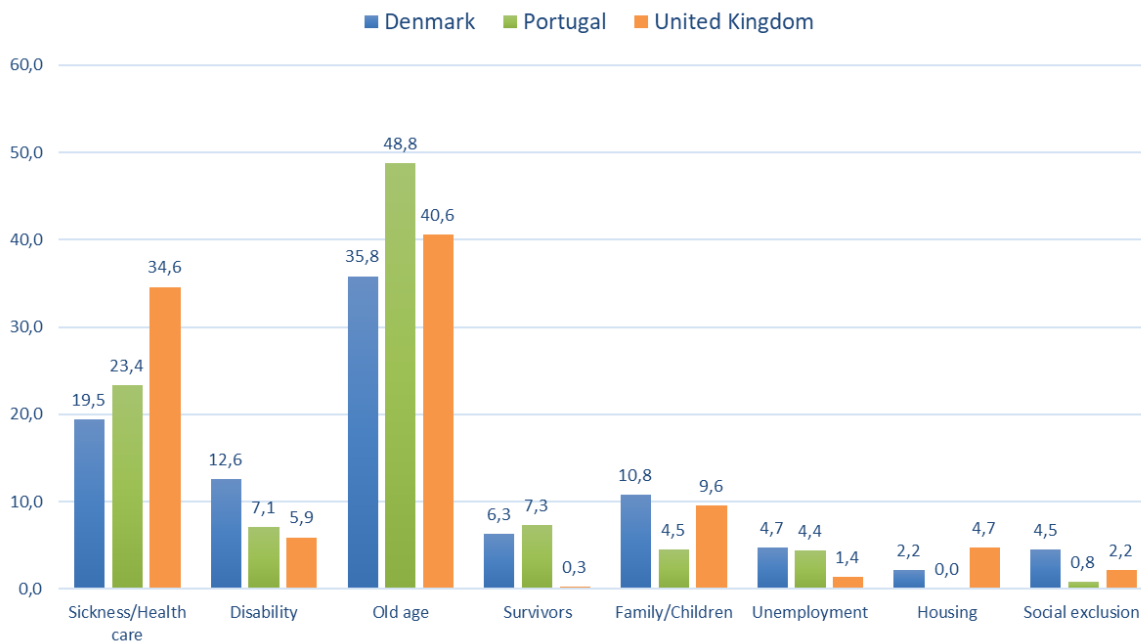


Table 5 shows the tenure structure of housing markets in the three countries and their capital cities. It is interesting to note the more even balance between rental and ownership in the capital cities than in the countries as a whole, as a result of path-dependencies, like the introduction of the right to buy in England, or the continuing priority of supporting home ownership in Portugal (see Annex 1). As the result, the rented sector varies considerably across countries, ranging from 20% in Portugal, 37% in England, to 42% in Denmark.

Table 5 Tenure structure of housing markets (in percentage of total dwelling stock)

	Owner occupied	Private renting	Social housing	Other situation
England (2015)	63%	20%	17%	0%
London metropolitan	50%	26%	24%	0%
Portugal	73%	18%	2%	0%
Lisbon metropolitan	67%	24%	3%	6%
Lisbon (municipality)	52%	35%	6%	7%

Source: INE (2011), GLA (2017)

	Owner occupied	Private renting	Housing societies (andels)	Non-profit building societies	Others (Occupied by the tenant)
Denmark	57%	17%	6%	17%	3%
Region Copenhagen	45%	14%	14%	22%	5%
Copenhagen (municipality)	22%	21%	31%	19%	7%

Source: Statistics Denmark (2019)

Statistical data also shows that there is no direct relationship between the proportion of homeowners and the economic prosperity of a country (measured by GDP per capita). Furthermore, government policy, in terms of tax (e.g. in respect to owner occupation or the private rented sector), subsidy (e.g. income benefits for private tenants), and regulation, are important explanatory factors that modify tenure preference or the capacity to access the different tenures.

Kemeny (1995) explains the long structuration of rental sectors using reasons related to ideology and power relations, distinguishing between two typologies of housing models:

i) Integrated rental model

The state encourages cost rental housing to compete directly with the private rented sector in order to dampen rents and to provide good-quality housing on secure tenancy terms. The model aims at a large stock of good quality housing that is not targeted by income limits, in which rental is considered a good alternative to owner occupation. Denmark is a good illustration of the effects of such 'structuration' upon the size, rent levels, housing quality and tenant composition of the not for profit and for profit rental markets that show a balanced distribution in this country;

ii) Dualist rental model

The state takes upon itself direct responsibility for providing a social housing sector reserved for the poorest segments of the population.

The size and social composition of the social and not for profit housing sectors across countries reflects the (different) goals and means adopted in their (long) structuration. Whereas the size of the social housing sector is quite different in England and Portugal, statistical data depicts a dualist rental market regime in both cases. In England, the proportion of households in the social rented sector represents 17% (of which 10% is owned by housing associations and 7% by local authorities), but, in the 1980s, before the implementation of the Right to Buy (which gave council tenants the opportunity to purchase their home at discounts up to 60%), the size of the municipal rented stock was equivalent to 30% of all dwellings (for more details, see Pattison and Cole, 2019). The share of the social rented sector in Portugal is residual, equivalent to only 2% of all housing stock, but the Right to Buy has nevertheless been implemented. In England, the Right to Buy was often exercised by more affluent tenants, leading to the residualisation of the social housing sector which is now more confined to the poorest and most vulnerable.

In Denmark, the state and municipalities give subsidies for the construction of new, not for profit housing (10% municipal capital, guarantees on mortgages loans, and individual housing benefits for low income families) but not to facilitate management and running costs. The rent of the dwellings reflects the cost of land, building and management. Housing associations must adopt a mandatory long term maintenance plan (10 to 30 years), financed through rent payments.

2.3.1. Social and affordable housing: main definitions, providers, and levels of housing affordability

Understanding the concepts of 'social housing' and 'affordable housing' is increasingly complex owing to the use of new models of finance, methods of rent setting, and types of provider. The following table, based on Czischke & van Bortel (2018), Alves & Andersen

(2019), and Murphy & Baxter (2017) aims to identify the main meanings and features of 'social housing' in each country.

Table 6 The meanings and features of social and cost-housing in England, Portugal and Denmark

Social housing	England	Portugal	Denmark
Definition and target groups	Rental housing for people on low incomes and for those with (defined) special needs. Normally funded through grant subsidy, they will remain affordable in perpetuity, except if they are sold through the Right-to-Buy		Rental cost-housing not restricted to incomes. In general, dwellings are allocated to people according to time spent on the waiting list. Local governments have the right to assign people in acute need of housing (up to 35% of vacant dwellings in Copenhagen)
Rent-setting	Rents are set locally and determined by several characteristics, such as local wages and cost of rented accommodation. In England, rents are also adjusted by the number of bedrooms in a property		Rents are set according to the cost of producing and running the housing units
Providers (owned by)	Local authorities and non-profit private registered providers (e.g. housing associations)	Local authorities and their housing companies. The state (IHRU) still manages housing stock	Housing associations build only for rent (commercial purposes and cross-subsiding is not allowed)

Source: Author. Adapted from: Czischke & van Bortel (2018), Alves & Andersen (2019), Murphy & Baxter (2017)

In England, social rents are offered by councils and housing associations, and are generally set at 40-65% of market rent. There are currently 1,775 housing associations managing 2.4 million homes, with the smallest housing associations controlling fewer than 10 homes and the largest around 140,000. This is an independent private and not for profit sector, which

means that surpluses made in some activities (builds for sale or to rent) must be reinvested to cross-subsidise sub-market rental housing. A similar strategy has been adopted by local authorities, as explained below:

On our (public) land, when we have the capital, we put forward a scheme to develop new homes. A normal default position would be to build council housing, and there are ways in which we can make our capital go further by [blending homes] for sale on the market. (...) If we build mostly council housing, but also some housing for sale on this land, we can extract the value that is inherent in the land and cross-subsidise another site. Therefore, you end up over the whole programme with more social housing, because some of it is market or intermediate, which is providing more cross-subsidy to gear up and make available to the overall programme. LA1.

Housing associations frequently enter into contracts with central government departments to assist them with money or land so that they can develop new homes (or rehabilitate old housing stock) without having to charge exorbitant rents.

Social rents in England are based on a formula set by the government. This calculates a rent for each property based on the relative value of the property, relative local income levels, and the size of the property. According to the UK government, the aim of this formulaic approach is to ensure that similar rents are paid for similar social properties (DCLG 2014: 4). The shift in England from the traditional means of subsidizing development through capital grants and public sector loans to a mix of private-public funding based on lower capital grants and loan finance sourced from the private sector, has led to the commercialization of the sector. The reduction of government subsidies in the form of initial capital at the time of development to reduce building and acquisition costs (which now have to be met through loan finance), has gone hand in hand with the introduction of 'Affordable Rents'. Properties are let at higher rents, and housing allowances (a means-tested subsidy also known as 'housing benefits') help families pay higher rents, so that private register providers are able to meet loan repayments, interest on capital, stock maintenance, etc. (Reeves 2014: 122).

In the National Planning Policy Framework (MHCLG 2018) the concept of 'affordable housing for rent' is now defined as housing that meets all of the following conditions:

- (a) the rent is set in accordance with the Government's policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable);

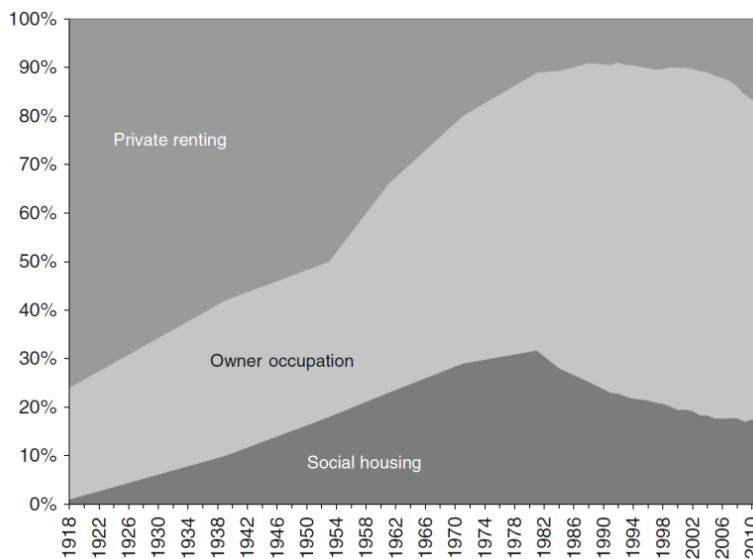
- (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme; and
- (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. It includes also intermediate rents, such as shared ownership, at a price equivalent to at least 20% below local market value (MHCLG 2018).

The literature on the financialisation of housing has emphasised that, in the context of the reduction of capital grants, the role of housing associations in England has changed, with the contradictions between social and commercial purposes being emphasised by Crook & Kemp (2019):

"The traditional mission of housing associations in England is to provide non-profit housing let at sub-market rents to low-income and disadvantaged households. And yet in recent years, large 'property developer housing associations' have begun to invest in for-profit private rental homes let at market rents. Despite long waiting lists for their accommodation, these housing associations are mainly letting their for-profit rental homes to middle-income tenants rather than their traditional low-income clientele." (Idem: 666)

The introduction of housing allowances has also enabled the state to relax post-war rent controls in the private rented sector (allegedly) without jeopardising housing affordability for households facing rent increases (Turner & Elsinga 2005). However, the introduction of the Housing Act 1988, which deregulated all new private lettings from January 1989, led to the dramatic growth of the rented sector (the proportion of households renting from private landlords rose from 9% in 1991 to 16% in 2009/10 - see Figure 4 below), and with it of public spending with housing allowances. Rather than reintroducing a cap on rent increases, the government chose to introduce a cap on housing allowances, which now limits what low to middle income householders can actually afford. The sector is now characterised by limited security of tenure relative to social housing, and in areas of short supply and high demand by a 'power imbalance' which operates in favour of the landlord (for example, landlords can easily end a tenancy and choose another tenant).

Figure 4 Housing tenures: trends in England (1918–2010)



Fonte: Pearce and Vine (2014)

In Portugal, the enactment of a new Urban Lease Act Law in 2012 introduced major rent decontrol in the private rented sector, broadening the conditions under which open residential leases can be renegotiated and phasing out rent control mechanisms. Whilst the law states that housing benefits should be implemented for families with economic needs, these have never been operationalised. In 2018, the Government preferred to introduce legislative changes to the urban leasing regime in order to protect vulnerable seniors (for more details, see Azevedo et al. 2019). In the social housing sector, subsidies have been channelled directly to the housing companies, which are owned and managed by local authorities or their arm's length companies. The overall stock of only 120,000 social housing units (2% of all housing) in a country with relatively high levels of inequality and poverty explains the permanence of poor housing conditions for many, and especially for vulnerable communities (e.g. the Roma).

Meanwhile, the concept of 'social rent' has been legally replaced by the concept of 'renda apoiada' (supported rent), the calculation of which is based on the size and income level of the household and the definition of a minimum and a maximum rent. Whereas the minimum rent cannot be less than 1% of the index of social support defined by the government, the maximum rent is based on the value of a 'renda condicionada' (determined by the capital value of the dwelling, and an effort rate, in the form of the ratio of housing expenditure relative to income (23% in 2019). The application of the concept of 'renda condicionada' to dwellings owned by public entities (central state, local authorities and their housing companies) has enabled the diversification of new supply towards mid-market rents, paving the way for the introduction of 'affordable rents' (renda acessível).

Several studies have emphasised that Denmark is unusual among European countries in terms of: i) 'the preservation of the balance between rental and owner-occupancy, with only 50% of all Danes living in owner-occupied housing in 2017' (Alves 2019); ii) 'continuous investment in supply subsidies to non-profit housing which remain an important part of the government spending.' (Alves & Burgess 2018); iii) 'rent control, as the national rent deregulation enacted in 1991 was limited to new buildings (...)'. Thus, 'pre-1991 units are still subject to strong rent regulation and all types of rental housing are also subject to local regulations in some areas.' (Whitehead et al. 2016: 10). In Denmark, models of finance have been quite stable over time, and are characterised by the cost-related principle that Alves & Andersen (2019) describe as rents set according to the cost of producing and running the housing units. The sector is financed by mortgages on market terms (covering 88% of the construction costs, including land), by local government subsidy, at 10% of construction costs (the building cost upper limit being regulated annually), and 2% by tenants. Low-income households are entitled to housing benefit.

As Table 6 shows, in both Portugal and England, access to social housing is means-tested and restricted to families with high levels of 'social need'. The national government provides the financial regulations and generic guidelines, the local authorities, housing associations, or housing companies take responsibility for providing the land and the planning and implementation. Yet, in Portugal, the non-profit housing sector is practically non-existent, as a consequence of political choices made in the past. From the 1980s until the end of the 1990s, the cooperative housing sector benefited from very favourable conditions (cheap land, fiscal and financial benefits), but because it used a system of individual ownership rather than collective ownership (cooperative tenancy, in which cooperatives rent out the dwellings). Once built, the dwellings were transferred through contracts of purchase and sale to the households, who after payment of the loans contracted with the banks were able to sell them without cap limits in the free housing market.

The current situation in Portugal, as in other southern European countries, is described by Azevedo et al. (2016) as being characterised by i) high rates of home-ownership across all social strata; ii) high rates of second homes; iii) deficient rental markets and social housing stock (one of the lowest rates in Europe equivalent to 2%); iv) the role of the family in housing provision and self-provision, and v) high mortgage over-indebtedness. The latter resulted from the availability and accessibility of mortgages from the 1990s onwards and the government's priority for homeownership, with subsidised loans and tax subsidies pushing families into owner-occupation.

2.3.2. Housing affordability - Normative definitions and methods for measuring

According to Tunstall & Pleace (2018): "Social renting is the cheapest of all the tenures, with a mean weekly rent of £95 for council tenants and £106 for housing association renters in 2015-16, compared to £184 a week for private renters and £159 a week for the average mortgage payment. In 2015-16, social renters spent an average of 28% of their income on rent, compared to 18% for those buying their home with a mortgage, and 35% for private renters'. The authors also point out that 44% of people living in socially rented accommodation were living in poverty after meeting their housing costs and despite their low rents, but that poverty amongst social tenants is less widespread and less severe than it would be if the current population living in social housing were privately renting, due to relatively lower housing costs.

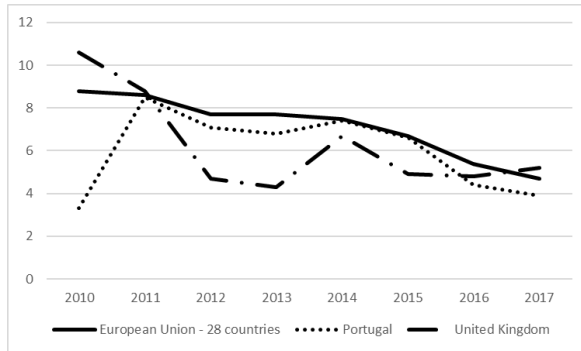
Statistical data on housing affordability, measured by the relationship between housing costs and household income, enables the identification of other interesting trends (see below). To begin with, it is important to note that the ratio (or standard) that denotes affordability is far from universally accepted and that it also poses questions about which costs should be included (e.g. whether to consider utility bills, and costs related to regular maintenance and structural insurance). For example, whilst Murphy & Baxter (2017) and the housing charity Shelter claim that the ratio standard of 35% is the most appropriate to measure housing affordability, Eurostat uses the ratio standard of 40%, defining the indicator 'housing cost overburden rate' populations living in households where the total cost of housing accounts for over 40% of equivalised disposable income.

Figures 5 and 6 are based on EU statistics on income and living conditions (EU-SILC 2019). Figure 5 shows the housing cost overburden rate by tenure status from 2010-2017 in Portugal and England, and Figure 6 shows the comparison between Portugal and Denmark.

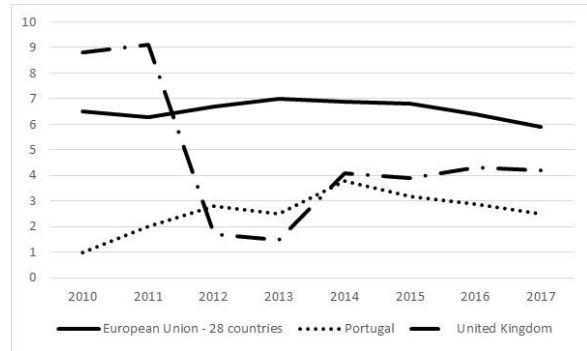
Graphs show that, on average, affordability is more of a problem among tenants than among owner-occupiers, and particularly among tenants who live in the private rented sector.

Figure 5 Housing cost overburden rate by tenure status from 2010-2017 in Portugal and United Kingdom

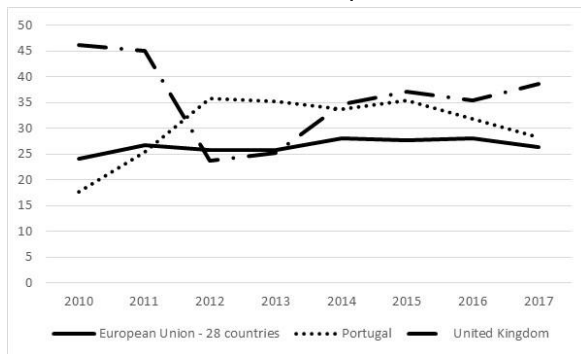
A - Owner, with mortgage or loan



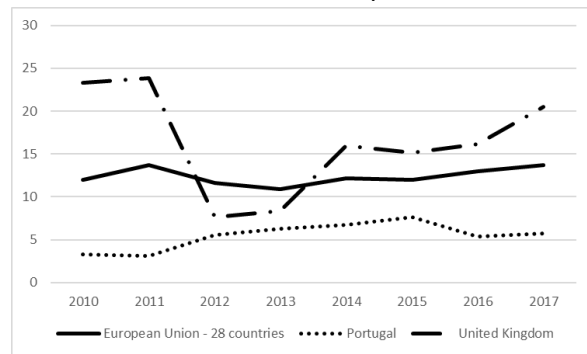
B - Owner, no outstanding mortgage or housing loan



C - Tenant, rent at market price

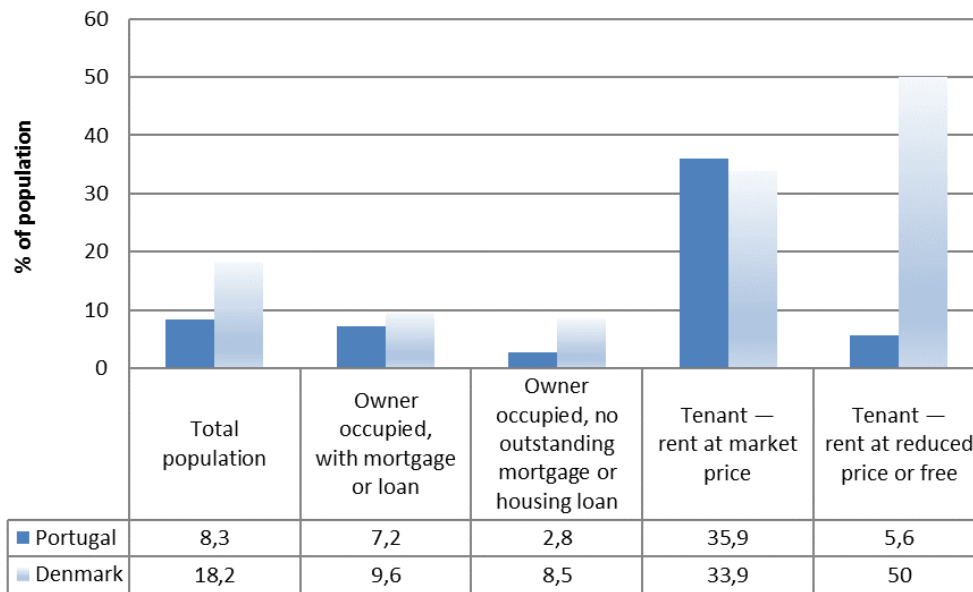


D - Tenant, rent at reduced price or free



Source: EU-SILC (2019)

Figure 6 Housing cost overburden rate by tenure status, 2012 (% of population)



Source: Eurostat 2014

In Portugal and the United Kingdom (as there is no statistical data specifically for England, the aggregated UK level is used here), the proportion of the population for which housing costs exceeded 40% of disposable income is highest for tenants with market price rents (owing to the liberalisation of the rental market), and lowest for those in owner-occupied dwellings without a loan or mortgage. In both countries, owner-occupancy offers significantly fewer problems of affordability than the private rental sector. Active support for the sector over time, both by subsidised mortgages, tax relief on mortgage interest, discounted sales of council housing, and exemptions from capital gains tax, may explain the situation.

In 2017, 39% of tenants in the private rented sector in the United Kingdom spent more than 40% of their disposable income on housing costs, whilst in Portugal this was 28%. Tenants with rent at below-market prices in the United Kingdom also faced affordability issues: 20% of tenants with reduced rents in the United Kingdom spent more than 40% of their disposable income on housing costs. In Portugal, only a residual percentage of 5% experienced housing cost overburden.

In Denmark, around 50% of the tenants who pay a so-called 'reduced price/fee' (usually associated with non-profit housing), paid rents that exceed 40% of their disposable income, which shows unequivocal signs of growing unaffordability in the sector. In Denmark, the stock of pre-1990 contracts has been more regulated, playing an important role in providing more affordable rents.

2.4. Views on housing affordability and the funding/building model

This section summarises the qualitative evidence gathered from the interviewees between January and July 2019. The interviews touched on a very wide number of issues, but the analysis in this section is centred on interviewees' views and experiences in response to the following two questions:

- i) Are there sufficient choices for low-income families in Lisbon/London/Copenhagen?
- ii) What has changed over the last decade in terms of funding or strategies for the delivery of affordable housing for low-income families?

The section, which presents the views and experiences of individuals, relies heavily on verbatim quotes from respondents to illustrate pertinent points and specific issues.

London

Many interviewees made the point that London is a global city of eight million people with intensifying demand-side pressures, and characterised by insufficient choice, both in terms of the type and tenure of housing options. One interviewee said:

We're not building nearly enough family homes, and we've also got a problem that a lot of the larger homes in the owner-occupied sector are occupied by people who haven't got children. So, there's a real problem of massive under-occupation in most of the owner-occupied stock in London. A2

Interviewees claimed that the reduction of supply subsidy mechanisms, deregulation of the private rental sector and the introduction of caps on housing allowances have made housing unaffordable for low and middle income families, forcing many to seek accommodation out of London. They pointed out that population growth is increasing at a faster rate than new housing output, and that the housing and job market in London is very internationalised, with foreign investors further pushing up property values. The problem is recognised by both representatives of local authorities (LA) and the national government (NA):

Housing on the private market – on the open market – in London is very expensive relative to people's incomes... For young people in professional jobs 20 or 30 years ago, when I was first working, it would be quite normal for an individual, and certainly for a couple, to be able to find affordable accommodation by buying it with a mortgage. This has become extremely difficult due to a number of factors. So more and more people would need to find other options. Of course, a lot of people would be forced to live in smaller,

not so good accommodation in less accessible locations. So they would end up living somewhere further out of London in small or shared accommodation on the private market. LA1

A lot of the local housing allowance freezes and policies that came in ... effectively meant that more and more low-income families were being squeezed out of London and having to move to different areas. NA1

So the empirics are households that pay the highest proportion of their household income on housing costs in London of any place in England. I think the national average is something like 37% of income before housing benefit is spent on housing cost, it is much higher than that in London. The affordability ratio, so the ratio of prices to incomes – if you pick a borough like Kensington and Chelsea, it's 20 or 30 or 40 times income compared to a national average of eight, I think. So clearly that means households are constrained by their budget in options. That's the sort of price mechanism. NA2

Representatives of non-profit housing associations mentioned that even though London provides a broad range of affordable housing options, namely the three regimes of affordable housing set by the Mayor (the London Affordable Rent, the London Living Rent and the London Shared Ownership), only the London Affordable Rent, where rent prices are linked to local wages rather than house prices, is considered affordable for low income renters:

The only really affordable option for low income households is social housing. Social rents in London are around 50–60% of the market equivalent, so they are far better suited to those on low incomes. They are also limited in how much they can be increased each year: from 2020 this is capped at CPI+1%. Social rents are also not subject to the LHA cap, meaning that those without incomes can have their full rent covered. However, the lack of development of social housing units over the last 3 decades has meant that there are few properties available and waiting lists are very long. This has resulted in more low income families being trapped in the private rent sector. NP5

Private rents in London are extremely high relative to what low income households can afford. In some areas of central London, average monthly rents exceed full-time earnings on the minimum wage. For a minimum wage worker, renting one of the cheapest rooms in most areas of London can easily take up half their pre-tax salary. For those with children, renting an entire flat would be

essentially impossible without support from Housing Benefit or Universal Credit. However, the amount of welfare one can receive to help with private rents is capped by the "Local Housing Allowance" rate (LHA cap). This depends on area and the number of bedrooms a household needs, but it was capped at the bottom third of local private rents and frozen in 2016, meaning it has failed to keep up with rent inflation. NP5

I think there are three markets (of affordable housing). There's the social rent, which is the London Affordable Rent, then there's a sort of intermediate market for those people that want to rent, but can't afford private rental. So there's intermediate rented homes, but there aren't many of them. Then there's private rent, and then for those people that want to buy, especially in London, but can't afford to buy, there's shared ownership. NP3

There was general agreement amongst interviewees that rents were increasing in the private sector without any improvement in quality or security of tenure, whilst the supply of social rented homes was reducing, and that, while house prices have increased quickly, the housing supply has expanded slowly, constrained by a shortage of available land for sale.

Interviewees also mentioned that housing associations have adopted higher rents and a cross-subsidy model that uses sales of private homes to fund the provision of affordable housing:

So, as a housing association, we do put in a lot of subsidies... we reinvest our profits in schemes to make them viable. But we're also quite reliant on ... funding from the mayor, which typically means we therefore have to provide the affordable housing products that he makes grant funding available for. So that will be London affordable rent, which typically ... is charged at slightly higher than social or target rents for one and two bed units. NP1

Lisbon

Interviewees in Lisbon claimed that the lack of housing choices was not restricted to low income families. Some interviewees claimed that they had already solved the problem in the social housing sector, but the problem had shifted to middle class families of lower means – families who do not have access to social rent (due to a lack of available options and non-qualifying income levels), and who cannot find affordable housing in the market either:

*The big problem, in my view, is the lack of housing for lower to middle classes.
RP3*

I think there is a serious problem of a lack of housing choices not only for low income people, but also for middle class people in Lisbon. The problem is not limited to low income people! RP7

No, there's no choice. We are currently facing a situation of absolute exhaustion of supply. There isn't one. NAP1

Housing policies in Lisbon have been formulated to respond to emergency situations, illegal settlements, shanties. That is, public housing is made to respond to an emergency situation. RP1

Some interviewees described the situation as increasingly problematic. A combination of changes in housing policies and wider macroeconomic circumstances (see below), including new laws that liberalise the private rental market (e.g. allowing the renegotiation of all pre-1990 lease contracts with exception of those held by seniors and disabled tenants), in a period of unprecedented pressure from tourism and financialisation, have exposed existing tenants to various forms of displacement:

Unlike other countries and capitals in Europe, we have been in demographic recession. That is, there is no demographic growth and, therefore, new construction makes no sense. Moreover, the 2007–2008 financial crisis and all that happened afterwards - the problem of high public debt in Portugal, the Troika and all its effects in the period 2011–2014 - led in practice to the almost complete destruction of our construction sector. In practice, urban expansion has stopped. There has been no new construction. There was then the concern to turn the focus to rehabilitation and rental, far from imagining the phenomenon that would follow: tourism. [...] At that time, prices fell in such a way that, suddenly, our historic centres, especially Lisbon and Porto, have become loin meat for foreign investment. NAP1

Interviewees also claimed that the creation of a favourable tax regime for non-residents and of a Golden Visa programme, which offers residency for third country nationals when they buy expensive houses, has had an impact on the housing market. This has been especially the case in a context of the adoption of a new rental regime that has liberalised the private rental market, allowing the renegotiation of almost all pre-1990 lease contracts and the free negotiation of the new ones.

Rents in the centres of Lisbon and Porto saw a period of rapid growth from 2015 onwards, under pressure from foreign investment and tourism. RP8

What we have seen is increasing gentrification of Lisbon because, in fact, legislative change has made it easier to act on eviction or in opposition to contract renewal. LM4

In the context of increasing pressure from tourism, the housing market has become increasingly speculative in Lisbon. The increase in demand for buildings for the tourist market has increased property prices such that they are now much higher than can be afforded by an average family:

At the moment, we see the brutal effects of the discovery of Lisbon by tourism and real estate funds... we have actors within the city who are already much more powerful than the municipality itself, and who exceed their powers in a very responsive way. For example, house purchases and sales are packaged (concentration of buildings) to escape the control of tax authorities and the intervention of the municipality (right of preference over transactions). RP1

The problems result from a very great pressure from tourism, and owners' attempts to monetise their properties as much as possible. A large proportion of the properties were also captured by real estate investment funds, and these real estate investment funds have a goal of monetising to the maximum. RP7

Some interviewees explained that the demand from real estate investment funds and foreign buyers was diminishing the capacity of other actors seeking to provide social and affordable housing. At the same time, they expressed concern that this new trend could potentially reinforce the processes of suburbanisation observed over recent decades in Lisbon³:

In the last 10 years, the thing has worsened greatly because of tourism. So until 10 -15 years ago ... the middle classes could find a house somewhere. Now, with tourism, it passed to another level... in which it became really difficult to find a home. And if the chamber and housing services had programmes, although insufficient, for the lower classes, for the middle classes they did not have anything at all. And, therefore, there is a total and complete need. RP6

There's a lot of social housing in Lisbon (municipality), but it's not enough. Of a total of 320,000 dwellings in Lisbon, 25,000 are owned by the City Council, but the Borough of Lisbon also has huge waiting lists for social housing. There are 3,000 people waiting. NAP2

³ The Municipality of Lisbon lost 17% of the resident population over the period 1991–2011.

Copenhagen

In answer to whether there is sufficient choice for low income people in Copenhagen, a representative of the local authority explained that there are not enough affordable houses for low income people and that it is extremely difficult to find a rent-controlled apartment:

We've made a huge analysis of the availability in the housing market in Copenhagen, and if you are a low-income person or family, then your choice of housing is definitely limited. We have a wide range of housing options in Copenhagen, going from owner-occupied housing (only 20% of the housing stock in Copenhagen); 20% is public housing, and then 30% is what we call co-op apartments, and the last 30% is rental apartments. Owner occupied housing has become increasingly expensive, so that's not perhaps an option if you have a low income... The Government, from 2001 and then the years to follow, liberalised the legislation regulating co-op apartments, so that also actually became quite expensive, and really difficult to come by. The rental market for housing is divided into two, basically: a type of rental apartment that is relatively expensive; and then a type of rental apartment that is rent-controlled. And the rent-controlled apartments are the older apartments – they are taken, and it's extremely difficult to get hold of a rent-controlled apartment, because it's on a network basis, and you have to know the right people, basically. CL3

Our model indicates that there's a huge need in the years to come, and the municipality itself has declared that they want to build 60,000 houses in the next twelve years ... In Denmark, the inhabitants themselves feel that there's a lack of adequate housing, and that is especially so for the more vulnerable groups. RD1

The idea that Copenhagen has a wide range of housing options, as just 20% of all stock is owner occupied, is widespread. But the reality is that most cheap or accessible housing options for low income people have now disappeared, and this point was emphasised by other interviewees.

The point was illustrated with the example of cooperatives (which make up 30% of the total housing in Copenhagen), which emerged following the conversion of private rented accommodation into a collective form of cooperative ownership. Even though the strategy to offer renovated affordable dwellings to tenants in the 1990s led to affordable solutions (sales were based on low public valuations), since the 2000s, conservative governments have

deregulated the sector, allowing market-based assessments to determine prices (see Bruun, 2018).

A university researcher observed that house prices had risen dramatically over the last ten years, putting pressure on those who can least afford to move:

I think that it is very difficult to get affordable housing in Copenhagen, unless you are well-connected or [were] already signed up for a housing association [since] you were born, let's say. (...) there's a social housing sector, but there's also a rental sector in Copenhagen. But, again, to get affordable rental flats, it all depends on you knowing the right kind of people. ... Well, I couldn't afford to live in Copenhagen, for example, with my salary, as a single-earner household, unless I was lucky enough to find a rental place that wasn't so expensive; but, I mean, they're very hard to come by. RD5

Other researchers said:

There are still a lot of people in Copenhagen with a low income, but their housing possibilities are diminishing. Mainly because much of the private rental housing is going to be more expensive, but also because there's a lot of pressure on the city; a lot of people are moving to Copenhagen, coming as students. And earlier they moved out again when they got a family, but many of them are now remaining in the city and that's because there's high pressure on housing in Copenhagen. RD9

So I would say, relatively speaking, the Copenhagen housing market is not only for the upper-middle and upper classes, because there is an even distribution of the composition of tenures (...) So I would say that there is some space for diversity of people on the housing market, if you are already there. But people moving to the city will start with private rental at a very high cost... RD2

Interviewees mentioned the effect of Airbnb and also of The Blackstone Group (a US-based asset management fund), which has purchased a large number of old, rent controlled apartment buildings in Copenhagen to modernise them and subsequently raised rents.

I mean, you've probably heard of the Blackstone thing? ... They acquire apartment buildings for rents that are relatively cheap, perhaps a bit run down and they renovate it, they increase the rent and then they sell it off again, because the market value then has increased, basically. RD3

One reason for that is Airbnb has come to Copenhagen, and it has come in the last ... three to four years, and it's now one of the cities in the world with a relatively high portion of Airbnb listings, compared to the number of dwellings. So people rent out their apartment for a few weeks, and they do not rent out one room for one year. RD1

One interviewee explained that very expensive land prices in Copenhagen make it difficult to provide housing that is accessible for all and, over the long term, this has concentrated people with extremely low incomes in some areas:

In some areas there's almost only social housing, but in the new development areas there isn't, no. So it depends on the area, I would say. (...) I think it is difficult, and it's more difficult in the new developing areas than it is in the existing ones, because the levels of rent are quite different from some of the older social buildings ... they're much lower than the new ones. PDD3

3. Planning for Affordable Housing: empirical results

Howlett (2011) describes policy instruments as a wide range of tools or techniques of governance that are used at different stages of the policy process. In the field of housing policy, governments and local authorities have used, alone or in combination, tools, such as:

- i) direct transfer of capital grants for land acquisition, house building or infrastructure (to unlock development sites), and for low-cost financing (e.g. favourable loan guarantees to improve the reliability of borrowers, reducing interest payments);
- ii) indirect transfer mediated through the tax system. (e.g. the government can forego tax on income related to renting, and to building, or financing affordable housing);
- iii) financial penalties or tax disincentives to achieve both planning and housing objectives (e.g. taxation on undeveloped land to encourage house-building, or taxation on empty properties to rehabilitate them);
- iv) regulation - rent control and land-use regulation to limit speculative profit activities, e.g. rent controls, short-rentals (Cocola-Gant & Gago, 2019), land policy models (e.g. inclusionary zoning to require a contribution towards the supply of affordable housing);
- v) information and support-based tools – different forms of partnership (e.g. with housing associations to support delivery), and the use of knowledge and data available to influence consumer and producer behaviour.

Whilst some governments show a preference for market tools related to deregulation and tax incentives, such as the Portuguese government where the use of Golden Visas (law nr. 29/2012) and Urban Rehabilitation Areas have aimed to attract investment in real estate (Branco & Alves 2018); others, such as Denmark, have tended to combine taxation and economic redistribution in a more consistent way. The spread of privatisation in England, related to the reduction of the scale and scope of government, has had an impact on housing strategies to provide housing. The reduction of capital grants has been associated with a shift towards a more market-oriented mode of housing provision, in which planning mechanisms, such as inclusionary housing zoning, and others presented in Table 7, try to capture partial increases in value associated with planning permissions.

The use of an 'inclusionary planning approach', described as one which refers to the effort of securing or leveraging dwelling units, land, or financial contributions towards affordable housing, has had a mixed reception. Whilst some see this as a planning mechanism for redistribution which aims to extract some of the development value created by granting

planning permissions (Helbrecht & Weber-Newth 2018; Granath Hansson & Lundgren 2019) in order to address a locally assessed 'affordability gap' (Gurran et al. 2018), others see it as a pressure mechanism set by central government to encourage local planning authorities to give consent to planning permissions even where proposals are not necessarily generating the expected qualitative results.

Table 7, based on Gurran et al. (2018), shows some of the tools that have been used through planning systems to complement direct public instruments of delivery (e.g. capital grants and housing allowances).

Table 7 - Key tools that have been used in planning policy/practice

		England	Denmark	Portugal
Inclusionary housing	Where development contributes towards supplying a certain percentage of affordable housing	Yes. Section 106 (S106) of the Town and Country Planning Act 1990. Since 2008, S106 has been negotiated with the Community Infrastructure Levy. Section 106 can follow different routes: on site; off site, or monetary ⁴	Yes. The 25% rule.	No.
Density bonuses	Where development at a density greater than what is usually permitted is offered in return	Yes	?	Yes. <i>Créditos de construção</i> (building credits)

⁴ When a borough considers that a commuted sum would enable more affordable units appropriate for families to be provided elsewhere in the borough. Even though these 'commuted sums' contribute to the borough's Affordable Homes Programme, they have negative impacts in relation to achieving mixed communities.

	for an affordable housing contribution			
Planning concessions	Where planning rules vary for affordable housing development or to enable low-cost market housing	Yes	?	Yes
Negotiated agreements	Where affordable housing contributions are negotiated on a case-by-case basis (although a policy framework to inform these negotiations may still apply)	Yes	Yes	Yes. <i>Operações de perequação</i> , which aims for equalisation via transferable development rights and land re-adjustment
Impact fees	Where financial contributions from developers are paid to offset the impact of a project on affordable housing demand or supply	Yes	?	Cash or in-kind contributions to mitigate the impacts of development in terms of infrastructure, not affordable housing

Source: Author, based on Gurran et al (2018).

In England, the inclusion of affordable housing is a material condition to make a development acceptable in planning terms.

In our planning policies, there's a simple expectation that a private developer will have to deliver affordable housing, so they will have to make those portions of the housing available to people who will operate them at those rent levels. So, say a private developer has acquired an old industrial site, wants to build a block of flats and it's got a hundred flats in it, and we simply say to

them 35 of them must be affordable. That means that the value of those flats, when they come to sell them, is fixed at a price that a housing association, a registered provider, can afford to acquire them and then rent them out, and sort of capitalise the value of the rent that they get. LA1.

The English planning system requires local authorities to plan for projected affordable housing needs and negotiate affordable housing contributions from developers as a condition of planning approval under S106 of the Town and Country Planning Act 1990. As explained by McAllister et al. (2018): "Since the early 1990s, developer contributions have been the main instrument for land value capture by local government in the UK." (Idem: 316). Even though land value capture has varied over time in the light of shifting policy regimes and changing real estate market conditions, there is evidence that, in inner London, over the period 2005- 2017, developer contributions amounted to between 45% and 65% of land value, assuming a no-developer contribution regime (McAllister et al. 2018).

Several interviewees explained the rationale behind the use of land value capture tools.

In a kind of growing economy and where the housing market is expanding, I think it's reasonable to reduce the government subsidy and expect the private sector to pick up more of it, which is what has been seen in terms of Section 106 being a much higher proportion of affordable housing. N1

The Town and Country Planning Association has played an important role in updating the skills of planners in the task of planning for social and affordable housing, in order to facilitate the delivery of social and affordable rented housing to meet long-term need and to contribute to the Government's overall housebuilding targets (Figure 6).

Figure 6 – Planning for affordable housing, a Town and Country Planning Association’s event

The screenshot shows the TCPA website for the 'Planning for affordable housing' event. The navigation bar includes links for 'About us', 'Our work', 'Events', 'Media centre', 'Join the TCPA', 'Members' area', 'Shop', and 'Contact us'. The main content area is titled 'Planning for affordable housing' and features a 'Preliminary agenda' section. The agenda lists the following items:

- 12.30 Registration and light lunch
- 13.00 Welcome from the Chair
 - Hugh Ellis, Director of Policy, TCPA
- 13.05 Planning for affordable housing: guidance for councils
 - Henry Smith, Projects and Policy Manager, TCPA
- 13.20 Regional challenges in the delivery of affordable homes
 - Joe Caluori, Deputy Director, The Smith Institute
- 13.40 Opportunities to support the delivery of more affordable homes
 - Homes England, TBC
- 14.00 Questions and discussion
- 14.20 Break

Session 2: How can we maximise the delivery of affordable homes through the planning system? session facilitated by the TCPA

- 14.30 Introduction to training and worked example
- 14.45 Breakout session
 - Two separate sessions for council officers and councillors
- 15.45 Feedback
- 15.55 Summary and next steps

When

Start: 19th June, 2019 at 12:30pm
End: 19th June, 2019 at 4:00pm

Buttons: Add to calendar, View map

A map of Covent Garden in London is shown on the right side of the page.

Source: Author, adapted from TCPA (2019)

The next section, based on a literature review and qualitative data collected from interviews, explains how the systems work and describes the related advantages and drawbacks. It shows what is actually delivered on the ground in terms of the mix of tenure and affordability, and the factors that might explain those outcomes. This is a first exploratory analysis of the results, other further reports (in the form of articles and book chapters) will follow with more definitive results.

3.1. Case study: London

There are many studies (see Whitehead 2007, Burgess & Monk 2016, Crook et al. 2016, House of Commons 2018), as well as official notes and documents endorsed by local authorities and central government, that explain the rationale behind planning for affordable housing in England. This brief section analyses how planning policy in London seeks to maximise affordable housing provision, deliver mixed and balanced communities, and what has actually been achieved over the last decade.

3.1.1. How the system works

Section 106 agreements, often referred to as planning obligations, are site-specific negotiations between a planning authority and an applicant, developer or other party agreed in order to mitigate the impacts that a development will have on its immediate locale. S106 can be negotiated alongside the Community Infrastructure Levy (CIL), which was introduced by the Planning Act 2008 and came into force in 2010. Essentially, CIL is a locally based

development tax, i.e., a charge on new developments in an area designed to help fund associated infrastructure. It is up to each Local Planning Authority to decide whether or not to adopt the CIL, and, if so, at what level to set the charges. As explained by McAllister et al. (2018) 'unlike S106, CIL is non-negotiable, which means that it is S106 developer contributions which may be reduced in circumstances where land value uplifts are small.' (McAllister et al. 2018: 317). Section 106 agreements may not be used to fund the same infrastructure projects as the CIL.

In London, the Mayor considers that planning obligations are an important tool in delivering good quality, affordable homes of all types, but particularly to deliver affordable housing accessible to those on the lowest incomes. He has emphasised that the Greater London Authority doesn't have sufficient funding to build enough affordable homes, nor to invest in all the infrastructure that are required for boosting homebuilding, and so the GLA has to use governance and delivery mechanisms, such as strategic partnerships (e.g. with large housing associations⁵), or joint ventures to foster housing delivery and development⁶.

A representative of a private developer in London, who leads a joint venture with a London Borough explained

So we do not buy land, we enter into a partnership, which can be of different kinds with local authorities or housing associations. (...) In my specific project, it is a joint venture, 50:50. It is with the council and it comprises 12 sites within the borough. Within 12 to 15 years, it is due to double the number of affordable homes within the borough, and of the total 3,000 units it's 40 per cent affordable, 60 per cent private. P2

A representative of a housing association in London emphasised the importance of cross-subsiding affordable housing:

In London, we have committed to a 20,000 home strategic partnership with the mayor and 40% of those homes will be either market sale or market rent

⁵ Such as the G15 that is made up of London's largest housing associations. The G15's members own or manage more than 600,000 homes (which means that house around one in ten Londoners), and build approximately 10,000 new homes each year. For more details on the types of homes they build and manage see:

<https://g15.london/>

⁶ Joint ventures are business arrangements in which two or more parties (e.g. a local authority or a housing company, a landowner, a housing association, a private sector company) agree to pool their resources for the purpose of accomplishing a specific task, for example the development of a large site which a council hasn't got capacity to deliver for.

homes. We will make a profit on those homes and use the profit to invest in the other 60%, which will be genuinely affordable. NP1

The table below identifies some of the key policy goals of the Mayor, who has called for more Government funding through a major and long-term affordable housing and infrastructure settlement, underpinned by fiscal devolution.

Table 8 Mayor's policy goals and means

Greater London Authority/City Hall	GLA priorities operationalisation across five areas	Programme level
London Housing Strategy 2018		
Policy goals	Securing land for new homes	Funding affordable investing in infrastructure to unlock new sites
London plan and regulations	Support different models and different types of builders to build more homes that Londoners can afford	Encourage all councils to charge the empty homes Council Tax premium, to make leaving homes empty less attractive
	Support councils in their functions, to ensure that their local housing strategies are in general conformity with the Mayor's strategy; and that they have the resources and capacity within council planning and housing departments (e.g. the London authority viability group – a specialist team that offers support in viability to officers and member to enable greater levels of affordable housing to be provided)	Lobbying government to allow councils to set this tax at a much higher rate, to make it more effective. A more progressive system of land taxation
	Reforming the private rented sector (The Mayor considers the England's private rented	Radical reform of land assembly rules: <ul style="list-style-type: none"> the reform of compulsory purchase powers introduction of new land assembly mechanisms and resources

	<p>sector one of the worst regulated in Europe</p> <p>Ensuring that Londoners affected by the housing crisis get the help and support they need</p>	<ul style="list-style-type: none"> stronger powers for City Hall over public land earmarked for new homes <p>Strategic partnerships between GLA and the biggest and most ambitious housing associations</p> <p>Lobbying government to put a new model of private renting in place</p> <p>Extra resources for council homelessness departments</p>
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Source: Author, based on official documents

The Mayor of London has an annual target for the preferred tenure split of affordable homes on new developments, requiring that that 30% be provided at low cost rent (homes for social rent, or for London affordable rent), 30% at an intermediate level (London Living Rent or London Shared Ownership) and 40% decided locally by the planning authority.

At the borough level, local planning authorities have the power to set their own local development plans and policies. For example, through the 'Supplementary Planning Documents' (SPD) they can set localised conditions and criteria for viability assessments and planning agreements (Section 106), which typically apply to major commercial (1,000 sq. m. or more) and residential development (10 or more units). However, local development plans and policies must be in general conformity with the London Plan and with the supplementary planning guidance that set the strategic policy framework for London. It is also relevant to note that in London, individual boroughs collect both the local CIL and the Mayor of London's CIL, used by to fund the delivery of Crossrail. The Mayoral CIL rate is £35 per square metre plus indexation.

The Mayor has emphasised the importance of the delivery of genuinely affordable housing. The London Plan and the supplementary planning guidance (GLA 2016) introduced a threshold approach which states that schemes meeting or exceeding 35% affordable housing without public subsidy (or 50% where on public land without grant) can follow a 'Fast Track Route'. 'This means applicants are not required to submit viability information at the

application stage, and applications are subject to review mechanisms only if an agreed level of progress on implementation has not been achieved within two years of consent being granted or as agreed with the LPA.' (idem: 14)

If the applicant claims that they can't provide 35 per cent, they must follow a 'Viability Tested Route' under which applicants must submit detailed viability information which will be scrutinised by the GLA team for strategic applications and treated transparently (see quote and diagram below). Where the Mayor is not satisfied 'with the viability information submitted by the applicant, the assumptions that underpin the information, or the level of scrutiny given by the LPA' (GLA 2016: 12), the Mayor has the power to call in applications or direct refusal.

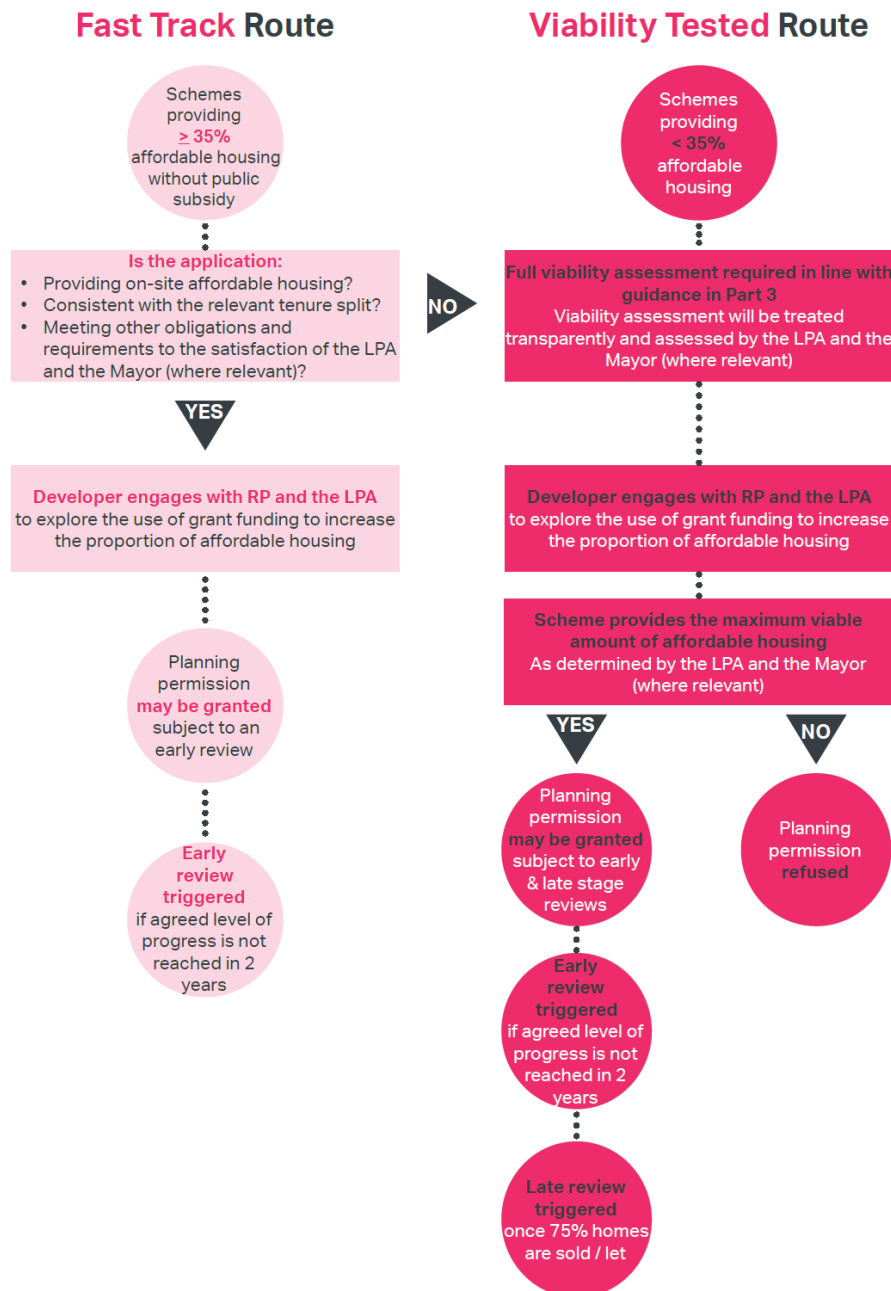
As explained by an interviewee at GLA, when developers provide 35% of affordable housing without a grant (or 50% if the application is publicly-owned land), and meet the other requirements of the plan, then they don't have to submit viability, and the application follows a fast-tracked route:

We're not going to ask any questions, just here's your planning permission, get on with it. If you don't achieve 35% or 50%, we are going to look at everything, we're going to publish everything as well, so it's all in the public domain. (...) The thing they hate the most - the developers - is that we also apply review mechanisms... (...) We're going to review your numbers halfway through building the scheme, and then at the end, and then in about five years' time, and, if any of your assumptions were wrong, we get all of the uplift. So if you assume sales values that were too low, for example, and in the event you made way more profit than you said, all of that comes back to us, and we have that money to spend on affordable housing. R2

The importance of the Mayor's threshold approach (Figure 7) was explained by representatives of the non-profit housing sector as a way to cut through the protracted viability debates that have been slowing down the planning system, and to give developers more certainty as to what they will pay for land:

Because they know clearly what's expected of them, which can essentially drive down land values. NP1

Figure 7 – Threshold approach to viability diagram



Source: GLA (2016: 68-69)

A representative of the private sector involved in the identification, acquisition and promotion of land through the planning system, explained that when planning obligation policies are included in development plans, the costs of planning obligation can be built into the land price in advance:

Sometimes we have a clause in the contract that will say we'll have a commitment to a minimum price, (for the sake of argument, I don't know, half a million pounds an acre, that sort of level, depending on where the site is), but, generally, all we're agreeing at that point is the percentage of what we'll get from it at the end of the process. So that allows for Section 106 to go up, or affordable housing percentages to change, as the housing market obviously does - ups and downs - so we just can't commit ourselves at the beginning of the process. P2

Certainly in the area we cover, the South East, at the end of the day, the biggest beneficiary of an increase in land value is the landowner. So we get our 10 per cent, which is our fee for getting planning permission, but the big hitch of it really is with the landowner, but if his land has gone from being worth £10,000 an acre to half a million pounds an acre, then he's doing all right, isn't he? P2

The Mayor has emphasised that the threshold approach must be understood in the context of the Mayor's other key tools for increasing affordable housing, which include the Mayor's Affordable Homes Programme 2016-21 that supports Registered Providers to deliver housing programmes. To enable the delivery of more affordable housing, the Mayor makes funding available to increase the proportion of affordable homes over and above that which is available on a nil grant basis. The SPG (GLA 2016) determines that where developer-led schemes can provide or exceed 40% affordable housing (with grant) then the fixed grant per unit will be available on all affordable housing units in the scheme.

The London Plan, which is a schematic spatial model that sets out major proposals, identifies Opportunity Areas and Housing Zones as areas of intensification where developers can build at higher density. However, as these areas are often areas that require significant investment in infrastructure, for example public transportation, schools, social infrastructure, health facilities, etc., the borough can 'red line' them in their local plan and apply a higher CIL rate in order to secure future tax revenues for investment in local infrastructure.

For example, in anticipation of the London Underground Bakerloo Line extension in the Old Kent Road area, the Borough of Southwark reviewed its CIL charging schedule, and set out that all future planning permissions in the area should pay a (higher) rate of £218 per square metre, in order to make contributions for archaeology, transport, open space improvements.

3.1.2. General Views

There is a general acceptance of the importance of planning obligations for the provision of a proportion of social and affordable housing as a condition of planning permission. Local councils in England rely substantially upon the planning system to enable them to build new affordable homes (Lord et al., 2018), but negotiations between local authorities and developers with regard S106 vary substantially between regions and over time. They are typically reduced during periods of economic recession, and in areas of low demand. They are also shaped by place-specific conditions (for more details, see Lord et al. 2018).

Interviewees claimed that 'the use of S106 has become the norm' and 'the policy that is now in operation with good results'. Interviewees explained that in areas of high demand, S106 agreements are very important as a means of reducing the cost of land for development and building new properties,

With Section 106, the developer agrees to build and sell a certain number of their homes at a huge discount to a housing association or registered social provider. N1.

Interviewees identified some negative outcomes associated with the use of S106, including general costs and delays involved in S106 negotiation. They noted that 'land-use planning negotiations are slowing down housing building' (N1, A4).

They also expressed the view that increased government funding is needed to unlock sites and housing provision, and that local authorities needed to play a more proactive role in land pooling and development, especially in cities where land is expensive and hard to buy.

Occasionally, we have used things like developing mechanisms, like development corporations to mobilise land, and so it would be worth considering the experience of the London Docklands Development Corporation; because, undoubtedly, that was responsible for bringing a lot of new housing into development. But, in general, we tend to rely on the private market, on developers, if you like, many of whom are only interested in getting permission and then selling the land on to house builders. A1

3.1.3. Views of interviewees regarding Section 106

Since 2010, as a result of reduced government grants for building affordable housing and the Mayor's official assessment that London needs 66,000 new homes per year, planning obligations have become an essential means by which to extract funds and manage public sector infrastructure and facilities in London.

Planning obligations are legally binding agreements between local planning authorities and developers of the land, to make the proposed development acceptable in planning terms. S106 agreements, which have been the primary form of land value capture in England have been typically locally determined and negotiated on a site by site basis, according to the nature and size of the development (McAllister et al. 2018).

The reasons for planning obligations, have been discussed in the literature (see, for example, Campbell et al. 2000, McAllister 2019), and include the need to shift costs from the general tax payer to the beneficiaries of the new facilities, the need to capture some of the value that arises from the granting of planning permission and the need to contribute to the provision of social and affordable housing.

As a precondition of planning permission, developers must generally make a contribution 'in kind' by selling a proportion of dwellings to registered not for profit housing associations or registered providers of non-market housing at a discounted price. In other cases, developers may offer a sum of money to the local authority in lieu of providing affordable housing (Oxley 2004).

The London Plan sets out the Mayor's expectation that around two thirds of new homes should be affordable without the need for subsidies; the Mayor has also secured £4.8bn funding from the Government to help housing associations, community groups, London boroughs and private developers to build new affordable homes. The target of the Affordable Homes Programme 2016–21 is to commence building at least 116,000 affordable homes by March 2022.

While planning policies require a specific minimum percentage of affordable housing, the empirical evidence shows that the expected numbers often do not materialise. It is also the case that, when affordable housing is delivered as part of a residential development, it is too frequently in the form of shared ownership rather than social rent, as the former is the tenure preferred by developers. However, Murphy and Baxter (2017) provide empirical evidence in support of this: "There is an array of affordable housing and subsidised housing products available for people on a range of incomes within London. Social rent and London Affordable Rent (at the new benchmark rent levels set by the Mayor) are the only products that serve those on the lowest incomes across the capital."

Evidence also shows that developers often ask to renegotiate S106 contributions towards affordable housing on the grounds of viability, responding to site and scheme specific circumstances or changes in the wider housing market. CIL cannot be negotiated. Since 2012, negotiations on the grounds of economic viability have been used by developers to claim

that the council's planning policy requirements relating to affordable housing compromised the economic viability of the development. Developers have used this argument to justify much lower levels of affordable housing than local targets would suggest (R3, NP3).

Since 2018, the new national guidance very clearly states that the price paid for land should not be used as an input into a viability assessment. Particularly in London, the Mayor expects that, when bidding for land, developers should take into account the planning obligations. It has been emphasised that developers should not buy sites that fail to reflect wider community responsibilities, in order to avoid leading to what Wachter (2018) describes as 'the circularity problem'. As explained by a representative of the Greater London Authority: where the price of land is bid up, the affordability consequentially drops, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations (see, for more details, LBDVP 2016).

The section below focuses on the views of interviewees with regard to the practice of financing the supply of affordable housing through S106. It also looks at whether the implementation of this policy has succeeded or failed in terms of targets and policy objectives, namely the provision of affordable housing for low income families, and the fostering of mixed and balanced communities.

3.1.4. Genealogy and views on S106 agreements

As said before, Section 106 agreements, also known as 'planning obligations', are agreements made between local authorities and developers that can be attached to a planning permission. They are used to mitigate the effects of planning permission and help to fund infrastructure and the provision of social and affordable housing. Interviewees working at London boroughs explained how it works in practice:

A person puts in a planning application for a hundred units, and 25 of those have to be social rented, ten of those have to be intermediate. The intermediate ones could be shared ownership, or intermediate ownership. They go through a process, and they apply for planning permission and it goes to a planning committee, it gets approved. They then have to sign what's called a Section 106 Agreement, so within that Section 106 Agreement there'll be all sorts of paragraphs around the numbers of the units, if they're family housing or whatever., when they have to get built, is it on occupation or is it prior to occupation. There'll usually be a registered social landlord... or if it's council, then the council or sometimes the registered social landlords can forward it themselves. So it will be the housing will be secured in perpetuity for whoever has it now, or whoever buys it from them, that's how it works. LA2

So we have private developers who bring forward schemes, and we require them to deliver affordable housing as part of that. We have also ... been gearing up to produce more housing of our own, so we're finding ways to build our council housing. So we've got funding and some of that comes from Section 106, some of it comes from using the proceeds of the right to buy sales, because when somebody exercises the right to buy they do actually pay us a discounted amount of money, and that money, over the course of a year, makes a very substantial amount of money that is then being invested into new homes. LA1

Another interviewee, with lengthy experience in producing detailed guidance on viability testing and negotiating S106 agreements, recalled the history of the implementation of S106 of the Town and Country Planning Act in England:

Well, I think the history of it is that the government of the time, which was a Conservative government under John Major, were open to the potential for social housing to be delivered by the market, as well as through public funding. The concept in planning terms was of generating mixed and balanced communities, and the idea that you don't develop all your private housing in one part of the city, and have all the social housing somewhere else, but actually it's integrated within individual developments. R3

The same official claimed something that the London fieldwork confirmed: 'There is a very wide consensus around the importance of Section 106'. The debate centres on the extent to which developers should be required to provide affordable housing and the principles around the notion of how to address the affordability crisis, which has worsened over recent years. As explained by the same interviewee, the questions raised by the affordability crisis include:

Do you solve that crisis by deregulating planning, by reducing the requirements of the planning system in order to encourage a greater number of developments to be built? Therefore, increasing the supply of housing, which reduces the market value of residential properties (that was the underlying principle behind some of the changes that were happening from about 2012 onwards) or by reinforcing the requirements of the planning system... as a way of ensuring that developments mitigated impact, but also try to achieve some of the broader social and sustainable objectives, and to meet housing needs. R3

I think what we saw during the 2000s, is that the idea that if you deregulate planning, that you automatically get more housing, and that that's going to be sufficient to then bring the market value of housing – house prices – down, didn't work. R3

There is broad consensus among interviewees that S106 benefits the community. This is quite obviously manifest in London, where land is expensive for actors who wish to build affordable housing. The lack of money to purchase land and build houses explains why local councils have come to increasingly rely upon the planning system, specifically S106, in order to build new, affordable homes:

Councils have a limit to what they can borrow, so the capacity for public authorities, for government to build the number of affordable homes we need at the minute, is not there. And so there is a heavy reliance on private developments to cross-subsidise affordable housing through Section 106. NP2

In order to provide certainty for developers, interviewees emphasised the importance of producing plans and supplementary planning documents in order to clarify planning obligation requirements. Often supplementary planning documents include evidence of testing various scenarios: they examine the impact of varying the proportion of affordable housing on the economics of residential development. The profitability of housebuilding in some central boroughs was estimated to be sufficient to deliver 50% of affordable housing without any additional public subsidy (Oxley, 2004).

As developers know the reduction of profit that planning obligations entail before purchasing land, they can bid less for the land, and effectively transfer some costs to the landowner. One of the benefits of S106 agreements, as explained by interviewees, is to reduce the cost of the land and enforce the building of affordable housing units. The developer must agree to build and sell a certain number of homes at a considerable discount to a housing association or registered social provider:

Over the last ten, 15 years, I suppose, since the Conservatives took power, the only source of funding has been through cost subsidy, through what's known as Section 106. That is private developers have been required to provide a certain proportion of housing for social housing, and they argue about how much they can afford to provide, obviously rather hinges on the nature of the site. And the target has been to – as a generalisation – to get about 30 per cent, which happens to be the same proportion as in the Netherlands. A1

Interviewees identified a number of limitations of the current system. In London, the benefits of S106 do not favour households on lower incomes as much as those on middle incomes. As a consequence, the backlog of unmet needs for low rent housing has actually grown over time. One interviewee, who worked in a borough in London negotiating S106, explained how, in that municipality, they had always tried to get social and intermediate rent to target nurses and teachers, and tried to ensure affordability for key workers, without shared ownership:

Section 106 is supposed to be affordable housing in perpetuity. If you do a shared ownership home, somebody can come in and staircase up to full ownership the day they move in, and then it's lost forever because they can sell it, on the open market at an open market value. So the developers lost their share of the profit and the local authorities lost the affordable use of it. LA3

Negotiations between local authorities and developers with regard to S106 vary substantially between regions, across boroughs and over time, and are typically reduced during periods of economic recession. In London, the percentage of affordable housing secured through the planning process fell each year between 2007 and 2015 (Wacher 2018: 449). Interviewees explained why local authorities have not been able to achieve their social housing targets. One emphasised the importance of planning preparation in determining whether or not sufficient affordable housing would be delivered to meet local needs:

The reason they don't get it is that you go through this viability piece. The people are paying too much for land and bill costs are too high, that you can't afford. ... If you've paid that much for land and it's going to cost you that much to build it, you cannot afford to provide that level of affordable housing that local authorities want. NP1

I think the most important is plan-making, because there needs to be a hard line set at that stage to even impact the later stages. If there was no policy for 50%, 35% affordable housing, then the majority of private developers would go in with zero, because they don't want to provide it. NP1

I think that you've got to set the rules up front ... you have to focus on the right strategy. A1

From interviewees' answers, it is possible to conclude that:

- i) The outcome of S106 agreements depends on the political ambitions of local authorities to provide social housing, and how this approach is translated into the planning system. In some areas, the ambition to secure a supply of housing which encourages mixed communities is more evident than in others, implying that ideology might have a role here;
- ii) S106 negotiations can be shaped by the skills, knowledge and bargaining potential of those involved.

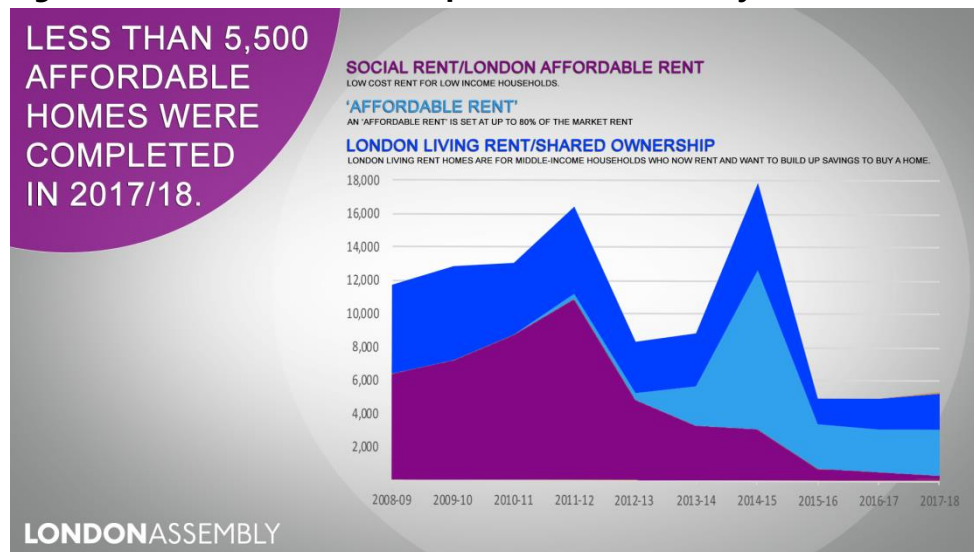
3.1.5. What is actually delivered on the ground in terms of the mix of tenure and affordability?

This section discusses the evidence as to how much new affordable housing has been delivered.

There is evidence that the number of affordable homes delivered through S106 is falling short of estimated need. There is also evidence that intermediate tenures, which require lower levels of subsidy and developer contributions, are replacing the provision of housing that is affordable to low income families.

The London Assembly Housing Committee publishes the Affordable Housing Monitor, which looks at how many affordable homes are being built each year (Figure 8). This year's monitor has found that the Mayor has received £4.82bn from the UK Government to deliver 116,000 affordable home starts by March 2022; there were 9,815 completions of GLA funded affordable homes between 2015/16 and 2016/17, and fewer than 5,500 homes were completed in the year 2017/2018.

Figure 8 Affordable homes completions 2008-2018 by tenure



Source: London Assembly (2019)

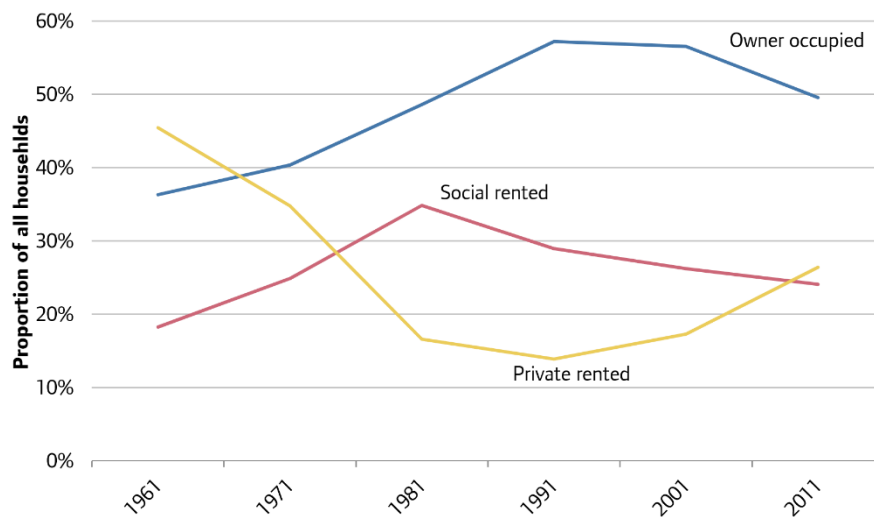
The Government's Housing Delivery Test (2018) concluded that a number of councils are falling short in their delivery of housing. The Government has urged local authorities to make better use of S106 agreements to deliver more affordable housing and infrastructure without grants.

In the context of a very severe shortage of housing, the Mayor and local authorities have prioritised the provision of social rented housing. However, statistical data on the number of new homes completed by tenure showed a reduction in the production of social rent units for low income householders (i.e. households at the bottom end of the income distribution), and an increase in the production of new intermediate products of affordable rent for middle income households. Developers are more willing to provide shared ownership units than to increase the number of social rented units, as this enables more affordable housing to be delivered with less subsidy. Housing associations, however, use shared ownership to cross-subsidise social rented housing from the income they make when selling additional equity shares to shared owners.

The Greater London Authority (2015), in 'Housing in London 2015', explained the main trends of the decade (see Figure 9) as follows: in London, the proportion of London households who owned their own home (whether outright or with a mortgage) peaked in the early 1990s but then fell to just under half by the time of the 2011 Census, the first time owner occupiers have been in the minority since the early 1980s. The private rented sector was once the largest tenure in London but shrank from 46% of households in 1961 to 14% in 1991, before rapid growth brought it back up to 26% in 2011, making it the second largest

tenure. In contrast, social renting grew rapidly between the 1960s and 1980s, accommodating 35% of households in 1981, before falling to 24% in 2011. (Idem: 8)

Figure 9 Trends in household tenures in London, 1961–2011



Source: GLA (2015, pp. 8)

As the market price of housing has risen, the need for affordable housing in London has increased substantially. Referring to the Mayor of London's housing strategy, Wachter (2018: 449) notes that the declining amount of social housing has left 'more than a quarter of a million Londoners on housing registers and more than one in eight social housing tenants living in overcrowded conditions'. He also claims that the reduction of social housing (as the result of viability test assessments) has contributed to an increase in homelessness. "The number of people seen sleeping rough in London increased significantly between 2010/11 and 2016/17, with an 8% reduction in 2017/18." (Wachter 2018: 449)

3.2. Case study: Copenhagen

Several studies have explored the key features of the Danish housing system in terms of funding, allocation and rent-setting etc. (Alves & Andersen 2019, Andersen & Jensen 2019, Noring 2018), and concluded that the not for profit housing sector in Denmark is financed by the municipality, the state and residents. The municipality provides 10% of building costs in the form of a loan, residents provide 2% as a deposit when moving in, and the remaining 88% of the construction costs are financed by a normal mortgage loan on market terms. In addition to this, the state guarantees that the total capital costs are set at 2.8% of the total construction costs, an amount that is increased annually according to the rate of inflation. The difference between the set capital costs and payments on the mortgages are covered by the state. Renovations and developments in the existing stock are supported by the National

Fund for Non-profit Housing Associations, which was established in 1966 in order to receive the rent payments after the mortgages that financed the building had been settled. In other words, when the mortgage was paid off, the rent paid by tenants contributes to savings lodged with the National Building Fund and co-finances major refurbishments and special efforts in more disadvantaged neighbourhoods.

Whilst the funding mechanisms have endured over time, a distinctive feature of Denmark when compared to other European cases (namely the English and Portuguese cases), is that changes in the economic, political and social environment of the country have had significant impacts on the polarisation of different sections of the housing sector. Changes in employment, the economy and immigration have all affected housing in Copenhagen.

In 1993, the municipal authority Copenhagen faced a severe crisis of employment and finance (almost bankruptcy). The recovery plan agreed with state authorities led to substantial changes in terms of regulation and investment. The city decided:

- i) to halt the construction of new not for profit housing (from 1995 to 2009);
- ii) to transfer municipally-owned land and housing stock to a public company that adopted a more entrepreneurial and business-oriented strategy in terms of planning and housing development (see below); and
- iii) to adopt a new regulation that required that all new dwellings (including those built for home ownership and cooperatives) had have a minimum size of 95 m².

A “hybrid model of managing and financing urban development and public infrastructure” (Noring 2019) has been implemented in Copenhagen since that time. Firstly, the Ørestad Corporation used a new town concept on the island of Amager, planning the area of Ørestad (Figure 10) with the Copenhagen Metro as the primary public transport grid, connecting the area with the Øresund Railway, Copenhagen Airport, and the nearby Øresund Bridge.

Figure 10 Ørestad Boulevard



Source: Author (2019)

Secondly, the Copenhagen City and Port Development Corporation (The City & Port), a publicly owned but privately managed company, has also followed the new town development corporation model, using public land owned by the municipality and/or the state, and by establishing joint ventures with private investors, to conduct large scale urban regeneration of previous industrial and port areas since 2007.

Figure 11 Brygge Bridge, Copenhagen



Source: Author (2019)

The City & Port has a national statutory mandate to maximise revenue in order to fund large scale urban regeneration and city-wide infrastructure (Noring 2019; Majoor 2015). It does so by re-zoning, investing in infrastructure, and using land value capture in order to finance infrastructure investment, including the city-wide Metro system. Whilst the model has been successful in financing public transport improvements in the city and implementing quality large scale private housing developments in the waterfront areas, it has had a significant impact on land and housing prices. This is because the aim of this company is not to provide cheap or affordable land for not for profit housing associations (this is not one of its policy goals) but simply to maximise profits in order to fund large scale urban regeneration projects and city-wide infrastructure. As noted by Andersen and Jensen (2019), the strategy has been successful in attracting jobs and more middle class families into the city, but this has been at the expense of a loss of affordable housing and the creation of a more polarised city.

Copenhagen is a city that is becoming increasingly divided, not in terms of housing tenure, a key factor shaping the social composition of neighbourhoods (as owner occupancy tends to be linked to middle to higher income groups, and the rented sector to a population with fewer economic and educational resources), but also within tenures, including a more polarised *almene boliger* sector (general, not for profit housing), between the old and new sections:

Not for profit housing goes back a century in Copenhagen, so you have old not for profit housing units, which are very cheap, where you pay maybe like 3,500/4,000 Danish kroner a month, for a family-sized unit. But, of course, they're very limited, there are not that many. And, of course, people, they don't move from them. RD8

The municipality has access to 30 per cent of what we build in Copenhagen. So they can choose to put in a third of the people, people with special needs. We send them a list of the apartments that are available, with the rent, and then they can say, oh, they are too expensive for our clients, we don't want them. (...) They can be too expensive unless we build very, very small apartments. NPAC2

To better understand this, some explanation is needed as to how the not for profit sector is subsidised and regulated in Denmark. This is based on Alves & Andersen (2019). In Denmark, rents in the not for profit sector are set according to the costs of producing and running the housing units. The primary rule for allocation is that vacant dwellings are allocated to people according to time spent on the waiting list. Waiting lists are open to anyone and are not restricted to income. In return for co-funding, local authorities in Copenhagen have the right to assign up to 33% of vacant dwellings to people in acute housing need. Families are usually allocated to neighbourhoods with vacant units vacated by other families. These are usually in neighbourhoods with predominantly lower rents, a higher concentration of households on lower incomes, and families with an immigrant background. The waiting lists for the most popular estates, including newly built estates, can be several decades.

Over the last decade, the adoption of a system of flexible tenant allocation for vacant dwellings has aimed to constrain the flow of vulnerable households into neighbourhoods with a high concentration of unemployed and low income tenants (for more details, see Alves (2019), based on interviews carried out in 2015). As a result of this and renovation schemes in the city, the availability of low cost dwellings for low income families has been substantially reduced.

More recently, the Danish Parliament passed a bill, proposed by the previous Prime Minister, Lars Rasmussen, to make physical changes in areas with a large concentration of public housing and a larger share of residents with poor connection to the labour market, lower education, poorer health etc. The bill, which uses the derogatory state label of 'ghettos', whilst the municipality of Copenhagen continuous to designate these as 'disadvantaged areas', requires the sale, conversion or demolition of part of the dwellings in identified areas, so that only 40% of housing may be allocated to *almene boliger*, general, not for profit housing. This bill allegedly aims to foster a more balanced social composition of residents. It

has raised objections from politicians, academics and representatives of not for profit housing associations. They claim that demolition or privatisation (in some cases, non-profit housing associations will have to sell 60 per cent of their homes, and 60 per cent of the families will be displaced to other homes in other neighbourhoods), will only reduce the availability of apartments with affordable rents in the city and move low income families around.

The problem, number one, is that this is an extremely expensive way to solve problems. If you demolish buildings that actually contain okay flats, and then have to build new ones because you have to rehouse them, and you cannot just put them on the street, then it becomes so expensive for each family you move.
RD3

It's a big change that they are doing such large-scale demolishment of housing, but it's sort of a continuation of the discourses or policy strategies that have actually been going on for the last ten years, I would say. I mean, there's a clear continuation of the way you think about these vulnerable housing areas since the first ghetto package in the beginning of 2000 and onwards. RD5

Below are some images of the Mjølnerparken housing project located between Nørrebro and Bispebjerg S-train station in Nørrebro, where approximately 2,500 people live, many of them from immigrant backgrounds, which was identified for transformation.

Figure 12 Mjølnerparken, Copenhagen



Source: Author (2019)

3.2.1. How the system works

Næss et al. (2009) describe the spatial development of Copenhagen Metropolitan Area as: 'as a combination of inner-city densification and low-density outward expansion, where the former tendency has, during the recent decade, outweighed the latter' (pp. 49). Between 1999 and 2008, the absolute population and demographic density of the municipality of Copenhagen increased, putting an end to the long period of demographic decline between 1950 and 1980, during which Copenhagen lost nearly 300,000 inhabitants (2/5 of its population).

As emphasised by Elinbaum & Galland (2012), the rationale and spatial principles of the Finger Plan plays an important role in the spatial development of Greater Copenhagen. They explain that the Finger Plan is based on two fundamental spatial principles: the so-called 'principle of proximity' based on the spatial logic of locating activities (such as public institutions, retail centres, and residential areas) in close proximity to suburban rail stations; and the principle of green wedges aimed at protecting and preserving green areas between the 'fingers' (for more details, see pp. 190). They also explain that the institutions in charge of governing Greater Copenhagen have been subject to structural shifts in terms of planning functions and powers. One of the challenges was the abolition of the metropolitan council of Greater Copenhagen, and the upward reallocation of its responsibilities to the Minister of the

Environment. The new spatial planning system abolished the former regions and delegated town planning to municipalities. Local government reforms in 2007 also reduced the number of municipalities (from 271 to 98) and gave municipalities more power to prepare municipal and local plans. They retained the general planning goal of preventing urban sprawl into surrounding open areas, and fostered urban development supported by the use of public transport and cycling.

National reports from the Minister of the Environment and national planning directives are, however, important to set a framework and to create planning tools that local authorities can use (e.g. the 25% rule). The lack of a metropolitan structure or plan explains that in Copenhagen (as in Lisbon), territorial fragmentation exists between municipalities (e.g. between Copenhagen and neighbouring municipalities). As in Lisbon, local plans are produced by the municipalities which specifically establish what construction can take place (in terms of volume, density, etc.) and where, and these are updated every four years. The Copenhagen's Urban Development Department (within the borough) works in close cooperation with the Mayor of Copenhagen on these matters. They are currently setting the framework for Copenhagen's development over a 12-year planning cycle (from 2019 to 2031).

One interviewee explained that the Municipal Plan of Copenhagen 2019 will contain over 50 different objectives for a number of statutory issues (including the Planning Act). They also explained that the overall goal of the Municipal Plan in terms of housing is to build 60,000 new housing units in Copenhagen, of which 25% should be public housing (not for profit). The municipality recognises that demand and housing prices are rising very rapidly in Copenhagen, and expects that the areas that will be transformed in terms of re-zoning (e.g. industrial areas that now are used for the harbour and port activities and that will be developed for residential uses) will contribute to the goal of more housing, and housing that matches current demand.

This was a policy goal of the Municipal Plan 2015, as stated below:

We want to strengthen the social composition in Copenhagen by increasing the socio-economic diversity in the city's neighbourhoods. Each neighbourhood should have different types of housing, forms of ownership and housing at various price levels that match the needs and wishes of a diverse range of people (Municipal Plan 2015: 27).

The Municipal Plan of Copenhagen 2019, and the more detailed statutory planning regulating what can be built, will define an overall planning strategy that supports a mix of

use, transport and green infrastructure, and housing tenures and types. The key priorities in terms of housing are to increase housing supply (60,000 new houses) and to secure a quota of Danish public housing in each new development (i.e. 15,000 new houses - 25%). The municipality also wishes to provide 12,000 new youth housing units for students in the city.

The new municipal plan also introduces a new model of housing size regulation to ensure a more varied supply of housing, allegedly one that ensures a balance between market-driven development and long term housing policy goals. The new model stipulates that no housing unit is to be less than 50m². In a new development or building, 50% of the housing units are exempt from the regulation pertaining to average housing size, but the other 50% of housing units must have a minimum 95m² on average. The rationale behind the minimum of 50m² rule was explained by one interviewee:

I think that we see in other cities a more liberal approach to housing sizes. So we see some rather small housing units, and we don't want that to be taken up in Copenhagen. The municipal plan also sets out the ambition that 25% of the housing stock in Copenhagen should be public housing. We don't really use the term 'social housing' in Denmark. CL3

The interviewee also explained that under the new regulation, it will be possible to build twice as many smaller houses in urban development areas than under the current regulation, and even more in the existing (consolidated) city. The municipality itself anticipated that the average size of the 50% exempted from the requirement will be in practice approximately 65m².

The Municipal Plan 2015 has already stated the policy goal of improving the options for building small and affordable houses suitable for social allocation of housing, as follows:

The political agreement between the city of Copenhagen and the public housing organisations (2015-2018) establishes a key goal in reducing rent increases. An agreement has also been reached to ensure that 10% of new residential construction in Copenhagen's urban development areas comprise smaller flats with a rent under DKK 3,200 per month.

3.2.2. What is actually delivered on the ground in terms of the mix of tenure and affordability?

In new developments, the high cost of land and building has limited the construction of not for profit rental dwellings, as public land has not been priced at lower levels for not for profit housing associations. The Municipal Plan of Copenhagen in 2015 recognises the problem of an uneven distribution of public housing in Copenhagen:

Residential construction in recent times has been relatively homogeneous and expensive, particularly in Copenhagen's new urban development areas. The vision now is to ensure that the new urban development areas are diverse and offer housing for many different types of people. (Copenhagen Municipality 2015: 32)

The Municipal Plan 2015 further states that, as the Danish Parliament has passed amendments to the Planning Act (2016), the city can now require: '25% public housing in local plans for the new housing areas and provide funding for the purchase of plots for public housing in the more extensive parts of Copenhagen, where the high property prices have previously been an obstacle to the construction of public housing. The rules cover public housing for families, youth, and the elderly, as well as care homes.' (Copenhagen Municipality 2015: 28)

Notwithstanding these goals, the implementation is far from efficacious, with interviewees stating that implementation of the law is dependent upon whether landowners are willing to sell to a public housing organisation. They noted that the new apartments built in new developments are not actually affordable for the most needy families.

Confronted with these criticisms, representatives of the Copenhagen Municipality explained that only when they receive information on the actual rental price that each tenant should be charged (in these new developments) do they decide to use, or not use, the new apartments to allocate families on their emergency list (usually the most needy families). In interviews, they confirmed that housing allowances provided by the municipality (and which flow directly to the provider) are not enough to cover the rents.

I: Now you have this 25% rule, but I've been told that everything that is produced, even by non-profit housing associations that is based on cost, in new developments it's still very expensive...

R: Yes.

I: And the local authority is not allocating the one-third that's could be used for social cases, because it's too expensive. Does this mean that in new developments you are not providing any social housing for low-income people?

R: That's true. That's definitely the case. Now, the thing is that if you have - I think on average, what we're calling a public housing unit is 24% cheaper than a similar private rental apartment. So is that cheap or not? That's the discussion. [...] the problem with these newly built apartment buildings (not-for-profit), is that they are still too expensive if you are on a public subsidy, for instance.

Representatives of non-profit housing association, however, claimed:

You have to see the situation in the long run. In the long run, we are solving the problems, because over time these apartments will become cheaper and cheaper and cheaper, and then suddenly, bam, you have that they're accessible. But here now, of course, they're not, so within the first ten, 15 years of these apartments' existence, they will be too expensive for people who are very challenged financially. NPAC2

The only way that we can make apartments for people with very, very low income (maybe between DKK 3,000 and 4,000 a month, which is accessible for people on social pensions) is to make them very, very small. But for new buildings, it's very hard, and we have to make the apartments very, very small. That's the only way we can do it. NPAC2

3.3. Case study: Lisbon

Debates about the extent to which planning can help to reduce problems of affordability and spatial segregation have not gained as much prominence in Portugal as they have in England and Denmark. In Lisbon, policy concerns have tended to focus more on lessons learned and on solving the problems created by weak land-use and spatial planning policy, which has failed to prevent rapid and illegal urbanisation, characterised by poor housing conditions.

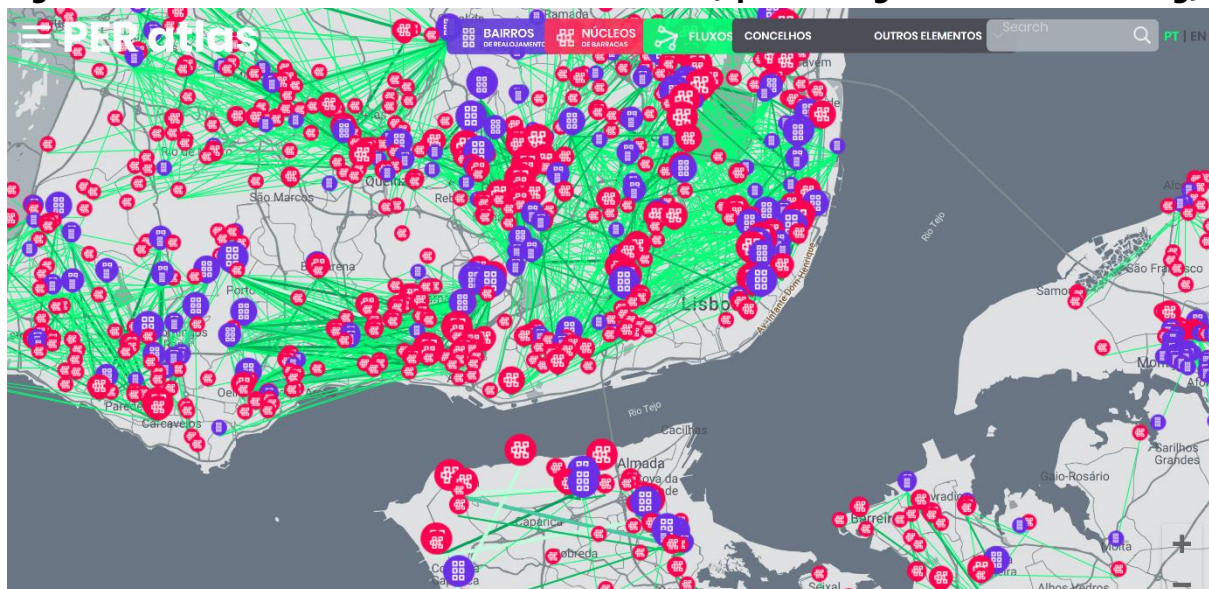
The 1960s, 1970s, and 1980s were marked by the expansion of informal settlements, officially called 'urban areas with illegal genesis', which suffered various social and environmental problems related to a lack of basic amenities, such as electricity, sanitation and piped water. This was the result of the weak position of land-use planning and housing policy within the Portuguese welfare system – when compared with, say, health or education – and also of hefty demand for housing from inflows of rural to urban migration and from hundreds of thousands of refugees and 'retornados' – returnees fleeing from liberation struggles in the former Portuguese colonies (e.g. Mozambique, Angola and Guinea-Bissau). In 1993, a housing survey carried out in Lisbon identified 833 shanty towns inhabited by 27,850 families, with a total of 92,450 inhabitants (Alves, 2017).

The *Programa Especial de Reajuntamento* (PER – Special Programme for Rehousing), designed to eradicate the shanty settlements in metropolitan Lisbon and Porto, was enacted by the Government in 1993 and implemented over the subsequent two decades, with the intention to rehouse former slum dwellers in council housing estates. A substantial quantity of social housing was constructed, typically on large social housing estates on the periphery of each

municipality, where cheap land was available (Allegra et al. 2017). Even though the model of large segregated social housing estates had already been strongly criticised in other countries (e.g. England, where planning policy was aiming at better integration of social and market housing within new developments), in Lisbon the model was implemented with little opposition.

Recent academic research on the impacts of the PER in Lisbon mapped 984 informal settlements and 290 housing estates built to rehouse the population, as well as the distribution of some 2,348 family relocations (a total of 132,181 individuals) across the metropolitan area of Lisbon. The relocations had been implemented using a variety of strategies (e.g. dispersion of previous communities, rehousing of entire communities), but generally resulted in urban disposessions in which vulnerable populations were removed from their original locations and located in more peripheral areas. Their original locations were then re-zoned and redeveloped for middle to high income families, thus buoying the economic interests of many landowners and developers. A high number of families were displaced to areas “of deposit” in the periphery, characterised by dense neighbourhoods, a lack of infrastructure, and high concentrations of vulnerable people. This deepened social and spatial segregation across the city and facilitated processes of stigmatisation. Figure 13 shows the geographical extent of the relocations.

Figure 13 Distribution of relocations in Lisbon PER (Special Programme for Rehousing).



Source: <http://expertsproject.ics.ulisboa.pt/>

Today, about 3,000 families of those registered in 1993 are still waiting for resettlement under the PER. But there are new, post-PER cases in the metropolitan area of Lisbon that urgently demand solutions (Allegra et al. 2017). A study of the supply and demand of

housing stock in Lisbon (CML 2019) showed that 7,197 households, of which 35% are on intermediate incomes and 65% on low incomes, needed municipal housing. Between 2012 and 2015, there was an exponential increase in the number of applications for municipal housing, yet the quantity of housing allocated has remained low, increasing from just 507 dwellings in 2012 to 918 in 2015.

To sum up, the so-called first generation of local development plans in the 1990s did not favour a 'compact city' but rather an expanded city characterised by urban sprawl. Additionally, local authorities did not attempt to capture part of the rise in land values related to land-use changes (the re-classification of rural land to urban land), allotment and building permits that could have helped to finance affordable housing and other public services and infrastructure. On the contrary, development costs imposed extra pressure on public budgets.

The 2008 Global Financial Crisis had an impact on both the private and public sectors, leading to high levels of unemployment and restricted access to bank loans for the construction or purchase of housing. In turn, this led to a loss of vitality within the building industry. As governments retreated and public finance capacity diminished, citizens were reluctant to pay higher taxes, and the process of privatisation of existing public housing and land stocks increased (for more details, see Branco & Alves 2020, 2018).

At the same time, the city continued to extend its vast urban perimeters in a fragmented, disconnected way, with large quantities of rural land remaining undeveloped but with planning permission. Over recent decades, changes in the law have led to enhanced protection of property rights for private individuals (Carvalho 2003), and the conditions for an active land policy, through a public land development model (for the provision of social and affordable homes), have become more difficult. For example, the 'compulsory expropriation of land' for the public interest has become financially more expensive for local authorities, and operations of land assembly and readjustment are more difficult to implement (see Condessa 2015).

3.3.1. A new generation of housing policies

On 1 October 2019, the Portuguese Parliament enacted the first *Lei de bases da Habitação*, a wide-ranging housing law that: (a) re-affirms the constitutional right to decent and affordable housing for all; and (b) the general objectives and instruments of the housing system, including local authorities' responsibilities and powers to assess current housing needs in their administrative areas, and to formulate housing and land-use policies accordingly.

The Government also launched the *Nova Geração de Políticas de Habitação* (New Generation of Housing Policies) in 2018, with two strategic programmes. The *1º Direito* (first right) is a capital grant for the acquisition or construction of land and dwellings targeted at low income families. This followed a national survey of housing needs (IHRU, 2018), which identified at least 26,000 families living in sub-standard conditions. The Municipality of Lisbon signed a collaboration agreement with the Government to access a capital grant of €81 million to finance the construction of new housing for 4,500 households, a total investment of c. €240 million. This is primarily a programme to support the construction of new social housing.

The *Programa de Arrendamento Acessível* (Programme of Affordable Housing) is a tax incentive programme aimed at the private rented sector. Landlords who agree to let property below market levels (up to 20%) in Lisbon (Figure 14) through lease contracts of five years that match a tenant's affordability ratio set between 15% and 30%, will benefit from a complete relief from taxes on rental income.

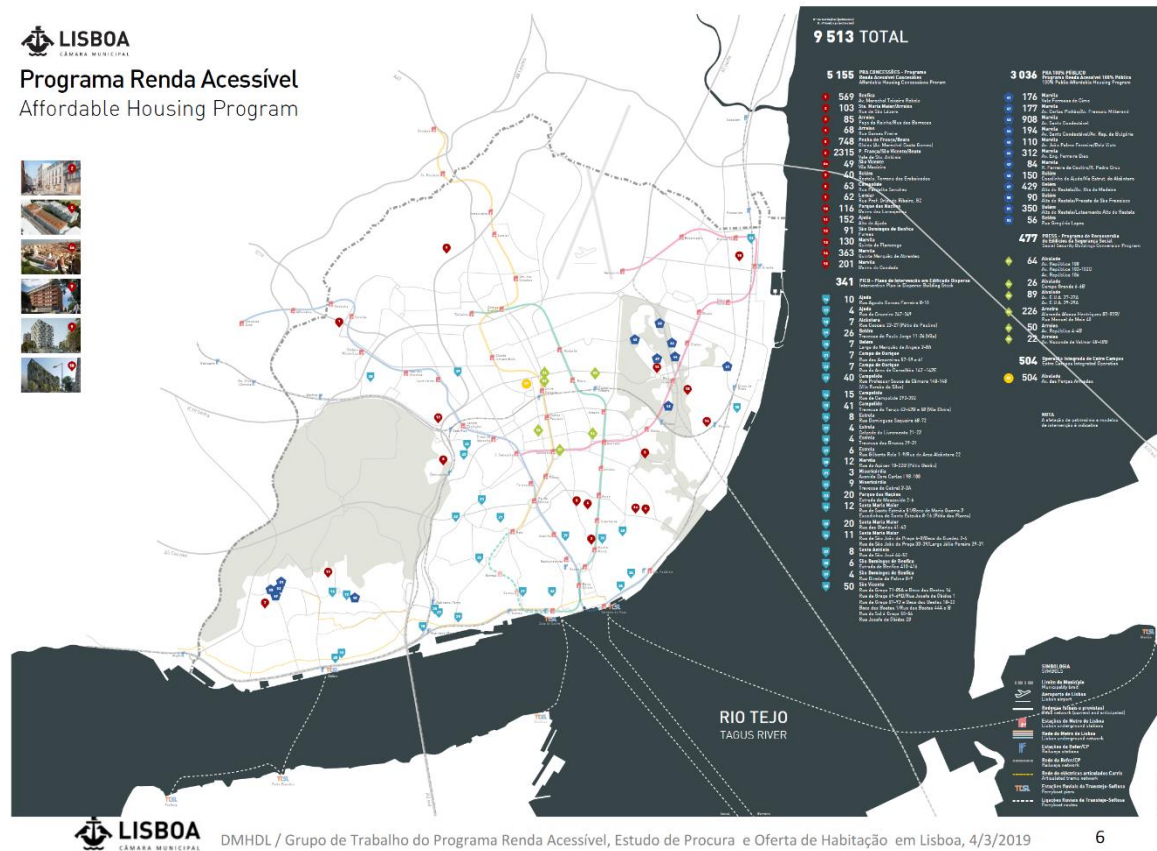
Figure 14 Lisbon



Source: Author (2019)

In Lisbon, the housing market is so overheated that even rental values at 20% below the market level continue to be inaccessible to the average Portuguese family. The Mayor of Lisbon has emphasised that the 'national' programme of affordable housing (based on 80% market level) is not affordable in Lisbon, thereby justifying a local programme of affordable housing that is now the flagship of the council's housing strategy. The main aim of the programme is to provide rents that are higher than social rents, but lower than market levels, thus targeting the middle income families.

Figure 15 Programa Renda Acessível (PRA)



Source: <http://www.lisboarendaaccessivel.pt/inicio.html>

This programme involves two sub-programmes that are fully funded and managed by the council: the PRA Public and the PRA Partnership. The PRA Public involves 100% public investment (publicly funded municipal land), whereas the PRA Partnership involves a partnership model between the municipality of Lisbon and private developers, in which the public partner provides a subsidy in the form of public land and tax concessions, and the private partner invests in the construction or renovation of houses. Ultimately, the partnership should sell one third of the new dwellings to finance the investment and let the rest of the housing stock at levels set by the local authority. The model binds private landlords into long, sub-market leases and, after 30 years or so, the rented housing stock should be transferred to the municipality.

The overall programme was presented by the municipality in 2017, promising the construction of 6,000 affordable houses in 15 areas of the capital, but the beginning of the programme was halted by the National Court of Auditors in January 2019, allegedly due to an unfavourable evaluation of risk for the public sector. Meanwhile, the Mayor has stated that the public initiative is insufficient to solve the problem and other players, with the necessary financial and technical capacity, are required.

National policy documents, such as PNPT, housing law, and Nova Geração de Políticas Habitação, have emphasised the importance of land-use planning to minimise the impacts of market behaviour, restricting, for example, the opening of new short term rentals in high pressure tourist areas (from where low to middle income families have been displaced).⁷ Tools of land value capture that result from granting planning permission and public investments (in schools, libraries, etc.), and tools of inclusionary housing zoning to secure affordable housing alongside market housing, have not been proposed.

While land value capture is an absent topic of debate in Lisbon, with the Mayor not seeking to limit developers' profits that have increased year-on-year, the Municipal Master Plan allows the 'credits of construction' – that is, permits to construct at a higher density than otherwise would be granted in return for the inclusion of a proportion of affordable housing.

The promoter who is going to build is offered credits of construction, in the same territory, or in another territory. The amount of building credits will depend on the time that the dwellings will be available for affordable rental housing (time will be proportional to the benefit the promoter will have). LM5

Whilst several interviewees have emphasised the relevance of 'credits of construction' – the building of additional floors in return for including a proportion of social or affordable housing (RP7, LM4 and LM5), other interviews revealed that this measure has not actually been implemented, despite being proposed in the 2012 Local Development Plan (Plano Diretor Municipal, 2012). One interviewee explained that this was due to a lack of agreement between the housing and planning departments within the Municipality of Lisbon, concerning the conditions for implementation on the ground.

For example, if housing linked to "credits of construction" will be for sale (e.g. at controlled costs) or lease, or in the case of lease, who will be managing this housing? For how many years? Or how will beneficiaries be allocated? LM1

Several interviewees criticised the public policies in Portugal that rely predominantly upon incentives (land density bonuses etc.), rather than on regulations. A paradigmatic example, according to interviewees, was the programme *Reabilita Primeiro, Paga Depois* (Rehabilitate First, Pay Later), which consisted of the sale (by public auction) of dilapidated municipal buildings and dwellings. The programme allowed the deferral of payment of the sale price

⁷ More recently, decree 62/2018 reinforces the power of local authorities to set quotas for "short rentals" (see Cocola-Gant & Gago 2019).

until the completion of renovation works and the placing of the property on the market, and did not require any quota of social or affordable housing, or any type of rent controls.

Interviewees were also critical of the *Operação Integrada de Entrecampos*, a large pool of public land in the city centre of Lisbon, in the Av. da Republica, near the train and metro station of Entrecampos (Figure 16). This resulted from the closure and relocation of a popular fair, was sold to the highest bidder without requiring any proportion of social or affordable housing on site. The development will allow a total construction of 143,700m² in offices and residential buildings.

Figure 16 Entrecampos, Lisbon



Source: Author (2019)

Another interviewee emphasised the importance of land value capture and redistribution:

Planning is not neutral, and has been used as a way of multiplying land value by changing land-use, increasing square metres of construction, etc. What we have to know is whether this value will be redistributed or not, who benefits from this increase of value, [and whether] the plan has any measures of redistribution. NAP2

In conclusion, in Portugal, the provision of social or affordable housing is not a condition required to make a proposal acceptable in land-use planning terms. Furthermore, public

sector bodies have sold land and buildings for as a high price as possible, rather than at a lower rate to facilitate the building of affordable housing. The Government has underinvested in social housing for decades, and funding has been cut entirely since 2012. Funding for social rented housing was non-existent after PER and, even in the current context of a 'new generation of housing policy', there is still a degree of uncertainty as to whether future investments in Lisbon will provide more social and genuinely affordable housing for rent. There is also concern for those groups most in need, such as the elderly and those with disabilities.

There is no current legal or political drive to establish the requirement of social or affordable housing as a condition for planning permission in Portugal or Lisbon. However, several experts and public officials recognise that plans should set out the contributions expected from development with regard to housing needs. This does not indicate a shift from public subsidy to a system dependent on land-value capture, rather a move to secure developer contributions in the form of land or dwellings, for low to middle income families, through a model of state provision that blends with market provision but avoids repeating the mistakes of the past in relation to the spatial concentration of social housing.

4. Conclusion

This report has presented some preliminary findings from a comparison between three European capital cities, with a focus on how their planning systems help to deliver new affordable housing. The populations of Copenhagen and London continue to grow, whereas the population in Lisbon has declined since the 1950s. Yet, in all three cities, both sale and rental prices per square metre have risen faster than wages, and the gaps between prices in the capital and the rest of the country have increased substantially. In all three cities, regardless of the demographic trends or characteristics of the welfare state regimes and housing and planning systems, housing affordability has worsened, leading to increased levels of inequality and social segregation. The research, based on a combination of policy reports, statistical data and interviews, has produced a vast amount of information that, due to space and time limitations, has not been fully covered here.

Nevertheless, the report has shed light on:

- the weaknesses and strengths of national and local policies on social and spatial urban inequality; and
- the potential for interdisciplinary and horizontal/vertical coordination in the fields of housing and planning.

There are some general principles to note.

Firstly, a concept or category (such as “not for profit” or social housing), does not in itself define a way of providing housing in terms of rent regimes, methods of allocation, or levels of housing affordability. For example, in Copenhagen and London, where not for profit private housing organisations play a very important role in providing housing for families at below market levels, different methods of funding create different risk profiles in terms of planning and investment. In England, high levels of uncertainty regarding funding (e.g. the reduction of housing grants since 2010, and tenants’ right to buy) has justified strategies that increasingly focus on building housing for sale, with market rents being used to cross-subsidise social housing. This has, however, led to criticism regarding the role and modus operandi of housing associations. A shift from the concept of social housing, which provided low-cost rental for people on the lowest incomes to intermediate levels of affordable rent, open to a broader range of household incomes (but lower than full market price), has meant a reduction in options for low income families, but a greater mix in terms of social composition.

In Portugal, where the not for profit sector has lost its vitality, and housing companies are owned by the public sector, caps on public spending and debt constrain the inclination to invest, and a new funding model of affordable rent (*rendas acessiveis*) has been introduced to allow higher rents for the cross-subsidisation of private investments. Local planning authorities in Portugal still do not have the power to require contributions from developers, either in the form of affordable housing or through financial contributions. Inclusionary housing regulation through the planning system has been used in Denmark and England but, in Portugal, there remains a preference for the creation of public–private partnerships, or concessions that involve public subsidies in form of public land, credits for construction and tax exemptions.

Secondly, results show that, even though national housing systems differ significantly across national economic and social structures, in an “age of globalisation”, processes of policy transfer and adjustment can be observed across countries. As claimed by Peck and Theodore (2015), trends of “fast policy” associated with the shortening of policy development cycles and fast tracking decision-making have been observed among countries, demonstrating that “global policy models” impose an important normative power across national borders. Paradigmatic examples include the right to buy policy and the introduction of new kinds of affordable products, typically tailored to middle income households rather than low income earners.

In Copenhagen, the implementation of a new system of flexible allocation of housing (see Alves 2019) with a greater number of entrepreneurial spatial planning strategies, has reduced options for low income families. The introduction of the 25% rule in 2016, ensuring a quota of new housing provided by not for profit housing associations as a precondition of planning approval, does not mean that new housing will actually be affordable for low income families.

In all three cities, rising land and building costs, as well as socioeconomic inequality, explains increasing waiting lists and the number of vulnerable families sleeping in emergency and temporary accommodation, or in unfit housing. This alone seems to justify extra measures in order to guarantee the right to housing, i.e. rent controls, acquisition powers, land assembly, inclusionary housing, etc.

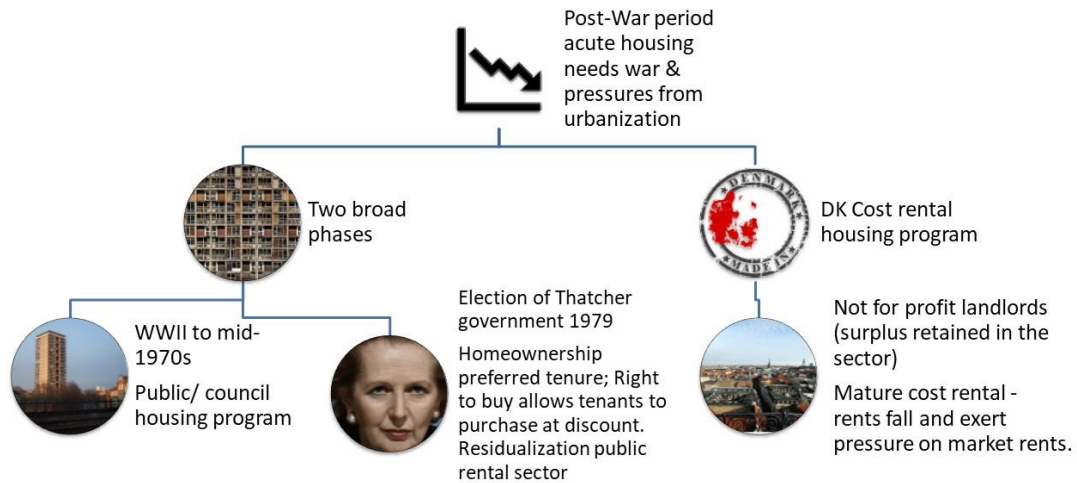
Evidence shows that mechanisms of inclusionary housing can be used in different ways. The land can either be made available for building social housing by acquiring it specifically for that purpose (as in the case of PER in Portugal), or land and dwellings can be made available at below market prices in locations adjacent to, or mixed with, land designated for other purposes. The 25% rule in Denmark and Section 106 in England are both examples of the

latter, where public housing is integrated with open market housing. The costs of making land available, as well as some construction costs, can be subsidised out of the development gains arising from the development project as a whole. It is important to note that, in the case of Copenhagen, a minimum floor area standard and the requirement that construction be of high quality has inflated land acquisition and construction costs, making this kind of housing in new developments uneconomical for low income families.

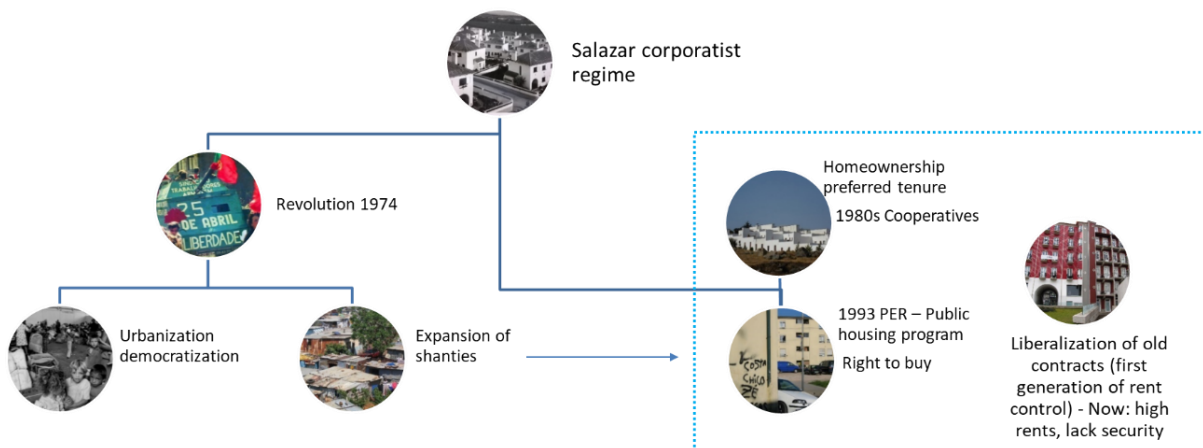
Thirdly, evidence shows that there are a variety of policy goals at national and local levels, including greater efficiency in relation to the development of infrastructure and housing, and the promotion of better living condition for citizens, including poorer citizens and marginalised minority groups. Economic concerns coexist with sociospatial concerns related to inequality or social justice, and there is potential to problematise the ways in which these policy aims are prioritised and translated into action. The empirical results of this project raise concerns about how the politics of welfare provision, including housing and land-use planning, have balanced land ownership rights and public interests in order to protect the right to housing. These politics of welfare provision have also shaped urban opportunities across the social and the spatial space, and have affected not only social relationships but also state-social relationships. The socially regressive consequences of market-orientated forms of urban governance over the last decade seems to require a further reconsideration of the power configurations that underline the system of rules that are steering the production of housing and the built environment.

5. Annex 1

Evolution of a dualist rental system in England, and an integrated rental system in Denmark



Evolution of a dualist rental system in Portugal



6. Annex 2

Respondent profiles			
ID	Organisation	Date	Interview time
CL1	Copenhagen local municipality	13/06/2019	01:22:00
CL2	Copenhagen local municipality	18/06/2019	01:10:00
CL3	Copenhagen local municipality	25/07/2019	01:29:00
NAD1	National government representative	04/06/2019	01:10:00
RD1	Private developer	06/06/2019	01:34:00
RD2	University	07/06/2019	00:53:20
RD3	University	07/06/2019	01:05:00
RD4	Consultant	12/06/2019	01:07:00
RD5	University	14/06/2019	01:00:00
RD6	University	18/06/2019	00:48:00
RD7	University	20/06/2019	01:00:00
RD8	University	24/06/2019	01:00:00
RD9	University	03/06/2019	00:16:01
PDD1	Private developer	12/06/2019	01:18:00
PDD2	Private developer	17/06/2019	01:08:00
PDD3	Private developer	01/07/2019	01:11:00
NPAC1	Non-profit housing association	04/06/2019	01:04:00
NPAC2	Non-profit housing association	11/06/2019	01:26:00
NPAC3	Non-profit housing association	19/06/2019	00:53:37
NPAC4	Non-profit housing association	21/06/2019	01:12:00
NPAC5	Non-profit housing association	27/07/2019	01:07:00
NPAC6	Non-profit housing association	31/05/2019	01:07:00

ID	Organization	Date	Interview time
LA1	Local authority	21/01/2019	00:52:00
LA2	Local authority	21/01/2019	00:36:00
LA3	Local authority	22/02/2019	01:14:00

R1	GLA	22/01/2019	00:29:00
R2	GLA	04/03/2019	00:59:00
R3	GLA	07/03/2019	00:53:00
N1	National authority	22/01/2019	00:51:00
N2	National authority	28/01/2019	01:14:00
A1	National stakeholder/ Expert	16/01/2019	01:00:00
A2	University	04/02/2019	01:35:00
A3	University	19/02/2019	01:03:00
A4	University	28/02/2019	00:48:00
P1	Private developer	19/03/2019	00:41:00
P2	Privat developer	19/03/2019	00:32:00
NP1	Non-profit housing association	18/01/2019	01:00:00
NP2	Non-profit housing association	01/03/2019	00:49:00
NP3	Non-profit housing association	11/03/2019	00:47:00
NP4	Non-profit housing association	11/03/2019	00:14:00
NP5	Non-profit housing association	18/03/2019	00:24:00
NP6	Non-profit housing association	18/03/2019	00:15:00

<i>ID</i>	Organization	Date	Interview time
LM1	Lisbon municipality	11/04/2019	01:06:32
LM2	Lisbon municipality	11/04/2019	01:06:07
LM3	Lisbon municipality	15/04/2019	01:14:01
LM4	Lisbon municipality	16/04/2019	01:02:30
LM5	Lisbon municipality	15/05/2019	01:26:00
CC1	Metropolitan authority	29/04/2019	01:27:00
CC2	Metropolitan authority	22/05/2019	01:26:2019
NAP1	National authority	03/04/2019	01:45:00
NAP2	National authority	29/04/2019	01:18:00
NAP3	National authority	21/05/2019	01:19:00
NAP4	National authority	22/05/2019	01:38:50
RP1	Consultant	03/04/2019	01:03:00
RP2	Consultant	08/04/2019	01:24:00
RP3	University	08/04/2019	00:43:00
RP4	University	10/04/2019	00:39:00
RP5	University	16/04/2019	01:19:55
RP6	University	26/04/2019	00:54:38
RP7	University	26/04/2019	01:13:00
RP8	University	02/05/2019	01:40:00
PDP1	Private developer	29/04/2019	00:54:00
CO1	Non profit Housing Association	27/05/2019	01:37:51

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