



## Land-based interests and the spatial distribution of affordable housing development: The case of Beijing, China



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### ARTICLE INFO

#### Article history:

Available online 17 June 2014

#### Keywords:

Affordable housing policy  
Land-based interests  
Policy implementation  
Inter-governmental relationship  
Beijing

### ABSTRACT

This paper provides an institutional explanation for the spatial distribution of affordable housing units biased toward the urban fringe in Chinese cities. We argue that, given China's inter-governmental relationship, the discriminatory site selection practice is a result of strategic policy implementation by city governments, who strive to balance the top-down political pressure with the local fiscal interests. The empirical analysis focuses on the implementation of the Economical and Comfortable Housing (ECH) Program in Beijing in 1999–2009. Binary logistic regression reveals that, holding local housing needs and socio-demographical attributes constant, sub-districts with a higher land price, a high ratio of old houses, and greater subway accessibility have a lower probability of being designated for affordable housing development. The empirical findings confirm the significance of land-based interests of city governments that contribute to many unintended consequences of affordable housing programs at the local level.

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### Introduction

China is at a critical stage in restructuring its urban affordable housing policy to provide decent homes for its growing urban population in the next decade. As the central government rediscovered its responsibility to ensure equitable and affordable housing, unprecedented efforts have been channeled into affordable housing programs. In 2010, affordable housing was officially included in the Twelfth Five-Year Plan as a critical component of the social welfare and public service system. The central government even has sought to enhance political incentives for developing affordable housing by designating affordable housing policy implementation as a critical responsibility for local officials (General Office of State Council, 2011).

Despite the heightened political will expressed by the central government, the local implementation of affordable housing programs remains highly contentious and unsatisfactory. The media have consistently reported on the “unintended consequences” associated with affordable housing programs, such as low building quality, poor design (Youth.cn, 2010), inferior locations (Zheng & Zhang, 2010; Zou, 2014), and a lack of transparency and fairness

in the allocation of affordable housing units (Wang & Murie, 2011; Zou, 2014).

Among these problems, the concentration of affordable housing units in inferior locations deserves particular attention from scholars and policy makers. As widely discussed in the international literature, discriminatory location choices for public housing projects have led to poverty concentration and residential segregation in western countries (Massey & Kanaiaupuni, 1993; Schwartz, 2006; Stoloff, 2003). Chinese scholars also have warned about the potential for similar phenomena to emerge in Chinese cities because affordable housing projects often are located in areas without sufficient access to employment opportunities and public services (Chai, Zhang, & Liu, 2011).

Through a case study of Beijing, this paper examines the effects of land-based interests as a fiscal incentive mechanism that led to the concentration of affordable housing projects located in the urban fringe. We specifically focus on the case of the Economical and Comfortable Housing Program (*jingji shiyong zhufang zhengce*, hereafter, ECH) in Beijing from 1999 to 2009. Initiated by the central government in 1998, ECH is a home ownership-oriented program that until recently had been the core pillar of affordable urban housing policy in China. We argue that site selection for ECH projects should be considered a political decision of city governments, i.e., the main implementers of this national program, who strive to balance the top-down political pressure with the local fiscal

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**Table 1**  
National policy framework for the ECH program: 1998, 2004, and 2007.

Time period	1998 - 2003	2004 - 2006	2007- present
Stated Policy Goal	Government-regulated commodity housing	Policy-oriented commodity housing	Welfare-based subsidized housing
Target Beneficiaries	Low- to middle-income families	Low- to middle-income families with housing difficulties	Low-income families with housing difficulties
Eligibility Assessment	Local criteria is up to city governments; rules unspecified and not enforced	Local criteria is up to city governments; rules more specified	Local criteria is up to city governments; more rigorous rules and procedures
Upper limit of Building Space Allocation	No rules	80 m <sup>2</sup>	60 m <sup>2</sup>
Tenure/Property Rights	Sold by developers	Sold by developers	Sold by developers
Land	Restricted ownership, i.e., resale prohibited within five years	Partial property rights; resale prohibited within a certain number of years	Partial property rights; resale prohibited within five years
Taxes and Fees	Administrative allocation: exempted from land-leasing fees	Administrative allocation: exempted from land-leasing fees	Administrative allocation: exempted from land-leasing fees
Price setting Mechanism	Exempted or reduced	Exempted or reduced	Exempted or reduced
	Regulated price with restricted profit (3%); Negotiated between government and developers	Regulated price with little or no profit (less than 3%);	Regulated price with restricted profit (3%)

Sources: Author's own compilation from national policy documents, e.g., MOC et al., 1998; MOC et al., 2004; MOC et al., 2007.

capability to implement the ECH program. City governments are politically accountable for planning and implementing local ECH programs, whereas national policy design requires cities to bear greatest financial burdens associated with ECH construction. Such institutional constraints at the macro level create a micro-incentive structure that drives the strategic decisions of local officials when implementing national housing programs.

We aim to contribute to a growing body of literature on China's affordable housing policy by providing empirical evidence on the institutional mechanism that has distorted local policy implementation and caused unintended consequences for affordable housing programs in urban China. Existing literature tends to focus on housing affordability and equity issues in Chinese cities (e.g., Huang & Jiang, 2009; Li, 2012; Logan, Bian, & Bian, 1999; Wang & Murie, 2000) and the evolution and framework of affordable housing policy in China (e.g., Deng, Shen, & Wang, 2011; Huang, 2012; Wang, 2001, 2011; Wu, 1996; Zou, 2014). Few studies have focused on the local implementation of affordable housing programs as determined by the strategic decision making of city governments. Although many scholars have stressed that land-based interests of city governments determine urban development patterns (e.g., Lin & Yi, 2011; Zhu, 2004), empirical evidence on the impact of government's land-based interests on affordable housing policies has rarely been published.

This paper is structured as follows. First, we review relevant literature and highlight the need to study the institutional dynamics underlying the implementation of affordable housing policy. We then discuss the policy design of the ECH program and the consequences for local implementation. We derive our hypotheses from an extensive review of policy documents, existing literature, and interviews with government officials and developers. After describing our research design and methodology, we present our empirical findings and conclude with discussion and policy implications.

## Literature review

In countries where the government subsidizes housing for the poor, location is recognized as a critical dimension of successful affordable housing policy (e.g., U.K. Communities and Local Government, 2006). The provision of affordable housing in convenient locations not only ensures decent housing for the poor but also offers economic and social opportunities to ensure self-sufficiency. Unfortunately, historical lessons from public housing programs in the US and other countries have emphasized the danger of placing affordable housing projects in inferior locations where employment

opportunities and public infrastructure are scarce (Gabriel, 1996; Holmans, 2005). Many scholars have noted devastating consequences brought by discriminatory site selection practices (Stoloff, 2003), such as poverty concentration, degradation of the living environment in low-income communities, and long-term effects such as high unemployment and crime rates (DeKeseredy, Schwartz, Alvi, et al. & Tomaszewski, 2003; Massey & Kanaiaupuni, 1993; Schwartz, 2006, & Tomaszewski). Although such location patterns may have been "unintended" in the original policy design, Massey and Kanaiaupuni (1993) noted that local politics, particularly the strategic behaviors of local politicians, have increased the likelihood that public housing projects are located in poor and black neighborhoods.

In China, although urban housing policy in the 1990s had emphasized marketization and commercialization (Wang & Murie, 2000), low-income housing issues have recently assumed a higher priority on the national policy agenda. Nonetheless, the local implementation of affordable housing programs has been problematic and sometimes ineffective (Huang, 2012; Zou, 2014). One particular problem that has received wide attention but insufficient systematic analysis is a discriminatory site selection practice for affordable housing projects. Unlike in the US cities, government-funded affordable housing projects in Chinese cities are often located in remote suburbs, locating low-income residents far from employment opportunities, public transportation, and public services. Scholars have warned that low-income households in Chinese cities could face a similar long-term deprivation of economic opportunities and decreased quality of life because of the inferior location of affordable housing opportunities (Chai et al., 2011; Zheng & Zhang, 2010).

Scholars such as Huang (2012) have attributed the failure of affordable housing policy implementation to the lack of commitment by local governments to building sufficient low-income housing. Zou (2014) further argued that the inter-governmental fiscal arrangement has worked against the center's policy goal of providing affordable housing. City governments are politically mandated but not financially motivated to provide affordable housing because they must bear most financial and administrative costs of local policy implementation. At the same time, cities have the authority to adjust national policy programs according to their local situations (Xu, 2011). Therefore, to interpret the local implementation of affordable housing programs, including patterns for where housing is located, it is necessary to understand how national policy design and fiscal arrangements have together shaped the strategic behaviors of local governments. The next section discusses the incentives of city governments in the ECH program from which we derive our research hypotheses.

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