2nd International Symposium "NEW METROPOLITAN PERSPECTIVES" - Strategic planning, spatial planning, economic programs and decision support tools, through the implementation of Horizon/Europe2020. ISTH2020, Reggio Calabria (Italy), 18-20 May 2016

Housing Affordability and Income-Threshold in Social Housing Policy

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Abstract

The issue of affordable housing has again become crucial in ensuring a greater social equity, increasing social cohesion and reducing inequalities within metropolitan or regional systems which, in the current climate of severe economic crisis, have to respond to global challenges of development, innovation and sustainability.

This study aims at building a system of knowledge about the housing affordability on the territorial scale, by which to identify the local characteristics of housing problems that could be solved through traditional planning tools or new practices of social housing, which involves private stakeholders and/or public administrations. This system of knowledge should include the analysis of the wealth distribution both in terms of income and real estate market price, and the calculation of the income-thresholds (based on the HAI-Housing Affordability Index) that filter the access to the real estate market. All these data are used to define the correspondences between groups of people and affordable housings, distinguishing them both by income and urban location. This approach is applied to the case study of the territorial system of the Province of Syracuse (Italy) and it allows appraising the gap between housing prices and income level in different areas of seven towns. To know the size and the spatial distribution of these gaps is a valuable tool to orientate the housing policy, to select the best model of social housing and to design the equitable parameters of social housing projects for each town.

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1. Introduction

The economic crisis can be anabolic or catabolic, creating or destroying wealth, urban and territorial shape, of plus/minus valuation of capital goods and real estate. The distribution of wealth is variable with different patterns depending on whether the wealth is produced by cash flows or is incorporated in the price of the capital assets, and it may contribute to wide inequalities and social exclusion. Moreover, the reduction in GDP, added value and demand generates job cuts and high levels of unemployment, amplifying the difficulties in finding affordable housing. This study proposes a methodology to assess the housing affordability at metropolitan level, in order to obtain a system of basic information to support public decision making process regarding the housing policy.

This system is instrumental in identifying the local demand and detailed social needs on which territorial development policies and practices of social housing could be delineated to support the goal of increasing social equity. The methodology proceeds by identifying the pattern of distribution of income, and by analyzing the real estate market for residential use. These data are combined and, subsequently, the income-threshold is calculated to measure the access to housing market by income groups of households and by different location of housing. To know the spatial distribution of these data can aid to promote the best model of social housing (immediate o postponed purchase; temporary or long-term renting; co-housing, etc.), to design the characteristics of housing projects for each town (different mix of social housing, housing on sale and rent housing; different mix of private capitals and public funds; etc.), and to select the households involved (low income, middle income) (CDP, 2014).

The methodology is applied, as a case study, to the territorial system consisting of seven cities (Syracuse, Avola, Canicattini Bagni, Noto, Pachino, Rosolini and Portopalo di Capo Passero) in southeastern Sicily, through the following steps:

- Analyzing patterns of income (by income levels and their territorial distribution);
- Analyzing patterns of wealth in terms of real estate prices (by town, urban area and building type);
- Appraising income-thresholds (by income level, urban area and building type);
- Analyzing of the results to support social housing policy/projects.

2. Patterns of local income

Every economic crisis causes not only a contraction of the main indicators of wealth (GDP, added value, number of employees, etc.), but also generates its different distribution, accentuating or diminishing the social equity. The unfavorable socioeconomic conditions of the Province of Syracuse can be described by many indicators: in 2013 there were almost 30,000 unemployed, the unemployment rate was +21.6% of the workforce (much higher than the national average which is 12.2%) and the youth unemployment rate (15-24 years) reached 55.6% (Regione Siciliana, 2014). It is also significant for the purposes of this study that 91% of the evictions were due to the arrearage and that the number of requests for eviction execution was substantial (1,080 a year). Another significant element is the presence of 12,413 foreign residents because, although they represent a small percentage (3.1%) of the provincial population, they are mainly lower income households.

To understand the origin of income flows, the economic base of the province is analyzed. Construction sector, in particular, is severely affected by the economic crisis with a significant reduction in the number of companies, active workers and wage mass (€-4,432 million in 2013) caused by the contraction of private sector and public works that decrease both in number and amount (-23.33% and -81.25%). Conversely, the tourism sector registered in 2013 an increase in tourist flow (+4.0% of arrivals) as a positive outcome of policies to promote the local historical, archaeological, architectural and cultural heritage.

A more detailed analysis on income data is carried out in the seven towns of the case study (Fig. 1.a) that correspond, on a provincial basis, to 57% of the population and to 59.2% of the income declared in 2013. Figure 1.b shows the relationship between the population size of town and its average yearly income, pointing out that the declared average income in Syracuse is significantly higher than in the other towns, among which there is a certain internal variability, even if income levels always range from 15,000 to 20,000€. The trend of the average income/number of inhabitants shows that, with the exception of Syracuse, the pro capita yearly income is very low, in fact it varies from 5,000 to 7,000€ for all towns.