

**“Ying Bao Jin Bao”? — An Empirical Evaluation of the Cheap Rental Housing System  
in Beijing, China**

Chengdong Yi and Youqin Huang

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## **Abstract**

With skyrocketing housing price and extremely low housing affordability in Chinese cities, the Chinese government has set up the goal of “ying bao jin bao”—providing housing subsidies to all needy households. This paper empirically evaluates the Cheap Rental Housing (CRH) system in Beijing. Reviewing CRH policy in Beijing, we find that Beijing Municipal Government has significantly improved its policy design for and strengthened its commitment to CRH in recent years with an expanded target population, a mixture of different subsidy methods, and more detailed management regulations to ensure efficiency and equity. However, there is a huge gap between policies and practices. Our empirical analysis of the application and allocation results shows that while the number of beneficiaries has increased significantly over time, the actual coverage of CRH is extremely low. The goal of “ying bao jin bao” remains a distant policy target far from the reality even by 2010.

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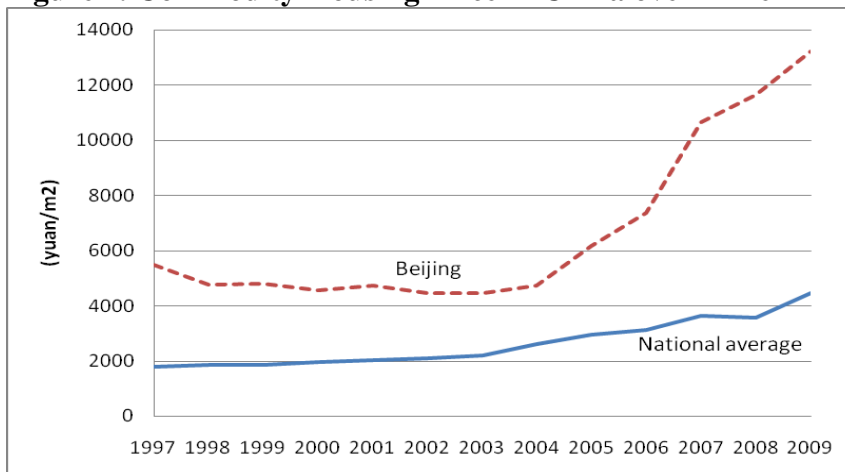
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# “Ying Bao Jin Bao”? — An Empirical Evaluation of the Cheap Rental Housing System in Beijing, China

## Introduction

Since 1988 when China launched the housing reform, China has been in the process of developing a housing market and exploring a new system of low-income housing. In an unprecedented housing boom, housing condition of urban Chinese has been improved significantly, with per capita living space increased from 7.2 m<sup>2</sup> in 1980 to 27 m<sup>2</sup> in 2006 (NBSC, 2011). Meanwhile, housing price has been rising rapidly, with the national average sale price of commodity housing (shang pin fang) more than doubled (Figure 1). Housing affordability has become an increasingly acute problem especially among low-income households, and housing poverty and residential crowding continue despite the massive housing development. According to China 2005 1% Population Survey, 0.14% of urban households had no housing, and 7.37% experience severe crowding with per capita living space less than 8 m<sup>2</sup> (Ni and Yi, 2009). Acute housing poverty and low housing affordability among low-income households has become a challenge in the pursuit for a harmonious society.

**Figure 1. Commodity Housing Price in China over Time**



Source: National Bureau of Statistics of China, 1998–2010.

To solve housing problems among low-income households and to achieve the goal of “decent housing for all”, the Chinese government has been actively promoting low-income housing in the last decade. In a watershed document in 1998 (No. 23), State Council ended public housing provision, but aimed to establish a multi-level housing provision system with “cheap rental housing” (lian zu fang, hereafter CRH) for the lowest-income households, and “economic and comfortable housing” (jingji shiyong fang, hereafter ECH) for low and middle income households. In 1999, the Ministry of Construction (renamed as Ministry of Housing and Urban-rural Development in 2008, MOHURD) issued the “Management Method for Cheap Rental Housing” (No. 70), which established methods for application, verification, allocation and management for CRH. Yet, in the following few years, housing marketization was accelerated, and most municipal governments were not committed to CRH due to conflicting interests with the central government (Huang, 2011). With skyrocketing housing prices, low housing affordability among low-income households is becoming increasingly acute. Since 2007, the central government has re-focused on low-income

housing with more specific and ambitious goals and massive investment (Huang, 2011). For example, State Council (No. 24) required that households receive Minimum Standard of Living Assistance (“di bao”) and meet the criteria of housing difficulty should be 100% covered by the CRH system in large and medium cities with districts by the end of 2007 and in all county-level cities by the end of 2008—the so-called “ying bao jin bao”<sup>1</sup>. By the end of 2010, the coverage of CRH should be extended to all urban low-income households. Meanwhile, for the first time in history the central government sets up “program-specific subsidy fund” for CRH through National Development and Reform Commission (NDRC) and the Ministry of Finance, which totaled 10.6 billion yuan in 2007 and 37.5 billion in 2008 (Huang, 2011). In the turning point year of 2010, 5.84 million additional units of subsidized housing were developed, and in 2011, the central government committed another 36 million units of subsidized housing during 2011–2015 (State Council 2011, No.1). The goal is to cover 20% of urban households with subsidized housing. China has entered an era of state intervention in low-income housing.

As the capital, Beijing demonstrates the characteristics of transitional cities in China; yet, it has its own uniqueness. On the one hand, Beijing follows closely and implements housing reforms and low-income housing policies issued by the central government. On the other hand, Beijing Municipal Government (BMG) is severely constrained in low-income housing program as it does not have proper management power over a massive stock of subsidized housing and land in the city that are under the jurisdiction of powerful work units at the central government level. There are many central government agencies, ministries, large public institutions, and state owned enterprises (SOEs) in Beijing, which has resulted in a higher proportion of “reform housing” (fan gai fang)—previously public housing provided by work units that is privatized during the reform era through subsidized sale to sitting tenants. After 1998 when the provision of public housing was officially ended, these powerful agencies can still request new free land from BMG or use previously allocated land to develop ECH for their employees. This led to a much smaller share of urban land that is directly under the jurisdiction of BMG, and even a smaller share is for low-income housing development.

As the political, economic and culture center, Beijing is a strong magnet to both population and industries. During the rapid industrialization and urbanization, both population and the urban proper areas in Beijing have grown rapidly. There are currently 19.6 million population in Beijing in 2010 (Statistical Bureau of Beijing, 2011), and 1349.8 km<sup>2</sup> built-up areas in 2009 (NBSC, 2009). There have been massive urban renewals, shantytown rebuilding, and new town development. To facilitate the resettlement of affected households, subsidized housing such as ECH and “commodity housing with controlled prices” (xian jia shang ping fang, hereafter controlled housing) is often offered, and public rental housing is also offered to the renters in the former public housing owned by the government and work units. The large demand for housing due to massive influx of migrants and large-scale resettlement has pushed housing prices and rents to rise rapidly, and made housing increasingly unaffordable for low-income households who need housing subsidy from the government.

Housing price in Beijing has been rising faster than the national average (see Figure 1). The average price for commodity housing increased 2.6 times from 5,062 yuan/m<sup>2</sup> in 2001 to 13,224 yuan/m<sup>2</sup> in 2009, while per capita disposable income increased only 2.4 times from

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<sup>1</sup> “Di Bao” households refer to households who are qualified to receive Minimum Standard of Living Assistance, which is the last protection to the urban poor. They receive monthly allowance from the government to ensure their basic standard of living.

11,578 yuan in 2001 to 26,738 yuan in 2009 (NSBC ,2010). This makes the problems of low housing affordability and poor housing consumption, especially among low and middle income households, even more acute in Beijing than other cities (Yang et al., 2010). According to 2005 1% Survey in Beijing, there was 0.2% of urban households had no housing, 18.77% experienced housing crowding with per capita living space less than 8 m<sup>2</sup> (Ni and Yi, 2009). Severe housing problems among low income households are increasingly threatening social, political and economic stability in Beijing.

Since 1998 Beijing Municipal Government has been establishing a low-income housing system that is compatible to the market economy and aimed to solve housing problems among low-income households. The central government set up the goal of “ying bao jin bao” for “di bao” households with housing difficulties by 2007 and for all low-income households with housing difficulties by 2010. Has the decade-old CRH program in Beijing achieved its policy goal? Who should be the target of CRH program? Who is actually covered by the program, and what kind of subsidies do they receive? Is the allocation of CRH efficient and fair? This chapter aims to examine the evolution of CRH policy in Beijing, and empirically evaluate the application and allocation process of CRH in Beijing using the CRH application and verification information system. In addition to conducting an evaluation of the low-income housing policy in Beijing, this chapter can also help us better understand the change of housing allocation during market transition, and thus contribute to China housing and urban studies.

## Literature Review

Housing problem has been a central urban issue since the industrial revolution. It is a conventional wisdom that some government intervention in the housing sector is needed to correct market failure and to promote social and political stability (e.g. Zenou, 2010). Depending on the philosophy on the welfare state, Western nations have developed different kinds of low-income housing programs and management models. Numerous research and policy experiments show that policy evaluation is essential to improve housing policies and programs. Bridge et al. (2003) and Judd & Randolph (2006) show that policy evaluation for both specific housing programs and macro-housing policies has been commonly adopted in the US and UK. The British Cabinet believes that policy evaluation is the core of policy making and requires independent multi-dimensional evaluation for major government policies and programs (Cabinet Office 2003). Similarly, in the U.S., the Federal Department of Housing and Urban Development (HUD) requires all funding proposals to include a comprehensive evaluation model, and set-aside a proportion of program funds for this purpose (Renger *et al.* 2003).

Housing policy often reflects the political ideology of the government in power (Zenou, 2010). As noted by Whitehead (1999), in Europe, housing has been seen as a fundamental part of national social policy and assessed with multi-dimensional goals, while in the United States, most housing policies (for example, rent control, dwelling-based taxation, housing assistance to low income families) are fundamentally local policies and evaluated mostly with cost benefit economic analysis.

In general, the evaluation of public housing programs includes the physical and spatial qualities of housing, its architectural desirability (Liu, 2003; Ornstein, 2005, Fatoye and Odusmi, 2009), locational suitability (Apparicio and Seguin, 2006), people’s perceptions

and satisfaction of residential environment (Rapoport, 1977), and the efficiency of housing management and administration (Valenca, 2007; Sengupta and Sharma, 2008; Hsieh, 2008). Such evaluation is usually done within the context of established principles, theories, ideological orientations and/ or concepts (Ibem et al, 2010). For example, Quigley (2000) argued American housing policy had moved from project to tenant based housing assistance projects, and improve the efficiency and effectiveness of public housing policy. Bramley et al. (2002) assessed the operation and performance of low-cost home ownership in England. They evaluated this housing program's efficiency and effectiveness across the range of their objectives and from the viewpoint of policy makers, providers and consumers. One of their main findings is that there are strong differences between the context and performance of these schemes in different parts of England. Recent housing policy experience in developed countries indicates that demand side, income-related housing subsidy programs (such as housing subsidies and housing vouchers) are generally more effective in getting decent and affordable housing to the needy than public housing and other supply-side programs (Olsen, 2003). A high-level evaluation of the overall housing policy (from 1975 to 2000) in the United Kingdom shows that while many housing policies have been successful in their own terms, many of the housing problems identified at the beginning of the policy period have not been addressed effectively because of the nature of the policy making process (Stephens 2005).

Lack of efficiency and effectiveness were found common in public housing policies in developing countries (Malpezzi, 1999). Public housing programs have been criticized for failing to provide quality, affordable and adequate housing units to target population in most developing countries (Mukhija, 2004). Several recent research studies argue that governments in developing countries are not relenting in their efforts at addressing the problem of providing adequate, affordable and sustainable housing (Yeun et al., 2006 ; Sengupta and Tipple, 2007; Akinmoladun and Oluwoye, 2007; Sengupta and Sharma, 2008; Obeng-Odoom, 2009; Fernandez-Maldonado and Bredenoord, 2010 ; Mohit et al., 2010).

As part of the market transition, China has been conducting the largest experiment of housing policy since the 1980s. Despite its complexity and large scale, there has been limited research on housing policy in China. Zhu et al. (2008) show that housing marketization in China has led to the decline of housing affordability and housing sustainability. Wang (2000) argues that housing problems among low-income households are results of social welfare reforms that ignore interests of low-income households. Due to the lack of low-income housing, low-income households have benefited little from housing reform (Zhang, 2000). There are many low-income households with housing difficulties who are not covered by low-income housing programs, which may cause social instability (Lai, 1998; Lee, 2000). Huang (2011) argues that the low-income housing program in China has failed thus far mainly due to the central government's lack of a clear mission for low-income housing, local governments' lack of commitment, and the exclusion of massive migrants. Yet, the year of 2010 may mark a turning point in low-income housing with ambitious goals and aggressive investment for low-income housing and a changing dynamics between the central and local governments.

Scholars in China focus on the evaluation, model, problems of low-income housing in China and offer policy recommendations (e.g. Tian, 1998; Yao, 2003; Jia 2005; Ye et al., 2006; DRC, 2007; Jia et al., 2007). Yu (2006) argues that housing policy should protect housing rights, and the government should approach housing from the perspective of social policy and shoulder the responsibility of providing decent housing to low-income households (Zhu, 2007). Comparing with other countries, Yang et al. (2009) argued that the coverage of CRH



in China is not adequate and there is severe financial shortage for CRH. Considering the government budget and existing housing stock, they argue that subsidy to new housing development should be the main method of housing subsidy while monetary subsidies to renters should be supplementary, and central cities and near suburbs should be the ideal location for CRH and the government should encourage mixed neighborhoods to avoid the decline of low-income communities.

There has been very limited research on CRH in specific cities such as Beijing. Shao (2002) and Sun (2006) argued that CRH in Beijing has problems such as small coverage, tedious application process, lack of appropriate housing, poor exist mechanism, and the lack of matching infrastructure. Che and Guo (2009) evaluated the economics, effectiveness, and efficiency (3E) of the ECH in Beijing. With quantitative and comparative analysis, they conclude that there are three problems in ECH in Beijing: high income price ratio, mismatch in supply and demand, and unclear target group.

In sum, compared to the large body of literature on public housing program evaluation in the West, there has been very limited research on housing policy evaluation in China. In addition, most existing research focuses on conceptual analysis of problems in low-income housing and CRH system in China, while there are few solid empirical analyses due to the lack of systematic data. This chapter aims to fill the literature gap by conducting an empirical evaluation of the CRH system in Beijing. We use Beijing as the case because Beijing shares many common features of low-income housing with other Chinese cities; yet it has its own uniqueness. There has been very limited research on Beijing. This chapter can help us better understand the low-income housing policy and program in Beijing.

### **The Evolution of Cheap Rental Housing Policy in Beijing**

Since 1988 market mechanism has been gradually introduced into the welfare oriented housing system in Chinese cities. Yet, real housing marketization did not happen until 1998 when State Council (No. 23) ended public housing provision. In the following years, there was massive housing investment in private housing, housing prices skyrocketed, and several “macro-regulations” failed to cool down the red hot housing market. While both the central government and local governments are in the process of developing a new system of low-income housing, neither committed seriously until 2007 when the government started to re-focus on low-income housing, and until 2010 when the government started to set up ambitious goals and invest massively in low-income housing. Beijing is no exception.

#### **A Timeline**

Table 1 shows major policies on CRH in both Beijing and China. In 1998 State Council (No. 23) identified housing industry as a new growth pole, and aimed to establish a housing system targeting different strata of population with CRH provided to the lowest income households with housing difficulties. In 1999, Ministry of Housing and Urban and Rural Development (MOHURD, No. 70) established methods for application, verification, allocation, and management for CRH. BMG followed with “An Implementation Scheme for Further Deepening Housing Reform and Accelerating Housing Construction in Beijing” in 1999 (No. 21), adopting the same approach to CRH as the central government. In 2001, BMG issued “A Notice about Experimental Management Method for Cheap Rental Housing Management in Beijing” (No. 62), which clearly defined the policy target, housing source,

verification and allocation, and management for CRH. Despite the central government's effort to promote low-income housing and improve the system of CRH in the following years, BMG did not do much until 2007 when the central government showed its determination to promote low-income housing by issuing the watershed document "Suggestions from State Council about Solving Urban Low-income Household Housing Difficulties" (SC, 2007 No. 24). BMG responded with a series of policy on CRH, including the "Management Method for Cheap Rental Housing in Beijing" (BMG 2007, No.26), which defined the policy target, housing source, verification and allocation, and management of CRH. It clearly stated the principle of CRH is to provide basic housing needs of low-income households, and it defined "rent subsidy" as the main method of CRH, supplemented by "public housing with controlled rents". "Rent subsidy" is monetary subsidies to qualified households for them to rent housing on the market, while "public housing with controlled rents" refers to that the government allocate public housing to qualified households with regulated rents.

In the following years, BMG together with other government agencies issued policies and regulations on various aspects of CRH such as funding sources and management, the standard of subsidies, and verification and allocation of CRH to improve the system of CRH. For example, in 2009, Beijing Bureau of Housing and Urban-Rural Development (BBHURD) issued "Implementation Suggestion for Promoting Smooth and Health Development of the Real Estate Market (BBHURD2009, No. 43), which aimed to complete the construction of 2 million m<sup>2</sup> subsidized housing, and adopted mortgage policies for subsidized housing. In the same year, Beijing Financial Bureau (BFB) clearly identified funding sources for CRH and the ways to use and manage funding (No. 315). In 2010, BBHURD (No. 4) raised the concept of two 50%, meaning land for subsidized housing should be more than 50% of all land for housing development, and the number of units for subsidized housing should be more than 50% of total new housing development. Beijing Housing Indemnity Office (BHIO) issued "Implementation Scheme for Subsidized Housing Sunshine Project in Beijing" (No. 14), which aimed to start to build 4000 units of CRH in 2010, and basically solve housing difficulties of qualified households who passed the verification by the end of 2009. Entry criteria and subsidy standard are also adjusted (BBHURD 2010, No. 43; BHIO, 2011 No. 11), the process of application, allocation and management of CRH are further detailed in 2010 (BHIO, 2010 No. 36) to improve the CRH system. This reenergized commitment to CRH by BMG is a result of the political pressure and financial support from the central government (Huang, 2011).

To facilitate the development of CRH system, BMG also established an organizational infrastructure. A Leading Group for Housing Indemnity Work (zhufang baozhang gongzuo lingdao xiaozu), headed by the Mayor of Beijing, was established in 2007 as an overseeing agency for CRH development. Beijing Housing Indemnity Office (BHIO, zhufang baozhang ban) was also established under BBHURD, which has the same status as Housing Reform Office, and similar housing indemnity offices were established at district and street level. Despite the fact that BHIO is only a department under BBHURD, it receives strong support of the main leaders in the municipal government, and it can jointly makes decisions with various other government agencies in charge of finance, tax, urban planning, and land. This top-to-bottom organizational infrastructure with important political and economic power lay down the foundation for the success of CRH system.

**Table 1. Major Policies on Cheap Rental Housing in Beijing and China**

<b>Year</b>	<b>Beijing Policy</b>	<b>Main components</b>	<b>National Policy</b>	<b>Main components</b>
1998			A Notice from State Council about Further Deepening Urban Housing Reform and Accelerating Housing Development (SC, No. 23)	Establish a housing system targeting different strata of population; provide cheap rental housing to the lowest income households with housing difficulties
1999	An Implementation Scheme for Further Deepening Housing Reform and Accelerating Housing Construction in Beijing (BMG No. 21)	Establish a housing system targeting different strata of population; provide cheap rental housing to the lowest income households with housing difficulties	Management Method for Cheap Rental Housing (MOHURD, No. 70)	Established methods for application, verification, allocation and management for CRH
2001	A Notice about Experimental Management Method for Cheap Rental Housing Management in Beijing (BMG No. 62)	Define the policy target, housing source, screening and allocation, and management of cheap rental housing		
2003			Management Method for Cheap Rental Housing for urban Lowest Income Households (MOHURD, No. 120)	Identify the target for CRH is lowest-income households, the main method is rent subsidy. Subsidized housing should be no more than 60% of per capita living space

2006			A Notice about Suggestions for Adjusting Housing Provision Structure and Stabilizing Housing Price(SC, No. 37)	Emphasize provision of cheap rental housing, economic housing and small-medium sized commodity housing
2007	Management Method for Cheap Rental Housing in Beijing (BMG No.26)	Define the policy target, housing source, screening and allocation, and management of cheap rental housing	Suggestions from State Council about Solving Urban Low-income Household Housing Difficulties(SC, No.24)	Increases the coverage of CRH; establishes the goal of “ying bao jin bao”; detailed information about funding source, housing source of CRH and method of subsidies
	A Notice about Issues related to Adjusting the Standard of Housing Subsidies for Cheap Rental Housing in Beijing (BBCH, No. 1213)	Raise the standard of subsidies	Indemnity Method for Cheap Rental Housing (MOHURD, No. 162)	Detailed information about policy target, housing and funding source, screening and allocation and management of CRH. Increased target from lowest income households to low-income households with housing difficulties. Requires more than 10% of the net gains from land conveyance should be devoted to CRH
	A Notice from Beijing Municipal Government about Redelivering the Work Plan from the Bureau of Construction about Covering All Di Bao Households with Housing Difficulties through Rent Subsidies before 2007 and Accelerating the Development of Cheap Rental Housing (BMG NO. 69)	Establish the goal of “ying bao jin bao”, and set up detailed work plan		

	A Notice about Implementation Suggestion for Realizing Funding for Cheap Rental Housing in Beijing[BF, NO. 3070]	Identify sources for funding for cheap rental housing		
	A Notice about Handing in the Budget for Subsidies for Cheap Rental Housing in 2007 and 2008  (BBHURD, 2007)	Budget for Cheap Rental Housing		
2008	A Notice about Issues related to Application and Screening for Cheap Rental Housing, Economic Housing and Commodity Housing with Controlled Price in Beijing (BBHURD, NO. 35)	Detailed information about qualification	Suggestion about Promoting Healthy Development of Real Estate Market  (SC, No.131)	Aim to solving housing problems of 7.47 million urban low-income households with housing difficulties
	A Notice about Establishing a Database for Purchased Construction Materials for Newly Developed Cheap Rental Housing, Economic Housing and Commodity Housing with Controlled Prices(BBHURD, NO. 372)	Facilitate better management for construction materials		
	A Notice about Distributing Instruction for Construction Technology for Cheap Rental Housing, Economic Housing and Commodity Housing with Controlled Prices in Beijing(BBHURD, NO. 626)	Regulations on construction technology		

2009	Implementation Method for Financial Management for Cheap Rental Housing (BFB, NO. 315)	Clearly identify funding sources for cheap rental housing and the way to use and management funding		
	A Notice about Management Issues in Public Housing With Controlled Rents in Cheap Rental Housing (BBHURD, No. 536)	Detailed management regulation about public housing with controlled rents		
2009	A Notice about Rent Standard in Public Housing with Controlled Rents in Cheap Rental Housing (BBHURD, No. 925)	Detailed information about rent standard for public housing with controlled rents		
	Management Method for Public Rental Housing in Beijing (BCB, NO. 525)	Households that meet the criteria for cheap rental housing have priority to access public rental housing		
2010	Implementation Suggestion for Promoting Smooth and Health Development of the Real Estate Market (BBHURD No. 4)	Land for subsidized housing should be more than 50% of all land for housing development; the number of units for subsidized housing should be more than 50% of total new housing development	A Notice about Promoting Smooth and Healthy Development of Real Estate Market(SC, 2010, No.4)	Increase provision of low-income housing, aim to solve housing problems of 15.4 million low-income households with housing difficulties

	Several Suggestions on Further Strengthening the Development and Management of Cheap Rental Housing in Beijing(BHIO, No. 36)	Detailed information about the development, management, and exit of cheap rental housing	A Notice about Firmly Controlling Housing Price Rising too Rapidly in Some Cities (SC, 2010, No.10)	Established the goal of 3 million units of subsidized housing; require the development of a development plan for subsidized housing
	Implementation Scheme for Subsidized Housing Sunshine Project in Beijing (BHIO No. 14)	Start to construct cheap rental housing 4000 units, basically solve housing problems for those who have passed the screening process in 2009		
	A Notice about Adjusting Entry Standard for Household Income for Cheap Rental Housing in Beijing (BBHURD, No. 434)	Raised the entry standard of per capita monthly income from 650 yuan to 970 yuan		
	A Notice about Strengthening Screening, Allocation and Management for Cheap Rental Housing, Economic Housing and Commodity Housing with Controlled Prices(BBHURD, No. 26)	Detailed information about screening, allocation and management of cheap rental housing		
2011	A Notice about Adjusting Rent for Cheap Rental Housing after Minimum Standard of Living Adjusted (BHIO, No. 11)	Adjust rents based on the minimum standard of living	Various documents	Establish the goal of 36 million units of subsidized housing during the 12th Five-year Plan (10 million units in 2011), covering 20% of urban households by the end of the 12th Five-year Plan

## Policy Specifics

Since 2001, Beijing has been developing a system of CRH. Not surprisingly, the specific contents of its policies have changed over time.

### Policy Target and Entry Criteria

In Beijing, the policy target for CRH has expanded from “di bao” households and other special groups with housing difficulties, to low-income households with housing difficulties (Table 2)<sup>2</sup>. In 2001, BMG clearly identified that households who meet the criteria of lowest-income and housing difficulties could apply for CRH. The lowest-income households referred to urban “di bao” households whose per capita income was lower than the minimum standard of living (300 yuan/month) and who have received Minimum Standard of Living Assistance from the Ministry of Civil Affair for more than one year (BLHMB, 2001, No. 1005). “Housing difficulties” is defined as per capita living space no more than 7.5 m<sup>2</sup>. In other words, the policy target identified in 2001 was a very small group. Since November of 2005, the target for CRH has expanded from “di bao” households to low-income households with per capita monthly income less than or equal to 580 yuan and per capita living space less than or equal to 7.5 m<sup>2</sup> (BBHURD, 2005, No. 966). To follow the call from State Council that there should be no gap between policy targets of CRH and ECH, BMG expanded the coverage for CRH to households with low-income and housing difficulties (BMG, 2007 No. 22). In addition, special groups such as “di bao” households, people who are disabled or being resettled, old SOE employees with housing difficulties, and SOE Model Workers with housing difficulties are also qualified for CRH. In 2008, BMG clearly stated that it would gradually raise the income standard and expand the coverage for CRH each year. In 2009, the income criterion was 697 yuan/month per capita, and in 2010, it was further raised to 960 yuan in the six urban districts (BBHURD, 2010, No. 434). In suburban districts and counties, local governments can determine its income criterion for CRH based on its circumstances, but in principle, the income standard should not be lower than the urban low-income household’s standard, which was 731 yuan/month per capita. Housing standard in some suburban districts and counties is changed to per capita living space of 10 m<sup>2</sup>. Household asset was added as an entry criterion in 2007, which has since stayed the same<sup>3</sup>. In addition to above income, asset, and housing criteria, applicants for CRH have to hold local urban hukou, and live in Beijing (BBHURD, 2007 No. 1129).

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<sup>2</sup> Other special groups include people with major diseases, disabilities, resettled households due to housing demolition and urban renewal, and the elderly.

<sup>3</sup> Household assets include housing, the net worth of cars, cash, bonds, investment (including stocks), bank deposits and loans to others.



**Table 2. Targets and Entry Criteria for Cheap Rental Housing in Beijing**

Year	Target	Entry Criteria (Meet all)
2001–2005	Lowest-income households and households with housing difficulties	1: “Di bao” households with per capita income $\leq 300$ yuan/month; 2: Per capita living space $\leq 7.5$ m <sup>2</sup>
2006–2009	Low-income households with housing difficulties	1: Per capita income $\leq 580$ yuan/month, including di bao households; 2: Per capita living space $\leq 7.5$ m <sup>2</sup> 3: Household assets was added in 2007 One-person households: $\leq 150$ K yuan Two-person households: $\leq 230$ K yuan Three-person households: $\leq 300$ K yuan Four-person households: $\leq 380$ K yuan Five+ person households: $\leq 400$ K yuan
2009–2010,7	Low-income households with housing difficulties	1: Per capita income $\leq 697$ yuan/month 2: Per capita living space $\leq 7.5$ m <sup>2</sup> 3: Household assets same as above
2010,8 –	Low-income households with housing difficulties	1: Per capita income $\leq 960$ yuan/month 2: Per capita living space $\leq 7.5$ m <sup>2</sup> 3: Household assets same as above

Source: Various policy documents.

### Methods and Standards of Housing Subsidies

CRH in Beijing is allocated through “rent subsidies” and “public housing with controlled rents” (hereafter “public housing”). “Rent subsidies” is a demand-side subsidy, in which housing indemnity offices offer qualified households monetary rent subsidies for them to rent housing on

the market. “Public housing” means that the housing indemnity office provides actual housing to qualified households, and collects a certain proportion of their household income as rents. Because “rent subsidy” does not require a massive lump sum investment, it is possible to subsidize more needy households with limited funding and within a short span of time. Furthermore, it can avoid the concentration of low-income households and related social problems, and the exit system is relatively easier. But the problem is that low-income households may not access affordable and appropriate housing. In comparison, “public housing” guarantees the beneficiaries to have access to housing, but it tends to result in the concentration of low-income households and the exit can be problematic. After evaluating the potential consequences of these two methods, the Beijing municipal government decided to provide housing subsidy mainly through “rent subsidy”, supplemented with “public housing” (BBHURD, 2007). The principal is that “public housing” is mainly for special groups such as the disabled and the elderly whose household condition rarely change and model workers with housing difficulties, while the other low-income households should receive “rent subsidy” .

The principle for CRH is to guarantee low-income households’ basic housing needs, and the level of subsidy is determined by the budget and households’ housing condition. The amount of “rent subsidies” is determined by factors such as household size, per capita subsidized housing standard, monthly rent subsidy standard per square meter, and household income, and it should be within the range between the pre-determined maximum and minimum rent subsidies. In 2007, the rent subsidy standard was adjusted to 40 yuan/m<sup>2</sup>/month in eight urban districts, and the minimum rent subsidy was 550 yuan/month, and the maximum rent subsidy was 1500 yuan/month (BBHURD 2007). The subsidy standard for “public housing” is per capita construction space 13 m<sup>2</sup> (living space 10 m<sup>2</sup>). Depending on household structure, gender, age and household size, different types of apartments will be allocated. In 2005, 5% of household income of the lowest-income households was the rent standard for “public housing” (BCDR, 2005). Subsidies for “di bao” households and other low-income households are calculated differently to ensure fairness.

The actual rent subsidy is determined by a set of factors such as per capita housing subsidy standard in the amount of floor space, household size, subsidy standard per month per square meter, and household income. Yet, rent subsidies in eight urban districts are calculated (using the following formula) differently for “di bao” households and other low-income households:

*Di bao households:*

monthly rent subsidy =subsidy standard/month/m<sup>2</sup> \* (per capita subsidy standard in the amount of floor space – per capita living space with current dwelling) \* household size

*Other low-income households:*

monthly rent subsidy =subsidy standard/month/m<sup>2</sup> \* (per capita subsidy standard in the amount of floor space – per capita living space with current dwelling) \* household size – (per capita monthly income – the minimum standard of living in Beijing) \* household size

If the monthly rent subsidy calculated using the above formulas is lower than the minimum month rent subsidies, households receive the minimum monthly rent subsidy, and if it is higher than the maximum month rent subsidy, households receive the maximum rent subsidy. In far

suburbs, district/county government can set up their own subsidy standard, the minimum and maximum rent subsidy based on their own situation. After the lease between the qualified household and the landlord is filed at the CRH management offices, rent subsidies will be issued to the landlord through related housing indemnity office (BBHURD, 2007 No. 1176).

### Funding and Housing Source

The funding source for CRH includes 1) annual budget for CRH, 2) Net capital gain from Housing Provident Fund; 3) Net gains from land conveyance; 4) rent income from CRH; 5) donations and others (BBHURD, 2007). Funding for CRH is shared between municipal (80%) and district government (20%). In eight urban districts, the subsidy standard for CRH can be increased based on the market rents; yet district governments are responsible for the increased subsidies.

The land for CRH is allocated by local governments without charge (hua bo). The land provision for CRH should be prioritized in the land provision plan, and it should be listed separately in annual land quota application to ensure land provision for CRH. The source for public housing includes newly built or purchased housing by the government, previous public housing, donated housing, and others.

### Verification, Monitoring and Management

Beijing municipal government adopts a system of “three levels of verification, and two levels of public display” (san ji shenhe, liangji gongshi). Applicants for CRH need to submit their applications to the Street Office (jie dao) for preliminary verification, the District Government for second verification, and the municipal Housing Indemnity Office for final verification. The preliminary verification results are required to be displayed in public at the applicants’ hukou registration place, current residence, and work place, and the second verification result by the District Government is required to be displayed on the district government website or other required spaces. The beneficiaries of CRH are required to submit information about their housing, income, household size, and assets annually to the district level housing indemnity office, while the latter need to check their information regularly.

In summary, the Beijing Municipal Government has taken a long way in establishing a system of CRH for low-income households amidst of housing reform and market transition. It is clear that policy wise the BMG has strengthened its commitment in recent years with a larger policy target identified for CRH and more detailed regulations for the management of CRH. Now the question is whether and how are these policies being implemented on the ground? Has the Beijing Municipal Government achieved its policy goals? The following empirical analysis aims to answer these questions.

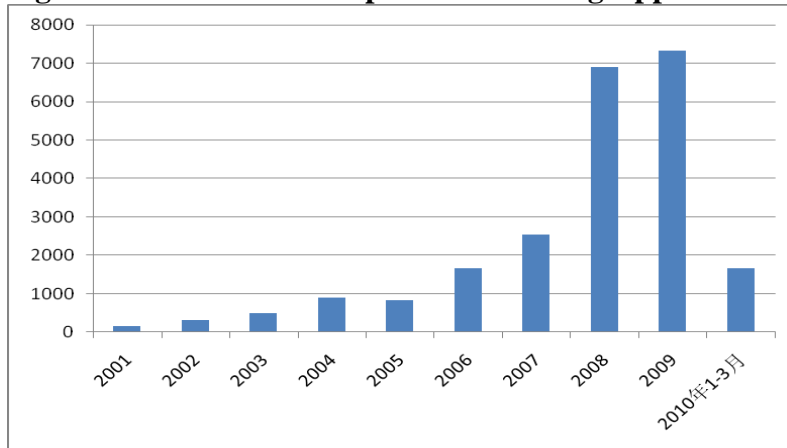
## An Empirical Analysis

### Data and Profile of CRH Applicants

The following empirical study mainly uses three types of data: 1) the CRH Application Verification Information System dataset by Beijing Housing Indemnity Office (BHIO), 2) work reports by BHIO, and 3) interviews of BHIO staff, CRH applicants, and other low-income households. In other words, both quantitative and qualitative data are used to help us evaluate CRH program in Beijing.

According to the CRH Application Verification Information System, the number of CRH applicants who passed the verification was very small in the first a few years of the 21<sup>st</sup> century (only 156 in 2001), but it has been increasing rapidly since 2007 when the government decided to establish a new system of low-income housing focused on CRH, and established the ambitious goal of “ying bao jin bao” (e.g. BMG, No. 26, No. 69). The number of verified applicants reached 6,893 in 2008 and 7,336 in 2009, while it was only 821 in 2005. By the end of March of 2010, the cumulative number of applicants for CRH reached 22,788 households (Figure 2).

**Figure 2. Number of Cheap Rental Housing Applicants Over time in Beijing**



CRH applicants come mostly from the old urban core. The old urban districts accounted for about 49%, while the new urban districts accounted for another 38%, and the far suburbs accounted for only 13% of verified applicants (Table 3)<sup>4</sup>. The main reason for the concentration of CRH applicants in the urban core is that households with per capita living space less than 10 m<sup>2</sup> are mostly living in the inner city, and the lowest-income households mostly live in dilapidated bungalows in the inner city.

<sup>4</sup> Dongcheng and Xicheng district here include previously Dongcheng, Xicheng, Xuanwu, and Congwen district. The four old urban districts were combined into two districts in 2010.

**Table 3. Characteristics of Verified Applicants for Cheap Rental Housing**

	N	%		%
Total	22788	100	<b>Age</b>	
<b>Old Urban Districts</b>	<b>11146</b>	<b>48.9</b>	<=30	5.8
Xicheng	6063	26.6	31-40	15.9
Dongcheng	5083	22.3	41-50	48.8
<b>New Urban Districts</b>	<b>8707</b>	<b>38.2</b>	51-60	21.2
Chaoyang	2787	12.2	61+	8.3
Fengtai	2266	9.9		
Shijingshan	2247	9.9	<b>Household Type</b>	
Haidian	1407	6.2	Missing	0.1
<b>Far Suburbs</b>	<b>2935</b>	<b>13.0</b>	Di bao households	62.8
Fangshan	320	1.4	Low-income households	35.1
Tongzhou	743	3.3	Other special groups	2.0
Shunyi	84	0.4		
Changping	165	0.7	<b>Household size</b>	
Daxing	76	0.3	3-person	38.8
Mentougou	929	4.1		
Huairou	136	0.6	<b>Annual Household Income (10,000 Yuan)</b>	
Pinggu	18	0.1	0	48.6
Miyun	309	1.4	0<X<=0.5	11.5
Yanqing	155	0.7	0.5<X<=1	14.6
			1.0<X<=1.5	14.1
			1.5<X<=2	8.8

2.0 +	2.4
<b>Household Assets (10,000 yuan)</b>	
0	82.3
0<X<=5	11
5<X<=10	3.2
10<X<=15	2.0
15 +	1.5

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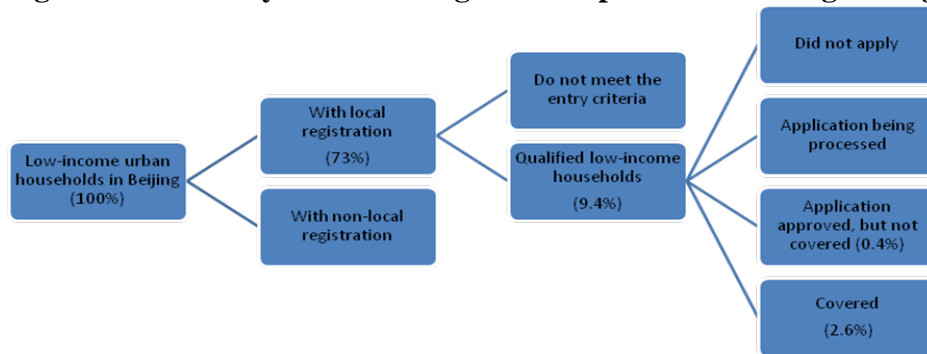
Most of CRH applicants are in their 40s (48.8%) and over 50 (29.5%). Not surprisingly, “di bao” households account for more than 60% of CRH applicants, and other low-income households account for more than one third (35.1%), and other special groups account for about 2%. The most common household structure is three-person households, which accounts 38.8% of all. According to verified applicants’ household income and assets, it is clear that households with low income and assets are given priority to pass the verification. More than 60% of verified applicants have annual household income less than 5,000 yuan, and 98% have less than 20,000 Yuan. More than 93% of applicants have less than 50,000 Yuan assets.

### **The Low Coverage of the CRH System**

The goal of “ying bao jin bao” means that ultimately all low-income households who need housing assistance should be covered by the CRH system, and the most vulnerable group—“di bao” households with housing difficulties should be 100% covered first. Yet, in reality, there are huge gaps between who *should* be covered, who are *qualified* to be covered, and who are *actually* covered by CRH system. There are many factors that may contribute to the gaps, such as strict entry criteria, local governments’ limited financial and housing resources, the lengthy application and verification process, and slow implementation and distribution of CRH to qualified households

According to the Beijing 2005 1% Population Survey, there were 4.41 million urban households in Beijing (BMPSB, 2005). Adopting the income division method by State Statistical Bureau, low-income households in Beijing account for 20% of total urban households, which means there were 880,000 low-income households who should be covered by CRH (100%). Yet, just as other cities in China, only low-income households with local urban registration are qualified for CRH in Beijing. According to Beijing Bureau of Public Security, there were 3.21 million urban households are locally registered in 2005. Adopting the 20% low-income division, there were 642,000 low-income households with local non-agricultural household registration, which accounted for 73% of all low-income households (Figure 3).

**Figure 3. Extremely Low Coverage of Cheap Rental Housing in Beijing**



Among low-income households with local non-agricultural registration, only those who meet the entry criteria can potentially apply for CRH. According to a survey of Beijing low-income families in 2005, there were 38,300 “di bao” households with per capita living space less than or equal to 7.5 m<sup>2</sup>. By 2006, there have been 5,831 “di bao” households who have applied for rent subsidies, while there are about 32,500 households who did not apply. According to BBHURD (2007), there are various reasons why these households do not apply for CRH, including: 1) compared to medical service and children’s education, improving housing condition is not the priority for many lowest-income households; 2) many low-income households live in old neighborhoods in inner cities that may be gentrified, and they may receive massive resettlement compensation; 3) due to limited rent subsidies, it is difficult to rent appropriate housing; 4) many low-income households are unwilling to leave their current residence due to potentially higher living cost after the move considering transportation, shopping, children’s schooling, and medical services. Thus, Beijing Municipal Government decided to expand the coverage for CRH to cover all “di bao” households. According to 2005 Urban Household Survey, households with per capita monthly income between 310 and 580 Yuan and per capita living space less than or equal to 7.5 m<sup>2</sup> accounted for about 1.2% of all households, which means there were about 44,500 other low-income households who should enjoy CRH. Thus the estimated qualified applicants (including those who have applied) are 82,800 (38,300 “di bao” households and 44,500 other low-income households), which accounted for 9.4% of all low-income households in Beijing. With strict entry criteria on income and housing condition, it is clear that the CRH system in Beijing doesn’t aim for a high coverage rate.

The number of actual applicants is unknown. Yet, we know the number of applicants who passed the verification from Beijing Housing Indemnity Office. By the end of March of 2010, there were 25,809 households (accumulative over time) who passed the verification<sup>5</sup> (BHIO, 2010), among which 1,672 households accessed “public housing”, and 20,598 households received “rent subsidies” through the lottery system, and another 3,179 households who have not received any kind of CRH subsidy. Thus the total number of households covered by CRH was 22,630, which accounted for 87.7% of all verified households, but only 2.6% of all urban low-income households, and only 27.3% of the number of qualified applicants estimated by BMG (82,800). This demonstrates the extremely low coverage of CRH among urban low-income households and

<sup>5</sup> Because the time that the Street Office accepting application for preliminary verification, the county/district’s secondary review, and the Beijing Housing Indemnity Office recording to the information system are not the same, the statistics here are not consistent with those reported earlier.

among qualified applicants. The goal of “ying bao jin bao” is too far away for these households. Among those covered by CRH, there were 14320 “di bao” households, which accounted for only 37.4% of all “di bao” households (38,300) in 2005. Thus even among the most vulnerable “di bao” households, the coverage is way below the goal of “ying bao jin bao”. In other words, whatever the target group is, be it urban low-income households, qualified applicants, or “di bao” households, the goal of “ying bao jin bao” has not been achieved in Beijing, and there is a long way to go.

### **“Public Housing” Vs. “Rent Subsidy”**

As discussed earlier, qualified low-income households can access either “rent subsidy” or “public housing”. In comparison, “public housing” is more costly (financially and administratively) due to the initial housing construction and the following housing distribution and management, while “rent subsidy” is more efficient. Thus, “rent subsidy” is adopted by BMG as the main subsidy method, while “public housing” serves as a supplementary subsidy method, targeting mainly special groups.

According to the Beijing CRH Verification Information System, between 2001 and April 1st, 2010, there were 5,838 households who were planned to receive “public housing”, accounting for 25.6% of all beneficiaries, while there were 16,950 households who were planned to receive “rent subsidies”, accounting for 74.4% of beneficiaries (Table 4). Yet, “di bao” households and other “special groups” such as those who are disabled or have major diseases are much more likely to access “public housing” (87%) than non-special low-income households (5.4%). This is a result of the CRH policy that gives “di bao” households and other special groups priority in accessing “public housing”. Households in old urban districts are much more likely to access “rent subsidy” (82.4%) than elsewhere; especially in Xuanwu district, more than 92% of beneficiaries receive “rent subsidy”. In new urban districts, beneficiaries are more likely to receive “public housing” (36.4%), especially in Chaoyang and Shijingshan District, where 40% and 50%, respectively, of beneficiaries accessed “public housing”. One main reason for this spatial difference is that there is more “public housing” in new urban districts such as Shijingshan district than in the inner city.

Regarding the actual level of subsidy, on average, beneficiaries receive about 40 yuan per person per m<sup>2</sup> of living space per month. Yet, there are large variations between districts. In general, subsidies are higher in urban districts, and lower in far suburbs. Both old and new urban districts offer about 43 yuan per person per m<sup>2</sup> of living space per month with Dongcheng district offers the highest level of subsidy (45.2 yuan), while far suburban districts offer on average only 17.5 yuan, with Yanqing district offers only 10 yuan per person per m<sup>2</sup> of living space per month. The main reason for the difference in actual subsidy level is that market rents are generally higher and local governments are more resourceful in urban districts than far suburbs.



**Table 4. The Types and the Amount of Housing Subsidy for Cheap Rental Housing**

	Public housing (%)	Rent subsidy (%)	Total (%)	Average rent subsidy per person per m <sup>2</sup> of living space (yuan)
<b>Total</b>	<b>25.6</b>	<b>74.4</b>	<b>100</b>	<b>40.3</b>
<b>Household Type</b>				
Di bao households and special groups	87.0	13.0	100	
Other low-income households	5.4	94.6	100	
<b>Old Urban Districts</b>	<b>17.6</b>	<b>82.4</b>	<b>100</b>	<b>42.9</b>
Dongcheng	21.5	78.5	100	45.2
Xicheng	17.4	82.6	100	43.8
Chongwen	28.1	71.9	100	41.4
Xuanwu	7.8	92.2	100	38.3
<b>New Urban Districts</b>	<b>36.4</b>	<b>63.6</b>	<b>100</b>	<b>43.4</b>
Chaoyang	40.3	59.7	100	43.4
Fengtai	25.2	74.8	100	43.9
Shijingshan	49.9	50.1	100	42.3
Haidian	25.2	74.8	100	44.1
<b>Far Suburbs</b>	<b>24.1</b>	<b>75.9</b>	<b>100</b>	<b>17.5</b>
Mentougou	42.9	57.1	100	19.9
Fangshan	0	100	100	12.2
Tongzhou	39.8	60.2	100	19.8
Shunyi	1.2	98.8	100	14.1
Changping	0.6	99.4	100	19.8
Daxing	11.8	88.2	100	16.9
Huairou	0.7	99.3	100	15.8

Pinggu	0	100	100	15.0
Miyun	0	100	100	17.3
Yanqing	100	100	0	10.0

### Allocation of “Public Housing”

Headey (1978) use both “horizontal equity” and “vertical equity” to assess public policy. Horizontal equity implies that people in identical situations receive the same treatment, while vertical equity implies that that people with worse situation receive more subsidies. The design and implementation of the CRH policy in Beijing demonstrates the principle of both vertical and horizontal equity. For example, applicants who are in more difficult situations can access “public housing”, and they are given priority when allocating “public housing”—vertical equity. According to BBHURD (2009, No. 536), households who meet the entry criteria for CRH and one of following criteria can apply for “public housing”:

1. households who have enjoyed the Minimum Standard of Living Assistance for 2 consecutive years or more;
2. households whose income is lower than the low-income household standard for two or more years and there are men over 55 years old (or women over 50) in the household;
3. households with members who are seriously ill or handicapped;
4. Households living in dangerous houses or households whose housing have been demolished and there is no other available housing, and households who are considered by government agencies as households with severe housing difficulties.

Households meeting these criteria are given priority when apply for “public housing”. If there is not sufficient “public housing” available, “rent subsidy” can be adopted during the transitional period.

In 2007 BBHURD issued a document (No. 1213) on the application, verification, and allocation of cheap rental housing<sup>6</sup>. It clearly stated that in principle the amount of floor space for “public housing” should not be larger than the per capita subsidized housing area standard. Considering factors such as intergenerational cohabitation, gender and age structure, and household size, the subsidy standards are one-room bungalows for 1-person households, one-bedroom apartment for couples and same sex single parent families, two-bedroom apartments for different sex single-parent families and 3-person households, and three-bedroom apartments for households with 4 or more people (Table 5). In eight urban districts, the standard for “public housing” is 10 m<sup>2</sup> of live space per capita, while in some suburban counties the standard may be higher. If households are willing to return their previous housing to district (or county) housing indemnity and

<sup>6</sup> See Beijing shi chengshi lianzu zhufang shenqing, shenhe ji peizu guanli banfa (Management Method of Application, Verification, and Allocation of Cheap Rental Housing in Beijing).

management office, they can access “public housing” according to the standard; otherwise, they can access “public housing” with the dwelling size of the difference between their previous housing and subsidy standard. It also clearly stated the dwelling size for “public housing” is in principle to meet the basic living need. The construction areas of “public housing” should be no more than 50 m<sup>2</sup> per unit, with one-bedroom units less than 35 m<sup>2</sup> and two-bedroom apartment less than 45 m<sup>2</sup>.

Housing Indemnity Office (HIO) divides applicants into different categories according to the type of housing unit (dwelling size) they are qualified, and put them in queue according to their housing difficulty level and other factors. According to a certain proportion of available public housing, HIO decides the number of households who can participate in the lottery for “public housing”, and households will choose their dwellings based on the order of the lottery result. If households decided to give up choosing their dwelling, they have to wait in queue again, and subsequent households will fill their positions. If a household gives up choosing their dwelling twice, they must apply all over again. If a household has participated in the lottery system three times and has still not been chosen, HIO can directly allocate public housing to the household<sup>7</sup>.

According to actual allocation of “public housing” in Beijing, it seems that there are differences between actual allocation and “public housing” allocation standard. For example, among singles, 97.4% of them accessed one-room bungalows, and 2.6% of them accessed dwellings larger than one-room bungalows which show the actual subsidy is slightly higher than the standard (Table 5). So are couples and same-sex single-parent families. But a large proportion of different-sex single-parent families (13.7%) and families with 3 or more persons accessed dwellings smaller than the subsidy standard. In other words, smaller households tend to be allocated “public housing” larger than subsidy standard and larger households tend to be allocated “public housing” smaller than subsidy standard. This may be a result of the mismatch between available types of dwellings and households structure, and between available dwelling size and housing subsidy size standard.

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<sup>7</sup> In addition, the latest development in housing policy shows that households who meet the entry criteria for CRH can access “public rental housing” (gonggong zulin fang) with priority. “Public Rental Housing” is different from “public housing with controlled rents”. It is rental housing (public or private) with government regulated rents that targets lower-middle income households especially new employees and qualified migrants (MOHURD, 2010).

**Table 5. Gaps between Policy on Public Housing Allocation and the Actual Public Housing Allocation**

Household size (person)	Household structure	Subsidy Standard according to Housing Policy	Actual Public Housing Allocation
1	Single (including divorced and widowed)	One room bungalows	97.4% with one-room bungalows, 2.5% with two-room and 0.1% with three-room bungalows
2	Couple, same sex single parent households	One-bedroom apartments	Couple: 98.6% with sing-room , 1.2% with two-room and 0.2% with three-room bungalows; Same sex single parent households: 97.7% with single-room, and 2.3% with two-room bungalows
	Single parent households with different sexes (children $\geq$ 10 years old)	Two-bedroom apartments or two room bungalows	86.3% with two-room, 13.7% with one-room apartments
3	Couples with children, or couples with parents from one side of the family		92.0% with two-room, 7.5% with one-room and 0.5% with three-room apartments
	Three-generation family		57.4% with two-room, 2.9% with one-room and 39.7% with three-room apartments
4	Two couples, or couples with two single children with same sex	Three-bedroom apartments	10.0% with one-room, 84.2% with two-room, 5.8% with three-room apartments
	Coupe with two single children with different sexes (children $\geq$ 10 years old)		22.3% with two-room, 76.7% with three-room apartments
	Couple, children and parents from one side of the family		57.4% with two-room, 2.9% with one-room and 39.7% with three-room apartments

5+	Three-bedroom apartment, or adjust according to household structure	73.7% with three-room, 26.3% with two-room apartments
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### Allocation of “Rent Subsidy”

“Rent subsidy” in Beijing embodies horizontal equity. The amount of rent subsidy is determined by two factors: 1) the housing indemnity standard for the specific district/county (per capita living space), and the actual amount of subsidized floor space is the difference between this standard and the floor space of existing housing that are not returned to the government (subsidized rental housing from the government and work units or privately owned housing); 2) rent subsidy standard (e.g. 40 yuan/m<sup>2</sup> in eight urban districts). Thus, the actual amount of rent subsidy is only related to the size of existing housing, whether existing housing is returned or not, and what district/county households reside, while it has nothing to do with household structure and whether the household qualifies for “di bao”. In general, the average actual monthly rent subsidy per person per m<sup>2</sup> of living space is much lower in far suburbs than in urban districts (18 yuan vs. 43 yuan) (Table 4), and the latter is roughly about 2.5 times of the former.

Since 2008, market rent in Beijing has been rising rapidly, which result in the fact that households can’t rent housing meeting the per capita housing subsidy standard in floor space using their rent subsidies. In 2009, the actual rent subsidy standard in urban districts in Beijing was only about 30.1 Yuan/ month/m<sup>2</sup>, which accounted for about 60% of the average market rents. This level of rent subsidy in Beijing is much lower than that in other large cities (Development Research Center of the Council, 2010).

### Conclusion and Discussion

In recent years, the Chinese government has been pushing aggressively for low-income housing with massive investment and detailed policies and regulations. The Beijing Municipal Government has followed the call of the central government, and a low-income housing system is in the making. Based on a review of low-income housing policies and an empirical analysis of Cheap Rental Housing allocation, we find that the Cheap Rental Housing system in Beijing is rather comprehensive. The number of beneficiaries has increased significantly over time especially in recent years. Yet, the coverage so far is very low, with less than 3% of all urban low-income households, 27% of estimated qualified low-income households, and 37% of “di bao” households covered by CRH. Thus by April of 2010, three years after the deadline of 2007 set up by the central government (State Council, 2007, No. 24), Beijing has not achieved the goal of “ying bao jin bao” for “di bao” households, let alone for all urban low-income households.

CRH is distributed mainly through the method of “rent subsidy”, supplemented with “public housing with controlled rents”, which indicates the efficiency of the system. Yet, there are large regional differences within Beijing due to differences in housing markets, existing housing stocks and local governments’ financial resources. Households in old urban districts are more

likely to receive “rent subsidy” while those in new urban districts are more likely to access “public housing”.

The allocation of “public housing” demonstrates the principle of “vertical and horizontal equity” embodied in the policy design and the goal of “public housing” to meet basic housing needs. For example, “di bao” households and other special groups such as those with major illness, the elderly, and those with housing demolished or resettled are more likely to access “public housing”. Yet, there are small gaps between policy and implementation, and households may access housing larger or smaller than subsidy standards. In contrast, the distribution of monetary rent subsidy is linked closely to the location of applicants’ household registration and the size of current housing, but has no relationship with their household structures and income level. In other words, it demonstrates the principle of “horizontal equity”, with subsidy standard higher in urban districts than in far suburbs as market rents are higher in the former than the latter. Yet, with rapidly rising market rents, rent subsidies are too low to reach the goal of meeting basic housing needs.

The extremely low coverage shows that the Beijing Municipal Government needs to commit more aggressively in CRH to achieve the goal of “ying bao jin bao” for low-income households. State Council (2007, No. 24) demanded all cities to achieve the goal of “ying bao jin bao” for all urban low-income households by the end of 11<sup>th</sup> Five-year Plan (2010). While it seems to be impossible to achieve this goal in the near future given the current 2.6% coverage rate, BMG should at least cover all “di bao” households and qualified low-income households. Thus the government needs to commit more budgets for subsidy, more urban land for CRH construction, and more personnel to manage CRH.

Secondly, the entry criteria for CRH need to be adjusted over time. The current policy target for CRH is low-income urban households with local registration who meet the income, asset and housing criteria. It does not include low-income households with housing difficulties who do not meet the income and asset criteria. The income criterion for CRH is mainly related to minimum wage, without considering the impact of factors such as income growth, CPI, and changes in market rents on housing affordability of low-income households. The current standard for low-income households is based on “Identification Method for Urban Low-income households” by the Ministry of Civil Affairs in 2008. The Beijing Municipal Government set up a low-income standard based on local economic development level and minimum wage, which is usually lower than the lowest 20% of income group as defined by the State Statistical Bureau<sup>8</sup>. In recent years, household income in Beijing has increased significantly; yet, CPI is rising, and housing price increases even faster. Thus the entry criteria and subsidy standards need to be adjusted on time to reflect low-income households’ housing difficulty and ensure accurate and stable coverage. Because of low entry criteria and the lagged adjustment over time, it is somewhat unreasonable not to include low-income households with housing difficulties who do not meet income and asset criteria.

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<sup>8</sup> In 2009, the low-income standard in Beijing was adjusted from per capita monthly income 960 yuan to per capita annual income 1520 yuan. Using the 20% method by SSB, the average income for low-income households was 11,729 yuan with a range of 4,569-16,181 yuan. Thus the latter is higher than the former.

Third, the subsidy method and subsidy standard for CRH need to be adjusted. Currently, in Beijing, policy oriented housing, including CRH, is built in proportion in commodity housing development (so-called “pei jian” or mixed development). Although the notion of a coordinated plan for housing and transportation was mentioned in low-income housing development plan, the focus of low-income housing in Beijing is to solve the housing difficulty of low-income households, while their employment, transportation and social integration are somewhat ignored. Thus many districts/counties developed low-income housing at inaccessible locations to reduce financial investment; yet it brought employment and transportation problems to the target population. Thus, policy on “public housing” needs to be adjusted. For example, in urban planning and housing policy, the government should require public housing to be built in proportion in new urban districts, industrial parks, and communities along subways, public housing and matching infrastructure within the development be completed together, and public infrastructure outside of the development such as roads and transportation be sufficient. In addition, market rents in Beijing have been rising rapidly, and “rent subsidy” adjustment tends to lag behind, which reduces the actual size of housing households can afford to rent. In comparison, those with “public housing” enjoy lower-than market rent decided by the government and its adjustment is very slow. Thus there is an increasingly significant inequality between those with “public housing” and those with “rent subsidy”, with the former receive higher actual subsidies than the latter.

Fourthly, massive low-income migrants in Beijing are excluded from accessing subsidized housing including CRH, which defies the ultimate goal of low-income housing—social justice. Currently, CRH only covers qualified low-income urban households with local registration, while migrants with non-local registration are not included despite their economic contribution to the city. Yet, there are 7.05 million migrants in Beijing, accounting for 35.9% of its usual residents (Beijing 6<sup>th</sup> Census Leading Group Office, 2011)<sup>9</sup>. We argue that migrants also have housing rights in cities, and the government should set up a threshold to include some low-income migrants into the CRH system. For example, low-income migrants who have been working in the city, paying taxes and having social security for three years or more can apply for CRH. Recently, the Beijing government has been promoting “public rental housing” (gong gong zu lin fang), and has allowed migrants working in industrial park apply for “public rental housing”<sup>10</sup>. While this may only affect a small segment of migrants, it is a small step towards the right direction of including migrants in the subsidized housing system.

Finally, since 2010, the BMG has stepped up its commitment to low-income housing, which makes it increasingly promising to achieve the goal of “ying bao jin bao” for at least the lowest-income households. In 2011, BMG plans to build or purchase new subsidized housing 200,000 units, half of which is for subsidized rental or ownership, and the other half is for resettlement

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<sup>9</sup> To cope with the constraints of resources and environment, and the pressure from rapid population growth, Duan (2009) proposed a policy that “using housing to regulate population” (yi fang guan ren). In other words, the government should clearly set the standard for basic infrastructure of rental housing and the minimum per capita living space standard to improve migrants’ living condition on the one hand, and to increase living cost on the other hand. By doing so, the city can indirectly control its population size. This policy proposal has been adopted by BMG, and in 2010, BMG promoted a “service model” that “use residence cards, housing and employment to regulate population” (BMG, 2010).

<sup>10</sup> “Public rental housing” may be owned by the government or private investors, but rents are regulated by the government. It has been promoted by the central government since 2010 to meet the housing needs of lower-middle income households especially new employees and qualified migrants (MOHURD, 2010, No. 87) Qualified households for CRH have the priority in accessing public rental housing (BBHURD, 2009, No. 525).

(BBHURD, 2011). According to the head of BBHURD, BMG aims to build/purchase at least 60,000 units of public rental housing, and allocate at least 20,000 public rental housing by the end of 2011. Applicants for CRH have priority in accessing public rental housing, and enjoy rents comparable to CRH. BMG also aims to provide rent subsidy to 20,000 households. The goal is to “ying bao jin bao”—cover all CRH applicants who have passed the verification. Yet, due to entry criteria, CRH still cannot cover all urban low-income households, especially low-income migrant households. Based on the policy that CRH beneficiaries who access public rental housing can receive rent subsidies, it is clear that the allocation of CRH resource is efficient and fair. Yet, due to the fact that public rental housing is mostly built in far suburbs, the spatial mismatch between housing and employment continues.



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