



PRESS RELEASE

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PUBLIC BODIES AND POLICIES

HOUSING IN ÎLE-DE-FRANCE: BRINGING COHERENCE TO PUBLIC ACTION

The *Cour des Comptes* is releasing a report devoted to housing in the Île-de-France region. In it, the *Cour* notes the limits of the policies carried out over the last two decades in three major areas: development, which governs and determines the production of housing units, social housing and private housing. Ultimately, improving the housing situation in Île-de-France is not only a question of financial expenditure: it is just as important for public actions to be better organised, better targeted and, above all, more coherent.

A complex situation and long-term shortage

An attractive and densely populated region, the Île-de-France region is a zone where the housing market is particularly tight:

- while demand is strong, the supply of housing has grown more slowly than in the provinces over more than the last twenty years;
- the average price of building land there is more than 3 times higher than in other regions, the purchase price of apartments and the cost of renting in the private sector is 2.5 times higher;
- the segmentation between the private and social rental sectors is strong there: the variance between rent in these sectors is very high (from between 1 to 4 in Paris, for example).

This results in cases of over-occupation of housing units are clearly more numerous than in other regions, and a greater cost for those buying property and for those renting in the private sector. This situation also contributes to congestion in social housing, for which the renewal rate has dropped whereas there is more demand for it.

The residential progression of households is therefore much more difficult.

More than a third of tenants in the private estate have income below the resource limit for access to housing units of the "subsidised social-integration rental loan" type (PLAI - Prêt locatif aidé d'intégration), which are the most socially-oriented and offer the lowest rents, and yet are not housed in social housing. Large amounts of money, greater than €6 billion, are devoted each year by the state and by other stakeholders in housing policy in Île-de-France, but they have not contributed to significantly improving the housing situation.

Development policies have limited impact on the production of housing units

The *Cour des Comptes* notes that the effectiveness of instruments for land planning is limited, because it is difficult to impose an obligation to build.

In matters of planning, the housing unit construction objectives set in the development plan for the Île-de-France region (SDRIF - Schéma directeur de la région d'Île-de-France) have never been achieved. To



reach the annual objective of 70,000 housing units per year, the rate of construction would have to be increased by two thirds.

Also, Île-de-France is characterised by numerous planning instruments and levels of decision-making. A merger of the scope of the future municipal amalgamations in the Île-de-France with that of the various instruments for planning, programming and contracting the supply of housing is necessary. It would also be coherent, following the programmes for housing and town-planning, for these municipal amalgamations to eventually become competent to issue building permits.

Concerning the supply of land, the SDRIF plans to concentrate three quarters of the new building effort on areas that are already built up. However, this population density increase can run up against constraints concerning the economic balance of operations.

It is essential to exploit all possibilities for land use, particularly in zones, which are not fully completed and are more affordable than in the centres of conurbations, where construction is often only possible after destroying existing buildings.

Concerning the operators, the development tools, after a period of reduced dynamism, are moving in the right direction, with the merger of four public real-estate establishments.

Finally, local taxation and the taxation of property capital gain are currently too favourable to land retention.

Social housing: insufficient results in spite of significant financial outlay

The *Cour des Comptes* notes both the significant reorientation, from 2010, of State expenditure in Île-de-France (which received more than 50% of the aid for the construction of social rental housing, known as "housing subsidies") and the very significant weight of other public stakeholders, such as the regional authorities.

The effect of public actions has nevertheless been mixed, due to the very high cost of operations, particularly in Paris.

Confronted with the reduction in subsidies and the high cost of building housing units, in order to balance their operations, social investors in Île-de-France are tending to favour housing units of the "social rental loan" (PLS - prêt locatif social) type, associated with the highest levels of rent, to the detriment of housing units of the PLAI and "rental loan for social use" (PLUS - prêt locatif à usage social –) types, affordable to the least well-off. Thus, during the period 2005-2012, in Île-de-France, there were more permits for PLS than for PLAI, which correspond to the social housing units that are most in demand.

Also, the assessment of the implementation of article 55 of the SRU law in Île-de-France is mixed. Although it is in this region that the obligations were complied with the most, allowing for significant catching-up, the law did not give bonuses to municipalities that made the most progress. Subsidies and expenditure were concentrated in zones where building costs were highest and land most scarce. These restrictions often led to acquiring and contracting existing housing units to turn them into social housing, without increasing the overall supply or changing the occupants when the buildings were occupied. We also see a large share of small housing units to the detriment of those for families, because they are counted in the same way in the statistics.

The strengthened objective in the "SRU 2" law dated January 2013 (25% of social housing units instead of 20%) does not correct the imperfections of the system and risks amplifying them. The question of the budgetary sustainability of the expenditure made by certain municipalities is also raised.

Lastly, the rules for allocation, applied variably, and those for managing social housing have had particularly negative effects in Île-de-France. The guarantees of security of tenure and the low level of adjustment of rents in case of an increase in income also contribute to the high degree of segmentation between the private and social rental estates. The *Cour des Comptes* calls for a profound revision of



these procedures, moving towards greater transparency and application, without exemption or limitation, of supplements to social-solidarity rents.

Private housing: policies with mixed results; targeting to be continued

The assessment of the numerous public policies aimed at the private estate appears mixed.

The fight against vacant housing units has had low results due to the limited, or even nonexistent, impact of the tax on vacant housing units or the requisition policy. Concerning the conversion of offices into housing units, it is often barely economically profitable.

Concerning tax subsidies, which represent a high cost, the *Cour des Comptes* notes the large number of windfall effects related to their insufficient targeting on requirements for intermediate housing units in areas of shortage. Furthermore, these arrangements are insufficiently evaluated and have not had the expected effect of moderating rents.

Concerning first-time property purchase, mainly stimulated by zero-rate loans, their allocation, at nearly 80% to purchases of existing property, has supported the increase in prices without managing to trigger renewal of the supply of new building: the decision to reserve subsidies for new properties from 1 January 2012, subject to conditions concerning resources, therefore seems to be going in the right direction.

Recommendations

The *Cour des Comptes* makes 14 recommendations, aiming in particular to:

- assign the delivery of building permits to public institutions for inter-municipal cooperation;
- discourage the retention of land by taxing real property capital gain without a retention-period condition, but taking inflation into account;
- change the assessment basis for the land tax on non-constructed properties, taking into account the market value of building land;
- improve the transparency of procedures for assigning social housing, making the criteria for selecting beneficiaries more consistent;
- apply the supplements to social-solidarity rents without exemption or limitation;
- adjust the rent upon entry into social housing and during its entire period of occupation, according to the income of tenants;
- re-examine the conditions for security of tenure of tenants in social housing;
- improve the targeting of tax subsidies to private rental investment for intermediate housing units in areas where there is the greatest shortage, checking the effectiveness of the rents put in place.

[Read the report](#)

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