

International Outlook: Addressing Housing for Public Service Employees

BY JOHN N. PAPAGNI

MORE THAN 100 housing and community development professionals from 28 countries participated in "Housing the Public Sector," a conference held in Paris, France in late November 2007. NAHRO, in partnership with the International Urban

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Development Association (INTA) sponsored the conference at the headquarters of the Paris Transport Agency (Régie Autonome des Transports Parisiens or RATP). Presentations and policy debates highlighted challenges and opportunities for housing essential public service employees.

The conference offered a unique opportunity for participants to share their experiences and solutions to challenges faced by housing and community development professionals around the world. While many presenters were bilingual, translators also provided in real-time translations in French and English as conference participants listened through wireless headsets.

Many of the highlighted chal-

lenges that emerged from the conference have parallels to those faced by community development professionals in the United States. While the presenters are struggling with these issues in very different environments, the strategies and their outcomes carry important lessons for practitioners everywhere.

The presentations addressed myriad housing issues, including:

- Shortage of affordable workforce housing
- The need for reinvestment in existing urban areas
- Lack of transit for workers to access the job market

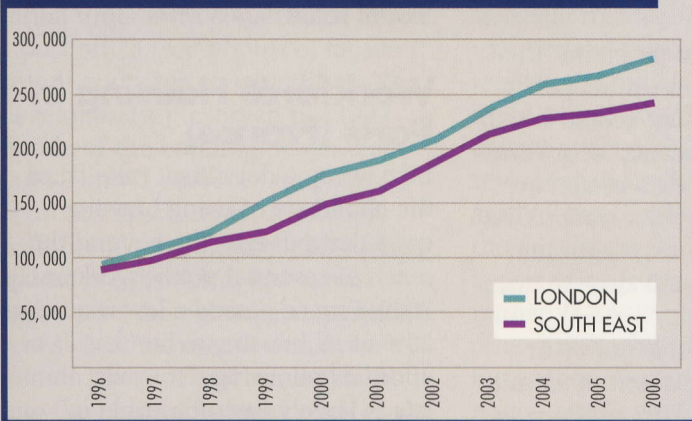
Here are some excerpts that give a sense of the diverse and innovative solutions to these common challenges.

PHOTO: MICHAEL DODD

The Key Worker Program (UK)

Peter Ruback, Head of the Affordable Housing Unit in the Department for Communities and Local Government, presented the United Kingdom's Key Worker Program. Like the United States, the United Kingdom faces the dual challenges of dramatically increasing housing costs and wages that have not kept pace. While almost 90% of first-time homebuyers could afford housing without assistance in the 1990's, only 54 % could do so in 2006. The loss of affordability has

Mix-adjusted average house prices for the South East and London



led to recruitment and retention problems in the public sector workers, increasing costs of hiring temporary workers and potential impact on essential public services.

To respond to this challenge, the government launched a "Key Worker Living Programme" in 2004; it is primarily aimed at workers in the health, education and public safety sectors in and around London (a sector which has suffered severe recruitment and retention problems). The program currently provides two types of homeownership assistance:

- **Open Market HomeBuy.**

Homebuyers are responsible for financing 75 % of the cost of a mortgage and the government matches the remaining 25 % as an

equity loan where the lender shares in any rise (and sometimes any fall) in the value of the property over the course of the loan. Half of the equity loan comes from a participating bank or building society, and the other half comes from the government through a HomeBuy Agent (government-sponsored housing intermediary). While eligible homebuyers do not have to repay the money provided by the HomeBuy Agent until the home is sold, they will have to pay back the money lent by the lender once the first mortgage is paid off. No interest will be

charged for the first five years, after which borrowers are charged a maximum of 3% interest per year on the lender's loan; after 10 years, they are charged no more than the lender's stan-

dard rate. The amount the borrower will have to repay the lender and the HomeBuy Agent is linked to the value of the home at the time they sell it, plus an extra fee (called a redemption fee) where this is charged.

- **New Build HomeBuy.** Under this program, homebuyers finance at least 25 % of the property. The housing provider (intermediary) finances the balance and charges the homebuyer up to a maximum of three per cent per year on the value of the property that it owns. As they become able to afford it, homebuyers can buy further equity in the property. The purchase of further equity is always at market value.

The Open Market HomeBuy and

New Build HomeBuy have provided housing assistance to 26,000 individuals, the majority of who are under 30 years old. Only 5% of the households served could have afforded a home on their own. Like many employer-assisted housing programs, benefits extend beyond housing. Employers report lower turnover rates among program participants. Program participants have helped stabilize the communities they moved to, helping to build sustainable, mixed-income communities.

There is also an avoided public cost associated with employer-assisted housing. In the health sector, it is estimated that providing housing assistance to 1000 nurses, health professionals and social workers would generate savings ranging from £22 million to £58 million (\$44 million to \$116 million) in London.

The United Kingdom's experience with these programs demonstrates that housing assistance can be a cost-effective way of aiding recruitment and retention in areas of high house prices.

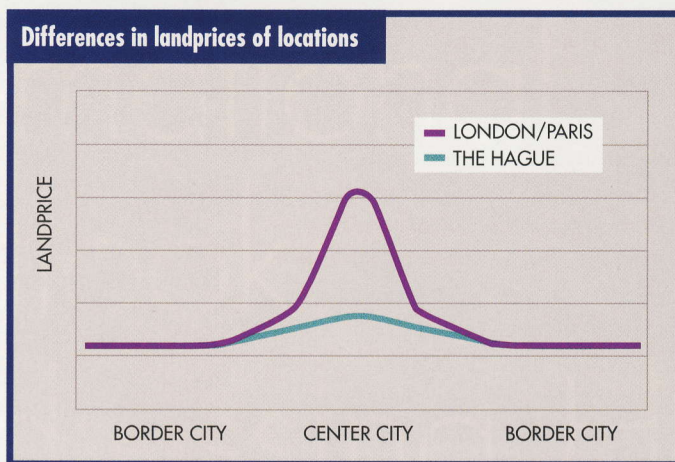
Transit-Oriented Development (Netherlands)

Louk Heijnders, Director of Real Estate for the Ministry of Housing, Spatial Planning and Environment presented the transit-oriented development policy in the Netherlands. A small, densely populated country, the Netherlands has the highest per capita proportion of public housing of any country in Europe. Also, Dutch cities are very spread out. The Hague is one example: unlike most metropolitan areas, there is very little difference in house price between the central city and surrounding region.

This development pattern was driven in part by a policy in the 1970s and 1980s of locating public

sector offices in weak economic regions. In addition to promoting low-density development, this led to a mismatch between jobs and housing as employment centers lacked access to public transportation.

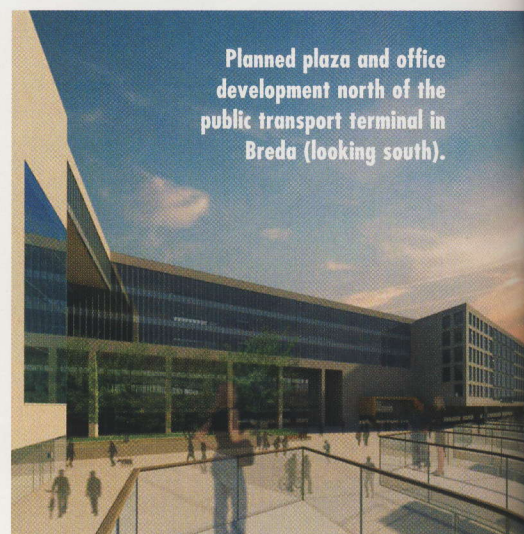
Further, the presence of large, international organizations with better-paid workers created even more demand for high-quality housing. Housing in the four largest Dutch cities is dominated by older, moderate-quality multi-family housing. As workers seek higher quality housing in the suburbs, they contribute to trans-



portation problems and create worsening conditions of inequality: booming house prices in better neighborhoods and increasing differences in wealth.

To address these problems, the central government shifted policy in the 1990s, focusing access to public transit in the location of government buildings, with a preference for offices close to train stations. As a result, 85% of new government office space is located close to train stations.

An example of this policy in action is the investment of 85 million euros (about \$127 million) in the City of Breda's new rail station and the station area. The Breda rail station is the fifth of six "National Key Projects" (NSPs), which involve urban development of and around the stations connected to the European high-speed railway network (HSL). The development plan for the Breda station includes residences, offices, stores, three train platforms and a bus terminal under one roof. Construction at the terminal, including the creation of a tunnel beneath the station and on-site improvements, will be completed by 2012. The redevelopment of the Station Quarter is projected for completion by 2016. When completed, the mixed-use development will cover approximately 400 acres, with nearly 600 housing units, more



than one million square feet of office space and 120,000 square feet of retail.

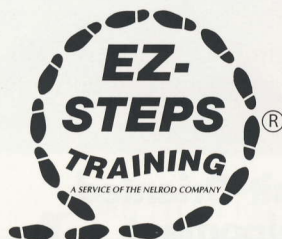
Workforce Housing in Paris (France)

Like many older cities, Paris faces the challenge of rising housing costs that put housing beyond the reach of essential public workers. In 2000, France passed a law requiring 20% of all housing to be "social" or affordable housing. However, the law is largely unenforceable in cities like Paris that have limited land available for new housing construction and must compete with surrounding suburbs for jobs and residents. The result is familiar: increasing reliance on cars for transportation increasing commute distances.

The current master plan for Paris states that 60,000 new homes will need to be built in the next 30 years just to meet the demand for housing. This challenge is compounded by the fact that many employees – particularly transit and postal employees must report to work before the subway begins to operate.

In an innovative approach to this problem, the French postal service has constructed affordable housing units for employees above post

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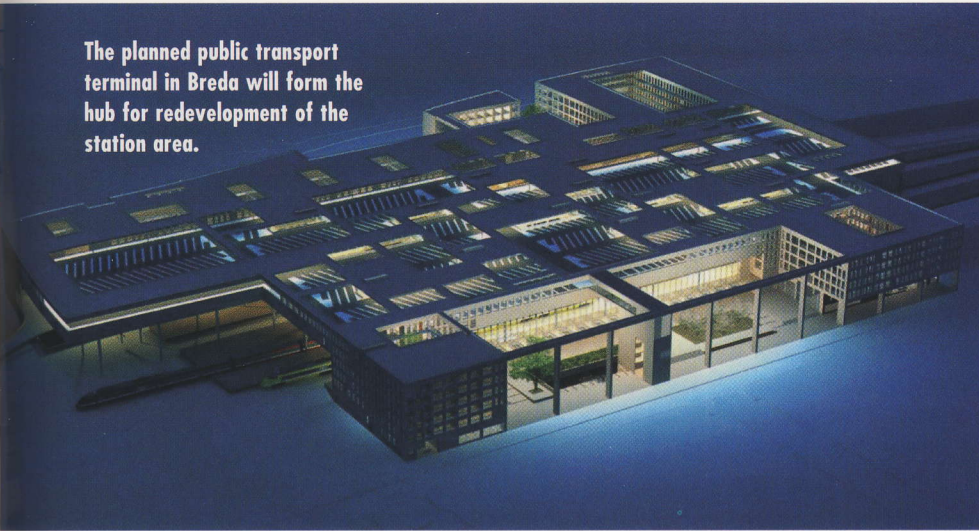
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The planned public transport terminal in Breda will form the hub for redevelopment of the station area.



offices in Paris. In one example, at 10 bis Rue Castinet, affordable rental units were constructed above a post office (see photos of façade before and after construction). The development preserved the 1932 façade of the building, while creating 12 new 1-bedroom and eight 2-bedroom apartments. To comply with the local ordinance, 26 parking spaces are provided. However, because of the tight space, parking access is automated – cars drive into an elevator and are lowered into the parking garage below grade

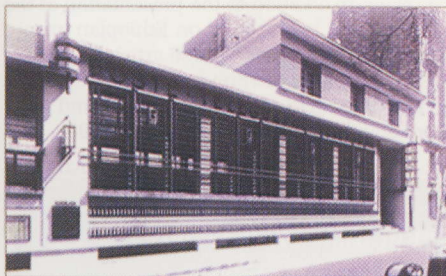
In a broader initiative, Logis-Transports, the housing division of RATP, was created in 1959 to house transportation personnel. Today, nearly 50 % of the housing developed by Logis-Transport is occupied by transportation personnel, with the balance occupied by other public sector employees. More than 5,000 housing units are currently under management in the Paris region, with an additional 810 units

under construction.

Logis-Transports property management includes detailed building maintenance, security and tenant relations plans. Underlying all of these developments are the principles of quality of life, proximity to transport and sensitivity to the architectural and social context of the developments. Logis-Transports is part of a broader association named ILEANE. Along with five other enterprises, ILEANE is focused on the creation and maintenance of affordable housing in the Paris region.

An Overview of Affordable Housing Challenges (Egypt)

Dr. Ashraf Kamal of the Ministry for Housing presented an overview of affordable housing challenges in Egypt. In contrast to European cities, Egypt's challenges focus on rapid new development and rising



Post office at 10 bis Rue Castinet, Paris before and after construction of 20 apartments above.

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housing costs to serve a growing population. In all, 22 new cities have been built in the last 20 years, mostly around Cairo. The number of housing units has doubled to four million, financed primarily by the private sector. However, nearly half remain vacant, unaffordable to lower- and middle-income residents. Also, unlike in some European countries, limited subsidies are available to reduce housing costs.

The rapid rise of housing costs in Egypt has been driven by the high cost of building materials (particularly cement and steel) and increasing land prices. To make matters



An example of affordable housing development in Egypt.

worse, until recently, long term mortgage financing was not available in Egypt. Homes required a 25% down payment, with the balance paid over just three years.

To address the problem, Egypt passed a mortgage law in 2001. The law allowed mortgages to finance up to 90% of the appraised value of homes and specified that installments would not exceed 40% of household income (25% for low-income households). The government also created a "Guarantee Subsidy Fund" which subsidizes 15% of the cost of affordable units.

Finally, in partnership with the banking, insurance and construc-

tion industries, the government formed the first mortgage company in Egypt: the Taamir Mortgage Company. For the first time in decades, Egyptian consumers have access to long-term financing for purchasing homes. Taamir's target is low- and moderate-income homebuyers with household incomes of about \$180-900 per month. This income range represents about a third of the population in Egypt. Over the long term, Egypt has launched a national program to construct 500,000 subsidized units over the period 2005-2011.

Housing and Integrating Immigrants (Israel)

Housing Minister Ze'ev Boim presented housing policies and programs aimed at serving divergent populations. Historically, one focus of Israel's housing efforts has been the absorption of immigrants. In the 1990s, Israel received successive waves of immigrants and had to develop new housing assistance programs tailored to these populations.

The most recent wave of immigrants, Ethiopian Jews, is one example. A 1996 article by the Israeli Ministry of Foreign Affairs describes some of the challenges this population presented in terms of housing policy and how they were addressed.¹ Ethiopian Jews tend to have large families; some 60% of the population is children. In addition, there is a very high percentage of one-parent families—more than twice the rate for other Israelis. Most adults had previously



had little or no access to formal education and while their children had some education, they were well behind their Israeli counterparts.²

As part of the response to these challenges, the Israeli Ministry of Absorption initiated a special mortgage program. The mortgage program for Ethiopian immigrants provides a total mortgage of \$90,000 with a grant component of \$81,000 and a linked loan of \$9,000. The 1996 article further described the goals of the mortgage program to enable Ethiopian immigrants to purchase apartments in established areas, and to prevent their concentration in areas which lack services to support their integration into Israeli society. Special efforts were made to help the Ethiopian Jews overcome their reluctance to assume long-term mortgage obligations.³

The mortgage program for Ethiopian Jews is one element in a comprehensive set of services aimed at integrating these new resi-

1. Note: In addition to the presentation at the conference, background on Ethiopian immigrants is drawn from a 1996 article on the Israeli Ministry of Foreign Affairs website. To view the article, visit www.mfa.gov and go to news archives > communiqués > 1996.

2. Source: "The Absorption of Ethiopian Immigrants in Israel" - Jan-96. Israel Ministry of Absorption

3. Source: "The Absorption of Ethiopian Immigrants in Israel" - Jan-96. Israel Ministry of Absorption

dents into Israeli society—including employment training and placement assistance, and access to education for adults and children. Housing assistance provided by the Ministry of Absorption is coordinated with services of other agencies, including the Ministry of Education.

Opportunities for NAHRO Members

The programs and case studies summarized above are just a sample of the diversity of information and ideas presented at the conference and the potential for sharing best practices, programs and strategies through INTA's international forums. For information regarding INTA, including upcoming educational programs, conferences and publications, visit the INTA website: www.inta-aivn.org/index.php. (To obtain full access, including down-

loading papers and presentations, users will need to register on the website.)

Thanks to the Memorandum of Understanding executed between INTA and NAHRO in Paris, NAHRO members will be able to attend the INTA annual conference at the member rate and will receive member discounts on trainings, publications and other products. Note that many INTA conferences are free to members.

About INTA

INTA is an international nonprofit organization with office located in The Hague in the Netherlands. Founded 30 years ago, INTA provides technical support and serves as a forum for international debate and information regarding community development. Through, international conferences and

advisory panels, INTA fosters information sharing and best practices on urban development and renewal worldwide.

John Papagni serves as Special Projects Manager in the Division of Neighborhood Revitalization at the Maryland Department of Housing and Community Development, a cabinet level agency. Over the past 12 years, Mr. Papagni has worked with interagency teams responsible for the design and implementation of new business development, homeownership and tax credit programs aimed at revitalizing Maryland's older neighborhoods. In conjunction with the Assistant Secretary for Neighborhood Revitalization, he developed programs, crafted legislation and policies to strengthen comprehensive neighborhood revitalization.

Mr. Papagni holds a Master's Degree in Community Planning from the University of Maryland at College Park.



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