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Mr. Chairman and members of the Committee, thank you for inviting me to appear here today for this hearing on “The Future of Housing in America: A Comparison of the United Kingdom and the United States.” For the past 15 years, I have been conducting research on housing, community engagement and change. Previously, I led two national housing organizations in the UK. The first of showcased how social housing investment could be used as a catalyst for neighborhood regeneration, whilst the second organization I led was focused on promoting the housing needs of communities of color in the affordable housing sector. In particular, my research on housing has considered the issues of race and community engagement and promoting models of good practice related to both the US and the UK.¹ In addition, with my colleagues, Dr. Susan Popkin and Diane Levy from The Urban Institute, I have conducted two research projects comparing housing and redevelopment initiatives in the US and the UK.²

CONTEXT

¹ Beider, H. (2008) *Neighbourhood Renewal & Housing Markets: Community Engagement in the US and UK*. Oxford, Blackwell Publishing

² Beider, H., Levy, D., and Popkin, S. (2009). *Community Revitalization in the United States and the United Kingdom*. Washington, DC, The Urban Institute; Levy, D., Beider, H., Popkin, S., and Price, D. (2010) *Atlantic Exchange: Case Studies of Housing and Redevelopment in the United States and United Kingdom*. Washington, DC., The Urban Institute.

Political debates on affordable housing in the United Kingdom and the United States have been at the forefront of public policy for decades. In the last thirty years, both countries have seen substantial changes to national and local approaches to affordable housing. The processes of privatization, de-regulation and the changing nature of cities and regions, together with interventions to prevent the most severe impacts of economic turbulence, have moved forward the debate considerably. In this written statement, the objective will be to compare and contrast approaches to affordable housing policies in the UK and US before reflecting on key policy interventions and considering future prospects.

There is prior significant research comparing affordable housing in the UK and US, notably the account provided by Karn and Wolman (1992).³ While somewhat dated, the key issues are relevant to some of the contemporary issues that this Committee seeks to address. In short, the US approach was based on a complex system of tax deductions to encourage homeownership with a small and marginal affordable housing sector when compared to the more widely supported social housing⁴ promoted by local authorities⁵ and housing associations⁶ in the UK.

Table 1 compares US and UK public assisted housing systems.

Table 1 Comparing affordable housing in the US and UK

³ Wolman, H. (1975) *Housing and Housing policy in the U.S. and the U.K.* Lexington, Lexington University Press.; Karn, V. and Wolman, H. (1992) *Comparing Housing Systems: Housing Performance and Policy in the United States and Britain.* Oxford, Clarendon Press; Katz, B. (2004) *Neighbourhoods of Choice and Connection: The Evolution of American Housing Policy and What it Means for the United Kingdom.* York, Joseph Rowntree Foundation; Beider, H. (2008) *Neighbourhood Renewal & Housing Markets: Community Engagement in the US and UK.* Oxford, Blackwell Publishing

⁴ Affordable housing at below market rates

⁵ City government

⁶ Not for profit, charitable organizations that develop and manage affordable housing

<i>United States</i>	<i>United Kingdom</i>
Public housing authorities and not for profit organizations build and manage housing for low income communities	Local authorities and housing associations build and manage housing for low income communities; since 2015 need to consider using resources for ‘starter homes’ as part of home ownership push by government
Stigmatized social housing sector	Stigmatized social housing sector but much less so than the US
Public and assisted housing sector is about 2% of total housing stock	Public and assisted housing sector is about 16% of total housing stock
Public housing demolition by programs such as HOPE VI	Public housing transfer by Large Scale Voluntary Transfer Program
Public sector housing characterized by segregation by race and income	Public sector housing characterized by segregation by income rather than race
Voucher program allow tenants to move out from public housing	No voucher program but universal credit has been paid direct to individual since 2015 allowing transfer to private rented sector; “Right to Buy” public housing at deep discounts

Source: amended from Beider (2008)

From a review of the data in Table 1, are we to conclude that approaches to affordable housing are similar? Private housing tenure, and creating a “property owning democracy,” has become a key and shared political objective in the US and UK. Public housing has become stigmatized in both countries with the worst stock being demolished and replaced with mixed income and mixed tenure housing stock while national or federal government has encouraged housing organizations to become more efficient and deliver a wider range of housing products with fewer resources.

This Committee intends to look at lessons learned from policies and practices in the UK housing sector. In order to do so, the origins of the current system need to be considered. Affordable housing has been widely viewed as being the responsibility of government. Indeed this has been embodied since 1919 when the British Prime Minister David Lloyd-George made local authorities responsible for building social housing, or “*Homes Fit for Heroes*” for those soldiers who were returning to slum like conditions after military service in World War I. However, it was only after World War II that large scale council house building was undertaken by local authorities responding to a pressing need to rebuild British cities that had been destroyed or heavily damaged by bombings. As was the case in 1919, government also had to meet the

expectations of the population following the deprivations of conflict. As noted by the BBC, increasing the supply, access and above all the quality of new homes was a priority:

*“A generation was introduced to the joys of indoor toilets, front and rear gardens, and landscaped housing estates where, as the town planners boasted, a tree could be seen from every window.”*⁷

It was the public sector rather than private sector that took the lead in building housing on a mass scale. In 1945, the new Labour government worked with local authorities to build over a million new homes.⁸ In this way, social housing in the UK has been embedded as part of the welfare state. This idea was first developed by the Beveridge Report of 1942, which identified ‘five evils’ in British society: squalor, ignorance, want, idleness and disease. The creation of the National Health Service in 1948, National Insurance, Unemployment Benefit and a program of Public Housing was a vision of *“the living tapestry of the mixed community,”* in which *“the doctor the grocer, the butcher and the farm labourer all lived in the same street.”*⁹

Affordable housing in the UK springs from the ethos of the welfare state. Local authorities and housing associations have been concerned with much more than the construction and management of housing with the engagement and wellbeing of tenants being an important concern. Housing organizations have used their anchor position within a city and neighborhood to organize training programs so that tenants have the skills to compete in the job market, created social enterprises that have been led by tenants or have a community benefit and attracted private sector investment supporting renewal. These activities that focus on social investment have sometimes been viewed as “added value” or “housing plus” initiatives.¹⁰

Moving away from the principles of affordable housing could lead to a very different social housing sector that downplays community engagement and social investment and regards it as bringing a low return for investment in a sector that is more about managing the bottom line rather than the double bottom line. Affordable housing providers need to balance social and economic outcomes during a period of considerable transformation.

⁷ BBC, (2015) *A History of Social Housing* <http://www.bbc.com/news/uk-14380936>. Accessed 6th May 2015.

⁸ Gregory, J. and Mullins, D (2015) *The Future of Social Housing*. Webb Memorial Trust, London

⁹ Ibid

¹⁰ Slatter, P. (ed.) (2001) *After the crossroads: Housing associations as community investors*. York, Joseph Rowntree Foundation.

POLICY DRIVERS

The preceding discussion shows the strong historical and political roots of the affordable housing movement in an expansive and progressive welfare state. Affordable housing has been described as the “wobbly pillar” of the welfare state.¹¹ This is indicative of how affordable housing is becoming increasingly separated from the goal of providing decent government subsidized housing to lower income households in need. In this section our attention will focus on four key policy interventions which have transformed affordable housing in the UK: *Right to Buy, the 1988 Housing Act, Large Scale Voluntary Transfer and the 2016 Housing and Planning Bill.*

Right to Buy

Britain in the 1970s was characterized by political discord and economic breakdown. The Keynesian economic boom had come to an end as a result of increasing commodity prices such as petroleum, severe underinvestment in infrastructure and manufacturing. The poor state of the economy was underscored by a deteriorating political climate characterized by labor disputes between government and unions, riots on the streets and coalition government.

In this context, the 1979 victory by the Conservative Party, led by Margaret Thatcher, was seen as a break with the previous political consensus of supporting the welfare state. The new government initiated a series of reforms based on de-regulation and privatization. Affordable housing, previously supported by both Labour and Conservative Parties, was seen as leading to welfare dependency and preventing people from achieving the aspiration of home ownership and a consequent property owning democracy.

“The Right to Buy” policy, which gave existing local authority tenants the right to buy their property with deep discounts, was a flagship of the Conservative government’s 1980 Housing

¹¹ Malpass, P. (2008) Housing and the New Welfare State: Wobbly Pillar or Cornerstone? *Housing Studies*, Vol 23, 1, pp 1-19.

Act. The premise of the policy was based on personal freedom and increased consumption, both of which appealed to voters. Home sales increased rapidly in 1981 (66,321 sold) and 1982 (174,697 sold) and continued for the rest of the 1980s.¹² Local authority housing was a state asset and “Right to Buy” was viewed as consumer capitalism. On closer inspection, the policy was unbalanced. The best properties in the inventory sold – typically houses rather than apartments, in smaller housing developments and in the economically vibrant South rather than stagnant North. The beneficiaries were tenants working in middle income jobs who were familiar with homeowners and viewed homeownership as attainable. The average discount provided by the government for council homes sold between 1980 and 1985 was a staggering 44%.¹³ While “Right to Buy” was conceived as expanding a property owning class, the resultant benefits were limited to higher income local authority tenants.

Initially, discussions in the Conservative government deemed that the receipts from the sale of properties would be returned to local authorities to replace lost housing stock. In reality this did not occur; instead the size of the affordable housing sector was reduced considerably. As Table 2 shows, in 1981, 31.6% of the housing stock was social rental housing and by 2014 this had declined to 17.3%. The consequence for local authority tenants was equally dramatic as demand exceeded supply, which led to increases in rent and challenged the concept of affordable housing. In 1991, ten years after the first “Right to Buy” sales and rents had increased by 55% in relation to average earnings.¹⁴ In a seminal study on “Right to Buy,” Jones and Murie state “*If it were not for the right to buy...the council housing sector as a whole would have generated huge surpluses [from rental income] and the rise in real rents ... would not have been necessary.*”¹⁵

Table 2. Tenure split in England

Thousands of households	1981	2000	2013-14
Owner Occupier	9,860	14,340	14,319
Private rental	1,910	2,028	4,377
Social rental	5,460	3,953	3,920

¹² The Guardian (2015) *The right to buy: the housing crisis that Thatcher built* <http://www.theguardian.com/society/2015/aug/26/right-to-buy-margaret-thatcher-david-cameron-housing-crisis>. Accessed 9th May 2016.

¹³ Jones, C. and Murie, A. (2006) *The right to buy: analysis & evaluation of a housing policy*. Oxford, Blackwell.

¹⁴ The Guardian *ibid*

¹⁵ Jones and Murie, *Ibid*

All dwellings	17,230	20,320	22,617
% of total			
Owner Occupier	57%	70.5%	63.3%
Private rental	11%	10%	19.3%
Social rental	31.6%	19.5	17.3%

Source: Annex Table 1.1: Trends in tenure, 1980 to 2013-14, English Housing Survey

In conclusion, the “Right to Buy” policy was a concerted attempt to de-regulate and privatize the affordable housing sector. For those who were successful, increasing levels of homeownership led to capital accumulation. This was part of the Thatcherite Revolution of the 1980s. However, it contributed to a housing crisis when housing units were not replaced and, consequentially, rents increased exponentially.

Housing Act 1988

A second significant reform introduced by the Conservative government was the 1988 Housing Act. This enabled housing associations to access investment from private financial markets to undertake repairs of existing housing stock and develop new housing stock. In the early 1990s, social housing development was underwritten by government subsidy of 75% of building new homes. This fell to 39% by 2010 and 14% by 2015.¹⁶

As noted earlier, the business of housing associations was to provide affordable rental housing for low income communities. Declining levels of government subsidy and the provisions of the 1988 Housing Act resulted in increased loan financing by many housing associations. Before looking at the levels of investment into the sector, it is important to understand how housing associations were viewed as secure businesses. There are approximately 1,700 housing associations in England managing over 2 million homes.¹⁷ Assets are fixed and long term stability is demonstrated through rental income that provides 85% of the revenue stream. Employees have an ethos of professionalism combined with dedicated public service. Agencies are perceived as social enterprises regulated by the government through an arm’s length

¹⁶ Chapman Taylor (2015) <http://www.chapmantaylor.com/en/insights/article/residential-the-future-of-housing-association-development/en/>. Accessed 7th May 2016.

¹⁷ Heywood, A. (2013) *Investing in Social Housing: A Guide to the Development of the Affordable Housing Sector*. London, The Housing Finance Corporation.

approach that protects against defaults. In short, housing associations appear to be an attractive option for lenders as low risk and high yield enterprises.

“The housing association sector is a diverse sector dedicated to meeting the needs of communities across the length and breadth of the United Kingdom. Although HAs are private bodies, independent of government, their range of activity represents perhaps the most successful public private partnership in the UK.... Crucially, lenders to the sector are able to take full security in the form of fixed or floating charges against the housing assets, utilizing a conservative valuation methodology...they represent a low risk investment opportunity that has already attracted an estimated £62 billion of bank and capital markets finance across the UK as a whole, over £58 billion of that in England alone.”¹⁸

Since 1988, housing associations have been very successful in raising private finance to support social aims. By 2012, housing associations secured more in private finance to cover operations - £47.9 billion – than government grant - £43.8 billion – for the first time, marking a dramatic shift in the support for social housing.¹⁹ In total, housing associations have raised over £70 billion from financial markets.²⁰ This is against a total valuation of housing association assets of £118 billion in 2012/13.²¹

The scale of private lending is impressive and takes into account the 2008 economic crash. Indeed, housing associations access £6 of private finance for every £1 of government subsidy. There have been surprisingly few housing associations that have run into financial difficulties and this good credit history has enabled significant lending. In 2014, Notting Hill Housing Trust secured £250 million on the bond market to finance the building of 1,400 homes each year until 2020.²² However, housing associations negotiating with bond dealers in the City of London are far from meeting the needs of low income communities.

There is concern that the mixed funding structure introduced by the 1988 Housing Act has compromised the ethos and guiding principles of housing associations. Is meeting the need of financiers more important than that of low income communities? To what extent can housing

¹⁸ Ibid

¹⁹ Ibid

²⁰ Whitehead C. and Williams, P. (2014) Looking Back, Looking Forward: Finance for Social Housing (from Guarantee to Guarantee). Presentation made to the Private Finance Seminar, London School of Economics, 15th September 2014.

²¹ Heywood, Ibid.

²² Chapman Taylor, Ibid.

association staff understand the real world experiences of tenants whose conditions may be markedly different from their own? And despite the close regulation of housing associations, how resilient is the sector to another economic crash? Addressing these points is complex but supports a more nuanced understanding of affordable housing in the UK.

Large Scale Voluntary Transfer

The 1988 Housing Act was transformative. In addition to introducing the concept of borrowing to support the development and management of affordable housing, local authorities now had an opportunity to repair and renew their housing stock through the process of large scale voluntary transfer.²³ The process was underpinned by a number of factors, including securing the support of a majority of tenants in a secret ballot, transferring stock from the public local authority to a private, albeit not for profit, housing association, and attracting investment from capital markets to repair housing stock.

Twenty years after the first stock transfer, a study by the Joseph Rowntree Foundation reviewed the impact of the policy. By 2008, 1.3 million homes had been transferred from local authorities to housing associations,²⁴ £14 billion had been invested into repairing housing and more than 2 million residents had benefited from the process.²⁵ Much of the impetus for the policy was supported by the new Labour government, elected in 1997 and determined to address social and economic disadvantage through working with the public and private sectors. Importantly, a “Decent Home Standard” stipulated that all affordable housing, either in local authority controlled or let by housing associations, must meet specific criteria in order to be deemed stable by 2010. Many local authorities did not have the necessary levels of funding to meet the criteria and had no choice but move in the direction of large scale voluntary transfer.

The process of large scale voluntary transfer has reshaped the social housing sector in the UK. By 2015 there had been 300 stock transfers involving more than 200 local authorities shifting

²³ International Partnership Network (2016) *Lessons of the International Partnership Network*. Boston, IHP.

²⁴ Pawson, H., Davidson, E., Morgan, J., Smith, R., and Edwards, R. (2009) *The Impacts of Housing Stock Transfers in Urban Britain*. York, Joseph Rowntree Foundation

²⁵ The Guardian (2008) Voluntary transfer for social housing celebrates 10 years

<http://www.theguardian.com/society/2008/dec/10/housing-voluntary-transfer>. Accessed 7th May 2016.

over one million properties from the public to the private sector.²⁶ These new organizations account for 44% of the 2.7 million housing association homes.

Some housing advocates have criticized the policy as being back door privatization of government assets. One of the leading organizations, *Defend Council Housing*, has been vociferous in its opposition to large scale housing transfer pointing out that tenants face the prospect of eroded housing rights, higher rents and less accountability.

“Councils pushing privatization always tries and make out stock transfer is the best thing since sliced bread. They launch an expensive and glossy PR Campaign - usually only promoting one side of the argument and often break what most people would think are basic democratic procedures to try and prevent or make it hard for anyone to put the case against. Don't be bullied and blackmailed. Make sure that there is a full and balanced debate in your area so that tenants hear both sides of the argument.”²⁷

The advocates also point out that the focus of housing associations has shifted to working more with financiers than tenants. They are also concerned with what they perceive to be excessive salaries paid to executive and senior staff in the housing association sector and see these increases as far from the public service ethos that shaped council housing in the 20th century. These are important counter arguments to the dominant direction towards increased privatization.

Housing and Planning Bill 2016

²⁶ Social Housing (2015) Consultation into stock transfer borrowing capacity gets underway <http://www.socialhousing.co.uk/consultation-into-stock-transfer-borrowing-capacity-gets-underway/7008785.article>. Accessed 7th May 2016.

²⁷ Defend Council Housing http://www.defendcouncilhousing.org.uk/dch/dch_infopage.cfm?KWord=transfer. Accessed 7th May 2016.

In May 2015, the Conservatives secured an unlikely victory in the British General Election. The topic of housing generally and affordable housing specifically was given a high profile during the campaign, with stories of young people paying high levels of rent in an unregulated private sector and often priced out of cities. This led to debates about who should have access to social housing and whether reliance on social housing led to welfare dependency.

Some have suggested that the new government proposals contained in the Housing and Planning Bill could lead to the death of affordable housing. The focus is to increase home ownership rates with new measures that include: fixed term council tenancies limited to 10 years; “pay to stay” charges for council tenants earning more than £30,000 per year (£40,000 in London); extending the “Right to Buy” to housing association tenants; and forcing Councils to sell their remaining high value properties to fund new starter homes for people under the age of 40.

The focus on home ownership means that affordable housing will become even more marginal as we noted in Table 2. As the Chief Executive of Chartered Institute of Housing, one of the leading professional housing organizations in the UK, stated:

“Our fear is that some of the proposed measures in the housing and planning bill will make it incredibly difficult for councils to build new homes – and that vital council housing could be lost...According to our analysis, almost 7,000 council homes a year could be lost when right to buy is extended to housing associations if no extra funding is provided. We also have serious concerns about pay to stay, which we believe could discourage social housing tenants from increasing their earnings or finding work, as well as pushing people into housing benefit entitlement.”²⁸

Indeed, an ex-leader of a housing association lamented that *“The housing bill signals the end of the road for truly affordable housing in England.”²⁹*

CONCLUSIONS

Death of social housing?

²⁸ The Guardian (2016) Experts say housing bill signals end of the road for affordable housing <http://www.theguardian.com/housing-network/2016/jan/05/expert-views-housing-bill-end-affordable-housing>. Accessed 7th May 2016.

²⁹ Ibid

Affordable housing continues to be an important part of the housing equation for many living in the UK. It was conceived as an integral component of the welfare state and ensured that many people could have a firm footing in society through the solid foundation of decent and stable housing.

Since the birth of the welfare state debates on affordable housing have focused on the who should have access to this limited resource when demand far exceeds supply. In short, who are the deserving and undeserving of a shrinking welfare state? The debate has been transformed by policy discussions related to “The Right to Buy,” the access to private finance to build affordable homes under the 1988 Housing Act, and the radical provisions in the current Housing and Planning Bill. During this period there has been a rapid decline in social housing tenure as well as a rise in home ownership and private sector rentals.

Looking to the future, there is a risk that affordable housing, as it has been known in the UK, will cease to exist. The government target to increase home ownership in the UK is currently not been born out in practice (see Table 2).

It should not be overlooked or underestimated how important affordable housing can be to the stability of a person or family or indeed a community, particularly as it relates to sustaining employment, being a productive member of society and building a stable community.

Continued investment in affordable housing should be an important component of a national housing policy, alongside other housing choices favored by many consumers and lenders.

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<http://www.urban.org/research/publication/community-revitalization-united-states-and-united-kingdom>

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