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How the Money Flows in Social Housing - USA vs UK

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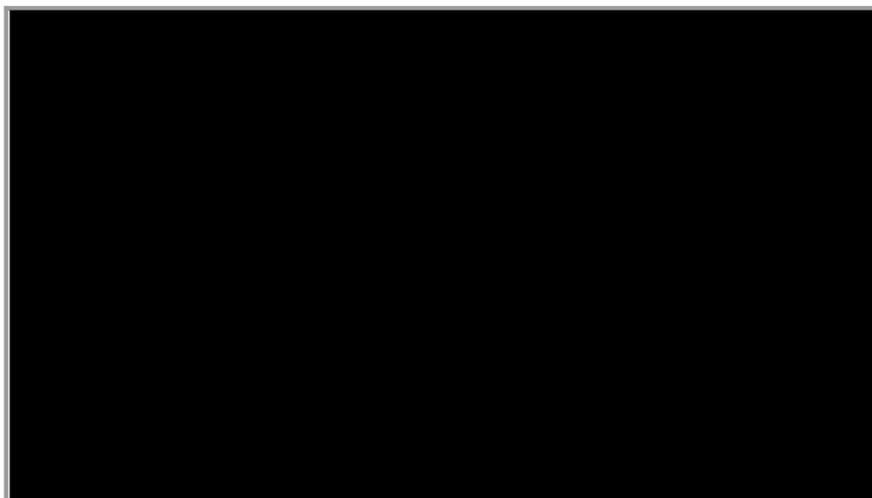
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By **+Kevin Murphy** - Wednesday 12 March 2014

Whilst most people in America the United Kingdom are aware of Section 8 Housing and Section 106 respectively, many are not fully informed on how these programs work and who is entitled to the benefit of the government subsidies that can be provided. Both programs have been amended over the years to accommodate local needs and better use of public funds.



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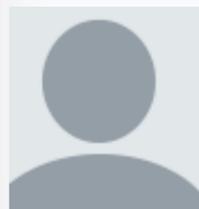
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Section 8 and 106 Housing, America and Britain [Click to Watch](#)

In America employment losses due to the recession have put additional pressure on municipalities to try and assist families and individuals who have been displaced or while in London attempts are being made by local councils to provide housing assistance because of the increase cost of purchasing and renting that are out of reach for low income households.

The origins of federal government subsidized housing in America can be traced back to the Great Depression and The U.S. Housing Act of 1937. The Act gave the federal government the ability to provide money to Local Housing Authorities for public housing needs. In the 1930s cities such as New York formed Housing Authorities to help low-income families. At The end of World War II New York along with other cities like Chicago, began to construct large scale apartment towers to accommodate not just working families but for low-income and unemployed households. The New York Housing Authority used to city and state funds to build the housing developments and construction lasted from 1945 to 1965.

The Housing Act was later amended by the U.S. Congress in 1965 and became Section 236 Leased Housing Program. Eligible families were chosen from waiting lists and were then placed in available housing units that were owned by private landlords. The housing authority would negotiate the lease and subsidise the difference of the tenants rent and local market rates for equivalent housing. The housing authority also took on the responsibility of maintenance and other roles like any other landlord.

This program was to become the foundation for the future Section 8 housing program which was enacted by Congress known as the Housing and Community Development Act of 1974. This brought forward the voucher system for tenants as well as a requirement that 30% of their income be allocated for rent with the rest of the rent paid by the U.S. government. The program is administered by the federal agency U.S. Department of Housing and Urban development (HUD). Associated programs were created to help construct and rehabilitate older existing developments that had gone into disrepair and havens for crime.

The amount of money Congress sets aside for this program determines the amount of units that can be subsidized. The maximum allowed voucher is \$2200 a month. Private homes can be considered for the voucher program provided that they meet occupation requirements and standards for potential tenants. Private investors have purchased foreclosed homes during the housing bust and are now leasing them to low-income households who are accepted into the voucher program.

Waiting lists for vouchers and housing availability can take months and even years to acquire depending on the jurisdiction. A report in The Florida Times-Union in August 2013 reported that in the Jacksonville Housing Authority district that there were 10,266 people on the list and that new names were not being added to the list due to federal budget cuts. The wait according to Larry Gonzalez, senior director for the Section 8 program in Jacksonville, could last from four to five years. This leads to nomadic living for families, disruption of school for dependents and for some homelessness.

Today the Housing Choice Voucher Program continues as tenant-based rental assistance. The voucher has also been extended to allow a savings account to be created towards the purchase of a home or other uses such as education with matching funds provided by the government. Housing developments also provide computer rooms and recreational areas for children.

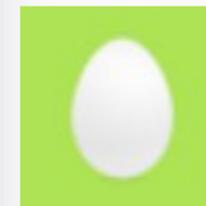
Those who are awarded the vouchers are more likely to be in better maintained, better quality of housing and strategically placed near schools for the children. Because funds are limited housing authorities are on constant lookout for fraudsters who when caught are dismissed from the program especially when thousands are waiting in line to get in to the voucher program.

So how does Britain work with this issue?

In 1947 Parliament passed the Town and Country Planning Act that actually went into effect on 1 July 1948. The Act has been amended most notably in 1990 and 2004. One of the main points of the act was that

conjunction with...

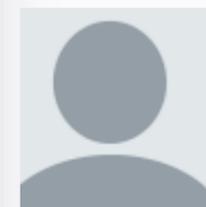
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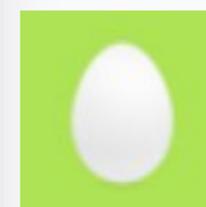
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ownership of land or property would need to get permission from a local borough and councils to be developed. This led to the creation of planning authorities who were then ordered to draft plans for local developments.

The government then set aside £300 million to be used as compensation to property owners. The scheme allowed local councils the authority to buy land and then lease it to developers, develop property on their own and the ability to approve or turn down the plans of others. It also created the power to ensure that property of historical significance be preserved leading to the listed building program. Land could be purchased for its use value and once plans were approved the a financial assessment by Central Land Boards known as a "development charge" between the initial cost of the property and its final value upon completion of a development.

In 1990 the Town and Country Act was amended and created the Section 106 provision. This allowed local planning authorities the ability to enter into agreements for property developments with the owners and others who have a direct interest in the property. This would obligate developers under the rules of section 106 to compensate the local authority or council for necessary public needs such as most notably affordable housing and other infrastructure items like streets.

This requires property developers to submit their plans for council approval. In certain cases the amount required to be allocated for affordable housing in London can reach millions of pounds that a developer must pay. Case in point was [the situation for developer Reuben Brothers regarding their purchase and redevelopment of Londons Cambridge House on Piccadilly](#). They were required to pay (after negotiating with the Borough of Westminster) over £5 million for local affordable housing in the area.

Another recent scenario was reported in The Daily Mail in their 23 August edition when the owners, Mr. Reade Griffith, of a Kensington mansion were informed that they would be assessed a levy of £825,000.00 for installing a two-story basement, referred to as a "dig-down" for an underground pool and spa. This was determined to add almost £10 million of increased value to the home.

The cost of the basement construction is reported to be £4 million. The project will add 900 square meters to the home or the equivalent of 8 average sized new-build family homes. Thus the Kensington and Chelsea Council have assessed this levy for use towards affordable housing in the area.

Stuart Robinson of property agents CBRE commented: "This is completely off the scale. You don't normally get these (Section 106) agreements with residential applications". Gary Sector, with the law firm Adelshaw Goddard called the amount being demanded by the council as "unprecedented". But others such as Alan Waxman commented that with the levy imposed in these situations, "If they are building around 1,000 square meters that could be worth some £10 million, so even if it cost £4 million to do and the fee is £800,000 the owner could still double their money".

To make the issue of housing rates more troublesome in London was reported in The Evening Standard (07 March 2014) that: "Senior doctors can no longer afford to rent homes near some of London's major hospitals" former Health Secretary Frank Dobson warned today.

He stressed that newly-appointed consultants were being forced to live increasingly further away from Great Ormond Street and University College Hospital in north London because of soaring rents and property prices.

He branded the situation "ludicrous and damaging"

A Great Ormond Street spokeswoman said: "We are very aware of the rising cost of living in London and the impact this has on our staff.

"To help them overcome this we provide a range of subsidised accommodation for key clinical staff, including rental properties and a staff hotel which can be booked on a night-by-night basis."

Money Hoarded?

A recent survey by the BBC of borough councils in Britain found that many councils were having to return the cash collected from developers because the funds were not used in the stipulated amount of time. The report

published in propertyreporter.co.uk (07 January 2014) stated, "Researchers found that nearly a third of the Section 106 pot has still not been allocated to specific community projects."

Nationally almost £1.5 billion of section 106 money collected is being held by councils. In response councils argue that they are waiting for the right projects that would be developed for their districts. Hertfordshire County Council has £56 million of unspent funds and Swindon £18 million in unallocated money. The most cash that has been returned to developers is by the Essex County Council at £1.2 million over the past five years.

A recent report on the findings by the Bureau of Investigative Reporting published this past September in the Guardian stated:

"Housebuilders and councils in Britain's biggest cities are failing to comply with affordable housing targets, and even ripping up legal commitments to build cheaper homes. A three-month study by the Bureau of Investigative Journalism for Society Guardian has established that 60% of the biggest housing developments currently in the planning system are falling short of local affordable housing targets, preventing thousands of cheaper homes being built."

The bureau's assessment of 82 of the biggest housing developments in 10 major cities found just 40% complied with local affordable housing targets.

In London, where the number of people accepted as homeless stands at 14,812, one of the largest developments going through the planning system shows less than 17% of the planned 15,000 units will be affordable. This is despite Lambeth, one of the two councils involved in the 195-hectare (480-acre) development in south London, stating to its tenants council two years ago that affordable housing could account for 35% of new units built in its section.

Pete Robbins, Lambeth council cabinet member for housing and regeneration, says: "We are serious about delivering a high level of affordable housing in every new development that comes forward in Lambeth. But this is much harder now because of the viability tests that give ... developers a chance to avoid our affordable housing targets. We continue to work hard to maximise affordable housing levels, but the bottom line is that our hands are increasingly tied."

Additionally, "The burden to maintain low-cost housing supply is increasingly being left to housing associations. Yet Chancellor George Osborne's spending review in June announced that housing associations would receive only £3.3bn in the three years from 2015, which amounted to a cut of 2.2% on top of the overall 63% funding reduction made in 2010.

There are 1.85 million people on council waiting lists in England – up 69% in 10 years – and, as of last June, there were 56,210 households in temporary accommodation, up 9% in the past 12 months."

The report also included that: "In June figures show the number of affordable house building starts backed by the government-funded Homes and Communities Agency and the Greater London Authority in the financial year to 2013 was 36,206 – 33% lower than when the coalition came to power."

"In high-value areas the problem social landlords face is access to land, and section 106 agreements gives them access to these sites," says Rachel Fisher, National Housing Federation head of homes and land. "Local councils therefore have a responsibility to their communities. They must ensure that the planning system continues to take into account what local people and families need – and be committed to delivering these homes."

"Affordable housing targets set by councils are based on local demand and supply, the costs of housing locally and local wages. The targets are usually expressed as a percentage of new housing supply. The targets are not legally binding, and if a developer can demonstrate through a site-specific financial viability test that the target makes a development uneconomic, then the requirement can be reduced or waived."

Whilst both section 106 in Britain like its counterpart in America Section 8 have their share of problems there are bright patches that occur in both programs.

In a related article in The Mid Devon Gazette this past February a new housing development thanks to an agreement by the council of South

Molton and a local builder, Elan Homes, using a Section 106 arrangement has been accomplished in a very positive way.

The report stated: "Over a third of the properties will be affordable homes to give families on lower incomes the opportunity to climb onto the property ladder."

As part of its plans, Elan Homes will also contribute more than £550,000 to the local community, including over £50,000 towards education provision and nearly £90,000 for new off-site sports pitches.

Stephen White, South Molton town mayor said: "The development here at Gullacombes is great news for South Molton. It will provide infrastructure revenue through section 106 monies which will provide payments towards schools, transport, sewerage, etc.

"Not only does this development bring much-needed housing, including 50 affordable homes, it also brings a range of benefits to local suppliers and services, employment and creating much-needed revenue for the local economy, with increased footfall in the town."

The site was acquired by Elan Homes in January and work has already begun on the development. Local estate agents Geoffrey Clapp Associates has been instructed to sell 100 homes on the development.

Geoffrey Clapp said: "We are excited to be handling the development and we have received excellent responses from the community.

"We have had a great amount of interest in these properties but above all a great response from local people."

Northampton Borough Council has also announced plans to build 100 new council homes in Northampton in a report from aboutmyarea.co.uk.

Housing Minister, Kris Hopkins, said:

"I'm delighted to see Northampton's plans to build 100 new council homes in their area - the largest development by the council for two decades.

"This innovative scheme would make the best use of council-owned land to meet local needs, while communities will see the benefit of this development through the [New Homes Bonus](#).

"We've delivered around 100,000 affordable homes since 2010, with councils increasingly involved in this. I want to see more local authorities following Northampton's example and delivering the homes local people rightly want, and the jobs they will bring for their communities."

Could either scheme be improved? Have your say in the comments below.

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