

A Pre-Review of the Public Rental Housing of China

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Abstract: As the housing demands are growing the current applied supervising policies and measures to welfare housing call for an urgent improvement. Premier Wen Jiabao raised the issue, stating that “to carry on a positive development of public rental housing” within the Report of Work of the Government, which has propelled the local exploration and development of public rental housing. This is purposed to solve the housing problem of the “sandwiched class”, reflecting a philosophical transformation on the national welfare system in facing of non-low-waged group. All this is indicating that the welfare system of housing in our country has moved forward. The article starts with the institution of public rental housing, developing with systemic creative advices on housing supply model and mechanism of price formation, exploring the welfare methods, financing channel and managing institution relating to public rental housing, constructing a new housing class optimization that is compatible with the real demand in our housing market and price, rent and formation system. Besides, the article is also explicating the position of public rental housing, providing a reference to the promotion of a sustained development of housing industry.

Keywords: public rental housing; housing supply mode; pricing mechanism; institution construction

1. The basic concept of public rental housing

The term “public rental housing” initially stems from the Report of Work of the Government, given by Premier Wen. Public rental housing means the policy-based house with a low rent; building or repurchasing by the government and applicable to low-waged families, particularly in face of graduates, migrant workers, etc. These groups could not meet the requirement on applying low-rent housing, however, could not afford residence houses. Currently, the methods to housing welfare around the world are directly providing rent houses, placement, allowance in money and financial sponsor. Among them providing rent houses is to provide public rental houses or the identical houses. Public rental housing takes account into the “sandwiched class”, as well as expands the range of beneficiaries related to welfare housing. This has well complied with the core issue and basic principles that “all can enjoy housing”, other than “housing only for the resident”.

In recent year, to overcome the prevalent deficits of welfare housing system, solving the difficulties of those low-waged families on a material level, Xia Men, Shen Zhen, Beijing and Shanghai, etc. have initiated exploration and practice. In facing of the large quantities of housing-problem families, which are mostly medium and low waged families and unable to enjoy low-rent houses for lowest-waged groups, could not afford to purchase or lease houses in the market by themselves, further, nor can they afford residence houses. Therefore, in terms of the facts, Xiamen, Shenzhen, etc. raise the issue of public rental housing, providing rental houses at a lower than market price, or the government issue a monthly subsidy to support low waged families to pay

for the rent, thus solve the housing problem. A number of facts stemmed internationally suggest that public rental housing is an efficient form of housing welfare. In contrast to the residence houses for low wage families supplied by governments around the world, public rental housing is flexible to adjust the group of allocating resources in accordance with the movement of family income. By implementing the capacity of entrance and exit, improving the recycling usage of constrained welfare houses, and enduring the allocation goes to the families of urgent need. Therefore, to enact welfare standards should be highly correlated to the basic living requirements at current time, as is adjusted with the movements of this bottom line. Reviewing the history of foreign housing welfare, the standards, initially, ensure the existence of houses to live in and then, come the promotion of living conditions. Under the premise suggesting that the national development of economy is less developed and financing capability is constraint, the first and foremost task thrown to governmental housing welfare is to meet those who having difficulties of housing the requirement of residence. That is to say, the first step is to provide the affordable public rental houses rather than that of attached with ownership by purchasing. In a word, public rental housing is a realistic choice for the government to realize maximum welfare advocated by housing welfare, and also, a practical choice for low wage families to resolve housing problems.

2. The current issues within public rental housing

2.1. Unitary of public rental housing welfare

Developed countries basically have two forms of public rental housing welfare: one is direct providing; the other is allowance of money. As housing welfare is promoting, subsidies is gradually switching from direct providing to allowance of money. In view of the situation of public rental housing development, direct providing is mostly extensively adopted, which means that it provides the qualified applicants with a public rental house. However, as public rental houses require a long constructing period, the single welfare method must prolong the cycle of the sandwiched class solving housing problems, on the other hand, is not able to comply with market fluctuations. Thus, it loses the function to coordinate and stabilize market as welfare housing focus on, meanwhile, enlarge the risk of implementation. In addition, comparing with the exit system with integrated allowance of money, the single direct providing exit system is more complicated to operate.

2.2. Financing obstacles of public rental housing

Financing is the core to influence the stabilization and persistence of public rental housing provision, which gives the system an obstacle that calls for an urgent resolution. First, to develop public rental housing, capital is required both on the houses themselves and long-term maintenance on them, giving rise to a large capital with long period occupation; second, the welfare characteristic determines that construction and management must be break-even with low profit, resulting in the difficulty of benign input-output circulation due to a low speed of collecting constructing capitals; third, the deficit within public rental housing and inefficiency of administrative welfare housing effort have, however, increased constructing costs and managerial risks, and on the other hand, in contrast to residence houses, it demands excessively long time capital recycling and brings low profits, which otherwise resists real estate entrepreneurs from investing in public rental housing.

2.3. Imperfect institution and legislation relating to public rental housing

The housing welfare institution was given a late birth in our country and has a less developed construction and improvement. Despite the intensive emphasis on its construction and a housing welfare policy framework focusing on residence housing institution, low-rent housing institution and housing accumulation fund institution, the housing welfare still working with some deficits, of which the operation problems are highlighted. So far a lack of integrated legislation protection has constrained the development of low-rent housing, residence housing and price-limited condominium. Public rental housing, as a key element included in housing welfare institution, has generally been behind the development of low-rent housing, residence housing and price-limited condominium with respect to institution building and human re-

source identification, thus, restraining its function as a housing welfare.

3. Suggestions to improve public rental housing institution

3.1. Identifying the expansion and deepness of public rental housing scientifically and give rise to hierarchy and dynamics

In the light of the situation of sandwiched class, it must gradually expand the range of public rental housing so as to realize the so called "welfare security as much as possible" and meet the basic needs of residence for housing problem families. However, with respect to the less developed economy and constrained financing capability, principle of low-level has to be complied, indicating that weighing between range and level, the range of housing would be given priority. In respect of entrance conditions such as identifying the housing size standard and income standard, avoiding overestimation; reviewing the size, it should be on the basis of basic living needs (e.g. small economical apartments), because high standards are beyond government's affordability and breaking social fairness; while regarding rental subsidy, it ought to refer to a comprehension of market rent, tenants' income and financial affordability. Therefore, low level but wide range is the principle persisted to construct the new housing welfare institution that applies to our country.

The allocation of housing rent emphasizes on the residents' responsibility of housing expenditure, and the amount of subsidy is negative to the level of income. The higher the income, the higher the responsibility. Additionally, policy on public rental housing must reflect dynamics and flexibility, and as the general housing conditions improves and the movement of bottom line of basic needs goes, the welfare standards should coincide with the promotion.

3.2. Issues on improving public rental housing planning and capital invest

Construction and supply of public rental housing should refer to the amount of application, as well as size. What comes as a specialty is that the source of the welfare houses should take the old second-hand accommodation in the housing market as priority. In view of the filtering model of housing market (ie. In the housing market, those houses built for high income tenants initially. But as time goes the houses are getting aged, resulting the tenants giving up the current accommodation in pursuing advanced living condition. Thus the low wage tenants continue using them), housing market should adopt a classification supply system, and provide different economic classes houses with a variety of service. The welfare houses are those of lowest quality, small sized, old and less functioned set within housing market filter-

ing model. If there are excessive second-hand houses, however, that a number of public houses are built directly by the government would not only increase burden to government, but break the consecutive of housing supply chain, which results in the disturbance to the development of housing market.

Subsequently, focusing on the infrastructure of public rental housing, guaranteeing the efficiency of residence. Supply public houses for low wage families is not only for a shelter of storm but, what is more important is that the correlated travelling, shopping, education, employment and medicate requirements to them, thus generate a well planned location, supporting services, and applicants are willing to live with convenience. At present, a situation is noticed that the low rent houses and public rental houses are lack of people to lease, and one of a reason lies in that the wrong location, incomplete supporting service and inconvenience have increased the living costs.

The construction of public rental housing, financing institute of capital raise and development of public rental housing, however, must solve the capital problem of houses and maintenance expenses, which calls for a large, long-term recycling capital. Therefore, the guarantee of large investment and the source of the capital are the key to an efficient operation. First, increase financial support and investment. To solve the problem of capital relating to public rental housing effectively, it should use foreign experience, create financing institute and model, and apply administrative-exempt expenses and governmental funds, as well as encouraging the society and entrepreneur to participate, displaying the capital raising function of commercial financing mode led by the government. Second, well use the market resources. The success of public housing in Hong Kong is largely attributed to a full use of market resources. The representative example is that housing-support housing and self responsible profit and loss. The housing committee works for the plan, design, construction and management of public houses, residence houses and the incidental shopping malls, parking and other non-residential infrastructures.

3.3. Improving the managerial institution and legislation of public rental housing

Currently, public rental housing in Xiamen has a comparative advanced managerial institution and institution

design, and has put them into practice. However, the practice still requires a continuing improvement and integration.

3.3.1 While practicing the accessing institution, referring to the verification of income, housing, residence and assets, the part of income and assets is crucial and complicated among them. Prior to the integrated inquiring platform, what is urgent is the cooperation and information sharing between divisions so as to well handle the access and save the corresponding administrative resources.

3.3.2 Practicing exit mechanism strictly. The exit mechanism is one of the key designs relating to public rental housing institution which is highly related to the effect of this institution. However, the exit mechanism relies on not only the strict management of the department in charge but the cooperation between them. While ascertaining if meet the leasing requirements or the level of subsidy provided by the government, it calls for the contribution of every department and establish an efficient mechanism of assisting verification. In the process of exit mechanism, justice department may interfere if the situation is above the administration's bend, therefore it is of necessity to establish swift judicial decisions and enforcement mechanism.

3.3.3 During the daily operation, there should be an effective swift disposal mechanism, with respect to the breaking of legislation and acts such as restructuring the usage and structure of houses arbitrarily and irregular put ups and sublets.

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