

READING DOCUMENT

Module title: Affordable Housing

Module hours: 16

Module hour distribution:

Present
08 periods

Discuss
08 periods

Go in practice

Total
16 periods

PREFACE

1. INTRODUCTION

This topic provides knowledge about affordable housing development. Students will have access to the implementation of policies on affordable housing development in the world as well as in Vietnam. In addition, practical examples in affordable housing development, land for housing, housing finance, and management tools in the housing sector are analyzed and evaluated to provide housing solutions and policies that are suitable for affordability.

2. OBJECTIVE OF THIS MODULE

- Provide students with a foundation of knowledge to better understand the process of creating and developing affordable housing, to address housing needs in the urbanization process and improve housing supply.
- Skills in applying State mechanisms and policies in the housing sector, skills in analyzing the consequences of government intervention activities and policies on the interests of people and businesses in affordable housing development.

CHAPTER 1: OVERVIEW OF AFFORDABLE HOUSING AND AFFORDABLE HOUSING DEVELOPMENTS IN VIETNAM

1.1. CONCEPTS

Housing is a construction project for the purpose of living and serving the daily needs of households and individuals.

Housing affordability: housing is considered affordable for people with household incomes at or below the median. There are several methods for defining and measuring housing affordability. Definitions and measurements may vary in different countries, cities or for specific policy goals. For example, it is affordable if households pay less than 30% of their income on housing. In the US and Canada, a generally accepted guideline for housing affordability is that housing costs, including utilities, should not exceed 30% of a household's gross income. Some definitions include maintenance costs as part of housing costs. For example, Canada moved to the 25% rule from the 20% rule in the 1950s. In the 1980s, this was replaced by the 30% rule. India uses the 40% rule.

Affordable housing is broadly defined as *“housing that is suitable in quality and location and is not so expensive that it prevents residents from meeting other basic living expenses or threatens their employment, enjoy basic human rights”*.



1.2. AFFORDABLE HOUSING CLASSIFICATION IN VIETNAM

The assessment and classification of affordable housing in each country must be based on that country's standards. According to national technical regulations on principles of classification and hierarchy of civil and industrial works and urban technical infrastructure, housing is divided into two types as follows:

- Apartment
- Individual house

In addition, affordable housing can be classified based on users, construction status, safety level...

Affordable housing based on intended users includes:

- Commercial housing
- Housing for the staff
- Housing for resettlement
- Social housing

Affordable housing according to construction status includes:

- Housing built.
- Housing formed in the future.

1.3. HOUSING MARKET

1.3.1. Housing market concept

The housing market can be understood as the total housing transactions based on commodity and monetary relationships taking place in a certain space and time.

A heterogeneous housing market means that the housing market in a city is a collection of small markets, because the housing market is segmented based on criteria of area, location, and housing quality.

There are many criteria to classify the housing market for different research purposes:

Based on the nature of market transactions, the housing market can be classified into buying and selling market; rental and leasing market; mortgage and insurance markets.

Based on transaction relationships or participation sequences, the housing market includes:

- Primary market

- Secondary market

Based on the level of control, the housing market includes the formal market (controlled) and the informal market (uncontrolled).

1.3.2. Levels of development of the housing market

In most countries with market economies, the housing market is formed and develops through four levels: initial, centralized, monetized, and financialized.

1.3.3. Role of the housing market

The housing market is one of the markets with an important position and role in the economy, having a direct relationship with the financial and monetary markets, construction materials market, and labor market. The effective development and management of the housing market will make an important contribution to the process of promoting socio-economic development, creating the ability to attract investment capital for development, contributing to into the process of sustainable urban development towards industrialization and modernization.

1.3.4. Housing demand

Demand for housing is the number of houses that consumers want to buy and can buy at different prices in a given period of time. Thus, the demand for housing includes two components: the desire to buy a house and the ability to buy a house. If you really want to buy an apartment but the price of an apartment is very high and you don't have enough money, your demand for that apartment is zero, on the contrary if you have a lot of money but you don't want to buy a house, then your demand is also zero. Thus, demand for houses only exists when consumers both want to buy a house and are willing to pay for that house.

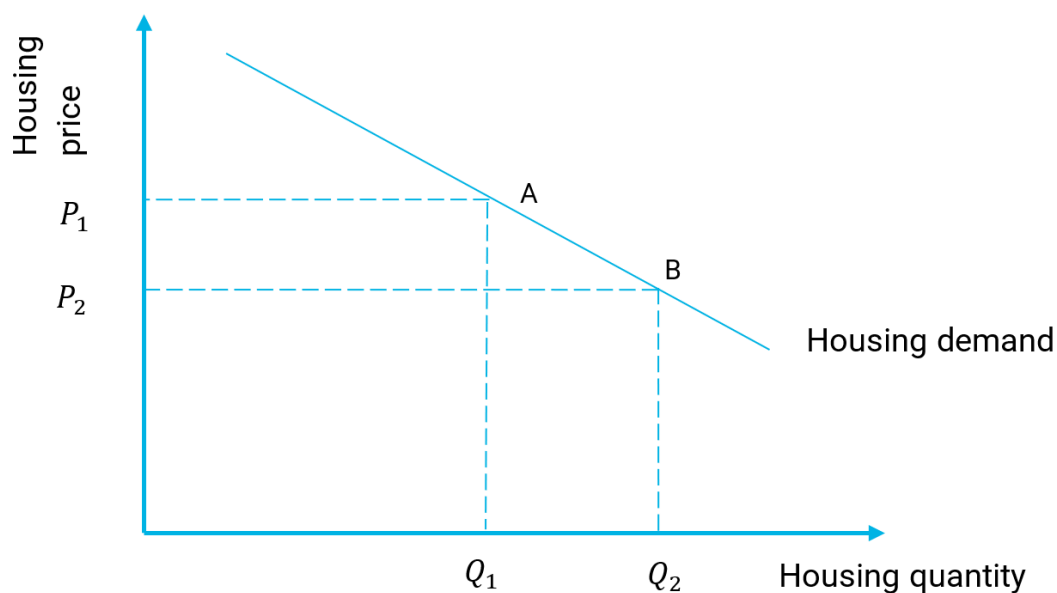


Figure 1.1. Market demand curve

Factors affecting demand for housing.

- Population size and structure
- Income and ability to pay.
- State policy
- Consumer preference
- Housing consumer expectations
- Urban infrastructure and development conditions

1.3.5. Housing supply

Housing supply is the number of homes that manufacturers want to sell and can sell at different prices in a given period of time. Housing supply includes two factors: the desire to sell housing and the ability of manufacturers to sell housing. The desire to sell housing is often associated with the profit that can be earned, while the ability to sell housing depends on the production capacity of the business.

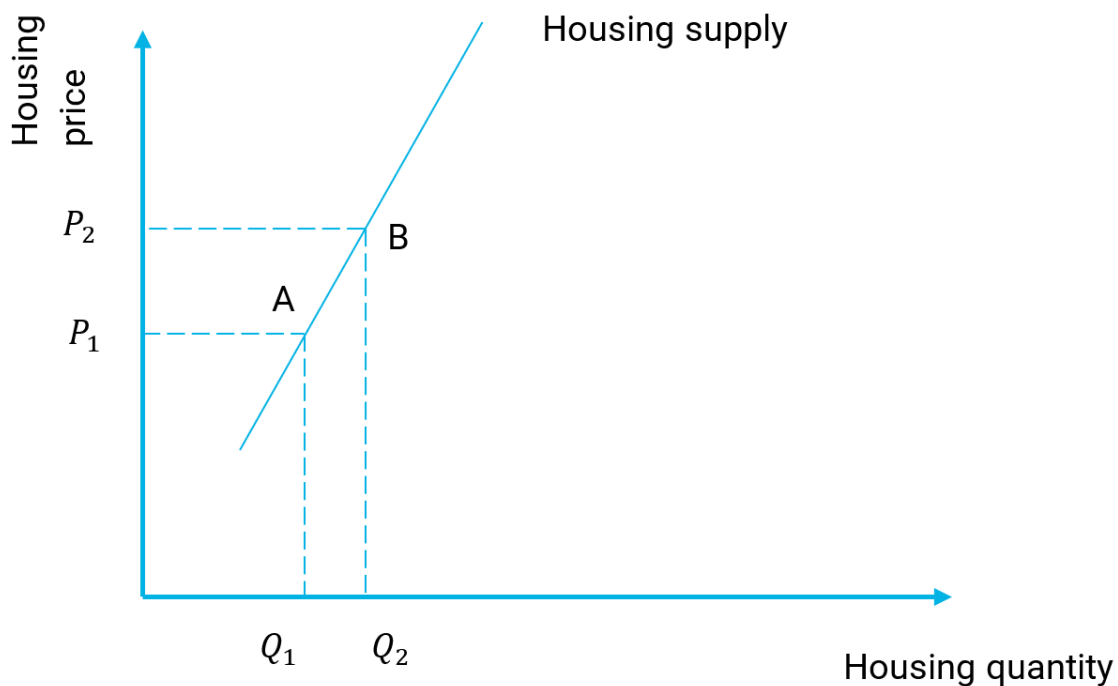
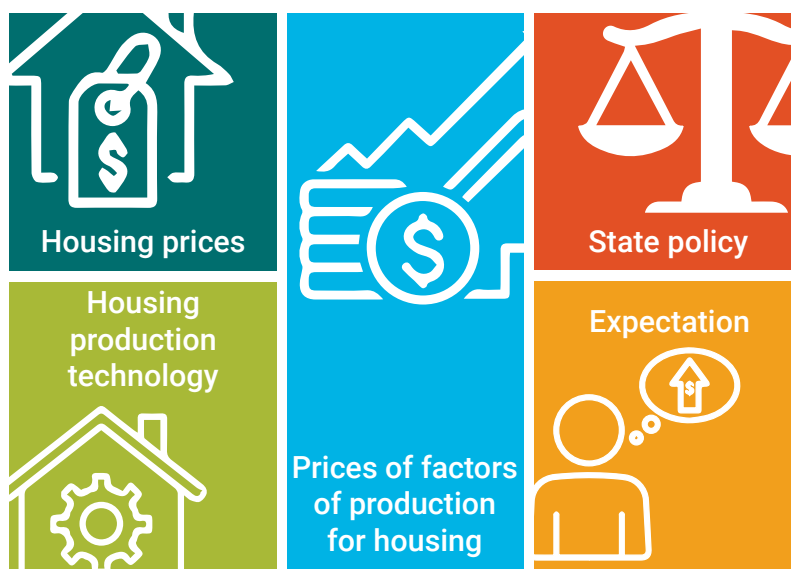


Figure 1.2. Market supply curve

Factors affecting housing supply.

Housing supply can be affected by many different factors such as house prices and other variables such as production costs, production technology.

- Housing prices
- Housing production technology
- Prices of factors of production for housing
- State policy
- Expectation



1.3.6. The formal sector provides affordable housing in Vietnam and developing countries.

a. Public sector provides affordable housing

The state provides direct housing.

The government often develops programs to provide housing for workers and employees. In addition, the government also tries to carry out housing construction projects to resettle people living in slum areas. These urban housing projects are often funded by the Central government and local governments.

The state provides indirect housing.

To cope with the serious shortage of housing, and with huge financial help from international organizations such as the World Bank (WB), the government chooses to provide indirect housing reaching out to low-income people in urban areas through “support” projects such as “Sites and services” or “upgrading housing”. These two types of “support” projects are very common in developing countries.

b. Private sector provides affordable housing

Development of individual homes for the purpose of living.

Given the low level of development of housing markets in developing countries, the most common form of housing provision through the private sector is that of an individual owner-started and designed and built by authorized architects and construction contractors. Although part of the private sector’s formal housing supply, the main source of finance for house reconstruction comes from personal savings, the sale of jewelry, and other valuable assets, and borrowing money from family and friends.

Housing development for business purposes.

Thanks to economic growth and increasing real wages (not nominal wages), it has a positive effect on people's housing needs. At the same time, the state's support policies on tax incentives, credit allocation and financial sources, loans and mortgages from credit institutions lead to many advantages for this form of housing development.

At the same time, private housing developers provide the market with apartments with more amenities including a large living room, bathroom/toilet, and balcony. A relatively large proportion of these apartments have been used as investments by the upper middle-income groups. In addition, due to the urbanization process, land prices are increasing, making it difficult for low-income people to rent land or houses.

Partnership between landowners and small-scale housing developers.

In some developing countries, there is a form of housing provision conducted by small-scale housing development enterprises with very little capital and no ability to borrow capital from formal credit institutions (formal credit system) in conjunction with landowners. This process is carried out as follows: the housing developer and the landowner sign a contract in which the housing developer uses a small amount of working capital to begin investing in building the land into common areas. The two parties then share the right to use these apartments according to a certain percentage commitment in the contract.

Partnership between housing developers and community-based organization.

There are also forms of high-level cooperation between private housing developers and low-income households to provide affordable housing. In this case, the investor, not only plays the role of developer and builder but also takes on the role of non-governmental organization (NGO) and community organization (CBO) in organizing the collection monthly payments by the residential community for housing construction costs.

Public-private partnership.

The public-private partnership mechanism between the State and the private sector is quite suitable for affordable housing development projects in developing countries. The government can provide land at cheap prices and with appropriate tax incentives. Private housing developers can build on this land and then must sell the houses at prices agreed with the government, for example a proportion of housing in the project can be sold on the free market, the remaining proportion must be reserved for low-income households at a predetermined price.

1.3.7. The informal sector provides affordable housing in Vietnam and developing countries.

a. Squatter

This form is often due to households illegally occupying land for the purpose of building houses. Initially, these houses may be of very low quality, but then they will gradually upgrade the house depending on their financial ability.

b. Illegal land division

In the early 1980s, illegal land division was carried out by private developers, gradually replacing illegal land grabbing in developing countries. Private developers often collaborate with private landowners or further subdivide public land. These types of land are then sold to low- and middle-income households or sold to small construction contractors for the purpose of building houses.

c. Illegally rented for low-income people

Many people in the period when they first started migrating to the cities did not have enough money to buy plots of land or did not have stable jobs at factories, leading them to have to rent houses in slums, or in shantytowns on the outskirts of the city or in illegal encroachments.

d. Illegal building on rented land

In some cases, low-income households have also built their own houses on rented land, a common practice in developing countries. This leads to people being more comfortable in their homes but not being secure in terms of ownership documents, causing people to not want to invest a lot of money in their homes.

1.4. CHALLENGES IN AFFORDABLE HOUSING DEVELOPMENT IN VIETNAM'S URBANIZATION.

1.4.1. Economic growth and affordable housing demand

The urbanization process in Vietnam has been used as a tool to promote economic growth and reduce poverty. Economic growth is associated with increased people's income and increases the demand for affordable housing.

Population growth and urbanization have exceeded the government's ability to ensure everyone has access to safe housing at affordable prices. New demand for housing will continue to be concentrated in a few large cities and industrial zones.

These factors contribute to the increase in the number of urban households and will translate into strong demand for affordable housing, especially in large cities and industrial zones in Vietnam.

1.4.2. Challenges in the housing market

The demand for affordable housing in large cities continues to grow strongly. New demand for housing has been and will continue to be concentrated in a few large cities and industrial zones.

Current supply mainly depends on self-built housing solutions. About 80% of housing products are provided by small-scale real estate investment businesses, small construction contractors and households themselves. However, low- and middle-income households still face many difficulties in accessing the resources necessary to have a spacious self-built house.

1.4.3. Challenges of financial resources for affordable housing development

A series of related factors slow the growth of the housing finance market. Lack of long-term capital, inadequate security regulations, ineffective asset restraint systems, and limited housing data for valuation purposes can prevent healthy and sustainable growth of the market. In addition, there is a significant shortcoming in retail housing finance supply channels when the needs of the urban self-employed population segment have not been adequately addressed.

Limited access to housing finance is a major obstacle in improving people's affordability. The market still has many segments that do not meet the financial capacity conditions and therefore cannot access housing finance.

1.4.4. Challenges of land resources for affordable housing development

Land management is generally considered one of the biggest challenges in the urban housing sector. The demand for land for urban expansion and peri-urban areas is very high, but the supply is not planned in time. Limited land supply contributes to rising prices and reduced affordability, with a particularly detrimental impact on urban poverty reduction efforts.

State management tools for land management and tax collection do not keep up with the growth rate of consumer demand, real estate development, urban expansion, and land transactions. Main obstacles include: (i) limited boundaries for urban development; (ii) underdeveloped and abandoned land due to holding, speculation, and the State's lack of enforcement in cases of non-construction on allocated land; (iii) lack of investment in public transport; (iv) imposing low land taxes creates opportunities for land speculation and reduces the government budget needed to support urbanization.

1.4.5. Challenges in state management of affordable housing

In terms of housing sector management, the Ministry of Construction plays a leading role at the central level in adjusting and establishing national housing policies and investment targets. Due to the interdisciplinary nature of the housing sector, this role requires discussion among many central-level ministries involved in implementing various housing-related activities based on decrees, decisions, and circulars.

Effective management of such many stakeholders requires clear mechanisms for coordination, which is difficult without the necessary tools.

CHAPTER 2: STATE MANAGEMENT OF AFFORDABLE HOUSING DEVELOPMENT IN VIETNAM

2.1. CAUSES FOR GOVERNMENT'S INTERVENTION IN HOUSING MARKET.

2.1.1. Failure in the capital market

Housing is a very expensive commodity, on average 10-15 times the annual income of households. As a result, very few people can afford to buy a home without financial assistance from financial institution. As a result, many people without a stable income find it difficult to get loans from financial institutions. In addition, capital market failures in developing countries such as Vietnam are sometimes even greater because people in general have much lower effective demand, lending interest rates in the real estate market in Vietnam's current rate is over 10%/year, too high compared to the payment ability of households as well as businesses developing affordable housing.

2.1.2. Imperfect information

The housing market is typical of a type of traded product in which buyers and sellers do not know complete information about the products offered by the other. In addition, in credit activities and credit limit allocation of banks, adverse selection also often occurs, because banks cannot fully know the information and reliability of customers (investors). (private sector) in borrowing capital to implement affordable housing projects. In fact, banks cannot accurately distinguish the repayment ability of different borrowers, so a higher average interest rate is set to compensate for the risks, leading to the elimination of debt abandon customers with good debt repayment ability by investing in less risky housing projects and retain customers who invest in high-risk and high-return projects.

2.1.3. Externality

The housing market is one of the markets that easily creates externalities. This is because the value of an urban home is influenced by its location, ease of access, and the condition of surrounding homes and the surrounding neighborhood. So, the response of supply and demand in the market is determined not only by housing. This can lead to segregation and underinvestment in some areas due to external costs. For example, people rarely improve their homes in a rundown area due to the dilapidated housing conditions in the neighborhood. In addition, new investors may refuse to build or buy houses there for the same reason. Residential areas will gradually become more degraded due to less investment and increased external costs and market reactions.

2.1.4. Imperfect competition

The housing market is one of the few markets where supply is less elastic from an economic perspective. This does not mean that housing supply is fixed without any increase in supply, because the process of rapidly increasing housing construction to meet increased demand

in specific locations is difficult. Three main reasons why housing supply is inelastic are: *first*, the fixed nature of housing location, so the housing shortage in an area cannot be reduced by transporting housing from urban areas. *Second*, the shortage of residential land in specific areas with severe housing shortages such as in the inner city of Hanoi cannot be reduced by transferring land from other areas, although undeveloped waste land may exist. *Third*, the reason is the low productivity of the housing production process. This is because Vietnam's housing construction industry depends more on investment capital and construction techniques and the construction period is long, making it difficult to mass produce housing in a short time like other types of housing.

2.2. MAIN CONTENTS OF STATE MANAGEMENT IN HOUSING

2.2.1. Agencies with specialized authority in state management of housing

State management of housing has a very large content, related to many industries and fields such as: resources, environment, security, investment, construction, transportation, industry. Therefore, the subject of state management of housing is implemented by the state through the state management apparatus established, associated with state power, specifically:

a. National level

- Congress
- Government
- Ministries and ministerial-level agencies

b. Local level

Local management is management within a certain territory according to the State's administrative boundary delineation, carried out by local state administrative management agencies, specifically by the Provincial People's Committee, carried out by districts, communes and equivalent levels.

2.2.2. Formulate and implement housing development strategies, programs, and plans.

a. National housing development strategy

Based on the country's socio-economic development strategy in each period, the Ministry of Construction is responsible for developing and submitting to the Prime Minister for approval the National Housing Development Strategy for each 10-year period. and has a vision of 25 years.

b. Local housing development program

Based on the National Housing Development Strategy, socio-economic development master plan, land use planning, urban planning, and local specific functional area planning that have been approved, The Provincial People's Committee develops local housing development

programs for each period of 5 years and 10 years or longer to submit to the People's Council at the same level for approval.

c. Local housing development plan

Based on the approved local housing development program, the Provincial People's Committee must organize and approve a 5-year housing development plan in the area, including commercial and residential housing development plans. Social housing, official housing, housing for resettlement, housing for households and individuals, in which the plan to develop social housing for rent must be clearly defined.

2.2.3. Building and implementing housing legislation

As for the law on urban housing, this is a system of rules of conduct, promulgated by the State and guaranteed to be implemented by the State with power, adjusted by a system of legal documents. such as: Investment Law, Planning Law, Housing Law, Real Estate Business Law, and a system of legal documents including decrees, circulars, decisions... related to the housing sector.

The above legal system must be synchronous, non-overlapping, transparent, easy to understand, highly feasible, and the dissemination work must be good for state management of law-making in the field of new housing.

2.2.4. State management of housing regulations and standards

In the housing sector, requirements for housing development are as follows:

- Comply with housing laws; standards, regulations, and construction quality; Comply with fire and explosion prevention and control requirements; ensure architecture, landscape, hygiene, environment, safety during construction and be able to respond to natural disasters and climate change; Economical use of energy and land resources.
- For urban areas, housing development must be in accordance with detailed construction planning and is mainly carried out according to projects, ensuring population distribution and urban beautification.

2.2.5. State management of capital mobilization for housing development

Affordable housing development must comply with current legal regulations and is not outside the regulation of the Housing Law, Real Estate Business Law, and other relevant laws.

The main sources of capital for housing development today include capital from banks and credit institutions; Mobilize capital from bond issuance; Mobilizing capital through issuing shares from the stock market; mobilizing foreign direct investment; mobilize capital from idle money in the population; mobilizing capital from customers (home buyers); Forming a trust investment fund for the housing and real estate market.

2.2.6. State management of housing transactions

Housing transactions include forms of buying and selling, leasing, rent-purchasing housing, transferring commercial housing sales contracts, donating, exchanging, inheriting, mortgaging, contributing capital, lending, for staying and authorizing housing management.

State management activities for affordable housing transactions include the following main contents: all housing transactions must comply with regulations on transaction forms and participation conditions. transactions, order, transaction procedures, content, and form of housing contracts; In case of improper implementation, these transactions will not have legal value. For transactions of buying, selling, leasing, and lease-purchasing housing (including villas, townhouses, apartments) owned by the state, housing for resettlement, transactions Buying and selling commercial housing for use as official housing or resettlement housing must comply with the form and content of the contract issued by the Ministry of Construction.

2.2.7. Activities of inspection of affordable housing development

Inspection and testing of housing development suitable for affordability to monitor the compliance with policies and laws on investment in urban housing construction. The specialized construction inspection agency has the authority to inspect organizations and individuals in the implementation of state policies and laws on the construction of affordable housing development projects.

Inspection and testing in affordable housing development investment activities in Vietnam today is based on legal regulations on construction inspection, expressed in legal documents Construction Law, Inspection Law, Land Law, Housing Law, Real Estate Business Law, Urban Planning Law, by-law documents (decree, circular, decision).

2.3. ECONOMIC TOOLS AND ADMINISTRATIVE TOOLS IN AFFORDABLE HOUSING DEVELOPMENT MANAGEMENT

2.3.1. Public-private partnerships (PPP) in affordable housing development

This is an indirect infrastructure financing measure, which involves the granting of State land to a developer (including a public or private enterprise) for the purpose of infrastructure development or affordable housing development. The developer agrees to build the infrastructure required by the municipality as a condition for receiving the right to develop certain plots of land.

Through this measure, the State can control the development process without having to invest public finances to build infrastructure. Furthermore, the areas to be developed also have specific constraints in accordance with urban planning.

2.3.2. Tax incentives and loan guarantees for affordable housing development

This is a financial policy measure in which the State (usually an urban government) applies preferential tax rates and loan guarantees for project-related loans used to encourage Invest

in social housing or public infrastructure. Through this, the State stimulates businesses to develop in areas and industries that are less profitable or have high risks in urban areas.

2.3.3. Re-adjustment/ contributing land

Contributing land use rights and readjusting land is a method of rearranging land in a certain land area based on the consent of the land user to readjust all or part of the land area belonging to the land, their use rights in that area according to the plan approved by the competent authority.

Land readjustment/contribution is a financial-administrative measure by the State to support investors or urban redevelopment communities through redistributing land parcel boundaries and donating several valuable land plots for road boundaries or to sell to collect money and use that money to finance the immediate costs of infrastructure construction. The added value for land plots is often greater than the cost of land readjustment and the combined land loss area.

2.3.4. Issuing a building permit

City governments can control the number of new housing units built each year by limiting the number of constructions permits issued.

Clause 17, Article 3 of the Construction Law 2014 stipulates that a construction permit is a legal document issued by a competent state agency to the investor for new construction, repair, renovation, and relocation of works.

2.4. ENVIRONMENTAL MANAGEMENT TOOLS IN AFFORDABLE HOUSING DEVELOPMENT

2.4.1. Environmental protection planning

In the new context, natural disasters and climate change increasingly affect urban development and affordable housing projects. Through environmental planning, solutions to respond to natural disasters and climate change are integrated into urban development planning and affordable housing projects. This is a mandatory legal requirement in urban planning, expressed in the Law on Environmental Protection, requiring “integrating climate change response content into strategies, planning, and economic development plans - society” and the Law on Natural Disaster Prevention and Control also requires “integrating natural disaster prevention and control content into sectoral, economic and social development planning and plans”.

2.4.2. Strategic environmental assessment

Strategic environmental assessment is the analysis and prediction of environmental impacts of strategies, planning, and development plans from which to propose solutions to minimize adverse impacts on the environment, as a foundation and integrated into strategies, planning, and development plans to ensure sustainable development goals. Requirements for strategic environmental assessment in urban planning have been specifically stipulated in the Law on

Urban Planning, and are a content of general planning projects, zoning plans, detailed plans, and master plans. specialized in technical infrastructure.

2.4.3. Environmental impact assessment

To control environmental impacts during the implementation of affordable housing projects, from the investment preparation stage to the construction, construction and operation stages, environmental impact assessment Conditions for housing development investment projects have been stipulated in the Law on Environmental Protection. Accordingly, environmental impact assessment is the analysis and prediction of the environmental impact of a specific investment project to provide environmental protection measures when implementing that project.

2.4.4. Pollution control tool



Environmental regulations and standards

Environmental regulations have also been integrated into construction codes such as: allowable distance of solid waste treatment facilities and cemeteries from residential areas, regulations on water source protection corridors, and water source protection ratio. green trees and water surface in urban planning.

Environmental monitoring and supervision

The inspection and evaluation of the effectiveness of urban environmental protection activities is carried out through monitoring and supervision of the urban environment. The results of monitoring and supervision are shown in reports on the current state of the urban environment and the current environmental status of projects, allowing assessment of the status and trends of environmental quality as well as the impacts of development activities, urban development to the surrounding environment, thereby helping to adjust urban development activities and affordable housing projects.

Resource management

To control resource exploitation in affordable housing development, a series of regulations related to the protection and rational use of resources have also been issued, for example Circular 15/2017/ TT-BXD on December 28, 2017 issued National Technical Regulations on “Construction works using energy efficiently”, code QCVN 09:2017/BXD.

Waste control

Licensing waste will ensure control of emissions from all urban emission sources with technical solutions such as treatment at source and centralized treatment. If the total amount of waste has reached the limit, no new waste sources will be licensed. These can be considered transferable “pollution quotas” to encourage waste reduction and treatment activities as applied by countries around the world.

Environmental economic tools

Economic tools are used to influence the costs and benefits of urban development activities to help create beneficial environmental impacts in urban development activities. Economic tools in urban environmental management can be used such as taxes and environmental fees (such as wastewater fees, solid waste fees...), tradable waste permits or “free quotas”, contamination”, ecological labels (such as model urban labels, green buildings).

CHAPTER 3: RESOURCES FOR AFFORDABLE HOUSING DEVELOPMENT IN VIETNAM

3.1. FINANCIAL RESOURCES FOR AFFORDABLE HOUSING DEVELOPMENT

3.1.1. Housing finance

Housing finance is a monetary and credit system that allows all types of housing to be built, upgraded, purchased, rented, maintained, and repaired, including loans and loans to construction businesses, mortgage loans for families, individuals from banks and other types of financial institutions, various types of housing subsidies provided by government agencies. Housing finance covers the process of lending and debt collection, not only for individual households but also for housing investment and development businesses, using capital sources that creditors borrow from lenders, broader financial market.

3.1.2. SOURCE OF CAPITAL FOR AFFORDABLE HOUSING DEVELOPMENT

a. Capital from commercial banks

Commercial banks are an important source of loans in the housing sector, especially loans during the purchase, development, and construction phases of a housing project. Commercial banks are also the primary source of lending for residential real estate loans. For residential and commercial real estate mortgage loans, commercial banks act as entities that help originate loans in the primary mortgage market. When lending, commercial banks accept certain risks from the borrower's ability to repay debt and the mortgaged real estate. Although these loans can be resold, commercial banks are the ones who directly assess the borrower's ability to pay. Therefore, the role of commercial banks is very important in forming a sustainable secondary mortgage lending market.

b. Capital source from deposit receiving institution

A Thrift Institution is a financial institution that serves depositors, especially individuals with relatively small savings or who need long-term loans to buy a home. This organization is called a deposit-taking institution because it is the main place to receive deposits from individuals. These institutions can compete with commercial banks in deposit-taking activities. Deposit-taking institutions were born when commercial banking services were primarily for business rather than personal lending.

Depository institutions include Savings and Loan Associations, mutual savings banks (also known as Mutual Savings Banks), and credit unions (also known as Mutual Savings Banks). Credit Unions).

c. Mutual funds

A Mutual Fund is a form of investment company that accepts deposits and uses the funds to purchase a variety of financial assets such as stocks, long-term bonds, short-term debt

instruments and the like. These organizations raise capital and reduce risk through portfolio diversification. Funds of this type achieve efficiency of scale, reducing the costs of stock analysis, portfolio management, buying and selling of securities.

d. Real Estate Investment Trust - REIT

A real estate investment trust is a type of investment company that uses capital from the issuance of securities to invest in mortgage loans and real estate and earn profits for shareholders.

The fund's income is derived from rental income and additional income from asset sales and is distributed to shareholders. A REIT is considered a financial institution like banks and insurance companies. Certificates of real estate investment trusts are traded on the stock market, thereby providing opportunities for small investors to participate in investing in real estate investment portfolios.

e. Insurance companies

An insurance company (especially a life insurance company) is a financial institution that receives multiple/one-time payments from individuals and organizations to ensure that they can receive insurance benefits dangerous in the future if specific situations occur.

Insurance companies differ from other financial institutions in providing two services to individual customers: insurance and savings.

Insurance companies have long-term investment needs until the committed event occurs. Therefore, with long-term investment needs, insurance companies often invest in long-term investments such as corporate bonds and commercial real estate. In addition, insurance companies also compete with commercial banks in providing long-term capital support to businesses.

f. Pension funds

The pension fund collects contributions from employees and invests them in other funds such as insurance companies. Pension funds need to have a reserve to meet the withdrawal needs of workers when they retire. Therefore, pension funds also have long-term investment needs and commercial real estate is one of the suitable assets where it is expected that the value of the investment may increase in the future.

g. Other sources of money

A source of housing finance from special taxes or lottery winnings. In addition, to finance housing finance, the government can also use special taxation measures (for example, luxury tax on imported goods) or organize a nationwide lottery to raise housing finance funds. live.

h. Owner's capital for affordable housing development

Owner's capital is considered a self-financing source of housing project development

enterprises suitable for payment ability, of which the two main sources are equity capital (including equity surplus) and undistributed after-tax profits.

i. Release Stock

Corporate bonds are bonds issued by businesses. Corporate bonds issued to the public are often of great value. The issuance of bonds by enterprises must be registered and supervised by state management agencies. Enterprises issuing bonds must also have a prospectus and an effective capital use plan to ensure debt repayment ability and attract investors. Therefore, issuing bonds can only be done when the enterprise has a reputation in the market and good business results.

j. Issuing shares

Common stocks are equity securities issued by joint stock companies. Common stocks are the most common form of equity securities that businesses choose when they need to mobilize capital in the financial market. In addition to common stocks, there are many other types of stocks such as preferred stocks, convertible stocks... In this section, we only mention common stocks.

k. Issuing REIT certificates

The issuance of REIT certificates can only be done by a Real Estate Investment Trust. REIT fund certificates are also a type of capital securities, so they have similar characteristics. However, in addition to the benefits and costs of issuing common shares, issuing REIT certificates also has distinct benefits stemming from four requirements for establishment: assets, income, distribution, and ownership property.

l. Securitization of residential mortgage loans

Securitization is the practice of issuing new financial instruments by combining other financial assets together ("packaging" them and then dividing them up), then selling these products to dealers invest.

3.1.3. Housing conditions, financial needs, and affordability

a. Housing conditions

A house is an architectural work with many different shapes and sizes: one-story, two-story, or multi-story houses, rented houses, townhouses and detached houses. To regulate rapidly increasing housing demand and population explosion over time, the city needs to steadily supply new housing sources, while expanding current supply. For houses that are too old or seriously degraded, they need to be repaired or even demolished to rebuild.

b. Financial needs

Financial markets include all the buyers and sellers and borrowers, and the transactions that take place between them. Similarly, the housing finance market includes housing producers,

housing consumers, housing lending institutions and all transactions between these entities.

In a conventional housing finance system, the goal is to provide loans to people so they can buy ready-made affordable homes that they see fit at the right time, usually in the form of a mortgage loan.

c. Housing affordability

Even when all cost-saving methods are used, housing is still very expensive. This means that people must borrow money when they want to build a house, buy a house, or repair a house. How much money a household can borrow (in other words, what kind of house it can buy or build) depends on its ability to repay the debt. Affordability is considered the key to accessing housing for urban populations. Setting appropriate housing prices, therefore, also means improving people's ability to access additional sources of capital (such as loans), so that they will be eligible to pay for housing - capital is something that is difficult to achieve under normal circumstances.

3.1.4. Solutions to reduce housing costs for affordability.

a. Producing affordable housing at large scale

There are many variables in the housing construction process and the amount of cost savings in mass housing construction depends on the current cost of land, labor, materials, and equipment. Mass housing construction has two main forms:

- High-rise buildings help reduce costs by building more housing units on one site, standardizing housing, and lowering housing costs through economies of scale.
- Independent houses, townhouses, reduce costs mainly by building the same apartments many times and taking advantage of economies of scale.

b. Encourage people to build their own houses.

Supporting people to build their own houses is one of the most effective methods of cutting affordable housing costs, making housing more affordable for low-income households, and creating abundant affordable housing supply for urban areas. Building individual houses by themselves allows households/individuals to build flexibly and gradually complete them when needed or have enough funding. Building your own affordable housing is a key solution to help poor households reduce housing costs.

c. Develop housing standards that are practical, feasible and flexible.

One of the reasons why housing costs exceed the affordability of most people is because housing construction standards are too high: roads are too wide, building setbacks take up a lot of space, and standards are too high. Extremely technical, high service level. If the above regulations with great goals are strictly followed, the result could be housing of very good quality but too expensive for most urban residents.

To cut housing costs, it is necessary to introduce a more flexible and realistic standard system that better meets the needs and living situations of urban residents. And one of the most effective ways to help achieve this is to create conditions for the community to participate and contribute to the process of developing construction standards and regulations. It should be remembered that the goal of housing construction standards is not to deter and punish households but to encourage them to improve housing quality, security, and efficiency.

d. Standardization of housing construction components and appropriate technology

In addition, to reduce housing construction costs by introducing and supporting the expansion of production and use of standardized construction components such as unmolded beams, pedestals, foundation piles, roofing tiles, Ceiling panels, door frames, create conditions for each household to buy these items in advance and assemble them at the construction site. These items can be mass produced and cost reduced through economies of scale, just like large-scale housing production. This mass production of housing components can be done on a small scale, within residential communities, by trained local entrepreneurs with a little technical assistance.

e. Cut housing costs

Reduce housing costs through design.

One of the most effective ways to reduce housing costs is to use certain construction and design methods that limit construction costs and make better use of land.

Reduce housing costs thanks to cross subsidies.

Another way used by many governments, housing development enterprises and communities to finance low-income housing using minimal loans is to cross-subsidize housing for the urban poor through the sale of housing units at market price within the same construction project.

Reduce costs by building houses in many stages.

Lacking loans to build or buy houses in the formal housing market, most people in informal settlements choose to build and complete houses gradually as more resources become available. In this way, affordable housing development can take place over the long term rather than being completed in a short period of time.

3.1.5. Loan conditions and payment methods suitable for housing loans

The conditions attached to home loans and home construction and repair loans are important factors that determine who can and cannot afford a loan. Those conditions include constraints that help determine who can and cannot afford a loan, such as a person's monthly income, savings history, available assets, and willing family members, debt guarantee.

Loan terms and conditions are often set to help reduce risks for lenders, protecting lenders and businesses from the risk of non-repayment. And of course, limiting risk for lenders also

means limiting the number of borrowers who meet the standards.

3.1.6. Housing financial development

With the help of many NGOs and governments, many communities are now making efforts to build and manage their own collective financial mechanisms through community savings and lending. This is how the community copes with being left out of most formal financial markets while the informal financial market is so exploitative.

a. Simplify the formal financial sector

The formal housing finance system has funds and the ability to mobilize capital from formal financial markets. The informal and community-based housing finance system has knowledge and experience in successfully reaching low-income people that the formal financial system needs to learn from. Formal lenders need to apply simpler, less formal methods in lending to the poor.

b. Transfer loans through the community savings system

Another important approach is to use the community-based savings and loan system as an “intermediary bridge” to connect loans to poor communities.

c. Building intermediary organizations

It is possible to link poor households (belonging to organized communities) with the formal financial system through the establishment of an intermediary organization that bridges the two sides in a variety of ways.

d. Principles of housing finance development

- Develop demand-based housing finance systems.
- Do not limit financial mechanisms to housing issues.
- Consider using subsidies that make borrowing easier.
- Support community savings as part of housing finance
- Keep loan size and purpose flexible.
- Enable people to participate in the strategic planning stages of housing finance.
- Minimize rules and procedures and maximize flexibility.

3.2. LAND RESOURCES FOR AFFORDABLE HOUSING DEVELOPMENT

3.2.1. Forms of land ownership in Vietnam

The Constitution stipulates: Land belongs to the entire people. The entire people's ownership of land is specifically mentioned in the Land Law as follows: 1) Land is owned by the entire people with the State representing the owner and uniformly managing it.

Therefore, the State exercises the right to dispose of land as follows:

- Decide on land use purposes through deciding and approving land use planning and land use plans.
- Regulations on land allocation limits and land use term.
- Decide on land allocation, land lease, land recovery, and permission to change land use purposes.
- Land valuation.
- At the same time, the State exercises the right to regulate land resources through land financial policies.

3.2.2. Land fund for housing development and restrictions for urban residents

When analyzing land funds for urban housing development, you should not only think about current needs but also consider future needs, as the current urban population increases, and more people migrate to the city. Planning for land needs for future populations is especially important for cities with high levels of urbanization. This huge increase requires serious efforts to increase the supply of planned and legal land at affordable prices to meet future demand.

3.2.3. Demand for land to develop affordable housing.

High population growth causes land demand to constantly increase for land of all sizes and in all urban areas, for all income groups and in many different forms from informal to formal, for small businesses. Diverse uses: commercial business, residential land, industrial development, entertainment, and public use. When the city's population increases too quickly, the government and real estate markets cannot promptly meet the demand for residential land, causing residential land prices to increase rapidly.

3.2.4. Factors affecting the price of land.

Market demand for land has a great influence on land prices. Market demand is driven by income. Changing income causes demand to change over time and by urban area. Buyers have their own needs, for example, a plot of land near their workplace can be bought at a higher price, but it may be close to one person but not close to another.

- Location of land plot in the city

- Infrastructure around the land plot.
- Functions of the land plot and surrounding land plots
- Source of information obtained by both buying and selling parties.
- Legal nature - Right to use.

3.2.5. Solutions to increase the efficiency of urban land use.

a. Make urban land use planning more efficient

It is necessary to adopt a proactive approach to urban development by integrating land planning with planning for major infrastructure projects (e.g., public transport) and public amenities and ensuring ensure that there is a land fund at a reasonable price for low-income people, in which the land must be well connected to basic infrastructure, social amenities, employment opportunities and amenities other basic urban areas. To achieve this goal, it is necessary to combine many tools such as: large real estate projects, programs to gather and adjust land funds, land value sharing mechanisms to help share and distribute benefits of urbanization to the public benefit (between increases in real estate values due to improved local conditions and taxes on real estate investment rights).

b. Building a better land information system

It is necessary to promote digital transformation in the field of land management and use; Arrange reasonable resources to build and complete the national land information system and database on schedule; Ensure centralized and unified management, operation, connection, and information sharing from central to local levels. It is necessary to carry out mandatory registration of land use rights and all land changes, and at the same time have specific and uniform sanctions to prevent unregistered transactions at state agencies.

c. Efficient land tax system

Over the years, land taxation has become one of the main ways to generate revenue for public purposes for cities. In addition, land taxes – especially those applied to abandoned land – are also an important fiscal tool that city governments can use to limit land speculation and ensure adequate resources. Stable land supply for urban development needs. A stable land supply will contribute to lowering land prices in general, providing greater land access opportunities for people. There are many methods of calculating land tax, based on the diverse tax systems of different countries, land tax is usually calculated according to three basic models:

- Capital gains tax.
- Vacant land tax
- Land use tax.

d. Use a transparent bidding mechanism

Land allocation and land lease are carried out mainly through auctions of land use rights and bidding for projects using land. There needs to be specific regulations on auctions of land use rights and bidding for projects using land; Restrict and strictly regulate cases of land allocation and land lease not through auction of land use rights or bidding for projects using land; Ensure openness, transparency, and have a synchronous and specific mechanism to handle violations of regulations on land allocation and land lease, especially related to auctions of land use rights and bidding for projects using land.

e. Negotiate land sharing

Land sharing is a strategy that has emerged from the process of resolving urban land conflicts between poor communities that need land to make a living and private or state landowner who want to reclaim the appropriated land. illegal.

Operational mechanism: At the end of each stage of planning and negotiation between the parties, an agreement will be approved with the goal of “sharing” the land. Accordingly, low-income groups are granted, sold, or leased a portion of land to restore the house they live in (usually it will be the land with the least commercial value on the entire land plot in general). and pay the rest to the landowner for development investment. How much land area the people receive and how much the owner recovers will all be decided in the content of the agreement. And the end result is that both party’s benefit.

f. Adjust land use

Land use adjustment is a way to connect adjacent parcels of land (owned by different landowners) and remove boundary barriers to create a larger space to implement a new redevelopment project. Land use adjustment projects are often selected for old, degraded inner-city areas with sparse population to transform them into new, more densely populated urban areas with many smaller housing areas, more rational spatial planning and better public amenities and infrastructure. With large enough projects, one can include parks, playgrounds, schools, and shops in the overall design.

g. Cross-subsidy programs

Some urban governments have policies that force private real estate investors to set aside a portion of their formal housing projects for low-income groups. The idea behind these policies is simple: investors will make a lot of profit from building high-quality housing for wealthy customers, so they share a small portion of these profits (or from sales of housing units) to subsidize housing for low-income households who cannot afford to purchase homes at market prices. This is a form of progressive taxation for investment and development activities in the high-end housing market segment.

3.2.6. Solutions to help urban people access land.

a. Granting short-term ownership rights

It is possible to temporarily offer people living in “slums” and those residing in informal settlements in the city a form of ownership through policy changes or announcements by agencies in charge of housing and land. This notification method is enough to reduce uncertainty for poor households, while research explores other suitable possible solutions.

b. Decision on informal settlements in the city

Assess all “slums” and informal settlements in the city and work with communities to determine whether those settlements are facing environmental threats (such as floods or landslides), or whether the land there is needed for legitimate community purposes.

For settlements that are not in need of relocation for public infrastructure projects, nor located in dangerous areas, the state needs to give people more secure ownership rights. Where conditions permit, ownership forms should be based on options that are known and understood by the community. It is important that ownership agreements create conditions for communities to use basic urban services as well as environmental improvements within a legal framework.

c. Selection of resettlement sites for people

Once the areas subject to clearance have been listed, people living in those areas should be given priority in choosing resettlement locations near current employment opportunities and familiar social support structures. Temporary titles and permits may be issued to these residents for a certain period of time until agreement is reached on a suitable resettlement site.

d. Adjust rules and procedures

An effective way to make urban land more accessible to people is to adjust planning regulations, construction standards and administrative procedures to cut market participation costs and loosen restrictions. Regulating and promoting the supply of new eligible housing and expanding city land. Options include reducing the proportion of land required for roads and open spaces, relaxing restrictions on minimum subdivision land area, on the use and development of subdivision land, or simply streamline inherently cumbersome administrative procedures.

e. Investing in urban infrastructure in several stages

One way to make housing and land more flexible and more affordable for urban residents is to support land and housing development in stages, starting with divided land plots and infrastructure systems. basic and can be upgraded and improved over time. The minimum infrastructure installed from the beginning must be sufficient to ensure the health, safety, and happiness of the people. Other urban services may gradually be improved or expanded. A

step-by-step approach is useful in place and service projects that target the city's new and vulnerable migrants.

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