

Consultation Paper

Boosting the supply of affordable rented housing: learning from other countries

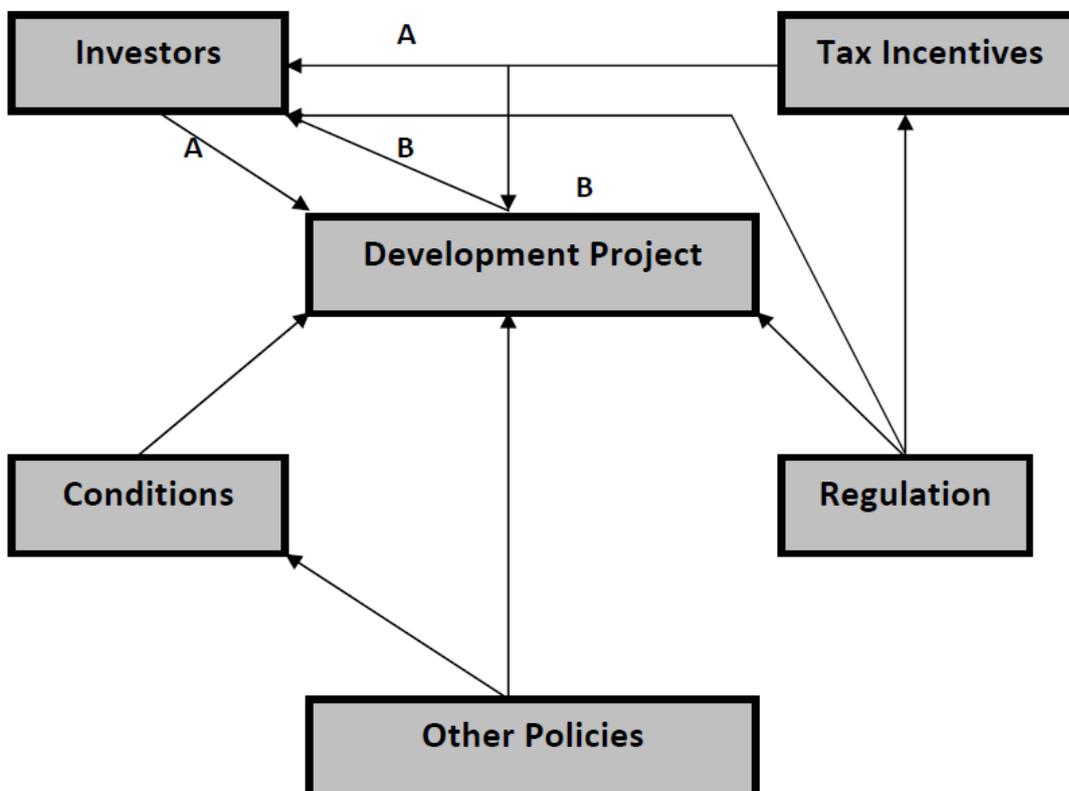
1. Overall Proposal

Our approach for consultation centres on six issues:

- Development project;
- Investors;
- Tax incentives;
- Conditions;
- Regulation; and
- Relationship with other policies.

Each of these has a subset of issues – see below

Diagrammatically, the overall approach is:



The key points are:

- The development project would take account of tax incentives, investors, conditions, regulation and other policies.
- Tax incentives could be development (routes B) or investor led (route A). In the case of the former, the development would attract tax incentives that would be marketed to investors. In relation to the latter, investors would decide what to invest in (or even to invest in affordable housing at all).
- Regulation of tax incentives, investors and projects would be required.
- Other policies (for example, the 'green' agenda) could either be linked to conditions or applied directly to projects.
- Other policies are crucial in achieving the localism agenda, if there is no local influence on conditions.
- This overall approach would need to be EU 'proofed' to take account of areas such as state aid and competition policy

Discussion and Questions

- 1. Is the problem specified correctly?**
- 2. Is this overall approach appropriate?**
- 3. What are your views on the tax incentives routes?**
- 4. Should other policies be part of the conditions or a direct requirement for each project?**
- 5. Where should the localism agenda be built in – conditions or other policies?**
- 6. We believe that EU proofing ought not to be a major issue, but is this the case?**
- 7. What are the main constraints to a change of policy that will result in an increase on the supply of affordable rented housing?**

2. Development Project

An organisation puts together a project for affordable housing based on conditional object subsidies through tax incentives.

- Define 'organisation'
 - *Public, private or third sector?*
 - *Partnerships such as a local asset backed vehicles?*
- Clarify 'project'
 - *Funding, development and management of completed schemes?*

- *Would it also involve market rent and owner-occupation (so as to achieve mixed tenure)?*
- *What about rehab as well as new build?*
- *Would it be a project covering a number of sites in a wide geographical area?*
- *What would be the relationship with other object subsidies e.g. land at nil value?*

3. Investors

There are a number of issues and questions:

- *Investment in the 'organisation' or the project or a fund comprising many projects e.g. a venture capital trust?*
- *Corporate or individual investors or both?*
- *How is the risk of this new type of investment addressed in the early years?*
 - *Some sort of government guarantee?*

4. Tax incentives

An important starting point is to agree the terminology:

- *Should we use the term tax incentive as the generic basis for our proposal or should we use the UK term of tax relief? In other words, what term is most understandable?*

There are, then, a series of specific questions on 'tax incentives':

- *What forms of tax relief would be available?*
- *What scale of tax relief per project would be needed to make it attractive to investors?*
- *How long would the tax relief apply?*
- *What would be the annual global sum of tax relief if any?*
- *Would we wish to move to tradable tax credits (relief) as in the USA?*

5. Conditions

These focus on the 'conditions' so that the output is high quality affordable housing for a specific time period:

- *Who would be the target group(s) in terms of income and rent ratio?*
- *Would there be other target groups e.g. vulnerable households?*
- *What would be the nature of the tenancy agreement?*
- *Would there be limits on annual rent increases?*
- *What would be the quality standard?*
- *How long would the conditions apply?*

6. Regulation

As pointed out above, there would need to be regulation of tax incentives, investors and projects:

- *Who would monitor the project outputs? Homes & Communities Agency? But what about London and the devolved administrations?*
- *Who would oversee, monitor and regulate investors and tax incentives? HMRC?*

7. Relationship with Other Policies

This is likely to be a crucial part of the approach in order to enable projects to take account of local requirements.

- *To what extent would projects be required to meet other policy requirements (for example, the green agenda, regeneration, jobs and training for local people etc)?*
- *Would this be decided at regional, city-region or local authority levels?*

Notes:

1. Further information about the project is available online from <http://housingsupply.our.dmu.ac.uk>.

12 November 2013