

A study of Public Rental House supply by Using Urban Public Land

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Abstract—As housing costs for the low income households increase, an issue of affordable rental house for them is standing out. Though each government tried to expand the public rental housing, most of those were built urban fringe where the government can supply mass public rental housing with limited budget. Now, present regime tries to find suitable land for building affordable rental house in the urban area and started to utilize government-owned land for providing public rental housing, 'Happy House'. However, without cooperation between central and local government, 'Happy House' faced opposition.

This research introduces the Korea's new public rental house policy and its present situation. After briefly explaining Korea's public rental house policy's characteristic and its current status, it shows the background the appearance of the new supplying public rental houses policy by using the government-owned land, 'Happy House' and its process. Lastly, it suggests the political suggestion to facilitate the public rental houses.

Keywords— government-owned land, Happy House, housing need, public rental housing.

I. INTRODUCTION

Due to the lower rate of the public rental house stock in Korea comparing to that of European countries, recent transition of Korean housing tenure choice that the rate of monthly rental household is growing faster lead to the rapid increase of low income households' housing costs. As it inhibits the exit of poverty, the voice calling for the government's supply of more public rental house to secure the low income household's housing stability is getting stronger.

Korea's public rental house policy has been changed by diversifying the recipient of the public rental houses and the way to supply them. By reason that main purpose of the public house policy was the mass marketing of houses, the supply of public rental houses were performed by supply-based way. It means that selects some areas where government could construct public rental houses as many as possible without considering regional demand of public rental house. On the other hands,

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recent public rental housing policy reflects the expansion of the recipients and focuses on the new recipients, young generations. They are university students, just starting out in a career and new-married couples who belongs temporarily to the lower income and asset households. By gives them the affordable houses at the time when they take their steps into the real world, they can have the opportunities to secure the economic and housing stability in the short run and make their housing economies healthier by accumulating assets in the long run. It will be the helpful policy for Korea to secure the housing sustainability.

Supplying the affordable rental houses in the city area for young generations requires low cost for the business, however, high land price in city price increase the cost. Moreover, residents' worry that the newly constructed public rental houses will densify the region and enhance the negative image of the region is the biggest obstruction for the rapid supply. For solving the situation, government tries to utilize the government-owned land in the city area to supply the affordable rental house efficiently. That is in line with the government's policy urging the efficient use of the government-owned land and can reduce the expenditure for the supply of public rental houses that lead to more construction. To appease the residents' anxieties, residential amenities will be added to public rental houses for them to enjoy the increase the quality of life.

The purpose of this paper is to introduce the Korea's new public rental house policy and its present situation. Firstly, it briefly explains the Korea's public rental house policy's characteristic and its current status, and the transition of the Korea's public rental houses policy. Secondly, it shows the background the appearance of the new supplying public rental houses policy by using the government-owned land, trial and error. Lastly, it suggests the political way to facilitate the public rental houses.

II. PUBLIC RENTAL HOUSING POLICY IN KOREA

A. The Concept and the Present Condition of the Public Rental Housing

Public rental housing policy is affected by a nation's line of housing welfare policy, a nation's willingness of intervention and the housing market trend([4] and [7]). Korea's housing welfare policy was line with national housing policy. Each government tried to push ahead with the supply of public rental houses in accordance with its own policy stance of housing welfare policy.

Korea's public rental housing policy targets on the low income households due to the low rate of inventory of public rental houses. It makes Korea's rental housing market dualized, private rental market operated by the market principle and public rental market supporting the low income households' housing.

When categorizing the characteristic of Korea's public

housing policy by the existing typology of the public housing policy with respect to the degree of government's intervention [3], the scale of inventory of the public rental house and the scope of beneficiary[6], single or binary rental housing market [9] and the order of distribution of public rental houses [1], it belongs to the social housing system, residual model, dualistic model and targeted model([8] and [17]).

TABLE I
THE TYPES OF PUBLIC RENTAL HOUSING

The degree of intervention of government (Donnison)	Social Housing System: Limited intervention to the households which cannot handle the basic housing needs	Comprehensive Housing System: High government's intervention to the market with respect to the supply, inventory and location of houses
The scale of inventory of the public rental house and the scope of recipients (Harloe)	Residual Model: small scale supply for the low income households	Mass Model: mass supply for targets of all kinds of income brackets
Single or binary rental housing market (Kemeny)	Dualistic Model: public market for the low income households and private market, high preference for the owner-occupying	Unitary Model: united market as the social rental market, low preference for the owner-occupying
The scale of inventory and the order of distribution (Andrews et al.)	Targeted Model: low rate of public house inventory, stigmatization, tenant eligibility according to the income and asset level	Broad-Based Model: high rate of public rental house inventory, no standard with respect to the order of priority of tenant eligibility
Countries	Korea, USA, UK, Canada, Australia, Ireland	Sweden, Denmark, Netherland, Germany,

Public rental house is based on the 'Rental Housing Act' which states the things with respect to the construction, supply and management, house lease business. Public rental house is composed of constructed public houses and purchased public houses. The public rental house is comprised of 8 types with respect to the purpose of the supply, period of residence and housing size. All types of public rental houses are smaller than

85m² which is a standard of the national house scale. Public rental houses for low income households are much smaller than other kinds of rental houses as they are supplied with much more moderate prices. 5-year rental houses are sold by the residences after tenating 5 years. 'Chonsei' rental houses were supplied since 2009.

TABLE II
THE CATEGORIES OF PUBLIC RENTAL HOUSING

Categories	Permanent Rental House	50-Year Rental House	National Rental House	10-Year Rental House	Long-Term 'Chonsei' Rental House	'Chonsei' Rental House	5-Year Rental House	Rental House for Employees
Purpose	Supporting Minimum welfare houses for the lowest income bracket	Substituting the supply of the permanent rental house since 1993	Supporting housing stability for the bottom 40% of the income bracket	Supporting household trying to purchase their own hoses	Leasing houses by paying deposit	Leasing houses for lower income families by paying deposit	Supporting household trying to purchase their own hoses	Supporting housing stability for the employees
Period of residence	50 years	50 years	30 years	10 years	20 years	2~18 years	5 years	5 years
Housing size	Under 40m ²	Under 60m ²	Under 60m ²	Under 85m ²	Under 85m ²	-	Under 85m ²	-

The number of total rental houses in the system is about 1,616 thousands, which is about 8.52 percent of total house inventory. The number of public rental houses is about 1,125 thousands, which is about 5.92% of the total house inventory and 68.8% of

the total rental house in the system. The number of the long-term residence public rental house over 10years is about 1,016 thousands, which is about 90.4% of the public rental houses.

TABLE III
PUBLIC RENTAL HOUSE INVENTORY

Year	Total	Sub Total	Public House								Private Rental House (Built, purchased)
			Long-Term Rental House					Short-Term Rental House			
			Permanent Rental House	50-Year Rental House	National Rental House	10-Year Rental House	Long-Term 'Chonseil' Rental House	'Chonseil' Rental House	5-Year Rental House	Rental House for Employees	
2007	1,303,523	809,751	190,077	100,007	155,637	-	-	-	364,030	-	478,036
2008	1,341,670	851,705	190,077	100,949	258,056	4,217			275,709	22,697	465,276
2009	1,311,369	864,685	190,077	96,124	295,731	62,575	7,884		186,481	25,813	446,684
2010	1,303,227	924,455	190,519	100,722	375,941	70,679	15,574	-	142,673	28,347	474,722
2011	1,459,513	1,019,195	190,679	100,882	431,656	84,238	17,684	64,918	103,741	25,397	440,318
2012	1,487,421	1,038,135	190,694	101,520	455,107	78,028	19,947	85,625	81,721	25,493	449,286
2013	1,616,221	1,124,620	191,900	102,646	488,552	92,091	26,471	114,826	78,652	29,482	491,601

Source : Ministry of Land, Infrastructure and Transport(MOLIT)

B. The Transition of Public Rental Housing Policy

Korea's public rental housing policy has evolved in line with its economic development, social change, change of housing and housing welfare policy. Reference [15] and reference [2] tried to categorize the steps of the development of public rental housing in Korea, which are the period of laying the legal groundwork of the public rental housing policy, that of mass supply of public rental house and that of establishing integrated management system.

Laying the legal groundwork of the public rental housing policy had been completed from 60's to 90's. As a lot of people migrated to metropolitan areas, government put all the forces to constructing houses in urban area as many as possible. Government tried to utilize the private fund to construct houses due to the lack of the funding source. As a result, housing market was driven completely by the private market.

In 1963, 'Public Housing Act' was established, which stated the public housing for the first time in law. In 1972, 'Public Housing Act' was changed to 'Housing Construction Promotion Act', which stated the plan constructing public rental housing, financing guideline, beneficiaries, monthly rent and period of residence and reversion of public rental house after expiration contract in detail. In 1980, 'Housing Site Development Promotion Act' was established to accelerate housing construction. Government announced constructing 5 millions of housing in 10 years, from 1981 to 1991. 'Housing Lease Protection Act' in 1981, 'Public Housing Development Promotion Act' in 1984 were established to secure renting households' right, diversify rent type, period of residence, procure funding source, establish incentives with respect to securing residence land, tax exemption and standard for beneficiaries.

Though establishing national housing fund acted one of the funding sources, government could not help but employing private capital and technology to construct public rental housing due to the lack of budget. When constructing private house, it gave incentives with condition supplying some rate of houses as a public rental houses. Nevertheless enterprises did not answer the government's suggest and still focused on constructing only private housing which gave more profits and public rental

housing was deficient.[14]. By 1997, the total number of supplied public rental housing residing 50 years is 190,077 and that of residing 5 years is 610,202 and of 188,414 were sold by the tenants[10].

Housing supply ratio reached 100% in 2000s and housing shortage itself was partially solved. Therefore, government's housing welfare policy could focus on the low income house and expanding the housing inventory. It started to supply public rental housing according to the income brackets. And it also added additional categories of the long-term residence public rental housing, national rental houses, 'Chonseil' rental housing for near poor bracket, 10-year public rental housing and focused on the supply of those. By revising 'Rental Housing Act', alleviating the standard of rental housing owner, giving weight to the long-term public rental housing, promoting residential land for public rental housing was conducted. By establishing 'Special Act on the construction of national rental housing', constructing national rental housing in the greenbelt was possible. Also, by establishing 'Urban and Living Environment Improvement Act', government could secure public rental housing by constructing and transferring certain rate of public rental housing to local government in return of mitigation of capacity when regeneration. Notwithstanding the government's endeavor supplying more public rental housing, there was not a vision of long-term national rental housing. It extemporaneously planned to supply the rental house according to the drastic housing market fluctuation[2].

Socioeconomic transitions like economic recession due to the global economic crisis and the increase of the rate of single and 2-people households made people reconsider housing publicity, and require affordable houses. So, the government focused on the supplying affordable houses including increase of the rate owner-occupying household and reinforced the housing market intervention. In this process, it unified the supplying system of the public rental housing by branding 'New plus(Bogeumjari) housing'. To supply mass and affordable housing in a short time, it constructed public housing in the greenbelt where the environmental value of the land was damaged with the with the goal of supplying 700 thousands of millions of affordable houses for sale, 800 thousands of public rental houses(national rental housing and 10-year rental housing), 100 thousands of

permanent rental housing. By revising 'Housing Act', increasing building capacity to provide more housing for sales was possible when supplying public rental housing. Also, by establishing 'Act on the support for improving the quality of lives of tenants in long-term public rental housing', business operator of long-term public rental housing was able to reconstruct more public rental houses when regeneration.

To secure the housing stability of households in the city area, by using the public rental housing transferred by the regeneration project operator local governments leased them to local residents by 'Chonsei' rental contract up to 20 years.

III. PROVISION OF PUBLIC RENTAL HOUSING BY USING GOVERNMENT-OWNED LAND

A. A New Public Rental Housing Policy Switching to the Universal Housing Welfare

Government-driven mass construction of housing in urban fringe led to the separation of employment from home and aggravated the recession of housing and construction market after global economy crisis. Therefore the government changed the direction of public housing policy avoiding excessive private housing market intervention and meeting the housing needs in urban center. This new public rental housing policy is quite different from that of former government in several points, policy purpose, targeted areas and beneficiaries and relation to the urban regeneration policies.

Happy-House which is a new brand of the public rental housing purposing to realize the universal housing welfare focuses on the meeting the diverse housing. The main project of this policy is constructing public rental houses in the urban area where there are lots of housing needs. Young generations like university students, people just starting out in a career and newlyweds who are excluded from the recipients of the public rental house are included in the group of beneficiaries. By giving them an opportunity to utilize the affordable rental house, they will have the chance to accumulate their own asset, which makes them resilient to the socioeconomic fluctuation and Korea society sustainable. Therefore, supporting this class is indispensable[16].

'Happy-house' policy is in line with the new urban regeneration policy to promote the mixed use regional. As lots of urban regeneration projects to solve the urban center decline were cancelled due to the downturn of the real estate market, government established new urban regeneration policy linking diverse urban functions such as housing, industry organically. By linking 'Happy House' to the urban regeneration project, government will support young generation not only housing service but also start-up activities and employment. Besides 'Happy House' will include wide variety of local community facilities that residents living around the sites wants to improve residents' living condition[11].

B. Trial and Error of Supplying 'Happy-House' by Using Government-owned Land

Procuring suitable land for providing affordable 'Happy House' is a burdensome. Due to the high land price in the urban area, supplying affordable public rental house is unrealistic. As

an alternative, exploiting government-owned land is started to consider because it can reduce the land-use costs. By reviewing some cases utilizing government-owned land to make mixed use complex in European countries, Japan and Hong Kong, central government selected 7 sites of railway station and its sphere, retarding basin in Seoul metropolitan area where there are a lot of housing needs.

However, in the process of gathering the public opinion, some experts and local residents voiced opposite as they thought constructing on these sites was unrealistic and it was top-down policy that government did not consider regional condition[5]. Some of the sites were already planned how to use these. As a result, this policy was criticized for not having close cooperation between central and local governments.

By experiencing trial and error, central government changed the way to launch projects. It means that when local government asks central government to build 'Happy House' project, central government will reply the request and begin the project at the suggested area. As the local governments' authority for the public rental housing policy increases, the speed of carrying forward the 'Happy House' projects is getting faster. 35 sites, 26,056 public rental houses were already approved and additional 40 sites, 20,459 public rental houses will be approved in 2015[18]. Also to expand the provision of 'Happy House', government included public land, land being regenerated and land where public enterprises holds as public rental housing.

IV. SUGGESTIONS FOR ENLARGING THE PUBLIC RENTAL HOUSING USING THE GOVERNMENT-OWNED LAND

A. Improvement of Profitability to Promote Local Government's Participation

Now, the priority constraint for providing 'Happy House' is local governments' willingness. It means no more 'Happy House' will be constructed without any kinds of local governments' cooperation, although the major financing is from the central government. The stronger authority local governments have, the heavier the responsibility for the public rental house projects' results. Therefore, local government will estimate thoroughly regional housing needs and if they need additional public rental houses and they could secure proper profitability, they will suggest. As local governments' average fiscal self-reliance ratio is lower than 44%, most of local governments could not afford to secure public rental housing and community facilities with their own budget. Therefore, by combining both when constructing 'Happy House', local government can expect the enhancement of local housing welfare for the young generation and residents' living condition.

The incentives that central government will give to the local government are direct investment and financing. The investment is 30% of the construction cost based on the unit construction cost of 6,592 thousand won per 3.3 m². Financing is about 40% of construction costs through the national housing fund with minimum interest rate of 1.7%[12].

Establishing the profitability standard for the public rental house is required. General profitability standard for the public enterprise's development project is based on the 7 years of invest period and 12 years of a payback period. On the other

hand, that of public rental housing is 36 years of a payback period, which business operator cannot payback all the investment. By reducing the payback period of public rental housing, the profitability of public rental housing project should be increased and it will promote local government and public enterprise to enter into the 'Happy House' voluntarily. For reducing the constructing cost of 'Happy House', government decreased the rate of the rent fee of land by 1%. It also should be more flexible according to the profitability of a public rental housing project.

Additionally, flexible pricing system of housing rent is required. For local government and public enterprises to provide public rental housing rent revenue is one of the most important benefit. Due to the strong regulation of the pricing rent price, business operators of the public rental housing should price from 50% to 80% of the market rent. It lead to the low profitability of public rental housing project and they cannot fully maintain the public rental house[8]. So, rent fee of the public rental house should be increased though it could temporarily impose burden of housing cost for tenants. Instead of the increase of rent fee, by the increase of the rate of tax exemption, the burden will be cancelled out and the business operators' profitability will increase. Also, forging the system of diversifying the rent fee according to the income level will be required.

B. Broadening the Scope of Government-owned Land for Providing the Public Rental Housing

To promote the provision of 'Happy House', securing suitable land, affordable and located in the urban area, is one of the most important things. The area of Railway station and surrounding area, retarding basin which now can be used as a 'Happy House' is not enough. So, government has to enlarge the scope of government-owned land to be able to be used.

One solution is to utilize the property of administration. Government-owned land is composed of a property of administration which can only be used for administrative purpose and general property being used other than the former. As this lands' rental fee are not imposed, many administrative organization have tried to procure property of administration as much as possible. As a result lots of the land is not being used. Though every administrative organization and local government should report the management plan of the government-owned land, management of the government-owned land is not performed properly due to a manpower shortage, insufficient management. Since 2010, Ministry of Strategy and Finance and Public Procurement Service have jointly investigated the property of administration not being used. Among the total 4.5 million lot, 0.71 million lot has been conducted and they found the 34,266 lot, 21km² of unused property of administration. The rest of the property of administration will be investigated in 2 years. MOSF announced that the unused property of administration will transfer other administration which requires more space or alter to general property and develop it with profitable way to enhance the efficiency of using government-owned land[13]. Considering that the importance of securing public rental housing is getting bigger, that kind of land in urban area could be used efficiently

and it also accords with the government's political stance for the effective land-use.

Though property of administration is being used for the administrative purpose, it does not fully utilize the land's floor area ratio. It means that additional construction on the site is possible. So, by remodeling or redeveloping the office building, public rental housing can be supplied. This project can be done by the way of commissioned work. In this business model, an organization holding the property entrusts it to an agent performing development and management. Building area used for the administration is categorized as a property of administration and the other area is categorized as a general property.

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