Magical or monstrous? Hybridity in social housing governance: Understanding market oriented reforms of social rental housing

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Citation for published version (APA):

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REPACKAGING THE POOR?
UNDERSTANDING THE RISE OF
‘AFFORDABLE’ RENTAL HOUSING
ABSTRACT

Late 20th Century reforms in liberal welfare regimes reshaped public rental housing as a bureaucratically rationed safety net for the poor. Soon, these changes crept into academic theory. Kemeny’s 'dualist' rental market modelled segregation between 'cost' and 'profit' forms of rental. Harloe’s 'residual' model of social housing emphasized targeting of support to the poor. Through extensive reuse, both to interpret reforms and to theorize international policy convergence, these models have become emblematic of supply-side rental housing assistance in contemporary liberal welfare regimes. Yet are they still current? Taking the US, Australia and England as examples, this paper examines recent reforms with attention to criteria modelled by Kemeny and Harloe. It highlights common patterns, national nuances and theoretical implications. Contrary to the dualist and residual models, state support often aims to leverage commercial capital into 'affordable' rental schemes. State policy draws not-for-profit and commercial actors into competition, collaboration and compromise. Rather than high-need, 'affordable rental' targets low and moderate-income working households.

Keywords: comparative housing, housing policy, housing affordability, affordable rental housing, concept development
As a field of research, housing is institutionally complex and thus, conceptually elusive (Kemeny, 2001, p56). To navigate the complexity of different national systems, comparative housing researchers rely on conceptual tools modelling aspects of housing provision. Nearly twenty years ago, two comparative studies brought forth conceptual tools fundamental to subsequent research. Kemeny's typology of rental markets and Harloe's classification of social housing provision both address the balance between social and commercial interests and activities in national rental markets. They remain widely used in studies of state subsidized or ‘social’ rental housing, and are frequently used to characterize its provision in different national welfare settings. While common conceptual infrastructure is vital to any field of enquiry (Collier and Mahon, 1993), the concepts wield their own power, with potential to work for or against a given research aim. Existing tools or models may limit potential to understand new empirical phenomena. Where a small collection of established conceptual resources are repeatedly reused; this risk is intensified.

Concepts function as both containers for data and as theoretical lenses. Powers of economy enable them to order and simplify empirical phenomena. As theoretical lenses, they may exhibit powers of significance, highlighting crucial issues and connecting to debates. Concepts may also have explanatory qualities, revealing causal relations, generating hypotheses, and sometimes, successfully ‘travelling’ to new cases (Sartori, 1970). As a consequence of this power, recycling concepts involves multiple risks. ‘Epistemic drift’ occurs when explanatory tools are stretched as descriptive categories over diverse contexts, causing them to ‘de-theorize, and degenerate into ‘static and sterile’ labels (Kemeny, 1995, p. xiv). A second risk lies in the potential for concepts to lose currency as empirics shift. The ‘key to conceptual development’ is thus to ‘challenge existing dominant paradigms’…or risk failing ‘to recognize significant empirical evidence’ (p. xiv).

With these risks in mind, this paper considers the collective impact of Kemeny’s and Harloe’s models on the characterization of supply-side state subsidized rental in liberal welfare regimes. It reviews the models in light of empirical change, highlighting implications for housing theory. Comparative studies of housing in liberal-welfare regimes remain rare, and in the context of international transfer of policies typical of such regimes, they are also timely (Suttor, 2011). Here, the USA, Australia and England serve as examples, enabling a comparative discussion. Part One of the paper outlines Kemeny’s and Harloe’s models, identifying shared attributes to guide the review, and examining how recent studies have applied them. The research approach is then outlined. Part Two sets the context for comparison and describes recent policy reforms in each national setting. To explore how the logic of provision is changing, the program best exemplifying national plans for future provision of subsidized rental in each national setting is examined. A concluding section draws together common patterns of reform as a loose set of attributes that may be compared against the ‘dualist’ and ‘residual’ models. The different causal claims underpinning the two models are then applied to findings from the discussion.
PART ONE

Kemeny’s and Harloe’s conceptual tools

Amidst the social service cutbacks and political debates of the early 1990’s, both Kemeny and Harloe conducted studies exploring how the balance was struck between social and commercial interests and activities in different national rental markets. Kemeny modelled configurations of ‘cost’ and ‘profit’ rental in Britain, Australia, New Zealand, Germany, Switzerland, Sweden and the Netherlands. In the ‘unitary’, or ‘integrated’ rental market, typified by Sweden, state policy supports ‘cost rental’ to economic maturation, enabling competition with profit rental to maximize affordability for the general population. Providers may be public or private, not-for-profit. The ‘dualist’ market is typified by Australia. It emerges when state policy prevents cost rental from maturing and competing with commercial actors, contains it within a state-run ‘command economy’, limits access to the poor, and promotes homeownership. Linking dualist settings to a weak voluntary sector, Kemeny notes a preference for state owned and managed cost renting, based on the advantage of electoral accountability (Kemeny, 1995, pp. 67 and 99).

Harloe focused instead on systems of ‘social housing’ provision, linking different models to different phases of capitalist development. In studies covering Britain, West Germany, France, the Netherlands, Denmark, Sweden and the USA, he identified two dominant models. The state-controlled ‘mass’ model, targeted to a broad range of income groups, is illustrated by Sweden in the post-war decades. The ‘residual’ model, negatively stigmatized and limited to the poor, is exemplified by policies in Britain and the US from the 1970s. While Harloe acknowledges the participation of both public and private not-for-profit providers, the residual model is associated with state agencies. A third variant, the ‘workers’ cooperative model’, is dismissed as having ‘limited development and historical significance’ (Harloe, 1995, p. 72).

The two studies make contrasting causal claims. Harloe attributes to capitalist market forces powers beyond the reach of state policy. Reasoning that rental housing will normally be provided in commodified form, with ‘mass’ social housing emerging only where markets fail and dire socio-economic consequences loom, he posits international convergence towards the ‘residual’ model, already present in liberal welfare regimes (Harloe, 1995, p. 6). In contrast, Kemeny sets out to counter ‘an implicit profit market model of rental systems’, which makes the ‘anglo saxon model’ appear universally applicable (p. 24). He highlights the power of welfare state policy to structure rental markets, leading to policy divergence. Both conceptual tools have been criticised; Kemeny’s for a lack of sensitivity to globalisation (Elsinga and Lind, 2013), and Harloe’s, for insufficient attention to the changing characteristics of providers (Malpass, 2001). Studies of social and public housing reforms in Sweden and the Netherlands have called into question the currency of Kemeny’s ‘unitary’ or integrated’ market (Elsinga and Lind, 2013, Lennartz, 2011). However the ‘dualist’ and ‘residual’ models retain power.

Malpass, for example, sees market-based reforms in England as mainly about “adjusting social housing to its residual safety net role, as predicted by both Harloe and Kemeney” (Malpass 2008a p. 29). Despite movement into the market, the system remains residual, with no sign of any changes (Malpass and Victory, 2010).
Table 1. Kemeny’s and Harloe’s typologies compared

<table>
<thead>
<tr>
<th>Role of subsidized rental in wider housing system</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tbody>
<tr>
<td>Broad provision, raises housing standards</td>
<td>Welfare safety net</td>
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<tr>
<td>Welfare safety net</td>
<td>Broad provision, boost supply, support economic growth</td>
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<tr>
<td>Welfare safety net (stigmatized)</td>
<td>“Politically, socially and economically marginalized groups” (p523)</td>
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<tr>
<th>Targeting</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tbody>
<tr>
<td>Universally accessible</td>
<td>Low income households, social security recipients</td>
<td></td>
</tr>
<tr>
<td>Broad range of groups, often working and lower-middle class, rather than high needs</td>
<td></td>
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<tr>
<td>“Politically, socially and economically marginalized groups” (p523)</td>
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<th>Providers</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tr>
<td>Public or private non-profit</td>
<td>State housing agencies</td>
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<tr>
<td>State or private providers</td>
<td>Mainly state housing agencies</td>
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<th>Finance for subsidized rental</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<td>Initial state support, then self-financed</td>
<td>State subsidies</td>
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<th>Rents</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tr>
<td>‘Cost’</td>
<td>Bureaucratically set to income</td>
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<td>State controlled</td>
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<tr>
<td>Bureaucratically set to income</td>
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<tr>
<th>Competition: social vs. commercial landlords?</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tbody>
<tr>
<td>Yes</td>
<td>No</td>
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<td>No</td>
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<th>Primary Causal force</th>
<th>Kemeny, 1995</th>
<th>Harloe, 1995</th>
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<tr>
<td>State policy</td>
<td>State policy</td>
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<tr>
<td>State policy</td>
<td>State policy (crisis response)</td>
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<tr>
<td>Commercial market forces</td>
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The collective impact of the ‘dualist’ and ‘residual’ models on comparative housing research

As shown in Table 1 above, Harloe’s ‘residual’ model of social housing and Kemeny’s ‘dualist’ rental market share similar attributes and show ‘strong similarities with respect to their “visible” effects’ (Gruis and Priemus, 2008). Common attributes include residualized, highly targeted subsidized rental provided bureaucratically by state agencies, alongside profit driven commercial rental markets and weakened co-operative and mutual sectors. In both models, borders between ‘cost’ or ‘social’ and commercial rental are clearly defined and heavily patrolled, with competition prohibited. With both models explicitly linked to English speaking liberal welfare regimes, frequent re-use has made them emblematic of these policy settings. Suttor, for example, draws on both Harloe and Kemeny in a study comparing Canada and Australia as ‘two “liberal welfare” regimes alike in history, culture, economy, federalism and residual social housing’ (Suttor, 2011, p. 255). Here, ‘residual’ connotes ‘increasing marginality as stigmatized low-quality housing of last resort and of concentrated poverty’ (p. 256). The ‘dualist’ model has also been used to link residualisation of social rental to state promotion of homeownership based on the perceived potential for housing assets to help fund retirement. Social housing and homeownership thus become competing tenures, with the former ‘sacrificed on the altar’ of the latter (Hayward, 1996,
p. 6). The logic is that ‘the more it (housing) acts as a cornerstone for the new welfare state, the more residual will be the social housing sector’ (Malpass, 2008b, p. 2).

Within this discourse, the dualist and the residual models have also been used to theorize international policy convergence. Priemus and Dieleman see the rise of homeownership as a ‘death knell ring’ for European social housing, leading them to ask: ‘was Harloe (1995) right when he characterized social housing as a transitional tenure?’ (2002, p. 191). Recent reforms in Europe have seen intensified application of the models to rental housing markets traditionally classed as ‘unitary’. Following claims by commercial operators that subsidized rental was distorting the market, Sweden and the Netherlands agreed under EU Competition Policy to target disadvantaged tenants and separate social and commercial activities. Through the lens of Competition Policy, the dualist and residual models now appear more broadly applicable (see Kemeny, 1995, p24). In an analysis of Dutch reforms drawing on both Kemeny and Harloe, Gruis and Priemus ask whether ‘theoretically, housing policies could comply with EU competition policy by stimulating the development towards dualist rental systems’ (Gruis and Priemus, 2008 p. 502). Similarly, Elsinga et al. combine Kemeny’s models and Harloe’s convergence perspective, identifying European Competition Policy as a threat to the Dutch unitary market and positing a transition to the dualist model (Elsinga et al, 2008a). A more recent comparison of Dutch and Swedish reforms echoes this line of reasoning (Elsinga and Lind, 2013 p. 11).

While these models still resonate, usage has stretched them over diverse cases and time has passed. Kemeny specifically warned that use of the dualist model to interpret patterns in ‘unitary’ markets risks misinterpretation and epistemic drift (1995 pp. 21-32), potentially including a ‘Romeo error’, with unitary qualities that prevail despite reforms overlooked. By the same logic, the notion of transition from a unitary to a dualist model may imply undeserved coherence and integrity. Christophers’ characterization of neoliberal reforms in the Swedish housing market as a ‘monstrous hybrid’ that reinforces existing social inequalities substantiates this view (Christophers, 2013). As they wield power in comparative research, both as classificatory tools and as templates for policy convergence, do the dualist and residual models still reflect the dynamics of subsidized rental provision in liberal welfare regimes?

**Scope, terminology and research design**

As a broad comparison, this study is limited to rough sketches of national particularities. It focuses on national (or federal) policies, leaving much detail and local variation to future research. Because governance structures vary within the UK, the discussion covers England, the USA, and Australia, rather than the UK as a whole. To deal with the complexity of three very different liberal welfare states, precise descriptions of what is being compared are given and local terms are used where possible. In order to support international comparison, a single term is needed that will work across all three national contexts. While ‘social rental housing’ fits both Australia and England, it does not resonate in the USA. Following Schwartz (2011), the general term ‘state subsidized rental’ is used, which captures both public and private tenures. State subsidized rental encompasses dwellings provided and allocated according to a publicly defined mandate (typically involving discounted rents), and party to direct or indirect forms
of state-support. While this includes housing for key groups in the labour market, housing provided by employers is excluded. Demand-side benefits or vouchers, while included in the discussion, are also excluded from the definition. Thus defined, state subsidized rental correlates with Harloe’s ‘social rental,’ connoting rents not principally determined by the profit motive, administrative allocation according to ‘need’, and politically influenced provision (1995, p. 13).

The research draws on ministerial speeches, parliamentary debates, policy documents and mass media coverage. Small numbers of qualitative interviews with experts in subsidized rental housing provision in each national setting complement the policy analysis, highlighting drivers for policy reforms, shifts in resource allocation and crucial national institutional infrastructure. To support international comparison, findings on contemporary patterns of subsidized rental provision are described in terms of a ‘family resemblance’ category membership, which entails a set of analytically important defining attributes that may not all be present in every instance (Collier and Mahon, 1993).

The US, Australia and England as ‘liberal welfare regimes’

While Kemeny tended to associate the dualist model with ‘English speaking’ countries. The classification of ‘welfare regimes’ as the power relationships that produce welfare systems (Kemeny, 2001, p. 59), offers greater connotative precision and travelling power. The liberal regime, wherein conservative forces dominate a divided working class, yields a residualist welfare state. While the US and Australia provide archetypes, Britain also ‘increasingly’ fits this type (Esping Andersen, 1990, p. 33). Housing, as a policy field, may be seen as a subcomponent of the welfare state (Bengtsson, 2001). While the US is not included in Kemeny’s 1995 study, he refers to it as a ‘dualist’ rental market (pp. 56 and 66). Similarly, Harloe does not study Australia, but makes generalisations that pertain to Australian social rental housing.

While Kemeny argued for closer attention to the role of housing within the welfare state, he did not resolve this question, and indeed, this role is dynamic. The growing debate on housing asset-based welfare and its relation to income security provides a starting point for further exploration (Lennartz, 2011, p. 356). Varying forms of state housing assistance may also be linked to Wacquant’s conceptualization of the ‘centaur state’, with liberalism at the top of the class structure, and punitive paternalism at the very bottom of it. Induced from the US, yet ostensibly spreading to other liberal welfare states, this constellation combines highly conditional welfare support with high levels of incarceration of the poor as a means of social control (Wacquant, 2009). Following Harloe, changing models of housing assistance may also be linked to changing models of capitalist growth. Crouch, for example, describes the rise of ‘privatised Keynesianism’ in liberal welfare regimes, which relies on individuals, rather than government, to simulate the economy by amassing debt and assets (Crouch, 2009). The expansion of mortgage markets has been a significant part of this trajectory of growth.

Comparison of tenure patterns

Comprising only 1% of all dwellings, the stock of US public housing has now been surpassed in quantity by other types of supply side subsidized rental. These varieties are often referred to as ‘affordable rental’, on the basis that rents consume no more than 30% of gross household income, thus allowing tenants to meet other basic costs (HUD, 2013). Added to public housing, these
subtypes amount to around 5% of all housing, or 15% of the rental sector (Schwartz, 2011, p. 356). As shown in the table below, this is proportionally equal to Australia’s ‘social housing’ sector, which groups together public housing provided by state housing agencies, ‘community housing’, based in the not-for-profit sector, and other types of ‘affordable housing’. In England, the term ‘social housing’ encompasses (municipal) ‘council housing’ and subsidized rental provided by private not-for-profit housing associations, and labelled either ‘social’ or ‘affordable’ rental. Collectively, this ‘dual’ social tenure (Malpass, 2001) comprises 17.5% of all housing.

In all three cases, renting is more common in major cities, where homeownership is lower. Demand side benefits are a key source of support. Payment of Federal ‘Housing Choice Vouchers’ in the US, ‘Housing Benefit’ in England and ‘Commonwealth Rental Assistance’ in Australia now exceeds supply-side subsidies (Hanlon, 2012, Yates, 2013, Pearce, 2012). These demand-side benefits supplement individual tenants’ rents; however, they may be paid to landlords. With anticipated rent levels factored into the balance sheets of new subsidized rental developments, demand-side benefits constitute an important source of support for new supply.

Table 2. Tenure breakdown, US, Australia and England (2011-12 data)

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Australia</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupied housing stock</td>
<td>110,690,000</td>
<td>8,181,750</td>
<td>22,693,000</td>
</tr>
<tr>
<td>Homeowners/purchasers</td>
<td>65.0%</td>
<td>68.7%</td>
<td>65.2%</td>
</tr>
<tr>
<td>Commercial rental</td>
<td>30%</td>
<td>26%</td>
<td>17.4%</td>
</tr>
<tr>
<td>State subsidized rental</td>
<td>5% (1% public)</td>
<td>5% (4.1% public)</td>
<td>17.5% (7.9% public)</td>
</tr>
</tbody>
</table>


In all three settings, individual home ownership has been actively promoted within broader economic development strategies predicated on its expansion. Yet this has come at a public cost. Benefits for homeowners consume the lion’s share of housing-related government spending in all three settings (Blessing and Gilmour, 2011) (Pearce, 2012). During the recent Global Financial Crisis, US and English housing markets were heavily impacted. While the Australian market remained buoyant, it has long been experiencing an affordability crisis. Homeownership now appears to be in decline in all three settings.

PART TWO: NATIONAL SYSTEMS FOR SUBSIDIZED RENTAL PROVISION

To enable structured comparison, a similar line of discussion is followed for each national setting. First, the origins of public housing are briefly traced, leading up to the reforms modelled by Harloe and Kemeny. Newer forms of state-subsidized rental provided through the private sector are then described, with major national programs detailed. The relative roles of new forms of subsidized housing and traditional public housing are then discussed.
STATE-SUBSIDIZED RENTAL HOUSING IN THE US

Public housing

While the US has been described as a ‘patchwork quilt’ of vastly different states, Federal government programs have long provided the bulk of funding for subsidized rental. US public housing originates in Roosevelt’s New Deal, an economic stimulus program during the Great Depression. While New Deal housing policy focused on financial infrastructure to grow homeownership, a small public housing program was launched in 1937 for low-income working households (Stoloff, 2004). Vigorously opposed by the National Association of Real Estate Boards (NAREB), the program was promoted as an economic driver in the context of slum clearance and severe housing need. It enabled the creation of local public housing authorities (PHAs) empowered to issue bonds to finance public housing. Principal and interest would be federally funded and operating costs; covered by rents (Schwartz, 2012). However development of this model soon stalled as war broke out, and the NAREB successfully lobbied for budget cuts (Hays, 1995).

The 1949 Housing Act had a more ambitious construction target of 810,000 public units (Stoloff, 2004). Yet woven into public housing’s regulatory and administrative structure were limitations that would fundamentally shape its path of development (Schwartz, 2012). Conflicting ideological views and pressure to prevent competition with the commercial market led to a series of compromises over tenant selection, project location, and design and construction quality. Access was narrowed to those excluded from the private market. A low maximum cost per unit, along with an ethos of ‘Spartan’ design to incentivize ‘betterment’, condemned public housing to sub-market standards (Hays 1995). Having failed to establish eminent domain to acquire land for new public housing, the Federal government devolved power to establish PHAs. Yet the more that subsidized rental reflects poverty and exclusion, the higher the risk that local actors may oppose it. Accordingly, the development of public housing generally followed patterns of racial and income segregation. During the McCarthy era, the real-estate lobby linked public housing to socialism and fought its expansion (Harloe, 1995 pp. 268-272).

Downsizing public housing

While public housing initially housed low-income working households, rising incomes were rewarded with eviction. Between 1950 and the mid-1990s, the tenant median income fell from 57% of the national median to less than 20% (Schwartz, 2012). By the end of this period, the tenant profile reflected compounded disadvantage. While public housing continued to function and some dwelling types stood the test of time, a capital needs backlog had reached $26bn by 2012 (NLIHC, 2012). From the early 1990s, public housing was redeveloped through the HOPE VI Program, within the Federal initiative Homeownership and Opportunity for People Everywhere. Emblematic of a program-based approach to governing (see Hays, 1995), HOPE VI funded the demolition and redevelopment of public housing projects through public-private partnerships, often aided by not-for-profits. It aimed to transform concentrations of poverty into mixed-income communities. Initial requirements for one-to-one replacement of public dwellings were deemed unviable within the mixed-income model, and were dropped in the late 1990s. When
national demolition legislation was altered to accommodate this change, this opened the door for public housing to be replaced with more profitable functions, both within and outside Hope VI. Since public housing’s peak of 1.41 million units in 1991, there has been a loss of over 210,000 units (Hanlon, 2012, p. 375).

HOPE VI’s reliance on private investment and mixed-income development led to strict eligibility criteria. In some projects, relocating public housing tenants were subject to minimum income and employment requirements, background checks and additional rules governing use of their homes. Generally, only those that met eligibility criteria were rehoused. The policy aim was to ‘mainstream’ public housing tenants back into society, removing negative stigma (see McCormick et al, 2012). While the program succeeding HOPE VI mandates one-for-one replacement, public housing is no longer the favoured growth model.

The rise of ‘affordable’ rental housing

Harloe’s focus on public housing led him to label ‘social housing’ policy in the USA as “unequivocally residual” (1995 p. 523). Yet he also acknowledged growth of “federally subsidized privately owned housing” by the late 1980s (p. 438). Had he focused more on change in provision, rather than decline of public housing, how might his assessment of US ‘social housing’ policy have differed?

During the 1950s, support grew for ‘private sector’ alternatives to serve the ‘forgotten families’ stuck between public housing and the private market. Yet aid for middle-income groups was also seen as interference in the commercial market and abandonment of the poor (Hays, 1995, pp. 102-103). Federal programs providing cheap credit or other support for private ‘affordable’ rental housing developed slowly, drawing inspiration from urban initiatives. In the mid-1950s, powerful New York City planner Robert Moses launched the Mitchell-Lama Housing Program, declaring that without a large middle-class, democratic life would be impossible (Eisenstadt, 2010). The program developed cooperatively owned and rented housing to be provided at submarket levels for 30 years to middle-income families. Private participation was incentivised via cheap land and credit, tax breaks and a guaranteed return. While each affordable rental program is unique, Mitchell-Lama provides an early example of a general trend of provision. Key to the development of this trend has been the growth of not-for-profit Community Development Corporations (CDCs), many of which developed to address urban decline during the 1970s and 1980s. Over time, some groups professionalised, becoming instrumental to the delivery of private alternatives to public housing. While for-profits typically enjoy equal access to federal funds for subsidized rental, CDCs now house over 1.5 million households, around 25 per cent more than public housing authorities (Bratt, 2009, p. 67).

The Low Income Housing Tax Credit Program

Described by the US Federal Government as ‘the most important resource for creating affordable housing in the United States today’ (HUD, 2013), run at an annual cost of around $6bn, the Low-Income Housing Tax Credit (LIHTC) is a tried and trusted national institution. It was introduced as a compensatory measure when the 1986 Tax Reform Act increased incentives for homeownership and reduced them for rental housing. Made ‘permanent’ by Congress in 1993,
the LIHTC has yielded an estimated 2,200,000 privately provided affordable rental dwellings (Hanlon, 2012); more than now exist in public housing.

LIHTCs are awarded by government via the states in the form of tax exemptions for organisations with tax liabilities. Allocation is per-capita rather than according to housing need. While tenants on very low incomes may be accommodated with demand-side vouchers, the scheme has generally been targeted to low and moderate-income workers, rather than to welfare recipients (Blessing and Gilmour, 2011). Mixed-income developments and key worker housing are provided for. National eligibility standards require either a minimum of 20% of homes to be affordable to households earning up to 50% of area median gross income, or 40% available to households earning up to 60% area median gross incomes. However, the Internal Revenue Service, which administers the credit, requires state agencies to prioritise projects targeting need. Accordingly, some 80 per cent of LIHTC schemes contain only low-income tenants (Schwartz, 2012).

Originally characterised as an unwieldy hybrid combining bureaucratic complexity with profit-seeking (see Schwartz, 2012) the LIHTC took years to work efficiently and transparently. Allocation relies on competitive bidding, assessed against both nationally and state-defined criteria. Once a developer has won tax credits for a designated scheme, they are ‘sold’ via a syndicator to investors to raise capital. The rise of intermediaries bundling and marketing the credits has thus been crucial to the scheme’s growth (Guthrie and McQuarrie, 2005). As a tradable currency, LIHTCs have value to not-for-profits and for-profits alike, often encouraging collaboration. Yet investors do not necessarily pay the syndicator a full dollar for each dollar of tax credits. Early in the scheme, only 42 cents of each tax dollar went into new housing. By 1996 the figure had reached 65 cents, and at its peak in 2006, a full dollar was received (Schwartz, 2012). The program explicitly targets institutional investors, typically large organisations such as banks and pension funds. While the LIHTC started with a 15 year ‘compliance period’ during which dwellings are made affordable to lower income groups, this was extended to 30 years, and as of 2013, New York State has 50-year use requirements. LIHTC investors are motivated by tax credits paid over ten-years and depreciation benefits, rather than capital gain, and thus may not be driven to sell. However, unmet maintenance costs have threatened continuation of many schemes (Schwartz and Melendez, 2010).

While stakeholders in affordable housing industry cite the LIHTC as their most important resource, they stress that it works in tandem with the 1977 Community Reinvestment Act (CRA) (stakeholder interview, New York, 2009). Described as a ‘greenlining’ mechanism to counteract ‘redlining’ (geographical exclusion from mortgage finance), the CRA requires financial institutions to invest in low-income areas where they have customers, or risk being denied Federal approval for mergers or acquisitions. By purchasing LIHTCs they can discharge these requirements, and in 2006, around 85 per cent of LIHTCs went to financial institutions (Blessing and Gilmour, 2011). Since the financial crisis, further responsible investment legislation has been passed in New York City, and 8 other US cities all with potential outcomes for affordable housing (Berry, 2012).

As arguably the world’s most marketised approach to subsidized housing provision, the LIHTC invokes Adam Smith’s notion of the ‘invisible hand’ as a driver for efficiency. Yet this is only one side of an essentially hybrid identity. Dependent on the CRA to drive
uptake, the LIHTC is also a public initiative requiring consistent government intervention. From a state policy perspective, the LIHTC’s hybridity has several advantages. It avoids ‘turf wars’ by reconfiguring public and private interests in the housing market, bringing them into collaboration, and driving innovation. Commercial operators; long a part of the public housing construction process; are now cut into the game at more profitable levels of action. New industries are stimulated and professionalised. Perhaps most significantly, tax credits enable the pursuit of social goals without increasing politically sensitive visible public spending (Blessing and Gilmour, 2011).

Yet with these advantages come drawbacks. During the global financial crisis, the LIHTC’s market orientation became its Achilles heel. Appetite for tax-credits fell and projects stalled. In 2009, US$4.5 billion in tax equity was raised; only half of the 2006 figure. The 2009 American Recovery and Reinvestment Act enabled state agencies to exchange US$2.25 bn of tax credits for grants to fill funding shortfalls on stalled projects, and in 2010, investment returned to $7bn (Schwartz, 2012). A further drawback is that with professionalization comes potential for leakage of public funds to intermediaries. Federal Government advises that ‘the market for housing tax credits is as complicated and sophisticated as the market for stocks and bonds’ (HUD, 2013). Cutting for-profits into the game incurs social costs. Time-limited affordability requirements, for example, have given rise to an entire industry of affordable housing ‘preservation’ where new funds must be injected. Despite the ‘invisible’ nature of tax concessions, forgone taxes still represent a loss to the public purse. To draw in commercial investors and developers, government has had to ‘repackage’ subprime tenants together with significant incentives. Accordingly, the LIHTC has been associated with a ‘new logic’ that leverages corporate resources for the funding of a public good that addresses a social problem (Guthrie & McQuarrie, 2005).

The LIHTC is often explicitly recognized as the successor to traditional public housing— albeit a ‘less effective’ one (Stoloff, 2004). The strong temporal correlation between growth in the funding of LIHTCs and defunding of public housing units substantiates this line of reasoning.
While the LIHTC dominates US affordable rental provision, additional state support is required in tight urban rental markets. In New York City, the term ‘hard to reach households’ refers to the failure of Federal support to reach middle-income earners in need. Under the Mayor’s New Housing Marketplace Plan, ‘mission oriented capital’ is used to leverage ‘market oriented capital’ (HPD, 2010). Capital subsidies, tax credits and municipal bond financing have been used to raise private investment to create or preserve close to 165,000 ‘affordable units’ since 2004. These will be made available at sub-market rates until the underlying financing expires, typically in 30 years. However evaluation of outcomes raises concerns about the ‘depth’ of affordability, with two thirds of units deemed too expensive for the majority of local neighbourhood residents (ANHD, 2013). While affordable rental schemes are favoured as growth models, revelations that a family with one full-time worker on the minimum wage can not afford local fair-market rent for a two-bedroom apartment anywhere in the US show that they are not meeting need (NLIHC, 2012 p. 1).

STATE-SUBSIDIZED RENTAL HOUSING IN AUSTRALIA

Public housing

From the early twentieth century, Australian public housing developed within a constellation of policies that tied wages to the cost of living and regulated manpower through immigration. High employment and state-backed loans broadened access to homeownership, creating a ‘wage earners’ welfare state’ (Castles, 1994, p. 123). This use of ‘mainstream economic policymaking’ (wages policy) to pursue social goals has been described as distinctly Australian. However, the economic orientation of early public housing programs also suggests the reverse, with social policymaking used to pursue economic goals. The 1937 establishment of the South Australian Housing Trust, Kemeny’s eventual case study for the ‘dualist’ model, was part of an effort to transition from agriculture to industry. Public provision of low cost rental housing helped attract migrant labour, minimize living costs and keep wages competitive. Post-war public housing construction, accounting for 15% of total production from 1945 to 1965, impacted private sector rents. Throughout its history, public housing has helped low paid workers keep a foothold in tight markets (Atkinson and Jacobs, 2008). Thus viewed, the characteristic portrayal of Australian social housing as having ‘always been a marginal or residualised sector’ (Yates and Berry, 2011, p. 1134); requires a qualification. While it has consistently comprised a marginal share of total housing stock, it has not always targeted socially marginalized groups, and thus has not always been ‘residual’.

In addition to provision of workers’ housing, early Australian public housing responded to outbreaks of disease and opportunities for slum clearance. The 1945 Commonwealth State Housing Agreement (CSHA) addressed a post-war housing shortage that struck as homeownership markets faltered. Initially based on low cost loans, it enabled state authorities to house returned military personnel and their families. Between 1945 and 1955, over 95,000 public dwellings were constructed, yet ambitious targets and a shortage of key materials led to low standards (Hayward, 1996, p. 16). In 1956, 30% of public housing funding was rerouted into schemes promoting discounted sales of public dwellings to tenants (p. 5). Over time,
failure to raise rents in line with costs incentivized further sales (Yates, 2013 p. 112). Despite phases of targeting wealthier tenants, and a shift to market rents in 1978, financial viability was not pursued.

**Downsizing public housing and growing the not-for-profit sector**

As unemployment rose from the mid 1970s, income limits for new public housing tenants were introduced (Yates, 2013). Access narrowed, and by 1992 over 80% of tenants received income related rent rebates (Suttor, 2011). For Kemeny, the South Australian Housing Trust had been ‘residualised’ by this time (1995, p. 88). Targeting need exacerbated financial problems, with CSHA requiring states to match certain funds and cover operating costs. From the 1990s, stock declined through sales, and maintenance backlogs consumed federal capital contributions (Yates, 2013, p. 114). Public housing was ideologically marginalized and rhetorically repositioned as an obstacle to market based welfare reforms (Jacobs et al., 2013). Tenants became stigmatized, thus further ‘excluding the excluded’ (Atkinson and Jacobs, 2008 p. 4). Several state public housing agencies later become divisions of welfare departments. In 2006, for example, Kemeny’s ‘residualised’ South Australian Housing Trust became ‘Housing SA’ - a high needs provider within the Department for Families and Communities. Yet reforms had a dual identity, with a new ‘Affordable Housing Trust’ established to recapture the early ambitions of the old Housing Trust.

By the federal election of 2007, rising prices and a severe rental dwelling shortage had made affordable rental an electoral issue. Building on state initiatives, a new Labor government emphasized the need for ‘affordable housing’ for low and middle-income households. Reforms intensified the role of private providers, market mechanisms and commercially oriented investment in subsidized rental provision (Blessing, 2012). Private not-for-profits, known as ‘community housing organisations’ (CHOs) were given a key role. The new Minister for Housing described a need for more ‘large, commercially sophisticated not-for profit housing organizations’ possessing ‘the flexibility and commerciality we need to transform our social housing system’ (Plibersek, 2009).

The not-for-profit ‘community housing’ sector was encouraged through top-down government programs from the late 1970s, as a competitor for public housing (Blessing, 2012). While many providers remained small and served high-needs groups, state level reforms encouraged CHOs into cross-sectoral collaboration on ‘affordable housing’ options. ‘Social housing’ provided an umbrella term for these various forms of subsidized rental. Despite high reliance on state support amongst CHOs, policy encouraged them to amass assets, raise private finance, and practice cross-subsidization. Unlike public housing agencies, CHO’s were eligible to receive Commonwealth Rent Assistance on behalf of their tenants. They were also able to take on private debt, albeit at interest rates higher than those enjoyed by established commercial providers, or, for that matter, public agencies. At least in the short term, this made ‘community housing’ more viable than public housing.

In response to the Global Financial Crisis, a 2009 economic stimulus package amounting to AU$5.6bn enabled state public housing authorities to construct around 20,000 new dwellings and repair thousands more. Described by politicians as a “godsend”, it was also a “one-off” (Arbib, 2011). Up to 75% of housing generated would be transferred to the not-for-profit
sector to 'drive innovation'. State housing agencies around the nation were either making or implementing plans to transfer public rental stock to the non-profit sector, without requirement for tenant approval. Amidst Ministerial statements such as 'the future of social housing is affordable housing' (Arbib, 2011), the exact meaning of this term remains ambiguous. Often defined in Australia in terms of ‘appropriate’ housing priced to enable low and moderate income households to sustainably meet other basic living costs (see Disney, 2007), affordable rental housing is also recognized as 'new ways of financing and delivering housing that is more affordable for low and middle-income households than is market housing and is less targeted than traditional forms of social housing' (Yates, 2013, p113).

The National Rental Affordability Scheme
Loosely based on the US LIHTC, the NRAS was launched in mid 2008, as moderate-income households were being priced out of many areas. Its initial construction target of 50,000 affordable rental units over five years, and 50,000 more subject to demand attracted attention, but was later described as unrealistic and counterproductive. Like the LIHTC, the NRAS relies on competitive tender, with proposals assessed against public criteria. However, rather than allocating incentives on a per-capita basis, the NRAS uses national tender calls. Funding, amounting to AU$623m over the first four years, thus follows the development of a new industry rather than housing need. In the absence of infrastructure such as a syndication market, which grew around the LIHTC gradually, NRAS incentives are received annually over 10 years rather than being discounted and capital received up-front. In the 2012-2013 financial year they amount to AU$7,486 per dwelling as a federal tax credit, bundled with at least AU$2,495 in direct support from the relevant state government (FACHSIA, 2013). The scheme is open to not-for-profit and for-profit providers alike, with incentives available to the former group as cash grants. Thus, while the scheme aims to bring together new coalitions, it doesn't go as far as the LIHTC in necessitating trade between not-for-profits and commercial actors.

During the payment period, units must be made available to eligible tenants at ‘affordable’ rent of at least 20% below the market rate. After 10 years, they may be sold or switched to market rents. In 2011, maximum income limits ranged from AU$44,128 for a single person to AU$104,913 for a couple with 3 children (Blessing and Gilmour, 2011). While ‘key and essential service workers’ are included in the scheme, early allocation data shows that in 2011-12, the average annual income of an NRAS household was less than half of the national average (FAHCSIA, 2013). Many NRAS projects have an expectation of capital gain built into the financial model, leading to a risk of tenant eviction on sale. In 2011, the average length of leases held by tenants of NRAS homes was 15.4 months (FAHCSIA 2013). Just over half of the stock is apartments, with the majority of dwellings located in major cities. While a mild property market downturn in the post-GFC environment boosted NRAS demand (Blessing and Gilmour, 2011), progress fell short of government targets, with 22,518 incentives awarded by mid 2011, and 6500 units built and occupied. Revised targets aim for 35,000 dwellings to 2014/15, and 15,000 thereafter. The third ‘round’ of NRAS funding raised the minimum application size from 20 to 1,000 incentives to target large institutional investors, however take-up from this group has been slow. In the absence of CRA type responsible investing legislation, much take-up has been from individual investors via investment consortia.
The NRAS follows the LIHTC’s logic, using public incentives to incentivise private pursuit of publically-defined social goals. Commercial developers consulted on the Scheme warned ‘it is inappropriate to expect institutional investors to take on high risk public housing tenants’ (Property Council of Australia, 2008, p. 12). While the NRAS targets higher-income groups than public housing, these tenants may still be considered ‘subprime’, and are thus ‘repackaged’ along with financial incentives, to meet the needs of commercial actors. Under the NRAS, early signs of growth of an affordable housing industry are emerging, and new coalitions of actors have been mobilized. Yet with affordability requirements of only 10 years and reliance on capital gain, sustainable growth of the sector may be limited. While numerous uncertainties continue to slow progress, the NRAS appears to be growing as a favoured model for provision of subsidized rental. Further incentives were announced in May 2013.

Australia’s ‘nascent’ affordable’ rental housing industry (Gurran and Whitehead, 2011) is increasingly central to government policy for growth of state subsidized rental housing. Aside from the NRAS, numerous municipal and state affordable housing schemes are in place, many aiming to ‘support households with income growth potential and/or prospective home ownership in the medium term’ (Housing NSW, 2013, p3). Recent state level ‘social’ housing reforms in NSW and Queensland ended secure tenancies for most new tenants, requiring demonstration of need for renewal. With ‘social housing’ increasingly targeted to people on low-incomes and with complex needs, and ‘affordable rental’ primary allocated to low and medium income workers, groups such as unemployed people, including those with children, may be left unassisted (see, for example Government of Western Australia, 2010, Figure 6).

The year 2009–10 saw a nationwide shortage of 539,000 private rental dwellings affordable and available to the bottom 40% of household income distribution (Australian Shelter, 2013). A new National Affordable Housing Agreement, which slightly reduces funding for social housing aims to support ‘social and economic participation’ (FAHCSIA, 2013). Yet experience has shown that affordable housing industries take time to develop. Back in Kemeny’s archetypal dualist rental market of South Australia, much has changed. In 2012, an Urban Renewal Authority was established to increase the supply and diversity of affordable housing and boost local construction. Mid 2013 saw planned transfers to the community sector speeded up, along with stimulus and capital funding. While new resources are going to low and moderate income working households, it is less sure where resources will come from for the unemployed or those in high need (public sector stakeholder interview, 2012).

STATE-SUBSIDIZED RENTAL IN ENGLAND

Early forms of social housing, and the rise of council housing

English social housing has roots in philanthropic trusts and public utilities operating from the late 19th Century (Mullins and Pawson, 2010). Enabled by public loans, not-for-profit, or limited-profit ‘housing societies’ developed as providers for specific needs groups (Pawson, 2006). Local authorities (LAs) were also supported as rental housing providers via a subsidy program beginning in 1919, which was extended to not-for-profit housing providers in 1946. In response to a post-war housing shortage, and often within ‘slum clearance’ initiatives, LAs constructed ‘council housing’, which, by 1961, housed over a quarter of the population. Construction
standards were often poor, driven by ambitious government building targets and a low cost-per-unit (Pawson, 2006). This approach, along with progressive targeting to the poor and failure to develop a strategic culture of asset management, sowed the seeds of financial unviability. In 1964, the Conservative central government established the Housing Corporation as a public regulator and funding body to grow the not-for-profit sector. While ‘housing associations’, as they came to be known, remained minor providers of subsidized rental, the sector was gradually encouraged to grow as an alternative to public housing. A new public grant system, launched in 1974, enabled housing associations to amass assets and develop housing.

**The demise of Council housing and the rise of ‘social housing’**

‘Social housing’, an umbrella term for council housing and not-for-profit sector subsidized rental, peaked at almost a third of stock in 1980. While over 90% of this was council housing (Pawson, 2006), policies were already in place to downsize the sector. Cuts to new construction made in the mid 1970s were intensified with the election of the ‘Thatcher administration in 1979. While they remained ‘essentially publicly financed bodies insulated from commercial risk’ (Mullins and Pawson, 2010, p201), housing associations emerged as central to government reforms. The aim was to instil private sector practices into public service provision, and to downsize the public realm in favour of individual ownership. Noting that Thatcher had been impressed on a visit to Australia that took place shortly before her term in office, Kemeny reasons that she may have been inspired by Australian policies (Kemeny, 1995, p. 111). The ‘Right to Buy’ program of discounted council housing sales to tenants transferred over 1.9 million homes into private ownership between 1980 and 2011 (Heywood, 2011). From the mid 1980s, a rhetorical shift recast local authorities as enablers rather than providers, and policy shifts undermined their capacity to strategically manage housing.

Within what has been described as a “translation of the sector from public to private” (McDermont, 2010, p. 112), housing associations were newly classed as ‘private’ bodies. The 1988 Housing Act enabled them to borrow privately, outside public debt (Pawson, 2006). This set the context for transfers of public dwellings to housing associations, some newly established for this very purpose. Requiring a majority ‘yes’ vote from tenants, total transfers over the next two decades reached 1.3 million (Purkis, 2010). By building up their asset base, enabling private loans and promoting them as providers (at times with implicit financial guarantees), government empowered housing associations to expand into profit-making activities, blending subsidies with rent, sales and property development revenues. Efforts were also made to involve for-profit providers to compete for social housing grant. However with little uptake, housing associations remained the major developers of new social housing.

By 2003, housing association private borrowings approached £100bn (Mullins and Pawson, 2010). Bond markets and new structures for private equity investment in the sector gradually developed. Some housing associations also undertook commercial ventures in housing construction and urban redevelopment, while others stuck to housing disadvantaged tenants and providing support services. Social rental made up approximately 20% of total housing stock. While many providers developed ‘affordable’ housing options, including key worker housing, and ‘intermediate’ housing for tenants with potential to transition to homeownership,
the social sector housed a significantly higher proportion of the poorest households than other Western European systems (Pawson, 2006). For the first decades of the 2000s, the sector remained reliant on social housing grant and housing benefit paid by government to supplement social rents (Purkis, 2010), with the latter source of support boosting rental revenues and access to credit. Opposition to stock transfer was consistent, with approximately 25% of tenants voting against the process (Defend Council Housing, 2012). Political support for housing associations was also variable. At times, HAs had to negotiate conflicting logics, such as the need to maintain local accountabilities, whilst reaping economies of scale as developers (Mullins, 2006) However, the advantage of being able to combine public and private funds in certain ways helped establish the not-for-profit sector as the centre of subsidized rental provision.

The rise of affordable housing and the ‘Affordable Homes Program’

While direct subsidies supported social housing construction from 1945, 2010 saw this ‘public grant’ cut by more than 50% to around 14% of average dwelling cost, within a broader set of reforms packaged as ‘localism’ (Pawson and Wilcox, 2012 p. 74). Replacing social housing grant is the ‘Affordable Homes Program’, which channels this reduced financial support through around 150 pre-selected providers, the majority being housing associations, with some local authorities and for-profit developers. The approach relies on a new ‘affordable rent’ model, allowing providers to charge up to 80% of market rents for new-build properties and some re-lets, thus enhancing borrowing power. In line with this increasing reliance on commercial finance, a revised regulatory regime separates ‘proactive’ economic regulation from weaker ‘reactive’ ‘consumer protection’, based on intervention ‘only in cases of serious service failures’. A shift from secure to time-limited tenures, with two years as the minimum term, is a further reform crucial to the balance sheets of new developments under the ‘Affordable Homes’ program.

To make ‘Affordable Homes’ projects viable, many providers will need to combine reliance on larger loans with revenues drawn from sales and mature stock. The current high demand for submarket rentals in tight urban markets will further support viability (not-for-profit sector stakeholder interview, 2013). State housing benefit paid to supplement rents is another crucial source of support, which has also become a massive public cost. In the current four year spending period, £95bn was allocated to housing benefit across the UK, compared to only £4.5bn for capital investment in new affordable homes (Pearce, 2012). A recent cap on housing benefit, ostensibly to prevent recipients from receiving more than the minimum income (Cameron, 2012), may push ‘affordable rents’ beyond the means of many tenants.

Accompanying these changes is a revised ideological spin and rhetorical shift. Within a much broader reform of welfare provision, social housing is to provide a ‘springboard to social mobility’ (HM Government, 2011, p ix), with providers given discretion to prioritise ‘hard working families’, who contribute to the tax system over unemployed people (Cameron, 2012). With Australian ‘work for the dole’ reforms cited as an inspiration, contributions will be required in order for welfare benefits to be drawn. Just as ‘social housing’ provided a label for the reinterpretation of public housing, a discernible intensification in use of the already familiar ‘affordable housing’, heralds a further reinterpretation of subsidized rental (see HM
Government, 2011). UK Government defines affordable rented housing in terms of provision to households eligible for social housing at no more that 80% of local market rent, stating also that ‘affordable housing should include provisions to remain at an affordable price for future eligible households’ (UK Government, 2013).

In a time of financial crisis, these new policy configurations draw social housing providers into unprecedented levels of commercial risk, as state support and regulatory control is reduced. Debate now turns on how social assets may be ring-fenced to prevent loss should a commercial rental venture go bankrupt. Early implementation of Affordable Homes has cast doubt on the long-term viability of this hybrid scheme. The program’s intensified reliance on commercial loans, along with the financial risks posed by the housing benefit cap have sparked concerns that it could push up housing associations’ gearing ratios (levels of debt in relation to equity), thereby breaching the standards in their loan agreements (Pawson and Wilcox, 2012). Public funding may only be ‘stretched’ so far before commercial streams of funding are put at risk. Furthermore, the Charity Commission has advised housing associations registered as charities that they risk loss of status, along with valuable tax exemptions, if sub-market rents are seen to be at odds with the relief of poverty. Some councils have withheld support for ‘Affordable Homes’ projects on the grounds that it compromises social goals.

Back in 1991, Whitehead found a shift from ‘need’ to ‘affordability’ in UK policy discourses to be ‘more of rhetoric than of reality’ (Whitehead, 1991, p. 884). While the new ‘Affordable Homes’ program has many local predecessors, does its promotion to mainstream national funding model signal a need to revisit this question? Academic accounts suggest the affirmative, describing ‘an eradication of “social” housing in favour of a new “affordable housing model” based on reduced subsidy, higher rents, and increased involvement of the private sector’ (Jacobs and Manzi, 2013, p. 30). Media coverage has framed recent reforms in terms of ‘the strange death of social housing’, heralding a shift in focus from protecting the poorest and most vulnerable to helping working families locked out of homeownership (Butler, 2011), and as an ‘identity crisis’, regarding ‘who and what social housing is for’ (Fearn, 2012). While the rhetoric of welfare reform emphasizes rewards for economic participation, it is less sure where resources will come from to support the economically excluded, and on what basis they may be entitled to support.

ANALYSIS AND CONCLUSIONS

Subsidized rental housing in the US, Australia and England developed within diverse institutional arrangements, many beyond this low-resolution comparison. From this diversity, similar patterns emerge. As early public housing developed within broader economic growth strategies, concessions over standards and design, made in some cases to commercial interests, set it apart from the commercial market. Provisions for maintenance proved inadequate and opportunities to boost financial viability were bypassed. Targeting to high levels of need widened the gap between funders and users, undermining popular support and repositioning public housing as a liability. In the US, public rental was downsized and partially privatized through Hope VI and other programs. In England this occurred though discounted sales to tenants and ‘voluntary’ stock transfers to not-for-profits, a pattern now being mirrored in Australia without requiring majority tenant approval.
In the 1990s, the dualist and residual models displayed economy and significance, capturing dominant policy configurations and connecting to debates. By building commercial interests into the picture, Kemeny and Harloe helped explain why borders between subsidized and commercial rental were clearly defined and heavily patrolled. Yet residualisation tells only part of the story. Even as low and middle-income working households were excluded from public and ‘social’ rental housing, commercial markets failed to provide. ‘Affordable rental’ schemes developed locally and were eventually institutionalized at the national level. The LIHTC program has redefined subsidized rental provision in the US, giving rise to an industry of not-for-profit and for-profit providers, developers, consultants, and policymakers. Inspired by the LIHTC, yet at a far earlier stage of development, the Australian NRAS has catalysed the emergence of similar organizational practices and intermediaries (Gilmour and Milligan, 2012). In England, where affordable rental schemes have long been established at local levels, the replacement of social housing grant with the Affordable Homes program suggests comparison with the US and Australia.

Describing affordable housing

Affordable housing remains a contested term, defined in different ways (Gurran and Whitehead, 2011). It may refer to a ratio of rent to income, or to the ability of households to meet other basic costs once housing costs are met. Affordable rental may be framed as a new, more flexible reinterpretation of social housing, or as a spectrum of subsidized housing options of which social housing makes up a small part. In other cases, care is taken to distance new streams of affordable rental from stigmatized public or social rental. Significant for this study is policymakers’ use of ‘affordable rental’ to facilitate ‘a semantic shift from stigmatised “public” housing towards a wider spectrum of delivery models and target groups’ (Gurran and Whitehead, 2011, p. 1196). Also important is the extent to which this rhetorical shift is empirically substantiated.

Despite dramatic ministerial statements such as ‘the future of social housing is affordable housing’ (Arbib, 2011), no claim is here made that traditional forms of public or social housing are dying out. Rather, it appears that variants of affordable rental may be overtaking these tenures as dominant models for future growth. While they may target mainstream groups, affordable rental programs do not resemble Kemeny’s ‘unitary’ or Harloe’s ‘mass’ model. The approach taken is more tokenistic, with demand far outstripping supply. In the US, dwellings produced through the LIHTC or other affordable rental programs now outnumber public dwellings four to one. However, dwellings produced by newer Australian and English affordable rental programs still make up minor shares of state subsidized rental. While the discussion suggests that in all three settings, a rhetorical shift from need to affordability is now at least partially substantiated by changing patterns of funding and provision, it remains uncertain as to whether ‘affordable rental’ dwellings will ever outnumber more traditional social or public dwellings in Australia and England.

While multiple varieties of affordable rental can be found both across and within the national settings examined, the ‘family resemblance’ approach to analytical categories enables their collective characterization as a loose set of defining attributes that may not all be present in every instance (Collier and Mahon, 1993). Thus considered, affordable rental schemes examined in this paper depart from the dualist and residual models in several ways. Rather
than minimum levels of security, they offer ‘opportunity’ to selected tenant groups. Contrary to the notion of access on the basis of socio-economic exclusion, ‘affordable rental’ goes to low and middle-income working households. Rather than enforcing segregation between social and commercial activities, affordable rental schemes run on a different, more integrative logic. New models of provision are market-based and commercial actors are cut into the game.

**Understanding patterns of change**

Although the dualist and residual models appear weakened as descriptive categories, they retain explanatory powers. Harloe’s attention to the power of commercial interests in the housing market helps explain affordable housing schemes as co-productions between social and commercial actors, involving trade, collaboration and compromise. Provision follows a new logic, with public funds used to leverage commercial debt or equity investment for social projects. Borders between social and commercial activities, once strictly patrolled, have been reconfigured as trading frontiers. As not-for-profit and commercial providers blend ‘mission oriented’ and ‘market-oriented’ capital and activities, hybrid schemes mediate conflicts of interest. While commercial actors may favour tenants able to pay the highest rents with the lowest risk of arrears, affordable rental schemes ask that they accommodate those priced out of

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**Table 3. State-subsidized rental housing provision in liberal welfare regimes**

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<th>‘Affordable’ rental</th>
<th>Public or ‘social’ rental</th>
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| Role in wider housing system | Promote social and tenure mobility  
Prevent downward social mobility  
Support labour markets  
Underpin stable consumption  
Preserve neighbourhood income diversity | Safety net or transitional support for people with high and complex needs  
Address homelessness |
| Targeting             | Low and moderate income working households in high demand areas                      | Low-income and High needs (e.g. elderly and frail, mental or physical health issues, substance abuse) |
| Providers             | Private (not-for-profit and for-profit)  
Some municipal housing companies | State housing agencies  
Not-for-profits |
| Finance               | State ‘seed funding’  
Tax concessions  
Private equity and loans  
Mature social assets (collateral) | State subsidies  
Cross subsidies (commercial development and sale of mature stock) |
| Rent and tenancies     | Submarket rents (e.g. 20% below)  
Short to medium term tenancies | Short to medium term tenancies / ongoing tenancies  
Income related or submarket rents |
| Competition between social & commercial landlords? | Competition for state incentives to provide affordable housing | Unlikely |
| Collaboration between social and commercial actors | Yes- using regulation or incentives to connect social and commercial markets | Yes, some public/ private partnerships |
| Long-term affordability? | Time-limited affordability requirements  
Some long-term ‘affordable’ stock | In theory, ongoing affordability |
the market. Accordingly, these ‘sub-prime’ tenants are more attractively ‘repackaged’; bundled with incentives such as tax concessions and opportunities for profit.

This ‘repackaging’ process may also compromise social benefits or trade them away. Investors in Australia’s NRAS, for example, are motivated by both tax credits and capital gain. Yet designing dwellings for the latter goal may work against affordability. Security of tenure is also sacrificed. Under the now defunded US HOPE VI program, public tenants relocating into private mixed-income affordable housing developments were ‘repackaged’ via background-checks, work requirements and strict tenancy conditions. Those deemed unsuitable for ‘repackaging’ or ‘mainstreaming’ - to use the local industry term, were not always rehoused (McCormick et al., 2012). In England, the ‘Affordable Homes’ program may force trade-offs of affordability for those on very low incomes in order to maintain supply for other groups.

A further trade-off is evident in the time-limited use-requirements on which major US and Australian schemes are based, with dwellings able to be sold or let at market rates after contract periods expire. Consistent with Kemeny’s dualist model, unless additional funds can be found to preserve affordable rental stock, it will not be allowed to mature financially. While it is still too early to tell how England’s Affordable Homes program will play out in the long-term, the participation of an experienced sector of mission-oriented housing associations may enable maturation.

While the notion of trade-offs between social policy goals helps explain the dynamics of affordable rental schemes, it does not sufficiently explain change. Questions remain about the role of affordable rental schemes in broader welfare state constellations. Here, Kemeny’s view of rental markets as strategic policy constructs reopens potential to link these new models of subsidized rental to other characterizations of the liberal welfare state, such as property asset-based welfare. While the tendencies of liberal welfare regimes to channel benefits to economically established households are well documented in studies of overall housing spending (see Yates, 2013), the assumption that funds will flow to homeowners at the expense of subsidized rental ignores strategic connections between the two tenures. Affordable rental schemes may serve diverse goals, including helping people save for homeownership. In the context of declining job security, they may be intended as a safety net for lower-income workers, and the ‘submerged middle class’, whose continuing economic participation is vital to the markets on which the welfare state now relies, and to the functioning of major cities. Consistent with the goal of assisting ‘households with income-growth potential’ (Housing NSW, 2013 p3), affordable rental provides a means of ‘backing winners’, based on limited ‘opportunity’ rather than any universal right to housing.

A serious dualism remains in state-subsidized rental provision, mirroring the dynamics of Wacquant’s ‘centaur state’. While tenants deemed to have income growth potential receive support, economically excluded groups are relegated to punitive insecurity, with traditional forms of social and public housing increasingly subject to strict conditions and demonstration of continuing need. In all three national contexts examined, key actors in subsidized housing provision expressed serious doubts as to how these more traditional streams of assistance will be funded. Debate rages as to the moral entitlement of groups such as the unemployed to receive support. Contrary to the notion of a ‘safety net’ for the poor, perpetuated by the dualist and residual models, tight targeting and inadequate supply leaves many unassisted. Recent
reforms suggest transitional, rather than long-term support. Where tenants are required to be homeless or to have other complex problems in order to access public or social rental housing, the notion of a preventative safety net is no longer appropriate. This new dualism in subsidized rental provision is modelled in the table below.

The power of concepts lies in their simplicity. Yet this also makes divergence between conceptual models and real-life empirics inevitable. As time passes and concepts are recycled, risks of misrepresentation emerge. While risk lies partly in the way conceptual tools are used, the power of established concepts to straightjacket new empirical analysis warrants periodic review of the tools themselves. Since Kemeny noted that the advantages of electoral accountability had led to a preference for state managed rental that the private market had been unable to provide (1995, p. 99), much has changed in liberal welfare regimes. Private entities now provide ‘affordable’ rental that the state is unable to provide. Based on a binary separation between state and market or public and private activities, the dualist and residual models fail to capture a significant reallocation of resources to market oriented ‘affordable rental’ schemes selectively targeting economically significant groups. Yet their basic causal inferences retain analytical power.

To revisit the title of this paper, the old logic of segregation between social and commercial activities in the housing market has given way to a new logic of trade-offs. Consistent with Harloe’s claim that commercial interests will require housing to be provided in commodified forms wherever possible, subsidized rental policy now ‘repackages’ the working poor and lower-middle income groups for the private rental market. These tenants are bundled with incentives and concessions to the interests of commercial partners. Following Kemeny’s emphasis on policy design, and Harloe’s assertion that social rental changes to fit dominant models of economic growth, contemporary economic development strategies reliant on the expansion of financial markets and the accumulation of private wealth (see Crouch, 2009), may also involve a process of repackaging. State assistance aims to transform workers into savers, consumers, bearers of debt and would-be home purchasers. While affordable rental schemes leave many unassisted, they play a small but important role in this process.
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64. Stakeholder interviews were carried out by the author between 2009 and 2013 with affordable housing industry experts in the public and private sectors (locations: New York City, USA, Sydney and Adelaide, Australia, and London, UK)


