

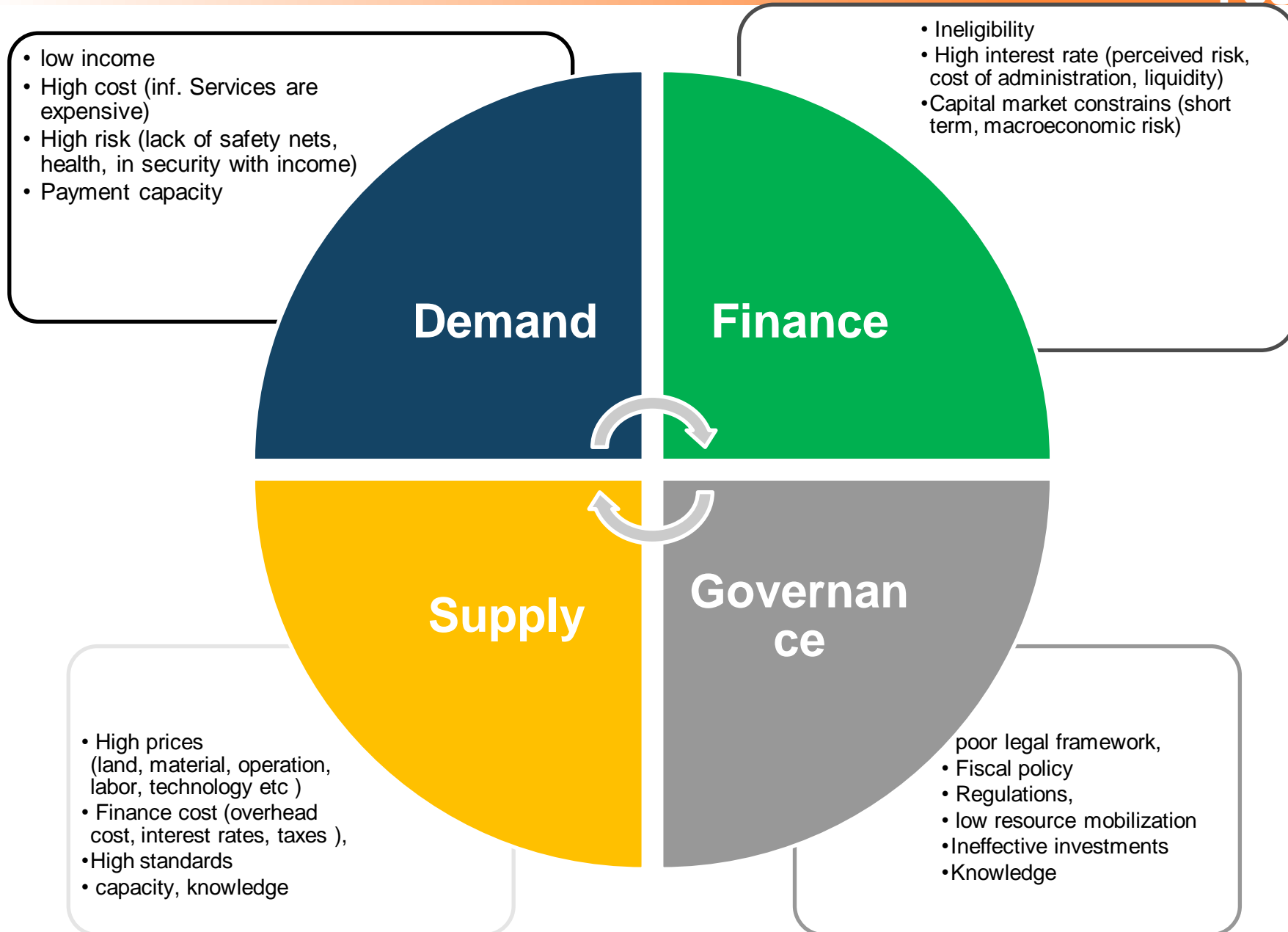
UN  **HABITAT**
FOR A BETTER URBAN FUTURE



Improve Affordability and Access to Finance

Session 4

Affordability as a function of supply, demand, finance and governance



Affordability as a function of supply, demand, finance and governance

AFFORDABILITY <i>before</i> innovation and subsidies											
Social Group	Monthly income	Rent Capacity	Term	Rate	Credit	Downpayment	Supply: affordable price, housing option				
High income	D10	\$1,200	40%	\$480	15	10%	44,668	25%	\$11,167	\$55,834	Formal dwelling unit by developer (>\$20k)
	D9	\$600	30%	\$180	15	10%	16,750	25%	\$4,188	\$20,938	
Upper middle income	D8	\$450	28%	\$124	8	15%	6,896	25%	\$1,724	\$8,620	Incremental (fast) Co-habitation
	D7	\$350	25%	\$88	8	15%	4,876	25%	\$1,219	\$6,095	
Lower middle income	D6	\$300	23%	\$68	5	20%	2,548	25%	\$637	\$3,185	Formal rental
	D5	\$260	20%	\$52	5	20%	1,963	25%	\$491	\$2,453	
Low income	D4	\$220	18%	\$39	3	40%	800	25%	\$200	\$1,000	Incremental (slow) Overcrowding
	D3	\$180	15%	\$27	3	40%	561	25%	\$140	\$702	
Poor & Vulnerable	D2	\$140	13%	\$18	1	100%	130	25%	\$32	\$162	Informal rental Public housing
	D1	\$100	10%	\$10	1	100%	74	25%	\$19	\$93	
Factor (D10/D1)		12x	4x	48x	15x	10x	600x	600x		600x	—

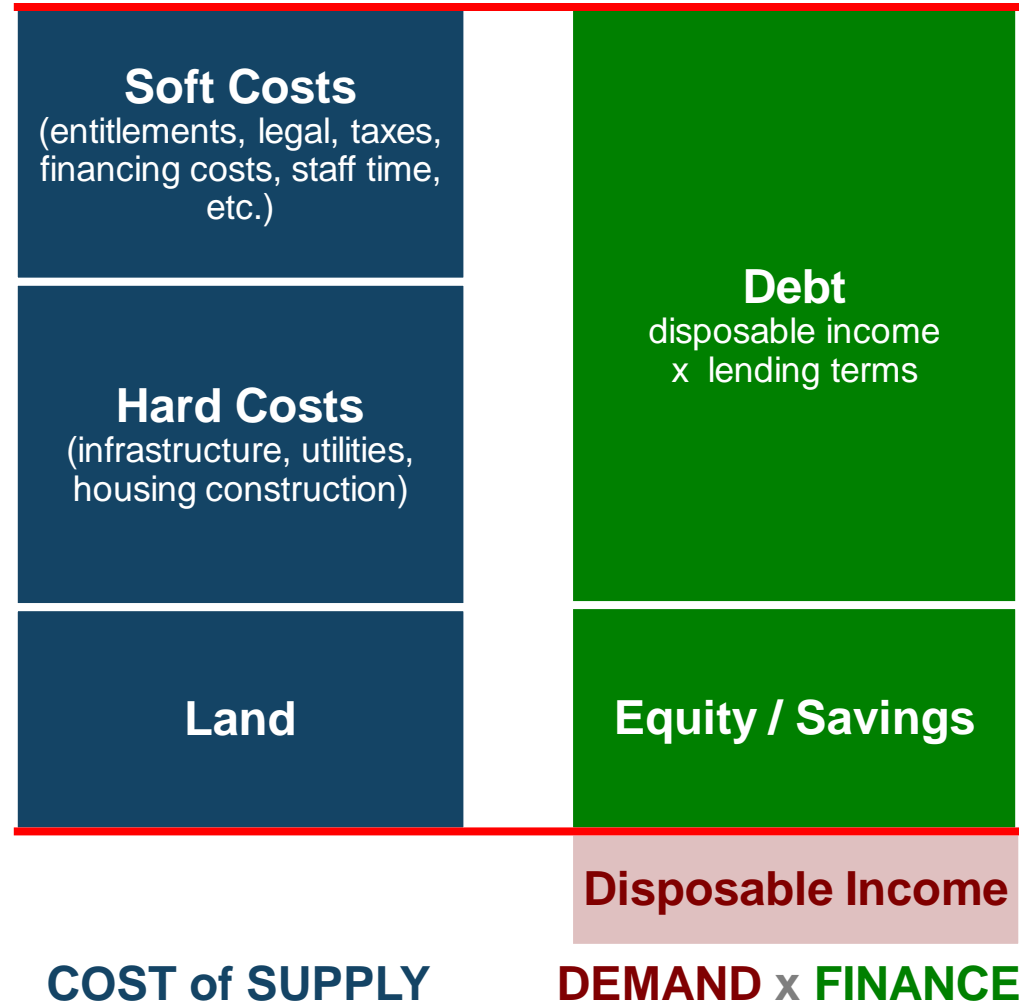


**Please
mind the differences**

From monthly income to affordable house in the market

Affordability equation

Market-driven debt structure

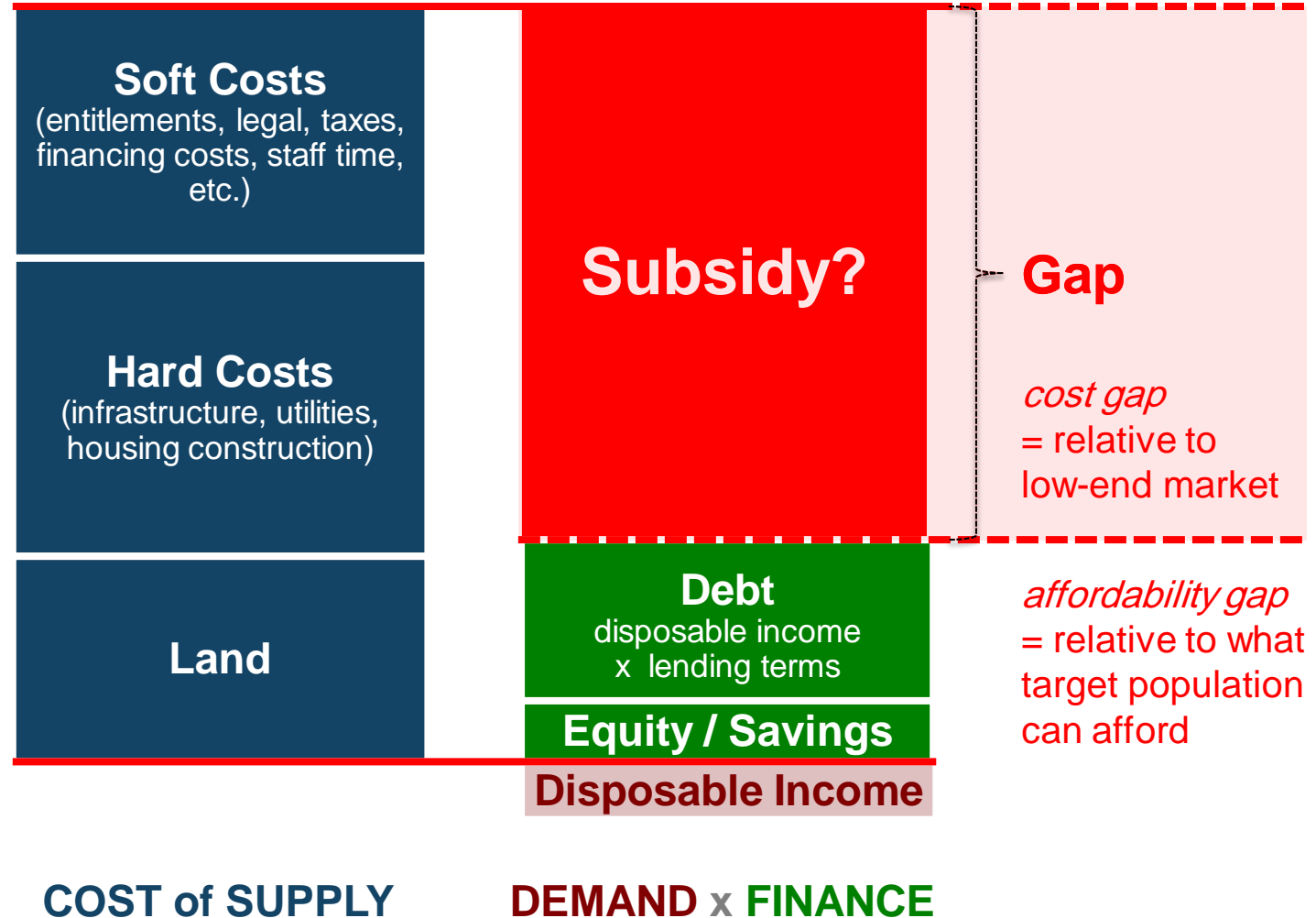


Balancing public interventions to improve affordability

Reality: the ever-present challenge

**Please
mind the
gap...**

...and there is
ALWAYS a gap
between what the
market will
produce in **whole
home** solutions
and what lowest-
income families
can afford

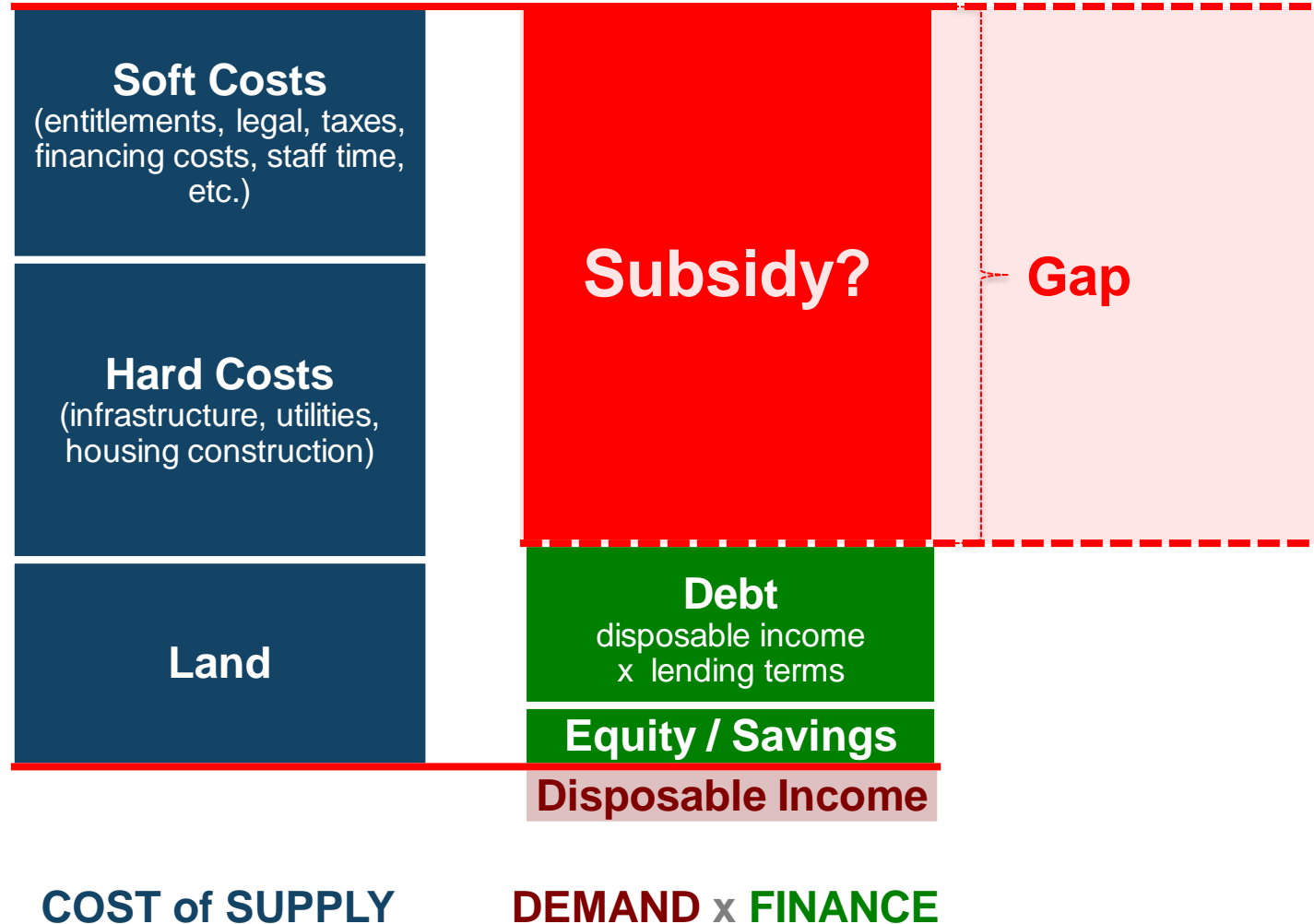


Balancing public interventions to improve affordability

How to respond to the cost/affordability gap?

**Think outside
of the subsidy
box...**

**Introduce
measures to
improve the
affordability!**

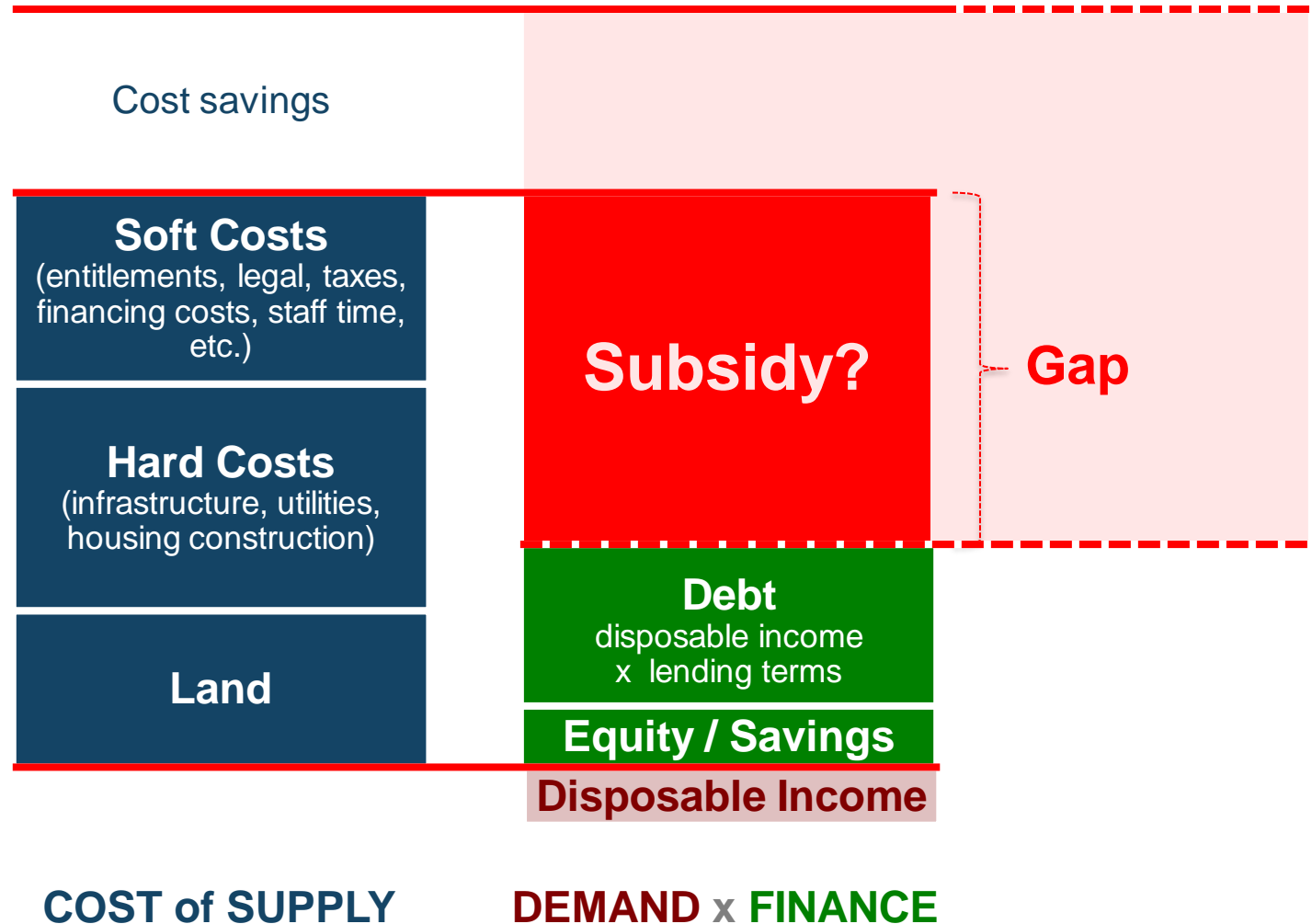


Balancing public interventions to improve affordability

Ideal combination (1/4)

1 Reduce supply costs

- Efficient land use and infrastructure
- Incremental development
- Cost-effective technology
- Process engineering
- Acceptable standards
- Partnership for supply of infra, housing, land and finance, social services
- Restructuring contracts

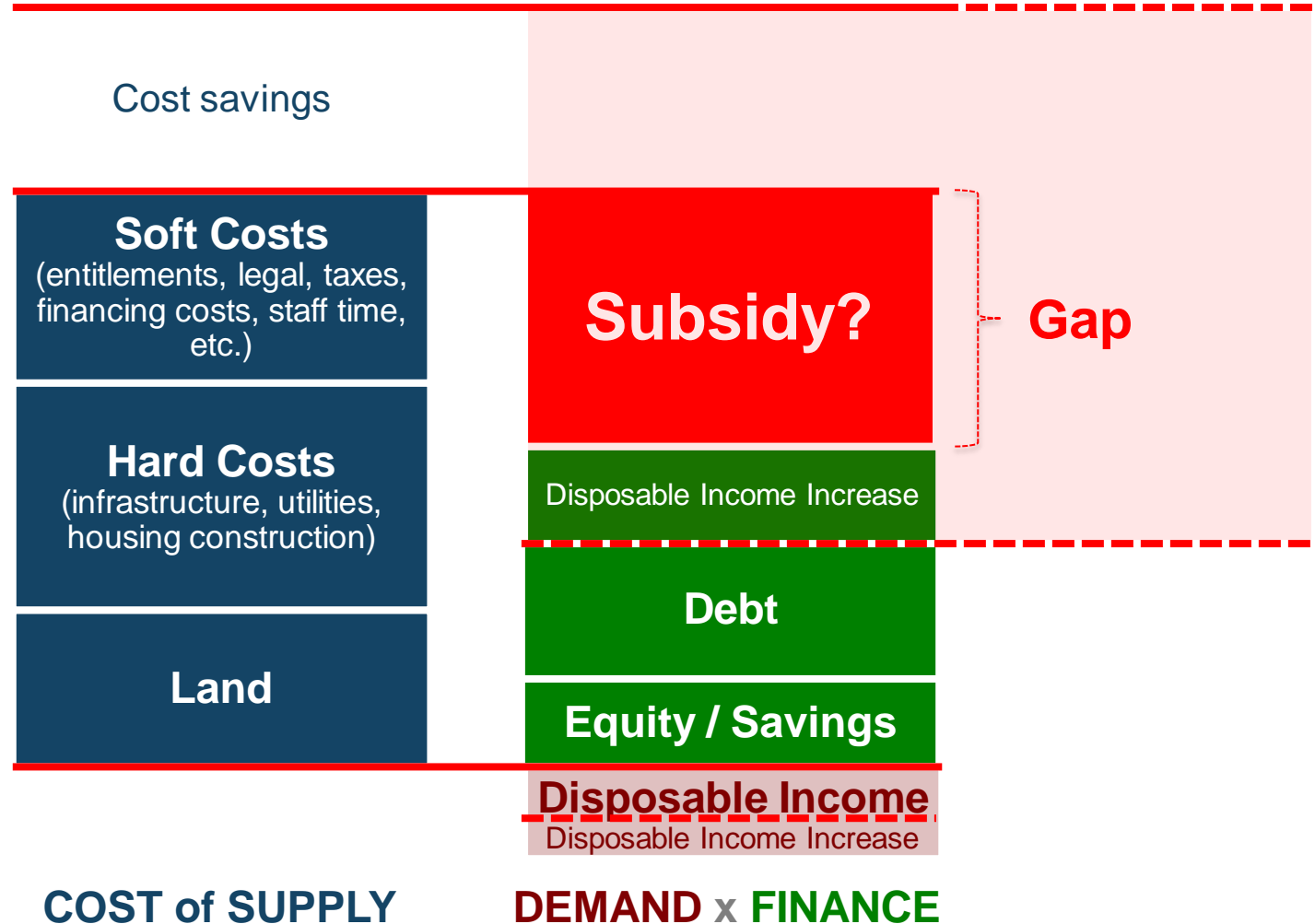


Balancing public interventions to improve affordability

Ideal combination (2/4)

2 Strengthen demand

- **Increase payment capacity**
 - ✓ Livelihoods
 - ✓ Safety nets
- **Provision of basic services**
- **Community participation, capacity building**

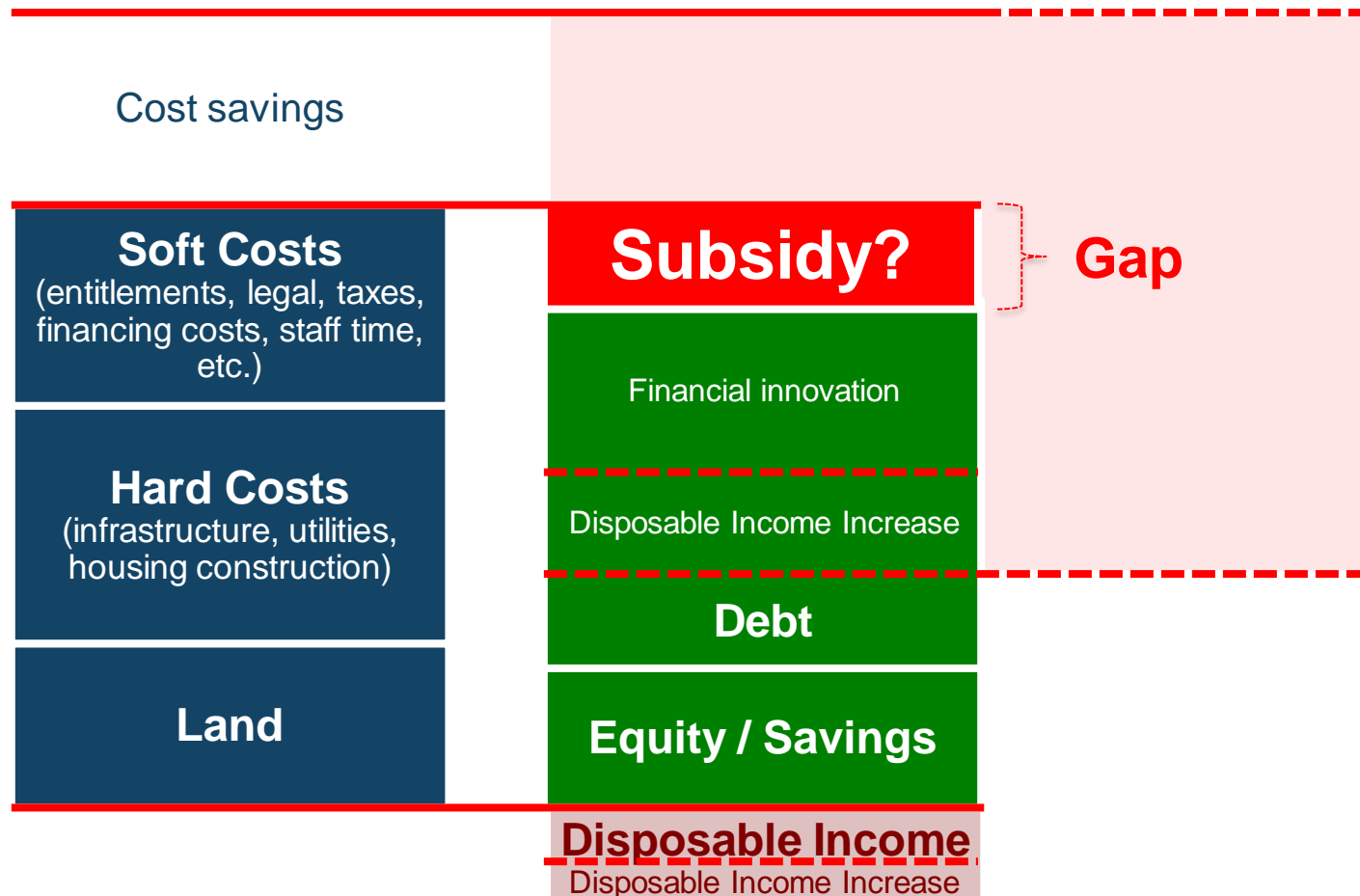


Balancing public interventions to improve affordability

Ideal combination (3/4)

3 Deepen Financial Access

- Lower interest rates and long term
- Diversified housing finance products
- Alternative loans
- Liquidity facility
- Guarantees
- Blending finance



DEMAND x FINANCE

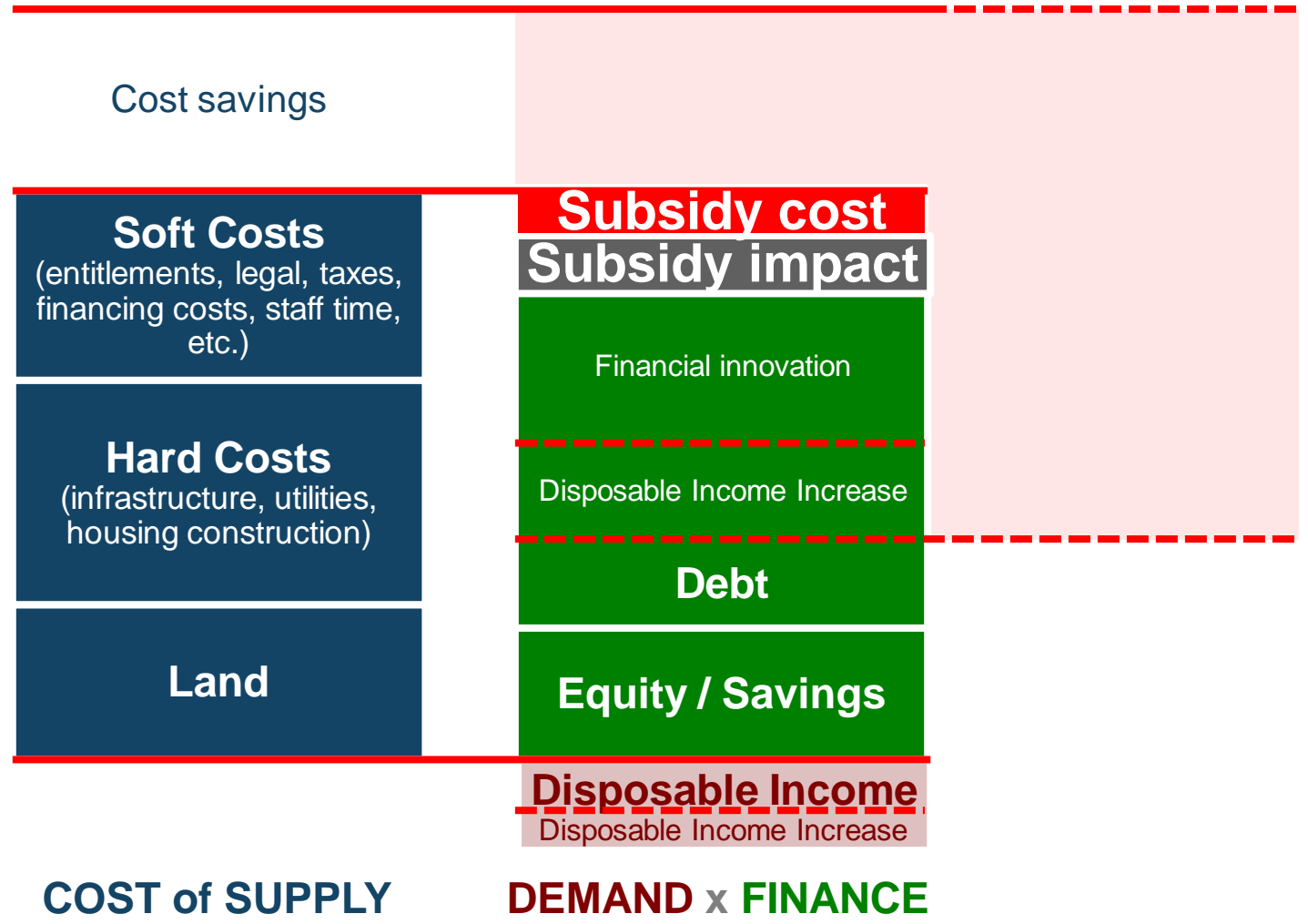
Balancing public interventions to improve affordability

Ideal combination (4/4)

3a Optimize the subsidy

4 Governance

- A multi-level governance model
- Regulations
- Policy
- Incentives
- Subsidy
- Incentives – duty, tax exemptions etc



YOUR TURN... GROUP

WORK

PARTICIPATORY
SLUM UPGRADING



PSUP PPAB

Reducing the cost of supply:

1. How do you reduce land cost / improve access to adequate land?
2. How do you reduce hard costs / enable access to adequate infrastructure and housing?
3. How do you reduce soft costs (e.g. profits, taxes, finance, overhead)?

Increasing the capacity to pay/disable income:

1. How do you strengthen access to life-affirming livelihoods (on site and off site)?
2. How do you reduce household costs (e.g. services or transport)?
3. How do you help to manage household risks (e.g. income and expenditure shocks)?

Improving access to finance:

1. How do you address/mitigate major lending costs and risks?
2. How can you remove eligibility barriers (e.g. formal tenure, formal income)?
 - ...to enable access to longer-term loans?
 - ...to aid in reducing interest rates?

Optimizing subsidies:

1. How can you support low and middle income households in need at a large scale without running out of fiscal resources?

Discuss in small groups. Then report back to the forum.