

HOUSING FOR LOW-INCOME

EARNERS IN HCMC

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Table 1: Average housing area (%)

Per capita area	City	Inner city	Suburb
Under 4 sq.m.	8.07	8.83	3.20
From 4 to 7 sq.m.	17.46	11.77	15.48
From 7 to 10 sq.m.	20.14	19.47	24.37
From 10 to 13 sq.m.	24.00	23.35	28.11
From 13 to 16 sq.m.	16.05	15.89	17.07
From 16 to 20 sq.m.	14.28	14.69	11.77
Above 20 sq.m.	100.00	100.00	100.00

Source: HCMC Service of Land and Housing, 2000.

In recent years, the city government has taken measures to solve the housing problem but its efforts didn't produce intended results and failed to meet the market demand, especially from the pack of low-income earners. These efforts are as follows:

- Program to build cheap apartment blocks for civil servants: 4,923 flats were built in the years 1975-1978.
- Program to build residential areas and relocate factories to suburbs: 3,904 houses were built.
- Program to build houses for revolutionary families: 9,726 houses (there are some 7,000 families in the waiting-list).
- Program to improve houses along and over canals 7,115 flats were built and allocated.

At present, the increase in house building is slower than the increase in HCMC population. Besides the urbanization, flows of migrants to HCMC are aggravating the housing problem and making the demand exceed the supply. The polarity between the rich and the poor is also increasingly obvious in HCMC where the growth rate is of the highest level in Vietnam. If no strategy to solve the housing problem is worked out, social effects of the housing shortage will be enormous and cause harm to the socialist orientation.

When the building rate speeded up and helped increase the average housing area per person from 5.7 sq.m. in 1987 to 10.72 sq.m. in 2000, the amount of slum dwellings was also on the increase, from 141,373 in 1989 to 159,583 in 2000 (rising by 12.88%). This means that the living conditions of high-income earners have been improved fast while the number of slum dwellers increased accordingly.

Particularly, many new residential areas fail to meet the demand of the poor. According to the HCMC Poverty Alleviation Board, only 10.5% of families stay in flats allocated to them and 89.5% of them have moved away because they couldn't afford to pay for such a flat. This means that the programs in the past couldn't offer dwellings that was within their reach.

Providing low-income earners with better housing is considered as one of the most urgent tasks for the HCMC government for the years 2001 - 2010 and it has made a plan to build 8,500 houses or flats a year and allocate them to the following citizens:



- 1,500 dwellings for revolutionary and/or poor families.

- 3,000 dwellings leased to workers.
- 4,000 dwellings sold on instalment plan to workers, officials, soldiers and poor laborers.

To realize this plan, in my opinion, the HCMC government had better take the following measures:

- (1) Houses to lease or sell on instalment to low-income earners:

Although development of the house renting business in recent years was unruly, it helped satisfy the need for housing in HCMC. For low-income earners, renting or buying a dwelling on instalment seems to be the only solution.

At current market prices and interest rate (9.6% a year), a house usually costs some VND100 million and

could be leased for 25 years at VND831,000 a month. If it is sold in 120 monthly instalments and the buyer has to pay 50% of its value in advance, the monthly instalment is VND737,000. This instalment is too high for most workers, civil servants and laborers. In addition, the down payment of VND50 million is also a problem that requires a lot of time to solve.

If the HCMC government could help them with its fund for poverty alleviation, the monthly rent could be reduced to VND199,000 and monthly instalment to 221,000. To provide them with necessary help, the HCMC government should deal with the following problems:

- Adopting policies to reduce the production cost of a flat: investing in infrastructure, reducing land use fee and tax, giving tax incentives to companies taking part in the housing programs, etc.

- Allowing finance companies to supply credit to low-income earners who want to buy a flat or house (these companies could be of the same form as British building societies or American savings and loan associations).

- Allocating large areas of land to companies building apartment blocks for rent or sale on instalment and partly financing these projects with a view to reducing rent or

grants-in-aid only. The government can build up a new mechanism for it to mobilize various sources of finance:

- + Selling public buildings: In HCMC, there are many public buildings that aren't used properly or are used for private purposes. They could be sold in order to raise fund.

- + Equitizing state real estate companies: Shares of these companies could be sold to their own personnel first and the public later. Proceeds from the sale are put in the fund.

- + Applying compulsory saving to laborers with no home and imposing property tax on large real property.

- + Borrowing from international financial institutions and foreign finance companies to carry out projects to build infrastructure and residential areas.

(3) Upgrading existing residential areas:

Projects to upgrade existing residential areas could be jointly financed by the government and local residents. They are very useful and feasible for slums and suburbs.

(4) Organizational measures:

- The HCMC Service of Land and Housing undertakes the task of making plan to develop housing and assisting property developers.

- Local governments help form civic organizations



selling price.

(2) Sources of finance for cheap housing programs:

The following measures can help raise funds for cheap housing programs:

- Directing and helping property developers issue project-bonds: These bonds have maturity of 20 years or more and target at small investors. At maturity, they could be turned into shares, rights to buy flats or paid in cash. When investing in these bonds, investors could gain interest from bonds and profit brought in by rises in prices of real estate.

- Increasing public investment in infrastructure (water and power supply, road, telecommunications, health centers and schools, etc.); lowering land use fee and tax and supplying soft loans to property developers.

- Supplying soft loans to laborers who want to buy houses on instalment (the house could be used as security).

The supply of soft loans shouldn't be assigned to the banking system because its procedures and lending conditions are complicated and time-consuming. The government had better form a housing development fund to carry out this task. This fund, however, couldn't be based on

that receive financial support and help with carrying out housing programs.

- Requiring investors in industrial estates to provide workers with proper dwellings.

- In developing new residential areas, local governments could require developers to spare a proportion of new dwellings for the poor (This proportion is Asian countries varies from 15% to 25%).

- Reforming procedures for granting the land use right to dwelling owners with a view to encouraging the poor to acquire dwelling ownership.

- Educating officials taking part in housing programs in how to carry out their tasks effectively.

(5) Technical measures:

- Applying new construction techniques and methods of building houses in order to save time and money.

- Building tall apartment blocks in order to lower production cost of a flat.

At the end of the day, the most useful solution to the housing problem in developing countries, as many experts put it, is to develop the economy as a whole, thereby improving personal income ■