
1. Seoul's Public Lease Housing Policy

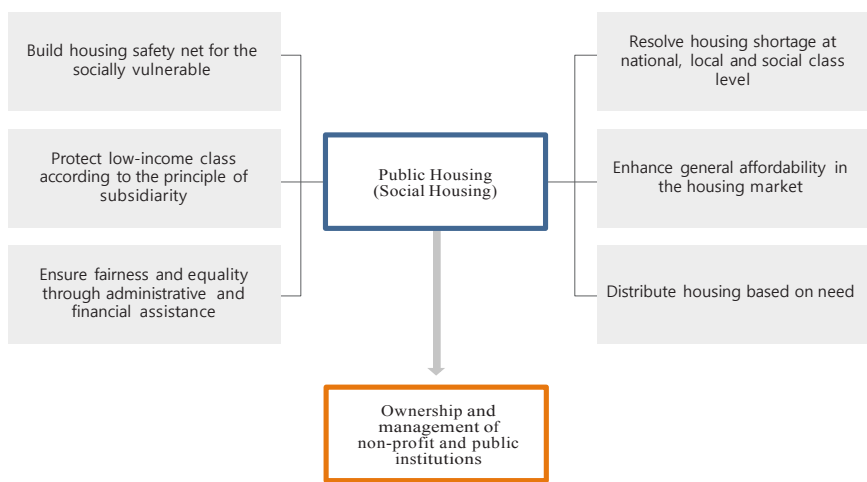
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Policy Area: Housing

Policy Background

Generally, public lease housing or social housing is provided to the social class that has difficulty acquiring adequate housing in the private sector housing market. In countries where social welfare is not well developed, the government builds or purchases units to provide as public housing. Every society has a class of people who are in need of assistance with housing, as they do not have the financial wherewithal to provide it alone. Of course, this most often refers to those below the poverty line and low income earning households, and it is these people that public lease housing is meant to assist.

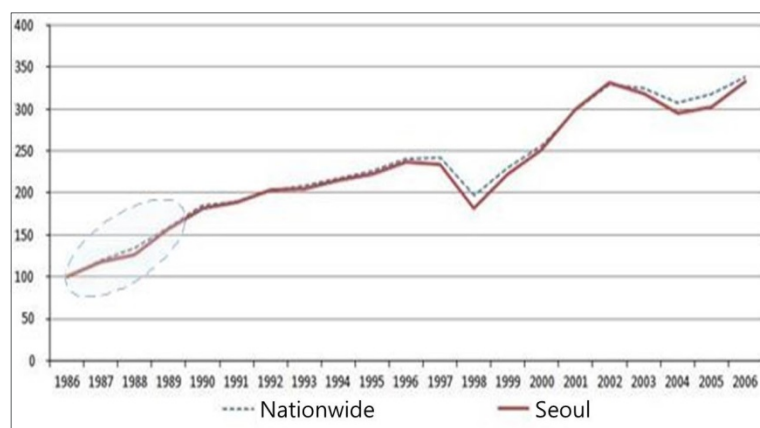
Figure 1 - Significance & Purpose of Public Lease Housing



In South Korea, the provision of public housing began in earnest in the late 1980s. From the 1960s, Seoul and the metropolitan area saw a concentrated inflow of people; the city's population quadrupled from 2.435 million in 1960 to 9.626 million in 1985, depleting the land available for development. In 1985, the Joint Re-development Program was launched in existing residential areas by private entities. At the same time, the economy was booming. International trade turned to surplus and stock prices skyrocketed, along with wages and housing and other prices. After the 1988 Olympics, private apartments soared in price, leaving many people incapable of affording a place to live. In National Assembly elections the same year, the ruling party lost, and blamed the housing issue as one of the reasons. The government then came up with a plan to build 2 million houses, a dramatic increase in the housing supply. This plan included the construction of various types of public housing – permanent lease housing, long-term lease housing, and lease housing for workers. Besides skyrocketing lease and housing prices, the background to public housing for the low-income classes during this period included strong resistance from tenants as they were evicted due to city improvement plans, the government's sense of urgency due to the heated political campaigns, and the absolute number of housing units failing to keep pace with the increasing number of households in the 1980s. The chronic housing shortage grew even worse; in 1987, the housing supply rate was 69.2% nationally, while the number

was considerably lower in Seoul, standing at 50.6%. Prices were exacerbated by the inflow of surplus funds into the real estate market, and in particular, lease prices (jeonse) increased by 60% between 1986 and 1989 alone.

Figure 2 - Lease Price (Jeonse) Index (1986.12=100)



Source: Kookmin Bank, KB Housing Price Trend, (<http://nland.kbstar.com>).

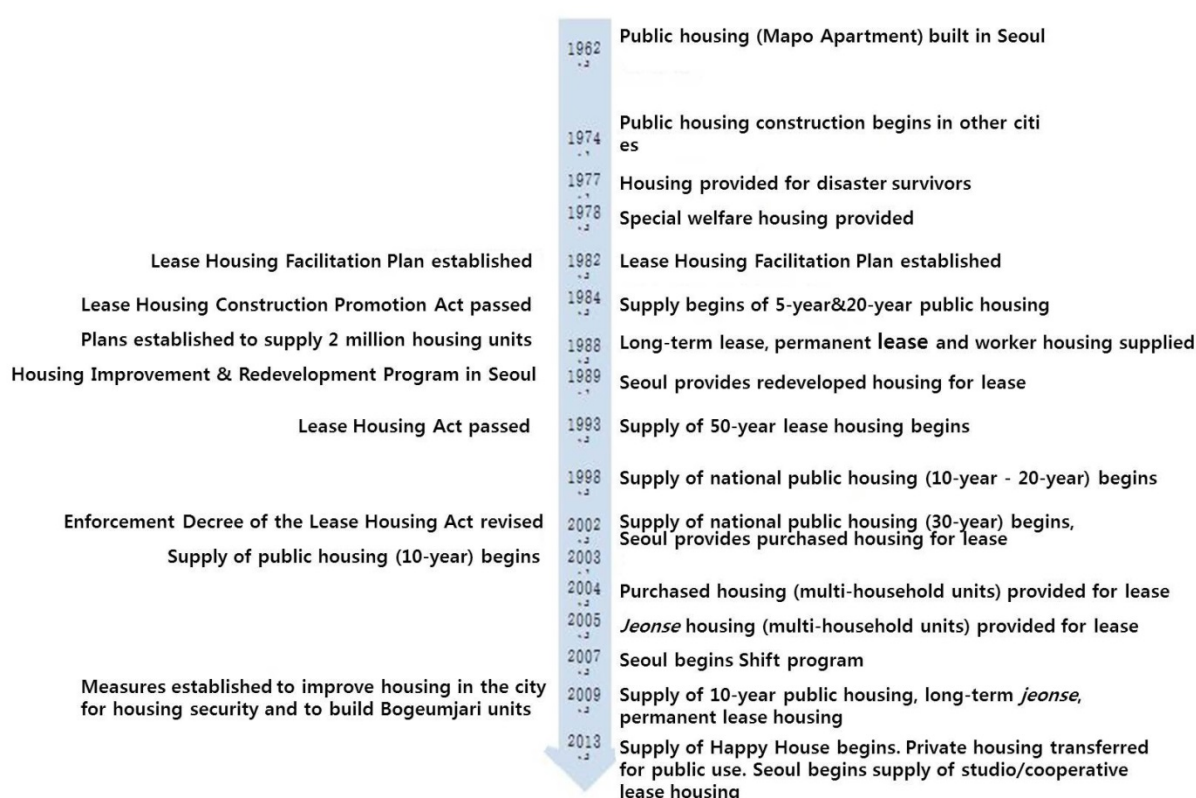
Due to the soaring housing and lease prices, stability of the housing market became a serious social issue. Numerous tragedies occurred where tenants committed suicide due to the financial distress caused by the skyrocketing cost of housing. While real estate prices were buoyed up by the economic boom in the late 1980s, suffering doubled of people in the low-income classes already experiencing housing insecurity. Conflict between landowners and tenants grew bitter. As the housing issue became one of the most serious causes for societal conflict, it added fuel to other issues, such as labor disputes, demands for wage increases, financial investment, and unstable prices, to name a few. In addition to this, tenants evicted from their homes also posed a severe problem. Because they could not pay the high housing costs, they were pushed away to basement apartments, poor neighborhoods and the city outskirts. They were resentful, and this resentment led to crime.

The permanent lease housing program that began in 1989 aimed to supply public housing to tenants who met the statutory requirements to be considered low-income earners, selected based on the need for housing, not the ability to pay. In the meantime, the City of Seoul revised its Guidelines for the Housing Improvement & Redevelopment Program to build lease housing for tenants as part of the housing redevelopment program. Associations of developers and residents would build the houses for lease within redevelopment districts, and the City of Seoul would purchase these to lease to the tenants.

In 1993, the 50-year public housing program was introduced. The government's financial burden was reduced to 50% and that of the tenants increased to 30%; the remaining 20% was financed by the National Public Housing Fund. From 1998, the supply of 10-year and 20-year public housing started. In 2002, the policy was modified and the housing leases became 30-year leases, but the government's financial burden was reduced to the 10 - 40% range.

Seoul, in need of housing sites, began to purchase existing housing units in 2002 to provide them as public housing. From 2007, the city utilized the housing reconstruction and other programs to supply long-term jeonse housing (SHift) that included the middle class as eligible candidates. SHift targeted the middle class and non-homeowners with actual need and provided medium to large housing units (59 m², 84 m², and 114 m²), for long-term jeonse¹, rather than monthly rent and a smaller deposit. At the time, national lease housing absorbed into SHift and receiving financing from the National Public Housing Fund or other government organizations was limited to the lowest income quartile; other national lease housing was open to anyone, regardless of their income

Figure 3 - Changes in the Public Housing System



1. The new jeonse-type public housing ensured up to 20 years of lease at 80% or less of the market jeonse amount for the area.

Major Public Housing Policies

Public Housing Stock in Seoul

As of December 2013, the public housing stock in Seoul amounted to 216,000 units. Of these, 155,000 were supplied by Seoul (through the SH Corporation), about 70% of all public housing in Seoul. The central government (through the LH Corporation) supplied the remaining 61,000 units. By type, the number of 50-year public housing units, including redeveloped lease housing, was highest, at 77,000 units (35.6%), followed by permanent lease housing units (48,000 or 22.1%). The remaining units were long-term jeonse housing (12.2%), national lease housing (10.1%), and purchased housing available for lease (7.2%).

Table 1 - Public Housing Stock in Seoul (December 31, 2013)

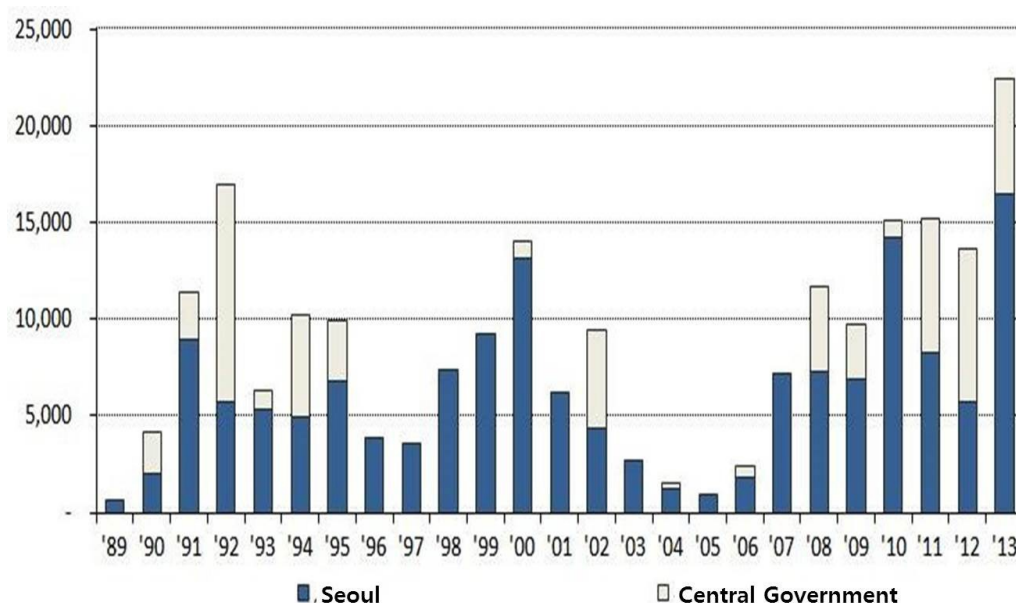
(Unit: Housing Units)

Category	Permanent Lease	50-year Public Lease	National Lease	Purchased Housing for Lease	Long-term Lease	Others	Total
Stock	47,672	76,946	21,724	15,623	26,303	27,632	215,900
Percentage (%)	22.1	35.6	10.1	7.2	12.2	12.8	100.0

Source: Internal documents, Seoul Metropolitan Government, 2014.

Note: 50-year public lease housing includes redeveloped lease housing.

From 1989 to 2013, an annual average of 8,636 public housing units were built and supplied in Seoul; in the years 1991 - 92, 1994, 2000, 2008, and 2010 - 13, an average of 10,000 or more units were supplied a year.



Dual-Sourced & Residual Lease Housing System

In advanced European nations, the percentage of public lease and social housing hovers around the 10% level. In South Korea however, public housing accounts for only 5%. Public housing is provided to the socially vulnerable and low-income earners at a considerably lower lease than available in the private sector. In other words, the public and the private sectors are independent of each other in this area. The South Korean system of lease housing is a typical dual-sourced or residual model. Under this system, the government provides financial assistance for the construction and supply of public housing, which is made available to those financially incapable of providing housing without assistance. Candidates are income- and asset-tested to determine their eligibility to move in. Under this system, public housing policy regards tenants more as persons needing protection than as customers, which can be seen in the residual housing policies and benefits.

Table 2 - Types of Public Housing Policy

Category		· Single System/Universal Model	· Dual System/Residual Model
Nature		· Living standards and housing choices for the middle class are deemed as important as those of the low-income class.	· Provided as a social safety net for the socially vulnerable and the low-income classes.
Lease		· Lease is lower than in the private market, but the difference is not substantial.	· Lease is considerably lower than in the private market.
Non-profit, Private		· NPOs own, operate and manage public housing (social housing).	· The percentage of NPO ownership of public housing (social housing) is significantly lower.
Housing Features	Percentage of Public Housing for Lease	· Relatively high	· Relatively low
	Relationship with Private Lease	· Integrative, competitive	· Separate, isolated
	Percentage of Owned Units	· Relatively low	· Relatively high
Welfare System		· Social democracy · unionism	· Liberalism
Countries		· Sweden, Finland, Germany, Netherlands, France	· UK, USA, Australia, Japan, South Korea
Main Agenda		· Residual/ownership pressure	· Undeveloped · elementary
			· Demand for social integration due to isolation

Under this dual-sourced or residual model, the City of Seoul has supplied various types of public housing, such as permanent lease housing, 50-year public housing (including redeveloped lease housing), national lease housing, purchased housing for lease, and long-term jeonse housing.

Table 3 - Financing & Eligibility for Public Housing Programs in Seoul

Type (Net Area)	Program Entity	Financed by	Lease Period	Policy Target (Tenant)
Permanent Lease (40 m ² or less)	Central Government (LH Corp.) City of Seoul (SH Corp.)	<ul style="list-style-type: none"> Central and local government: 85% Tenant: 15% 	Permanent (indefinite)	<ul style="list-style-type: none"> Benefit recipients as per the National Basic Livelihood Security Act Low-income single-parent families, veterans, etc. Holders of apartment savings accounts
50-year Public Housing (60 m ² or less)		<ul style="list-style-type: none"> 1992 – 93: government 50%, the Fund 20%, tenant 30% From 1994: The Fund financed by scale Government financing 10 – 40% Housing Fund 40 – 50% Program entity 10% Tenant 10 – 30% 	50 years	<ul style="list-style-type: none"> Holders of apartment savings accounts Others subject to special supply conditions (veterans, evicted residents, the disabled, etc.)
National Lease Housing (60 m ² or less)		<ul style="list-style-type: none"> Government financing 10 – 40% Housing Fund 40 – 50% Program entity 10% Tenant 10 – 30% 	30 years	<ul style="list-style-type: none"> Income level: Non-homeowners earning up to 70% of the average household monthly income for urban workers in the previous year. Other assets and vehicle ownership are taken into account.
Long-term Jeonse Housing (115 m ² or less)		<ul style="list-style-type: none"> For former national lease housing: identical to national lease housing financing structure. Financing for the remainder is 100% by the program entity 	20 years	<ul style="list-style-type: none"> 60 m² or less: Non-homeowners earning up to 100% of the average household monthly income for urban workers in the previous year. Over 60 m² to 85 m²: Non-homeowners earning up to 120% of the average household monthly income for urban workers in the previous year. Over 85 m²: Non-homeowners earning up to 150% of the average household monthly income for urban workers in the previous year. Non-homeowners residing in the program target area.
Purchased Housing for Lease (No limit)		<ul style="list-style-type: none"> Government financing 45 – 50% Housing Fund 45 – 50% Tenant 5% 	Up to 10 years	<ul style="list-style-type: none"> 1st Priority: National Basic Livelihood Security Benefit recipients, low-income single-parent families. 2nd Priority: the disabled, non-homeowners earning up to 50% of the average household monthly income for urban workers in the previous year.

Note: The percentage of contribution for the national lease housing scheme differs by type of assistance.

Source: SH Corporation Website (www.i-sh.co.kr); LH Lot Sale, Lease/Subscription System Website (myhome.lh.or.kr).

Permanent Lease Housing

Policy Outline

It can be said that permanent lease housing is Korea's first public housing in its true sense. Indeed there were public housing units before the emergence of permanent lease housing, but because they were leased on the condition that the tenants purchase them after a specific period of time, it cannot be said that they held

as much importance in terms of social policy. Permanent lease housing was first created out of the 1988 plan to build 2 million housing units. One of the goals of this plan was to supply 250,000 units of permanent lease housing, but in reality, 190,000 units were supplied between 1989 and 1993. Of these, 140,000 were supplied by the central government (through the LH Corporation) and 50,000 by the local governments. At the time, 47,000 permanent lease houses were supplied to Seoul— a quarter of the total, with two-thirds to other cities (Busan, Daegu, Gwangju, Daejeon, Ulsan and Incheon). Built to house low-income urban dwellers, permanent lease housing was usually built as a large complex of apartments. They were mostly located on the outskirts of a city, with small unit sizes of between 23 m² and 45 m².

Some 85% of the cost for the permanent lease housing program was financed by the government, with tenants responsible for the remaining 15%. Contrary to the original plan, the permanent lease housing program was suspended after supplying 190,000 units in 1993 but was resumed in 2008, supplying only a small number of units.

Policy Summary

Because permanent lease housing mainly targets the poorest class, the cost of leasing is a maximum 30% of market rates, taking into account the financial wherewithal of the residents. Priority is given to the socially vulnerable (National Basic Livelihood Security Benefit recipients etc.). In some cases, non-homeowners who made 50% or less of the average monthly income for urban workers in the previous year are placed at the bottom of the list. The lease contract is renewed or cancelled every 2 years, with National Basic Livelihood Security Benefit recipients usually able to stay. Even if the tenant loses eligibility for the National Basic Livelihood Security Benefit scheme, they are allowed to stay if they can pay the 30% increase in lease amount at the time of contract renewal.

The Permanent Lease Housing Program also rents out store space within the complex to reduce residents' housing management fees. Moreover, non-polluting apartment-type factories, shared workplaces for female workers, and job information centers are provided to assist tenants in finding work and securing a source of income.

Moving-in Process

By statute, permanent lease housing is for low-income earners, but not all are able to move in. Eligible candidates submit a permanent lease housing application and go on a standby list. If there is no housing in the desired area, or if the number of household members exceeds the amount of available housing, the candidate may be denied.

Figure 5 - Permanent Lease Housing: Moving-in Process



Evaluation

Permanent lease housing is significant in that it was the first type of public housing, introducing the concept of social welfare into the housing policy. This program however could not be maintained and was suspended after supplying only 190,000 units of housing, due to the lack of demand for this housing, even though the program was designed to assist the lowest income class. This lack of demand can be attributed to the reasons in the following paragraphs.

First, permanent lease housing complexes were not located in built-up areas where the targeted people could easily find jobs. Because the government wished to build large complexes within a limited timeframe, suitable housing sites were difficult to find in such areas, resulting in development occurring in the outskirts, where land was more affordable. Those in the lowest income class were simply unable to move away from the city (where the jobs were) to the outskirts where the permanent lease housing was built. Transportation and distance between work and potential home resulted in vacancy. The original plan to build 250,000 units was modified to 190,000, but this did nothing to resolve the vacancy issue. In the end, the eligibility requirements had to be eased.

Second, the permanent lease housing program was not designed with demand in mind. For instance, units were just too small to accommodate large families, even if they were financially constrained. Moreover, the lease amount was not determined by household income but by housing location. Those who could not afford the area could not move in.

Third, permanent lease housing, located in the outskirts as they it was, resulted in the areas being isolated and led to quicker deterioration of the living environment. Currently, the widespread perception is that permanent lease housing is a place where the lowest income class is concentrated. Such social isolation of permanent lease housing residents surfaced as a serious social problem. Although a social welfare center was mandatory for permanent lease housing complexes, the services provided by the center were insufficient to properly respond to the social issues.

50-year Public Housing (Including Redeveloped Lease Housing)

Policy Outline

The 50-year Public Housing Program was launched in 1992 to replace the Permanent Lease Housing Program after completion. The plan to build 2 million housing units helped stabilize housing prices until the mid-1990s, and the rise of house prices also slowed compared to the 1980s. Plans were put in place to shift from government-led to private sector-led provision of housing to ensure a steady supply, and particularly focused on fostering the private lease market. During this period, the overarching trend was that private entities would borrow from the National Public Housing Fund to build the housing, which would be leased for 5 years and then sold to the tenants. Such a trend continued, boosted by policies aiming to revitalize the construction market amidst the Asian financial crisis in 1998. The public sector's reduced role put an end to the Permanent Lease Housing Program, and the 50-year Public Housing Program was launched instead.

When the 50-year public housing was first supplied, the government financed 50% of the total cost, the National Public Housing Fund 20%, the program entity 10%, and the tenants 20%. This public housing program was designed as a follow-up to permanent lease housing, but government financing ceased in 1994 due to trends towards privatization. This inevitably pushed the National Public Housing Fund share up to 70%, on top of the interest burden. By 1995, the central government's 50-year Public Housing Program was effectively suspended, with completed units numbering 39,000.

In the meantime, the City of Seoul built lease housing for tenants as part of the Housing Redevelopment Program and began using the units for the 50-year Public Housing Program in 1989. The Housing Redevelopment Program generally began with full-demolition of an area, resulting in other area tenants feeling threatened. Redeveloped lease housing aimed to secure housing stock for these tenants and their housing stability as well as to realize a return on the investment. In this context, the City of Seoul ensured that a certain percentage of houses in the redevelopment area were comprised of lease housing for tenants. Thanks to this program, the City of Seoul maintains the percentage of its public housing at 6% of the total stock, relatively high compared to other cities.

The Redeveloped Lease Housing Program was carried out in the following way: a redevelopment association would have lease housing for tenants constructed in the redevelopment area and the City of Seoul would purchase these units to lease them out to the tenants; or the City of Seoul would build lease housing for tenants in the land provided by the redevelopment association in the redevelopment area and then lease them out to the tenants. In the beginning, the program was operated in accordance with the internal administrative guidelines of the City of Seoul, but from 2005, lease housing supplied through the redevelopment program was not confined to Seoul but included the entire country. Since then, the redeveloped lease housing has also been financed by the government, and the purpose of the program broadened from only provisional housing for evicted tenants to low-income family housing as well.

Policy Summary

Initially, the 50-year public housing units were 50 m² or smaller in terms of net area. Eligible residents were those with higher income or more assets than those eligible for permanent lease housing, specifically those people earning up to 70% of the average monthly income for urban workers. The 50-year public houses were only for lease; they were not up for lot sale at a later time. The contract renewal was every 2 years, and lease was a maximum of 60% of the market rate.

Redeveloped lease housing mainly targeted evicted tenants, and this was the biggest difference from other types of public housing. However, evicted residents were not the only ones eligible. From 2003, the City of Seoul opened eligibility to include those on the permanent lease housing waiting list, eligible candidates for 50-year public housing, and holders of apartment savings accounts when there was vacancy in redeveloped lease housing.

Evaluation

The location of the 50-year public housing units differed according to the program of which they were a part – site development or redevelopment. In the former, the living environment was quite favorable as the units and infrastructure (schools, roads, parks, etc.) were developed uniformly according to a comprehensive plan. However, some of the redevelopment programs did not have such favorable conditions as they disregarded the geographic and topographic characteristics of the location. Moreover, excessive emphasis on development of new housing and the lack of improvement to amenities and infrastructure prevented improvement to the surrounding environment.

In 1995, the central government's 50-year public housing program came to an end. Since then, the 50-year public houses were built and provided only for lease as part of the Housing Redevelopment Program. The main target of the redeveloped lease housing scheme was mostly evicted tenants, which made the income and length of residence requirements rather ambiguous. In other words, priority was given to tenants evicted from the corresponding region regardless of income. This meant that households with the ability to find a home on the market were also eligible while there were low-income tenants who could not afford the lease. These tenants could not secure housing through the redeveloped lease housing scheme and had to opt for the migration assistance scheme instead. In the end, the program that aimed to assist tenants evicted from the redevelopment area ended up housing households that could afford housing at market prices but pushed those households that could not to other regions.

National Lease Housing

Policy Outline

National lease housing is a public housing program introduced to ensure housing security for low-income families in 1998 when the nation was hard hit by the Asian financial crisis that threatened many jobs and

homes. In February 1998, the government came up with its “100 National Agenda” and planned to build 500,000 units of lease housing, including 100,000 houses for permanent lease which would be financed until 2002. However, the Asian financial crisis brought economic instability, job market volatility and skyrocketing interest rates. Moreover, Korea had accepted IMF aid and had to adopt belt-tightening measures. The plan had to be changed, and the construction of permanent lease housing was abandoned. The government decided to reduce what it had to pay for and build 50,000 units of national lease housing. Faced with austerity measures, massive restructuring and unemployment, the lowest income classes needed lease housing. The government wanted something that was less expensive than permanent lease housing but provided stability for low-income earners. As a result, the National Lease Housing Program was adopted.

By late 2000, the economy began to recover. Housing prices which had plummeted during the financial crisis turned upward in 2001. However, lease prices also quickly began to catch up with housing prices, mainly due to excessive regulations and insufficient housing supply after the crisis. In April 2002, a plan was developed to build 500,000 national lease housing units. By May, this number was increased to 1 million units. In September 2003, it was announced that 1.5 million long-term public housing units would be built, including 1 million national lease housing units. It was decided that the National Lease Housing Program would be financed in this way: 30% by the government; 40% by the National Public Housing Fund; 20% by tenants; and 10% by the program entity (local government and the Land Corporation).

Policy Summary

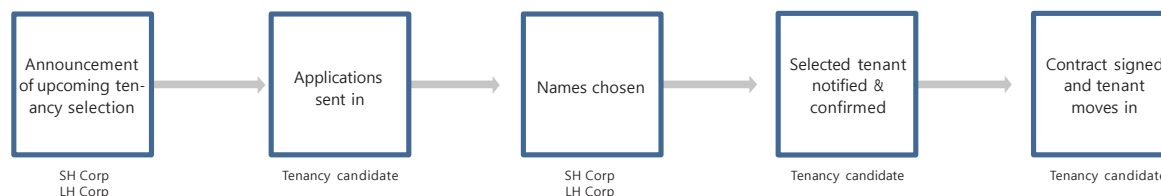
The National Lease Housing Program targets tenants who earn a higher income than those in the Permanent Lease Housing Program. While the Permanent Lease Housing Program was for the first and second deciles, national lease housing is for the lowest-income class in the bottom quartile. Eligible candidates included non-homeowners earning up to 70% of the average monthly income for urban workers in the previous month, with priority given to households earning 50% or less. The maximum net area of national lease units is 60 m², with the lease price 50 – 80% of the market rate.

When the program was first introduced, the mandatory period of lease was 10 years (net area: 60 m² or smaller) and 20 years (net area: 50 m² or smaller). In 2003 however, these were changed to 30-year leases to transition the program into a long-term public housing scheme. To allow tenants to move into an affordable unit of an appropriate size, the target candidates, unit size and percentage of financial contribution were diversified. Lease rates were also differentiated.

Moving-in Process

Candidates for national lease housing are drawn by lot from the list of subscribers. When an announcement is made that tenants will be chosen for the National Lease Housing Program, people may apply. Eligibility is determined by score, with lots drawn to choose from those eligible.

Figure 6 - Moving-in Process: National Lease Housing



Evaluation

In some respects, national lease housing was used as a means to overcome the financial crisis; this can be seen from the fact that the originally-planned 50,000 units were increased to 1 million in 2002. Some critics announced that the government's public housing policy was inconsistent and improvised according to the political situation and market environment. Others argued that the plan at first was a short-term measure to bring stability but was changed to propose more fundamental mid-to long-term measures to address the worsening housing situation. From 2003 to 2007, the National Lease Housing Program supplied 467,000 houses nationally, contributing substantially to better housing for low-income earners who could not afford to buy. However, the supply of affordable public housing was still insufficient, limiting home ownership to an extent. In Seoul, the supply was low due to the shortage of housing sites and the high cost of land.

Purchased Housing for Lease

Policy Outline

Purchased housing for lease allows the poverty and low-income classes to reside in their current location with the current income by purchasing existing buildings and leasing them out at an affordable price. This program was unique in that it supplied a small number of units across regions and prevented social isolation in existing public housing programs from moving into large complexes. In 2001, the City of Seoul announced its plans to build 100,000 units of public housing over the next 8 years, and the Purchased Housing for Lease Program, begun in 2002, was a way for the City of Seoul to secure a stock of public housing. The Purchased Housing for Lease Program aimed to supply more public housing to stabilize lease prices and improve significantly deteriorating multi-household buildings. The City of Seoul implemented this program on its own through the SH Corporation, but financing and management difficulties led to suspension of the program in the pilot phase, within 2 years.

However, the central government reviewed Seoul's Purchased Housing for Lease Program, established its own pilot program in 2004, which began operation the following year. In this program, the LH Corporation or the local governments purchased units in the city to lease them out; sometimes, through the National Public

Housing Fund, they bought houses built by private sector entities that had gone bankrupt. When it became an official public housing program of the central government, the program no longer suffered from poor funding as it had under local governments. The City of Seoul reintroduced this program in 2007, with 45% financed by the government, 50% by the National Public Housing Fund, and 5% by the program entity.

Policy Summary

The tenants of purchased housing for lease can renew every 2 years up to 4 times, for a total of 10 years. The types of housing supplied by the City of Seoul include: multi-household, studio, and Hope Housing. Multi-household housing targets non-homeowners who reside in the City of Seoul. Top priority goes to recipients of the National Basic Livelihood Security Benefit and single-parent families, with second priority going to households that earn up to 50% of the average monthly income for urban dwellers. Studio housing targets single persons presently without a residence and living in the City of Seoul. Top priority goes to households that earn up to 50% of the average monthly income for urban dwellers, with second priority given to households that earn up to 70%. Hope Housing provides purchased housing to university students at an affordable price. Assuming that eligibility is maintained, tenants can live there for up to 4 years. Eligible persons include: recipients of the National Basic Livelihood Security Benefit and their children; children of the lowest and second lowest income percentiles; and children of households that earn up to 50% of the average monthly income for urban dwellers.

Housing lease rates when the City of Seoul first initiated the program were linked to market rates, unlike other public housing programs. Lease rates also varied by housing location; if the surrounding environment was good and the market rate was high, the lease rate was also higher than that of other public housing. When it became the official program of the central government, lease rates were calculated in the same way as for permanent lease housing: usually a maximum of 30% less than the market rate.

Table 4 - Eligibility for Seoul's Purchased Housing for Lease Program

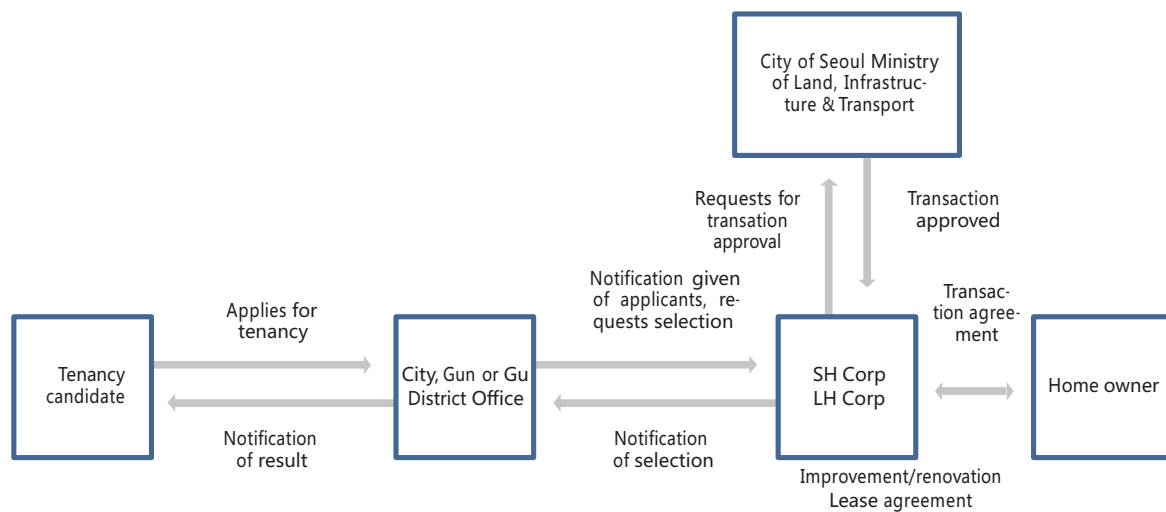
Category	Multi-household Housing	Studio Housing	Hope Housing
Priority 1	<ul style="list-style-type: none"> Recipients of the National Basic Livelihood Security Benefit Single-parent households 	<ul style="list-style-type: none"> Households earning up to 50% of the average monthly income for urban dwellers. 	<ul style="list-style-type: none"> Benefit recipients or their children, residing in regions other than Seoul. Persons leaving childrens welfare facilities.
Priority 2	<ul style="list-style-type: none"> Households earning up to 50% of the average monthly income for urban dwellers. The disabled: Households earning up to 100% of the average monthly income for urban dwellers. 	<ul style="list-style-type: none"> Households earning up to 70% of the average monthly income for urban dwellers. 	<ul style="list-style-type: none"> Children whose parents are in the lowest income percentiles, residing in regions other than Seoul.
Others	-	-	<ul style="list-style-type: none"> Children of households earning up to 50% of the average monthly income for urban dwellers, residing in regions other than Seoul.

Note: permanent lease housing tenants are excluded.

Moving-in Process

The moving-in process for this type of public housing involves the LH Corporation or the SH Corporation purchasing the existing houses with central/local government approval and selecting tenants from the eligible applicants.

Figure 7 - Moving-in Process: Purchased Housing for Lease



Evaluation

Purchased housing for lease is a public housing program welcomed by many tenants as it allows low-income earners, students and people just joining the workforce to live close to where they work or study. However, the supply cost per unit is higher than other types of public housing, and comes with efficiency issues, among others, in managing the facilities and tenants. When private units are used, the home owner (the entity) selects the tenants and supplies the units for lease, but with purchased housing, the local government is responsible for selecting the tenants and housing is supplied through the SH Corporation or LH Corporation (the entity). In other words, the supply of public housing is dual-sourced. Because housing is only provided to the policy target with priority, some people do not know they are eligible. Some candidates in the top priority give up their lease to move into housing that meets their expectations.

From the perspective of management, this type of housing is a problem as maintenance is not adequately done. Generally, maintenance is easier with apartment types of public housing, but these purchased houses, dispersed across different regions, are expensive and time-consuming to maintain. Furthermore, tenants living in the purchased housing do not benefit as much from welfare services. To address this issue, multiple units need to be purchased within the same region, improved or renovated, and supplied in groups of lease housing.

Long-term Jeonse Housing (SHift)

Policy Outline

Long-term jeonse housing was a public housing program introduced by the City of Seoul in 2007, ensuring up to 20 years of lease at 80% or less of the jeonse rate in the surrounding areas. The program leases out medium to large units (net area: 59 m², 84 m², 114 m²) as jeonse to the middle class and non-homeowners with actual demand. It began with an aim to change the housing paradigm from "ownership" to "residence". To reflect this desired change, the City of Seoul named its long-term jeonse housing program "SHift".

Policy Summary

At its start, the Long-Term Jeonse Housing Program had 3 sources of supply. First, the former national lease housing units (net area 59 m²), planned to be part of the National Lease Housing Program were transferred to the SHift program. Second, the former public housing units (net area: 59 m², 84 m², 114 m²), built to be sold by Seoul's SH Corporation to the general public, were transferred to the SHift program. Lastly, the housing units (net area: 59 m², 84 m²), built as part of the reconstruction program of multi-unit housing, were transferred to the SHift program.

It can be seen that in the beginning, it was only the former national lease housing that targeted the lowest-income class of the lowest income quartile while the rest gave eligibility to the middle class as well as high-income earners. Critics argued whether it was necessary to provide public housing to high-income earners, whether the housing size was excessive, and whether existing home owners should be eligible to apply for public housing.

Figure 8 - Eligibility for Seoul's Long-term Jeonse Housing by Income Percentile (Early Years)

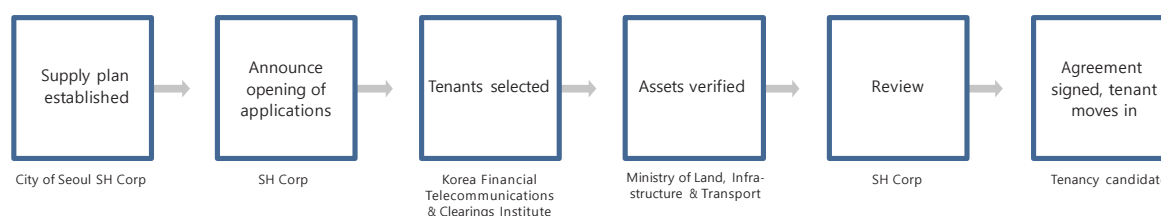
Income Class (Income Decile)	Percentage Against Average Income for Urban Workers	SHift (Long-term Jeonse Housing)	Existing Public Lease Housing Policies
High (9th - 10th)	150% or more	Housing to be sold later, Purchased housing for lease in redevelopment(net area: 114m ²)	<Find a home on the private market>
Middle - Upper Middle (7th - 8th)	Between 100% and 150%	Housing to be sold later, Purchased housing for lease in redevelopment(net area: 114m ²)	National lease housing (net area: 60m ² - 85m ²) *Not supplied
Middle - Lower Middle (5th - 6th)	Between 70% and 100%		
Low (3rd - 4th)	Between 50% and 70%	Former national lease housing (net area: 59m ²)	National lease housing (net area: 60m ² or less) 50-year public housing for lease (including redeveloped housing for lease)
Poor (1st - 2nd)	Up to 50%		Permanent, purchased housing for lease

Responding to such criticism, the City of Seoul modified SHift eligibility in 2011 based on academic studies in a direction that would help enhance housing availability for those in the low-income classes and middle class without a home. As a result, SHift housing was supplied to non-homeowners earning less than the middle class, depending on income and asset tests. Currently, the former national lease housing units are provided to non-homeowners in the lowest income quartile. As for the former public housing to be sold later or the purchased housing in redevelopment, the smaller units (net area: 60 m² or less) are leased out to households that earn up to 100% of the average monthly income for urban workers, while the larger units (net area: above 60 m² to 85 m²) are leased out to households that earn up to 120% of the average monthly income for urban workers. Units with a net area exceeding 85 m² are for those that earn up to 150%, but supply of such units will not continue.

Moving-in Process

As with other public housing, prospective tenants of long-term jeonse housing need to apply. Priority is determined by applicant income and assets.

Figure 9 - Moving-in Process: Long-term Jeonse Housing



Evaluation

Traditionally, the public sector has directly supplied public housing for the housing stability of the low-income classes as well as to the middle class so they may purchase the unit later. SHift (long-term jeonse housing) is different in that public housing is supplied to those in the middle class or higher to change the perception of house "ownership" to "residence". One of its positive impacts is that the City of Seoul continues to promote the Long-Term Jeonse Housing Program and has helped to reverse the negative image that public housing is for low-income earners only. In this context, the central government introduced Seoul's Long-Term Jeonse Housing Program in 2008 as one of its official public housing programs.

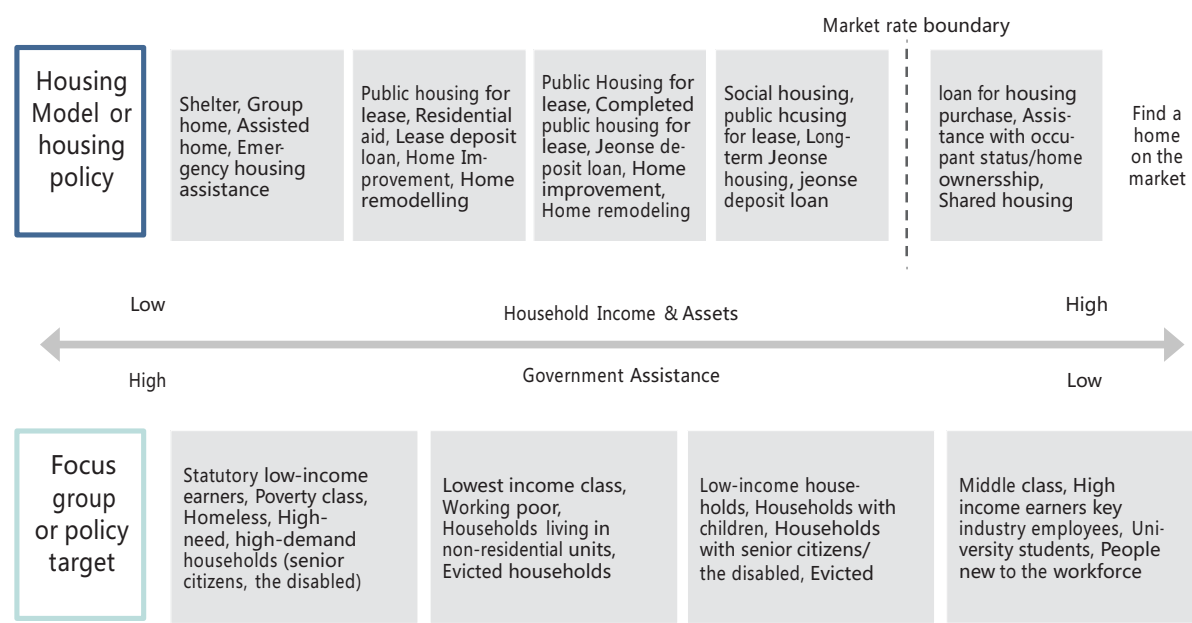
However, prospective tenants require a sizable sum of money as deposit for the long-term jeonse unit, which is a great burden on low-income earners who cannot afford to save. Indeed, one of the criticisms of SHift is that the program used public funds to provide for the middle class, when those funds should have been used to help the low-income classes. Others see the program as unfair and damaging to the public interest because it leases medium to large units to the middle or higher income classes but has failed to secure sufficient stock for the low-income classes.

Issues during Implementation

In South Korea, public housing has successfully supplied housing for lease at an affordable rate lower than the market rate, thereby enhancing housing security and easing living costs for low-income non-homeowners. While public housing is welcomed by many, new programs were introduced whenever there was a change of administration, throwing the policy targets into confusion. While the central government was making decisions on eligibility, lease rates, financing, assistance and volume of supply, the following issues surfaced: First, public housing is provided to the lower income quartiles based on average monthly income of an urban worker household comprised of 2 or more people; by average monthly income of all households, including single-person households, this equates to the sextiles. Moreover, the disabled, evicted residents, and hold-

ers of apartment savings accounts can move in regardless of their income, creating an issue of fairness. However, many advanced countries with liberal/unionist welfare systems have recently been expanding eligibility requirements to include not just the public housing policy targets or focus groups, but also university students, new employees just joining the workforce, and even high-income earners.

Figure 10 - Generalization of Housing Model & Focus Group



Second, the calculation of lease differs by public housing type, but the basic approach is a rate based on construction costs, potentially causing problems of fairness for the tenants and negatively affecting the financial health of the program entity. Generally, public housing leases can be divided in the following way: ① a cost-based lease, based on the cost of providing and operating the unit; ② a value-based lease, based on unit characteristics; ③ an income-based lease, based on tenant income level; and ④ a market-based lease, based on leases of nearby comparable units on the market. However, the calculation of leases in Korean public housing is mostly linked to construction costs and includes financial assistance and subsidies at the point of construction. Therefore the lease amount can vary depending on the size of government subsidies and other forms of assistance. Leases were very low on units supplied at a time when government aid was abundant and it was cheaper to purchase the site and borrow from outside, while leases were higher on units supplied when less government aid was available and dependence on external borrowing was high. Sometimes leases varied greatly, even in the same region. Because the focus was on supply, financial assistance and subsidies for operating costs were insufficient, serving as one of the reasons for a buildup of debt for LH Corporation and SH Corporation.

Third, the lack of policy continuity, consistency and sustainability can be identified in pursuing the public

housing program. Under the national Permanent Lease Housing Program, which targeted the poverty class, original plans were to build 250,000 units but the program ceased after only 190,000. With the national 50-year Public Housing Program that followed, financial assistance tapered, and that program too soon ended. The public housing program was then picked up by the City of Seoul and barely maintained as part of the Re-developed Lease Housing Program. As for the National Lease Housing Program, the original plan for 50,000 units was soon modified to providing a whopping 1 million units. Suspending a public housing program as a government response to housing demand can lead to the loss of people's trust and decrease demand the next time around. Moreover, suspension leads to poor management of the already-built housing complexes, accelerating deterioration. There were cases where there was a sudden increase in planned supply in a short period of time, such as with the National Lease Housing Program. This was because the supply plans were frequently changed according to the socioeconomic and political climate even though they were supposed to be based on housing demand and financial situation. The purpose of the programs – to ensure housing security for the low-income class – is a good one. However, the process was not carefully thought through, and the programs reacted sensitively to external factors, causing them to change often.

Fourth, the supply of public housing was mostly led by the central government, which often resulted in inconsistency between supply and demand. From its standpoint, the government had to supply a massive volume in a short period of time due to the shortage of public housing stock. It was more inclined to meeting quantitative supply targets than consider the public housing demand by region or district. Understandably, large apartment complexes were preferred to provide this massive supply quickly, resulting in public housing being built on the outskirts, following availability of extensive housing sites or new city development. In the end, the programs did not sufficiently satisfy the demand for housing for the low-income class living in the city. In later years, programs such as the Purchased Housing for Lease Program were introduced to make use of existing units in the city to address the above-mentioned issues.

Fifth, the programs were more housing- and supplier-oriented than tenant- and demand-oriented. Launching of the programs by the government was a positive step to providing public housing for low-income earners but the planning should have been more considerate of the needs of the actual tenants. For example, permanent lease housing accommodated a large concentration of low-income earners, senior citizens, and the disabled, but without the proper support of public medical, welfare, and cultural services, further exacerbating poor conditions. This led to stigma against not only the housing areas, but also against the residents. Unlike permanent lease housing, national lease housing residents were from all income quartiles, but the housing was shunned by residents of the planned site as well as the local governments. Due to the lack of assistance with economic independence for the residents and revitalization of the communities, public housing became islands of isolation in the city.

The City of Seoul is seeking to amend the old ways of concentrating the poor and low-income classes in a housing complex by attempting to introduce a mix of social levels and ages in housing programs. However, a negative image of these projects has long been impressed in the minds of the public and is unlikely to be

erased easily. This from time to time has been revealed in the form of social conflict between the different classes.

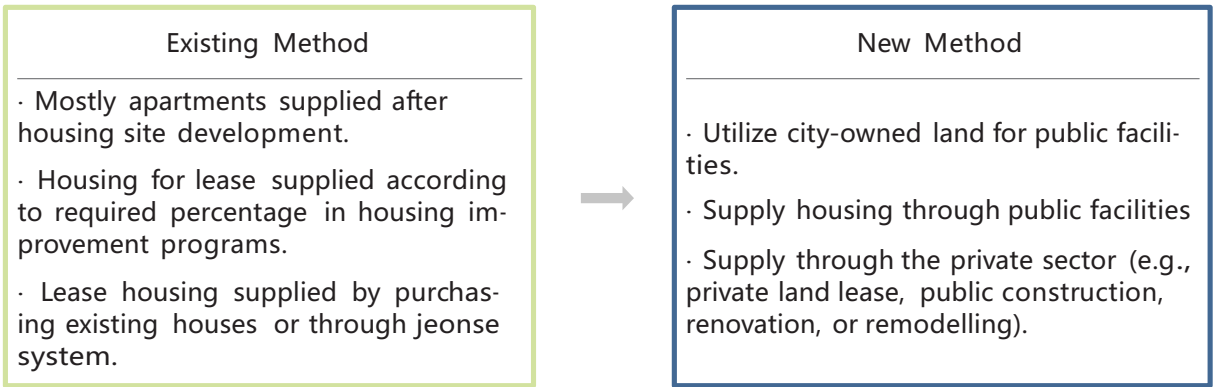
Outcome & Implications

Considerations for the Public Housing Programs

While South Korea’s public housing policy is only 25 years old, it is on par with Japan’s, one of the most advanced in quantitative terms in Asia. It should also be noted that there is social consensus to an extent with regard to the need for more public housing stock. The public housing program is indeed a necessary policy for housing security for low-income earners and social integration, but the financial burden of securing a large volume of housing is substantial. Currently, the City of Seoul is without new housing sites. It is extremely difficult to build an expansive complex for public housing. Therefore, discussion is underway on the points found in the following paragraphs.

First, the public housing programs need to diversify their supply methods. In the past, apartments were supplied after housing site development; housing for lease supplied according to the mandatory percentage in the housing improvement programs; or lease housing supplied by purchasing existing houses or paying for jeonse. The existing methods have reached their limitations due to depletion of available land, declining housing improvement programs, and reduced cost-effectiveness. It is necessary to diversify the methods by utilizing city-owned land for public facilities, public facilities and land owned by the private sector.

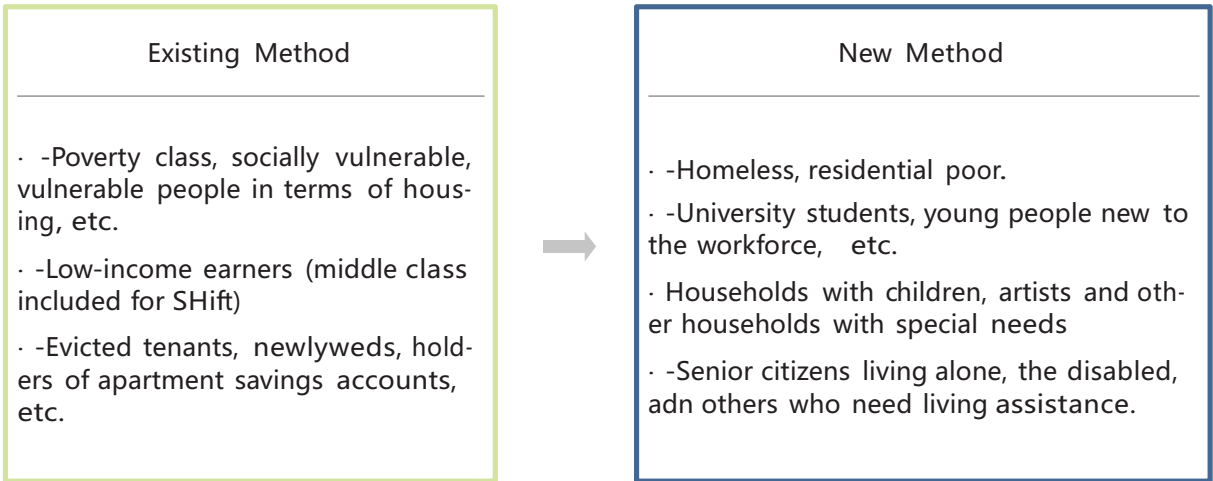
Figure 11 - Diversification of the Public Housing Supply



Second, it is necessary to increase public housing development in line with actual demand. In the past, public housing was provided to the poverty class, the socially vulnerable, vulnerable people in terms of housing, low-income earners, evicted tenants, newlyweds, and holders of apartment savings accounts. Because public housing demand is greater than the number of low-income earners, the eligibility requirements are made favorable to specific groups of people. Many low-income earners are caught between the requirements of

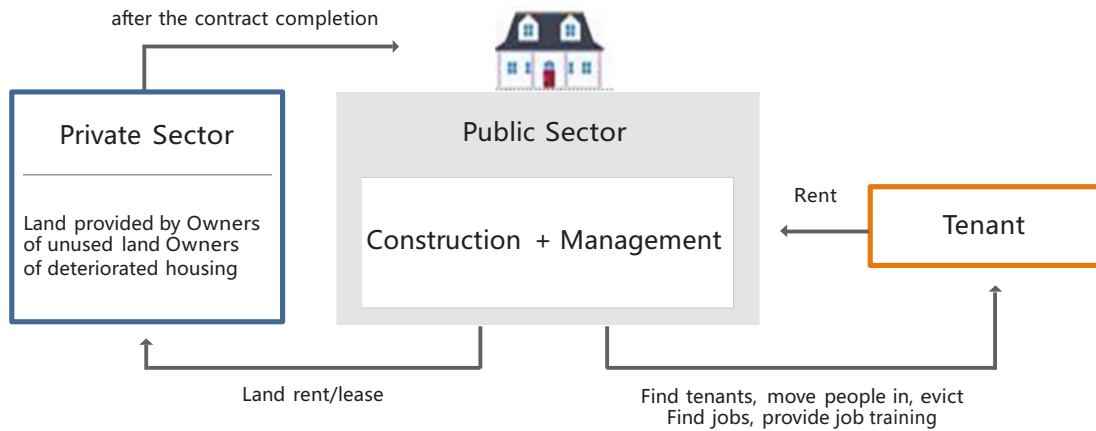
the systems, unable to meet their need for housing. The needs of the tenants should be considered and the types of public housing should to be diversified so that more low-income earners from the community can reside in public housing.

Figure 12 - Development & Expansion of Public Housing in Line with Demand



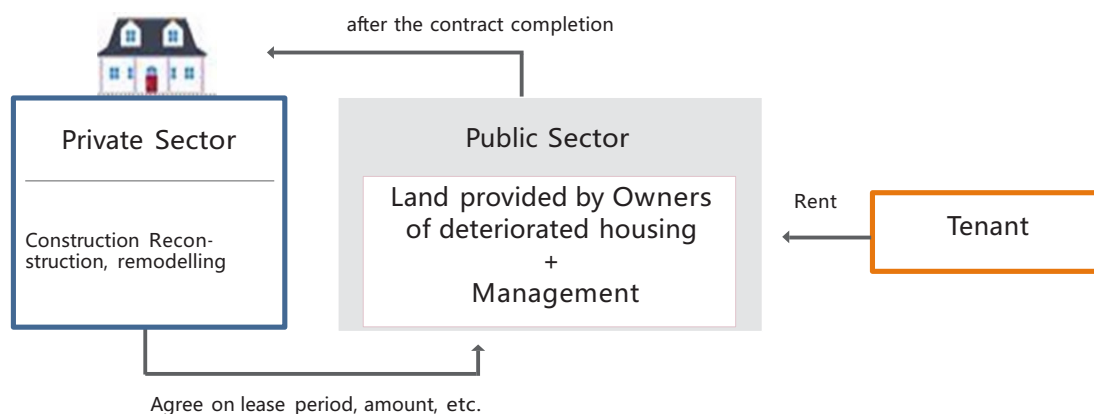
Third, it is extremely difficult to find new sites for public housing, therefore making it necessary to introduce diversified approaches to public housing through the private market. It is essential to learn from Europe's social landlord system (housing associations, housing trusts, housing unions, etc.) to encourage the emergence of not-for-profit suppliers of social housing. Before anything, private land with development potential should be developed on a small scale and leased to provide public housing. This can be done by the public sector utilizing unused land (or land on which significantly deteriorating housing stands) in the private sector to build units to provide as public housing for a certain period of time. The owners of significantly deteriorating houses or unused land who do not have the ability to develop the area would be encouraged to take part in the program. The constructed structures and facilities, excluding owners' shares, would be used to provide public housing for a specific period of time and then returned to the owner. The continuation of such a program after small-scale development would facilitate the management of deteriorating housing made difficult by program suspensions and encourage social integration in development.

Figure 13 - The Concept of Public Housing on Private Land



Another option is for the public sector to renovate or remodel significantly deteriorating houses into public housing and have the land owners manage the new housing. People would use the public housing for a contract period agreed on with the private sector and fix the rent at 80% of the market rate. The private land owner would be responsible for finding tenants and maintaining the units. When the contract expires, the duties and responsibilities would end, and use of the building would transfer to the land owner. Advantages to the land owners would be that they do not pay for renovation or remodeling and still retain the rights for later use of the building. This type of approach is usually applied to a small housing site and thus there would not be any massive supply of housing, but it facilitates improvement of the living environment. Furthermore, public housing would be in existing residential areas, preventing isolation and encouraging integration with the larger community.

Figure 14 - The Concept of Public Housing after Public Construction (Renovation, Remodeling)



Fourth, the financial problems surrounding public housing also need to be addressed. In the past, it was common practice for program entities such as the LH Corporation or the SH Corporation to use profits from housing site development or housing supply to build public housing. Recently, the sluggish real estate market has made it very difficult to realize these profits, and it is unlikely that extra loans could be taken out as the time to repay the National Public Housing Fund is drawing near. The government should consider increasing subsidies instead of having program entities source the funds required for construction and operation.

Fifth, the overly complicated eligibility requirements and lease structure should be simplified. Currently, lease conditions vary by type of program and at what point the housing was supplied. In other words, leases vary not according to household income but according to construction financing, the point of construction and the type of lease housing. This demonstrates that the programs are supplier/manager-oriented, not demand-oriented. Then there is an issue of fairness in leasing that differs by region. Simplification of this complicated structure should be a priority while improving eligibility requirements and leasing structure in a way that ensures fairness.

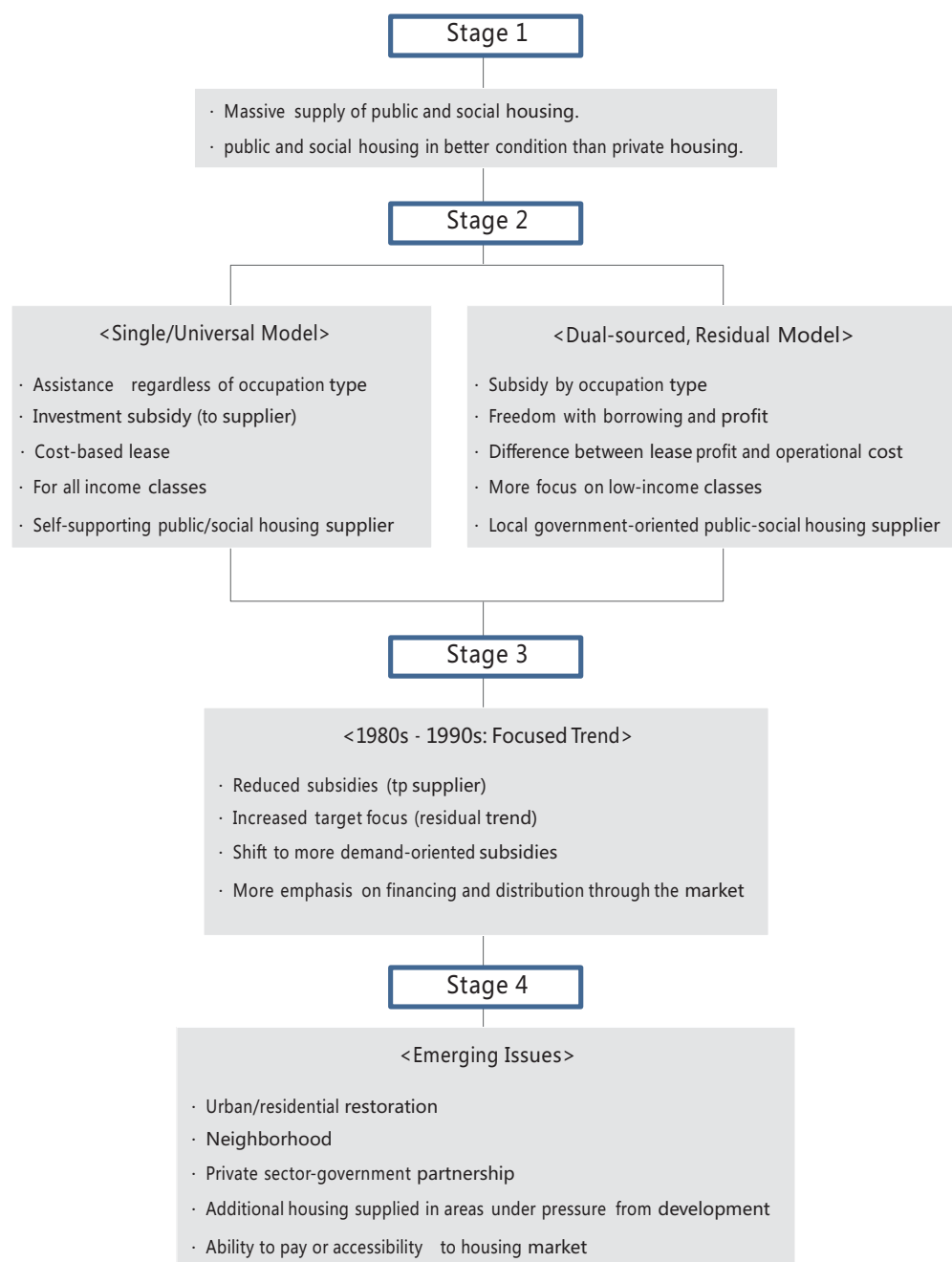
The Public Housing Program as a Housing Policy for Low-Income Earners

The Public Housing Program is fundamentally the policy of a welfare state. The government supplies public housing for those low-income earners who cannot afford comfortable, safe housing at market prices. Most advanced nations have this type of policy in place. Though there may be differences as to what extent the policy is adopted, it is generally a basic policy measure adopted in accordance with the individual welfare system. Developing nations however do not have advanced welfare systems and instead, the priority is on economic growth. The supply of public housing is naturally almost non-existent. Even if there are public houses for lease, they are small in number, built mostly for display. Some turn a blind eye to extensive construction of unauthorized settlements, allowing this to pacify low-income earners without government investment. The public housing program requires substantial resources. A country's economy has to be of a certain level to be able to pay for residential welfare and supply public housing of a certain quality to low-income earners.

Without sufficient resources, a public housing program will only end in suspension and other adverse outcomes. Governments need to consider the residential, social and cultural environments that vary by region, and those without adequate resources should address the issues in a way that suits local needs.

Many European nations began supplying public housing after WWII. They introduced the social landlord system where the public system works with or competes with the market to provide public and social housing. After experiencing financial crisis and low growth in the 1980s and 1990s, these countries have gradually reduced their public housing subsidies and expanded the scope of eligible candidates. South Korea is also in a similar situation, now facing the challenge of efficiently managing its public housing stock, introducing relevant regulations on the market or lease housing, encouraging tenant resettlement, providing benefits to a wider scope of policy targets, and supplying public housing through the private sector (particularly the non-profit sector).

Figure 15 - Changes in European Housing Policy since 1945



Source: Whitehead, C., 2006, "Privatisation of Housing in Europe: Challenges for the Social Housing Sector", Current Developments in Housing Policies & Housing Markets in Europe: Implications for the Social Housing Sector, CECODHAS - European Social Housing Observatory, p.51

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