

Differences between the Affordable Housing Supply Systems in China and the UK - The Examples of Shenzhen and London

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Abstract. In the process of rapid urbanization, the problem of housing and declining affordability of residents has gradually become severe, and affordable housing has become a method to improve the housing problem among residents. However, many large cities face the problem of insufficient affordable housing. Therefore, many governments have been improving their regulatory and supply systems to facilitate the development and construction of affordable housing. This paper compares the similarities and differences between the affordable housing supply systems in China and the UK under different political environments, using Shenzhen and London as examples.

Keywords: Affordable housing, Neoliberalism, FCEs.

1. Introduction

In the course of the world's urbanization, the enormous attraction of cities to their populations has brought about an unprecedented housing affordability crisis and, as a result of the increasing openness of global economic and financial markets and shifting national priorities, the problem of residential affordability is worsening. An increasing number of households are challenged by high housing costs and commuting expenses [1]. However, having decent living conditions is essential for ensuring human well-being and the sustainability of communities, therefore in response to problems with housing affordability, government officials and policymakers have turned to affordable housing and social housing as solutions [1].

In this paper, the main comparison is between the affordable housing provision systems in London and Shenzhen. London is one of the cities with the longest history of government intervention in the affordable housing sector Shenzhen is an emerging city with a shorter history of development, with a greater degree of autonomy over affordable housing policy, and an innovative use of policy that provides lessons for other cities in China. In both cities in both political contexts, the government has played an important role in the provision of affordable housing. Previous literature has tended to compare the similarities and differences in affordable housing policies in developed economies across cities, with fewer articles comparing the differences in the supply of affordable housing policies in developed and developing country cities.

This paper focuses on the use of comparative housing research, which requires an understanding of the differences in the political, economic, and cultural-social environments of different cities, issues that are directly responsible for the variability of urban policies [2]. Following this, a comparison of governance structures, and policy arrangements in different cities can provide new insights into housing systems and policy interventions. This paper focuses on the literature review to understand the concept of affordable housing and to understand the differences in policy contexts between London and Shenzhen; comparing the target groups and supply systems of affordable housing in the two cities, to provide lessons and suggestions for affordable housing policy research.

2. Literature Review

2.1. The Concept of Affordable Housing

Much of the literature demonstrates that the pressure on housing affordability lies in financialization [3]. The primary political argument for the construction of affordable housing is

household affordability [4]. Policymakers and scholars have commonly referred to affordable housing as a synonym or near-synonym for social housing during the past ten years [5]. As a crucial part of the welfare state's housing system; its meanings and forms have changed depending on the geopolitical setting [6]. For instance, affordable housing is a term used by policymakers in the UK and Australia to describe homeownership for those with low or moderate incomes, which is offered at rent and price levels below the market [7]. The term "social security housing" is frequently used by the Chinese government and media to refer to non-market housing, and the majority of this type of housing is not directly developed by the government.

2.2. Housing Neoliberalism

Neoliberalism is the primary factor contributing to the lack of public housing in China and Western nations, according to research [8]. Neoliberalism has continued to have a significant impact on the political and economic landscapes of Western Europe, North America, and the rest of the world during the past three decades [9]; booming real estate markets and rising prices have created a crisis of affordability. With the worldwide trend towards neoliberalism, governments have started to look for interactive and mutually beneficial partnerships with markets and society. Since government responsibility for housing has diminished in many countries, governments now have the power to address housing concerns using the diversity of economic options available. This has led to the bulk of affordable homes becoming a niche market for private developers. Cities have let the free market operate in the housing sector, leaving the central government in charge of providing for the underprivileged [9]. Affordable housing development models tend to be diversified, developed, financed, and managed by the state, third-sector markets, and community participants [10].

2.3. Affordable Housing Supply in China

Following China's housing reforms, market relations have brought about a trend towards the marketization of housing supply and the commercialization of dwellings [8]. Neo-liberalization with Chinese characteristics is incorporated into China's public housing market; local governments intervene in the market, control urban planning and the supply of land, and redistribute fiscal revenues to achieve the supply and regulation of public housing [8]. Additionally, the central government permits local governments to rely on certain extra-budgetary income, mostly property rental income, to underwrite their expenditures; in some places, land transfer fees can make up 60% of the total local budget [11]. Although local governments lack any financial motivation to offer cheap housing, the central government utilizes its authority to require them to do so in order to ensure social stability [12]. Thus, affordable housing suffers not only from insufficient numbers but also from problems such as remote siting leading to concentrations of poverty.

2.4. Supply of Affordable Housing in the UK

The land is often freehold and privately held in western cities, therefore governments are unable to set aside land for the construction of cheap homes. As a result, governments frequently employ urban land development plans to find solutions for the supply of inexpensive housing, both in terms of attaining socially mixed residential areas and providing enough affordable housing for all sorts of low-income families [9]. The Town and Country Planning Act of the UK offers a mechanism for land use planning that may be utilized to divide the market and free up enough space for the construction of affordable homes. Public authorities enter into planning agreements with the private sector in accordance with Section 106 of the Act and request developer contributions, which are often made for affordable housing or other community assets and infrastructure. The success of planning for affordable housing in the UK is due to the separation of development rights from land ownership [7], where developments must obtain government planning permission, meaning that local authorities can accept or reject applications based on the development's commitment to providing affordable housing.

3. Case Study

3.1. The Case of Shenzhen

Shenzhen is an emerging city founded in 1979 and is now one of China's four first-tier cities. After China's 1998 housing commercialization reform, local governments focused their housing policies on stimulating property investment. Subsequently, Shenzhen built 137 units of low-cost housing in the suburbs during the 11th Five-Year Plan in response to the national policy, which was the beginning of the construction of affordable housing in Shenzhen [13]. Since 2005, with the rapid increase in housing prices in Shenzhen, the phenomenon of brain drain has been serious, in response to this phenomenon, in 2014 and 2015 the talent settlement methods will be monetary subsidies and provide low-cost housing as the Shenzhen City of the various levels of talent settlement of the two ways of security [13].

3.2. The Case of London

London has long been the political and economic center of the UK, and the financialization of housing has profoundly affected the London property market, with house prices rising by 40% and rents by around 30% over the last decade, growing much faster than median incomes [9], leading to rents and house prices becoming increasingly out of line with local incomes [9]. Between the two world wars, local authorities and planners in London built a large number of estates outside of London's boundaries to provide housing for wealthy working-class people; and left much of the architectural legacy for today. Between the 1950s and 1960s, local councils built three million homes. By the 1970s, however, a large number of public housing units were converted to owner-occupied housing through the Right to Buy scheme. From the 1990s onwards, the majority of affordable housing in the UK was built with the help of the land use planning system [9].

4. Comparative Study

4.1. Affordable Housing Definition and Target Groups

Over the past three decades, neoliberalism has been applied on a national level, but global cities like London have made use of their resources to create housing policies that are specific to their needs and circumstances [9]. This has favored their ability to attract middle-income residents, a target group that is seen as relevant to increasing global competitiveness locally. London's 2013 revised London Housing Strategy, for example, while formally maintaining a 40:60 ratio of intermediate to social rented housing, appears to have further reduced the amount of housing targeted to the most in need. Indeed, a notable change in the revised strategy is the prioritization of working families [9]. Similar to London, Shenzhen's special economic zone status gives local government officials greater discretion over housing policy, with the city's housing bureau adopting eligibility criteria based on the logic of productivism; due to the growing demand for talent as a result of industrial restructuring, affordable housing policies are biased in favor of retaining talent and migrants for the needs of the city's development, and subsidized housing for low-income populations has not been fully implemented [13].

4.2. Supply Structure

4.2.1 Shenzhen FCE supply system

There are two main types of housing supply in which the Shenzhen government is involved, one being construction and operation with government funding, built by the URA or district URA or acquired from private developers, and allocating funds from budgetary revenues to finance their construction and maintenance. The other is to support and attract private developers to provide affordable housing by offering favorable land prices or with preferential policies, and to impose

regulatory controls, such as requiring a certain percentage of affordable housing to be provided in new developments.

Some local governments have transferred the majority of their public housing operations to their wholly-owned Finance and Construction Enterprises (FCEs) in order to handle huge affordable housing schemes [14]. This state-owned company has been given permission by the government to be in charge of providing land, investing in, building, or managing affordable housing [14]. FCEs are a manifestation of the market-based operation of the government's public housing sector, where the market provides an environment for them to earn profits. The Shenzhen Talent Housing Group was created by the Shenzhen Municipal Government as its own FCE, in 2016 to manage affordable housing across the city [15]. Due to its profitability, it helps the government to be more active in building affordable housing, rather than treating affordable housing as a burden. Figure 1 provides a visualization of the structure of the Shenzhen FCE.

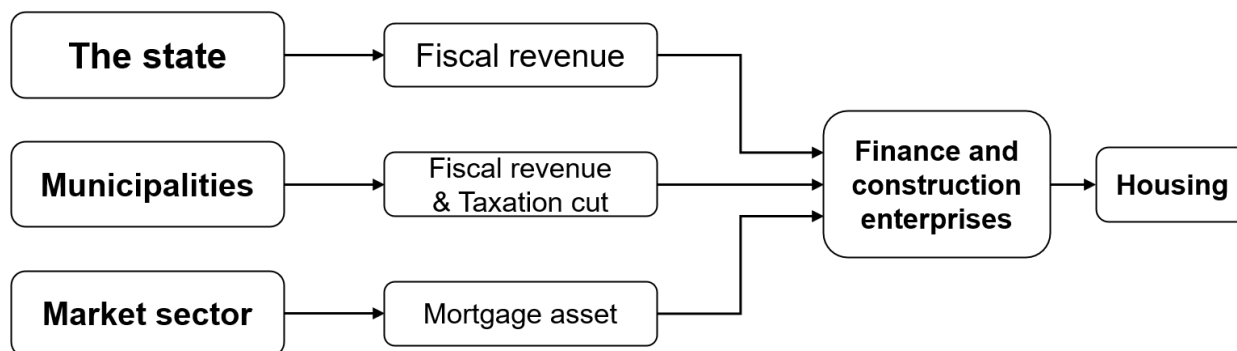


Fig. 1 The structure of the Shenzhen FCE (Picture Credit: Original)

4.2.2 The Greater London Programme

In the UK, the central government typically controls housing policy, with London having minimal influence until the collapse of the Greater London Council in 1986. In London, the high price of land developed in the private market has resulted in the high cost of providing affordable housing, which can usually only be achieved through government grants and agreements between planning authorities and the government such as S106 [16]. However since the GLA was established in 2000, the city has steadily asserted its right to develop and carry out its own solutions to significant housing issues. The creation of the city's statutory housing policy fell within the purview of the Mayor of London under the GLA Act of 2007. The mayor now has direct responsibility for strategic housing development and investment according to the Localism Act 2011, which transferred additional housing authority from the federal government to him [17].

The London Plan is the primary regulatory tool available to the GLA in London. Although it refers to land capacity rather than delivery and needs central government permission, this is a highly strong instrument in theory [17]. Its second main power is to allocate large-scale centralized funding in line with the policies set out in the plan. The latest settlement for 2018 to 2022 is £4.8bn, which will fund more than 116,000 affordable homes [17]. This funding could also be used to encourage modern building methods, and the development of building technology and to support local authorities. A third advantage of GLAs is that they have a lot of public property under their control or ownership, which allows them to make money and make sure there is more land available, including affordable housing. Although the GLA coordinates matters, the boroughs retain the final say. The GLA mandates a set amount of affordable housing in all new construction, with around 50% of new affordable housing directly resulting from this requirement [17].

Both London and Shenzhen housing policies are led by the central government, but both Shenzhen and London municipalities have greater autonomy in setting affordable housing policies. The Shenzhen Municipal Government owns the land for urban construction and has set up the Shenzhen Talent Housing Group, whose profitability as a business helps the government to have sufficient funds to provide affordable housing. The City of London, on the other hand, oversees and manages the

implementation of the London Programme mainly through the GLA. Although the council does not directly own urban land and the GLA is not-for-profit, the coordination of grant funding and the implementation of the S106 Act ensures that a certain amount of affordable housing can be supplied on new development sites in London. Both the Shenzhen Municipal Government and the London Yes Government are coordinating and regulating the construction of affordable housing through government organizations, and both have adopted similar approaches despite the different national policy contexts.

5. Conclusion

This study compares the similarities and differences between the affordable housing supply structures in Shenzhen, China, and London, UK, mainly from the perspectives of target groups, development entities and land supply. The study found that the affordable housing policies of London and Shenzhen are similar in terms of the changes in the target group, both of which are designed to attract talent to serve the urban construction, which is one of the ways to improve the competitiveness of the city, and both of which ignore the housing problem of low-income people; on the other hand, London and Shenzhen have greater autonomy in policy making, and affordable housing is provided by the government with funding or private developers, and supervised and implemented by the government organizations. In the other hand, London and Shenzhen have more autonomy in policy-making, with affordable housing provided by government funding or private developers, and supervised by government organizations. Although Shenzhen and London have different political backgrounds, their affordable housing policies and supply systems are both moving in a similar direction; however, both London and Shenzhen are economically advanced global cities, so the conclusions drawn in this article may not necessarily apply to other cities.

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