



The Turkish way of housing supply and finance for low- and middle-income people



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ABSTRACT

Living in an adequate housing condition is a basic human right. However, low- and middle-income people are generally unable to exercise this right because of financial difficulties. This requires governments take necessary measures and actions to supply adequate housing both in numbers and social and physical conditions for their citizens. In this regard, the Turkish government prepared a comprehensive plan of social housing with the motto of “providing adequate housing for all” and implemented this plan through an approach of the Turkish Housing Development Administration (TOKI). This approach was found to be very practical for the social housing development and finance, and its applicability is considered by several countries in addition to the International Monetary Fund (IMF). This paper begins with an overview of social housing strategies in different countries. Then, it introduces duties, authorizations, and the financial structure of TOKI followed by description of various project implementations of the Administration including social housing, revenue-sharing and slum transformation. Finally, a discussion on the TOKI approach of housing supply and finance for low- and middle-income people is provided.

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Introduction

The Universal Declaration of Human Rights adopted in 1948 states that everyone has the right to a standard of living in adequate housing conditions (The General Assembly of United Nations, 2009). This right has been consistently confirmed as a distinct human right by various organizations across the world, including the UN, civil society bodies, as well as numerous national constitutions and legislations (Kothari, 2001; Hartwig and Marais, 2005; Millbert, 2006). Also the Heads of States or Governments reaffirm their commitments to the full and progressive realization of the right to adequate housing, as provided for in international instruments (UN-HABITAT, 1996; Paterson and Dunn, 2009; Gallent, 2009).

In this frame, Article 57 of the Turkish Constitution states that “The Government should take necessary precautions to meet housing needs of the citizens based on a plan prepared by taking the characteristics and environmental conditions of cities into consideration and also support mass housing initiatives.” For the implementation of this responsibility, various government

organizations such as the Turkish Real Estate Bank, General Directorate of Land Office and Housing Development Administration (Toplu Konut İdaresi, or TOKI) were set up in Turkey over time. However, these efforts had not been sufficient to meet the housing need of low- and middle-income people in the country where the need for housing units was nearly 1.5 million at the beginning of the 21st century (Bayraktar, 2008; TOKI, 2014; Keleş, 2006).

The Turkish Government declared a comprehensive plan to solve this problem with two articles in the Emergency Action Plan in 2003 (DPT, 2003). The first article states that squatter housing construction is prevented by the federal government in cooperation with local governments, while existing squatter areas are rehabilitated (Table 1). The second article urges that adequate housing units both in numbers and social and physical conditions are provided for low-income people in a short time and with affordable installments (TOKI, 2014). The Emergency Action Plan also states that an organization is established to solve the urbanization and housing problem, especially for low-income people. In this context, the Turkish Government reengineered the public organizations responsible from supplying land and houses for the citizens. The General Directorate of Land Office was closed down in 2004, and all duties of the office were transferred to TOKI which was already established with Mass Housing Law in 1984. Thus, TOKI has had new legal powers and policies and then it has initiated a large development plan for urbanization and housing campaign.

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Table 1
Number of slums over the years in Turkey (Keleş, 2006).

Years	Number of slums
1955	50,000
1960	240,000
1965	430,000
1970	600,000
1980	1,150,000
1990	1,750,000
1995	2,000,000
2002	2,200,000

Today, TOKI is the most important implementation body of housing and settlement policies in the country through providing land and funds, and enabling the projects at the local level (TOKI, 2014).

This paper targets to introduce TOKI approach of housing supply and finance for low- and middle-income people as a good practice. It begins with an overview of social housing strategies in different countries. Then, it introduces duties and authorizations, financial structure and project implementations of TOKI. This introduction is particularly important for development of know-how, knowledge and tools in affordable housing finance for the poor people throughout the world. Finally, it provides a discussion on the housing supply and finance approach of TOKI for low- and middle-income people.

An overview of social housing strategies in different countries

From the mid-nineteenth century onwards the industrialization and associated urbanization generated acute housing shortages especially for low- and middle-income people in many large cities throughout the world. In addition to self-help housing (Bredenoord and van Lindert, 2010), social housing systems were developed in response to those shortages. Some industrialists began to provide housing for their workers, philanthropists provided newly built housing and charitable institutions developed housing projects for people on low incomes. While usually the State was not heavily involved in direct provision before, it took more responsibility for the provision of good quality housing to disadvantaged groups who were unable to afford decent housing from their own resources following the Second World War. By the 1970s, the role of the State began to change through a reduction in public expenditure on housing and an increasing market-orientation of housing policies. In the 1990s, most governments tried to reduce public expenditure on housing in the light of improving housing conditions and budgetary pressures and thus there was growing evidence of increased concern with allocation processes and the need to make these more responsive to consumer preferences (Oxley, 2000; Gruis and Nieboer, 2007; UN-HABITAT, 2009). The end of communism in the early 1990s also affected existing housing systems in many countries. There were large-scale privatizations of public rental stocks, which were predominated in 1960s, with sitting tenants acquiring ownership at nominal prices. This created poor homeowners who own their dwelling but lack the means to maintain the property in good repair. By the start of the twenty first century it was clear that housing shortages were not an issue of the past and insufficient supply was seen to contribute to severe affordability problems, especially for lower income households (Czischke and Pittini, 2007; Gruis and Nieboer, 2007; UN-HABITAT, 2009). Today, almost all countries with good practices in social housing development sector have well-functioning organizations and finance models that change depending on political and economic situations of the countries. The subsections given below provide some examples of social housing organizations and finance approaches in the western world. There are two main reasons to give examples from western countries. One of them is the ease of getting information

about the western countries' systems in the literature. The other is appropriateness of the western countries' social housing systems to compare with the Turkish system because Turkey has adopted western policies in many other domains in recent years.

Social housing organizations

The main difference between social housing organizations in different countries is participation level of central/local governments and private sector into the housing development programs. While central governments play a regulative role and sets up rules on the housing supply market in some developed countries, such as United States, Canada, Australia and Japan, the governments in most Western European countries have a strong management role in housing supply. Private sector is getting more roles in social housing supply recently and public-private sector cooperation is seen as a key component of successful housing supply programs implemented in several countries (UN-HABITAT, 2009; TOKI and IULA-EMME, 1993; Priemus et al., 1999).

There is a wide range of approaches formulated by different governments to provide housing for low-income families throughout the world. In Germany, for example, all social housing is legally private. Municipal housing companies are even private entities whose shares are held by the municipality (UN-HABITAT, 2009). In the Netherlands, associations build and manage social housing with a degree of independence from the State but with obligations to house low-income families in decent housing and contribute to the quality of neighborhoods (Boelhouwer, 2003; Gruis et al., 2005). In Sweden, Municipal Housing Companies can be organized either as foundations or limited companies. However, most of the foundations have been transformed into limited companies over the last decade so that municipalities can get a return on their investments in municipal housing. In England, provided mainly by local governments until the 1970s, social rental housing is now supplied largely by non-profit housing associations. Almost all new social housing is provided by housing associations and around half of all council housing is managed by Arms Length Management Organizations who have a degree of independence from the local authority (UN-HABITAT, 2009). In Bulgaria, Latvia, Lithuania and Romania, social housing is only publicly owned and financed from the municipal budgets (Pittini and Laino, 2011). In Ireland, local authorities have used a version of the state agent model in which the private sector is used to supply social housing since 1995. The local authorities establish contracts with market landlords who agree to provide accommodation meeting minimum standards and make direct payments to the provider and the tenants make a contribution to the costs by a payment to the relevant local authority (Buchanan, 2006; UN-HABITAT, 2009). In Canada, houses for low-income people are built by public housing agencies and subsidized by federal, provincial or local programs. Recently, there is a move toward the integration of public housing with market housing through revitalization plans in the country. In Australia, public housing funded by state and federal governments is usually provided by state and province governments. Existing public houses in Australia consist of low-density houses located in suburban areas and inner-city high-rise apartments in Melbourne and Sydney. In the United States, the United States Department of Housing and Urban Development (HUD) builds quality affordable homes for all. HUD mainly targets to strengthen the housing market, meet the need for quality affordable rental homes, and utilize housing as a platform for improving quality of life (HUD, 2012).

Social housing finance approaches

Social housing construction is generally financed by public grants/loans, standard bank loans, own funds of housing

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