

## **A Comparison on the Policies of Housing Security of the World Cities and Inspiration for Shanghai Guidelines**

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### **Abstract**

*Housing problem is an important prerequisite for urban development, and housing support for low-income urban housing problem is the foundation and core. To effectively solve the housing problem, New York, Tokyo, Singapore, Hong Kong and other world cities adopted a gradual expansion of security objects, diversified housing raising channels, and improved the financial means to effectively solve their housing problems of low-income people. Therefore, Shanghai should be based on its own characteristics, while drawing on the successful experience of world cities to further improve housing security system and speed up its entry into the ranks of world cities pace.*

**Key Words:** Housing problems, The World city, Housing security

### **1. Introduction**

The so-called world cities, comes from Friedman (1986) "World City Hypothesis" under a text, according to The major financial center, Multinationals headquarters location, Concentration of international organizations, Tertiary industry of growth situation, Major manufacturing center, An important world transportation hub, and Population scale, 7 indicators to named world cities, and further divided them into three at levels: the first level has New York, and London, and Tokyo; the second level includes Los Angeles, and Singapore, ; the third level San Francisco, Hong Kong, and so on. Based on the 3 levels, this paper selects some cities such as New York, Tokyo, Singapore, Hong Kong, as the comparative study of cities.

New York, Tokyo, Singapore and Hong Kong, without exception, have experienced housing problems in the process of building world cities, especially the housing problems of low-income groups. They attach great importance to the housing problems of low-income people, and the solution to this as an important responsibility of the Government, they are characterized according to their own urban features from the security object, listing raising, financial instruments, guaranteed way to solve local problem of affordable housing for low-income. The rapid developing Shanghai as an international metropolis, the housing security system construction and implementation faces great pressure, and Shanghai can learn from the world cities' successful experiences in housing development construction. This paper will induce and comb the four major cities' housing security system from the following aspects.

### **2. Protection of object**

At the beginning of the implementation of the affordable housing system, the world cities are facing an unprecedented housing shortage caused by the postwar economic depression or incident, the demand for housing increased sharply. Security objects are mostly displaced people due to war and populations affected by emergency, namely low-income people. These cities have worked out a series of housing plans, forming a multi-level housing security system. With the development of the local economy, the range of protect objects extended to the low-income people.

In the subjects of protecting objects, the four cities have subtle differences, but are all designed for low-income people. New York, Singapore and Hong Kong, in terms of age, do a more detailed rule:

In New York, only a family with two or more family members reached 18 years old and the singles can apply for affordable housing[1]; and Singapore HDB flats applicants must be aged at least 21 years of Singaporean; Hong Kong public housing (is public housing) applicants must be at least 18 years old of Hong Kong permanent residents; Tokyo are relatively special, protection objects are main-oriented cohabitation who has partner, that is to say, families are taken as main protection objects more than the singles of first-time home buyers. (Mainly for security objects have been cohabitants have a partner, which is to protect the family as the main object, rather than primarily for first-time buyers in singles.)In addition, for the guarantor of the monthly family income aspects, New York, Singapore and Hong Kong also made more strict rules, New York developed limit on the applicant income; Singapore provides that application family monthly income shall not be over \$1,500[2]; and in Hong Kong, public housing applications' income shall not be over Government developed of "highest into income and the total assets net limit" (depending on applicants of family number), while in the treatment of senior citizens developed more special regulations, detailing table 1 table 2[3], and once beyond "Maximum gross income and net asset value limit" in middle-class or affluent families, are not permanently applied for public housing in the future. From the table below, we can see that the lower threshold in the elderly population has access to affordable housing, so that the elderly populations get more protected.

**Table 1: Single person and total household income and net asset value limit (effective April 1, 2013)**

The family population	The highest monthly income	Total net asset limit
1 people	\$8,880 (\$9,347)	\$212,000
2 people	\$13,750 (\$14,474)	\$286,000
3 people	\$18,310 (\$19,274)	\$374,000
4 people	\$22,140 (\$23,305)	\$436,000
5 people	\$25,360 (\$26,695)	\$485,000
6 people	\$28,400 (\$29,895)	\$524,000
7 people	\$31,630 (\$33,295)	\$560,000
8 people	\$33,810 (\$35,589)	\$587,000
9 people	\$37,850 (\$39,842)	\$648,000
More than 10 people	\$39,740 (\$41,832)	\$698,000

**Source:** Hong Kong Housing Authority and Housing Department  
<http://www.housingauthority.gov.hk>

**Table 2: Unrelated incomes of elderly persons and total net asset limits (effective April 1, 2013)**

The number of applicants	Maximum monthly income	Total Net Assets Limits
2people	\$16,500 (\$17,368)	\$572,000
3people	\$21,970 (\$23,126)	\$748,000
4people	\$26,570 (\$27,968)	\$872,000

**Source:** Hong Kong Housing Authority and Housing Department  
<http://www.housingauthority.gov.hk>

### 3. The houses rose

Unlike the private housing market, affordable housing is provided by the Government for the protection of low-income persons. In the 1940s and 1950s at the beginning of the construction of affordable housing system, the world cities economy is in a slump, faces severe housing shortage, the availability of affordable housing is provided directly by the Government. After the 1990s, these cities' housing problem is resolved to a certain extent; other cities have introduced market mechanisms to expand availability. World cities listings to raise all have been experienced by the Government directly to the operations of the market mechanism. And affordable housing in an area, the quality and the size is also increasingly improved and enhanced [6]. New York, Tokyo, Hong Kong listing to raise channel diversity, while Singapore is more single. In New York there are Government built listings, cheap rental transferred from the old apartments and developers by 2006 enacted of 421-A modified Bill in the construction of 20/80 plans, namely the construction of real estate business in their development process must be built 20% of low-income people sold cheap rent;

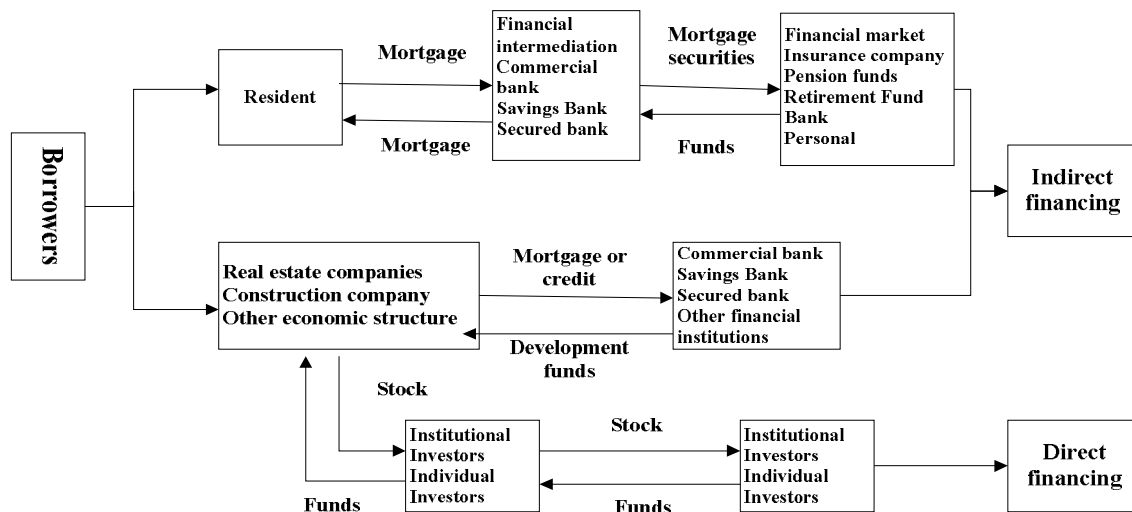
At first, in Tokyo, it is public groups that constructed public housing. Then acquisition of private housing through the local group and the place public group bodies' way of purchasing and storage renting private housing listings. Since 2007 through the consolidation of existing rental housing, renovated old house housing; similar to Hong Kong and Tokyo, providing public housing (similar to the low-rent housing) for low-income people and HOS flats (like affordable housing)for middle-income persons, two kinds of public housing. Hong Kong Housing Authority is responsible for the public housing programmed and planning, and chooses public housing units by way of tender, then the built public housing for rent or for sale to low-income people. While the former public housing residents make purchasing and renovating public housing.

Singapore HDB policy was introduced, over 90% of the flats built by Government funds, including Housing Construction Bureau in charge of construction, and residents of flats eventually were mainly sold to the people in the form of sale. HDB is the layered, low one-bedroom, two-bedroom; three-room flats are for medium and low income [7]. Thus, the source of affordable housing in Singapore is a national-led group of low-grade housing, housing a single track.

**4. Financial instruments**

World cities in the development of housing security system, rely on their specialized housing finance system, make full use of the financial means to play a role of the primary and secondary housing mortgage market, promoting the construction of affordable housing, to improve the living conditions of low-income families, while also promote the healthy and stable development of the real estate market.

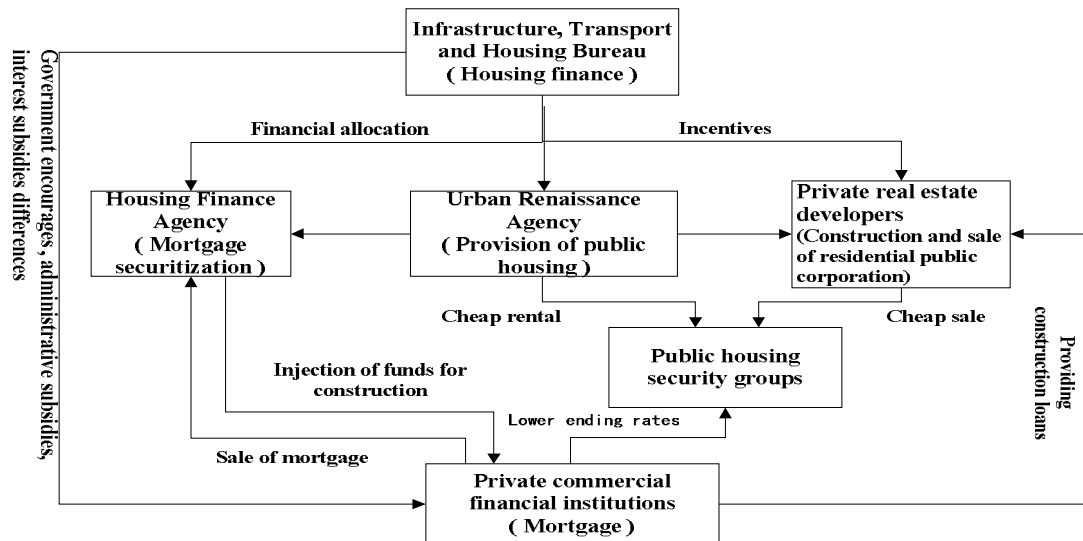
United States public housing (that affordable housing, follow) is mainly adopt the following policies: First relying on financial allocation of construction funds, the Federal Government introduced public housing bonds, financing through the bonds market; Second, through preferential policies to encourage real estate developers to participate in public housing construction; Three, Federal Government provides government credit guarantees ways to promote public housing mortgage market development; and broadens the domestic and international financing housing mortgage II level market (the United States housing financial operation in Figure 1[8]). New York City, on the one hand, relies on monetary policy of the Federal Government, on the other hand in a housing project in the city, more than half of the investment in housing construction funds from the city budget(the city government bonds); the remaining parts come from federal block grants, low-income housing tax credits and other sources[9].



**Figure 1: The United States housing financial operation**

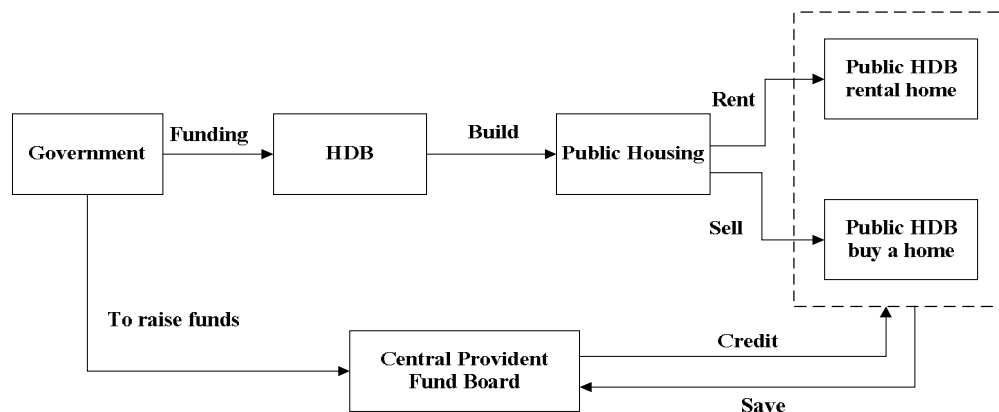
In the financing of Japan housing, policy-oriented financial institutions carry out public housing funding and credit plans to introduce two core tasks, credit implementation is realized by entrusting private financial institutions, namely the implementation of public-private finance system. Civil commercial financial institutions are in charge of public housing financial services business, providing low-interest loans to public housing security groups and real estate developers in the construction of public housing projects, typically around 4% and the interest margin is financed by the State.

Residential financial support agencies for civil and commercial financial institution offers a securitization of housing mortgage loan and collateral services, While developing the secondary market of housing loans, and assuming loan insurance and disaster reconstruction duties of the primary housing market (Japan housing finance operation system in Figure 2[8]).



**Figure 2: Japan housing finance operation systems**

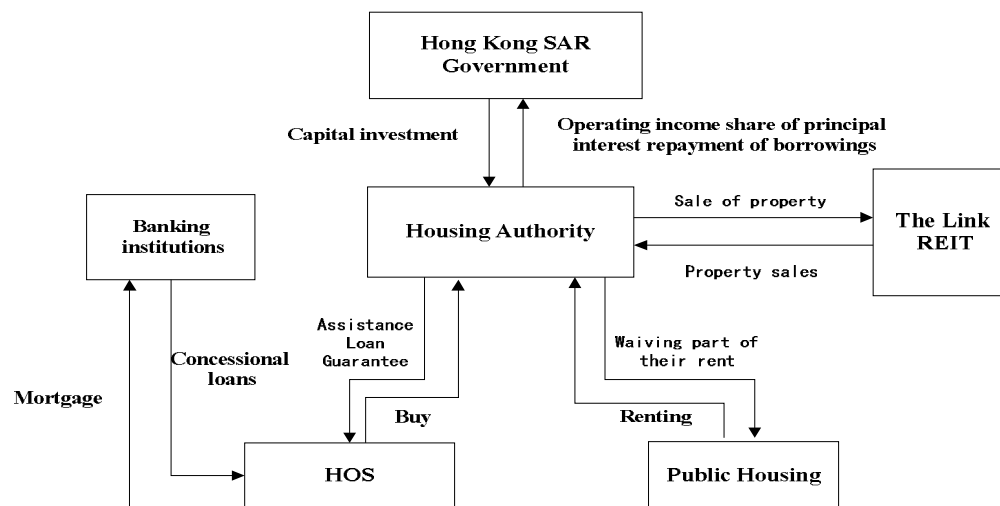
Singapore takes actions for the orderly operation of the financial means for the protection group, based on the Central Provident Fund. It, on the one hand provides funds for housing construction, on the other hand provide a down payment and monthly interest on business loans for those who purchase flats, thus relieve the purchasers' repayments pressure (Singapore housing finance operation of the system in Figure 3[8]).



**Figure 3: Singapore housing finance operation of the system**

Hong Kong housing market is more developed, the mortgage market is mature secondary markets, there is a certain development, and to set up a secondary market to operate institutions--the Hong Kong Mortgage Corporation, responsible for the securitization of housing mortgage loans. But Hong Kong's public housing finance development is very limited, few businesses involved in the construction of public housing, and the only public housing policy financial institutions is "Housing Authority",

Hong Kong's public housing finance is the HA (Hong Kong Housing Authority) as the core, supplemented by rent subsidies and the new home assistance loan [8].



**Figure 4: Hong Kong housing finance operation of the system**

From the above analysis, we can conclude that New York financial markets are more mature, affordable housing construction, and it does play a role in the purchase; Tokyo financial markets rank second, relying mainly on housing finance public library; Singapore financial instruments is a single, relying mainly on the Central Provident Fund system, harmonized high; more developed financial markets in Hong Kong, but public housing finance underdeveloped.

### 5. Security

Starting from the mid 1970s, the world cities housing guarantee gradual intervention in the housing market by the Government towards the provision of cash benefits, namely change the benefits from in-kind support to benefits combined in-kind with rental, rent subsidies combined with rent relief. New York, Tokyo, Singapore, Hong Kong in determining housing security object, for low-income families, provides for different ways of protection and housing security measures focused on lower-income households. Direct rent subsidies for low-income families and housing help to middle income families are offered in New York, Tokyo, Singapore and Hong Kong for different flats or public housing, Government subsidies are different.

The development trend of New York housing protection way is by physical subsidies to rent subsidies, not only tax support but also certain preference targeted low-income exits in rent subsidies aspects[9] : directly funding, Government support some specific housing works of construction and implementation; Government help rental who obtained private housing; made Federal Government for State Government and local government provides to developed its itself project of funds; exempt from loans interest tax, and income tax, reduction property taxes; to using mortgage loans purchase public housing of medium income who, In accordance with the amount of loans per month, reduced a percentage of taxes and are exempt from property tax in order to encourage private housing. Tokyo Metropolitan Government mainly provides benefits in kind, through the construction of public housing and Housing Corporation homes meets the needs of low-income housing.

Singapore is mainly implemented by the Government for low-income housing subsidies, subsidies on the basis of the applicant's income and rent, buying flats of different sizes for subsidies. The more area roofing has, the more benefits people get. If you purchase a large area of flats, not only subsidies cannot be offered, but also a certain amount of profit will be added on the basis of the cost price. So low-income families only with the ability to buy a small area of flats to be cared .Targeted low-income rental public housing estates of the Housing Authority of Hong Kong, the implementation of the rent assistance scheme, by offering rental assistance for tenants with financial difficulties, rent reduction defined conditions and economic difficulties the tenants have clearly defined. Subject to certain requirements and within the income limits of eligible applicants will receive a reduction of one-quarter or half the rent.

## 6. The summary and enlightenment

Through the four world cities affordable housing the protection of collected objects, listings rising, financial instruments, protection mode, the four aspects of comparative analysis, and the following main conclusions:

### 6.1. The guarantee coverage by low-income and middle income persons are extended

With the social economic development, world cities has had a shortage of housing, housing improvement and adequate housing several stages, they not only focus on housing development stage, but also focus on development level. Low-income families as first priority, and timely solved the housing problems of middle income families. Therefore, the development of affordable housing in Shanghai, the process should focus on gradient-based coverage, to avoid early financial burden too heavy.

### 6.2. The housing stock and fund raising by the combination of government intervention into the market and Government intervention

World cities affordable housing is developed from the Government domination to a combination of Government and markets, easing the financial burden of the Government on the one hand, on the one hand broaden the sources of housing. China's market economy development well in the listing, the Shanghai should establish appropriate regulations to guide the market intervention, thereby expanding the listings.

### 6.3. The combination of policy-oriented financial and market financial instruments

World cities in the process of developing affordable housing make full use of the financial means of allowing affordable housing to build and sustain development. In the process of building affordable housing on the one hand, make full use of policy-oriented financial institution in level, policies of the provider offers. When leasing or buying the lower-income housing on the other hand, supported by the secondary market mortgage loans from financial institutions. For example, in New York, income guarantees for mortgages have access to policy-oriented financial institutions.

### 6.4. Protected by benefits in kind benefits in kind combined with the rental subsidy in the form of development

World cities are from the subsidies provided to the subsidized rent house-buyers, from the combination of benefits in kind to the kind and rent subsidies. These cities , on the one hand improve the withdrawal mechanism, prevent some low-income people still living in subsidized housing after the income, on the other hand, access mechanisms and exit mechanism is more flexible, more manageable. For example, in New York, from Governments to build affordable housing for low-income persons to the Government policy of providing rental subsidies.

In short, through world cities guarantees room construction of analysis, Shanghai in development perfect this city housing guarantees process in the first to strengthened government intervention, housing problem in constantly of practice and reform in the get better settlement, housing supply should be gradually steering market mechanism, reduced national intervention; Second, market and social security sector to common guarantee vulnerable groups of housing problem, introduced market mechanism and Government intervention of combines, not only can played market of efficiency, and that can make up market residential buildings in particular deficiency of the low-income housing difficulties.

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