

# Social Investment Fund in Seoul : policy issues for promoting social housing supply

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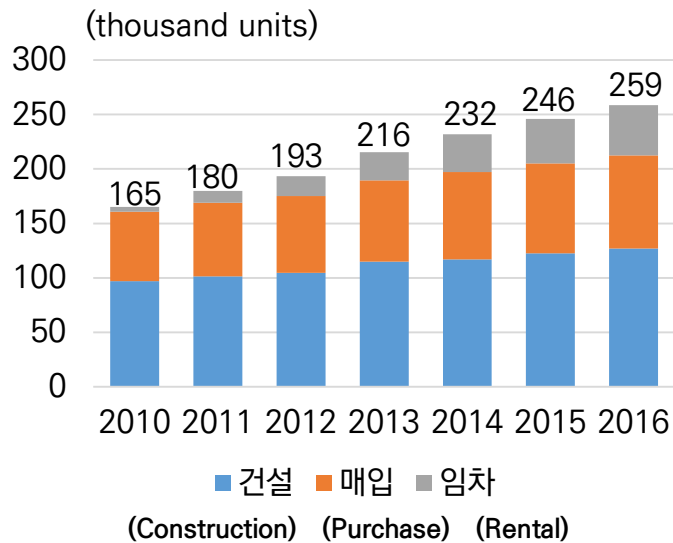
01

## Social Housing Policy in Seoul



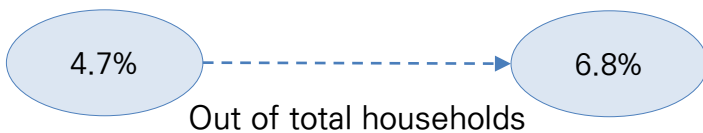
## Public Rental Housing Stock

- Seoul Metropolitan Government(SMG) has steadily increased the stock of public rental housing thru SH Corp



(thousand units)

Type	Construction	Purchase	Rental	Total
2010	96.9(58.7)	64.0(38.7)	4.3(2.6)	165.2(100)
2011	101.4(56.4)	67.6(37.6)	10.8(6.0)	179.8(100)
2012	104.8(54.2)	70.5(36.5)	18.1(9.3)	193.4(100)
2013	114.9(53.3)	74.6(34.6)	26.0(12.1)	215.5(100)
2014	117.0(50.5)	80.3(34.6)	34.6(14.9)	231.9(100)
2015	122.5(49.8)	82.5(33.5)	41.1(16.7)	246.1(100)
2016	127.0(49.1)	85.5(33.1)	46.0(17.8)	258.6(100)
Increase('10~'16)	30.1(32.3)	21.5(23.0)	41.7(44.7)	93.4(100)



Note: Increase = Stock in 2016 – Stock in 2010



## Constraints on Public Rental Housing Supply

- Strong political willingness, but the supply of public rental housing is getting difficult

### Construction

- Difficult in securing large scale land for construction
- Objection from adjacent neighborhoods

### Purchase

- Pace of city redevelopment has slowed down
- Higher purchasing costs than construction

### Rental

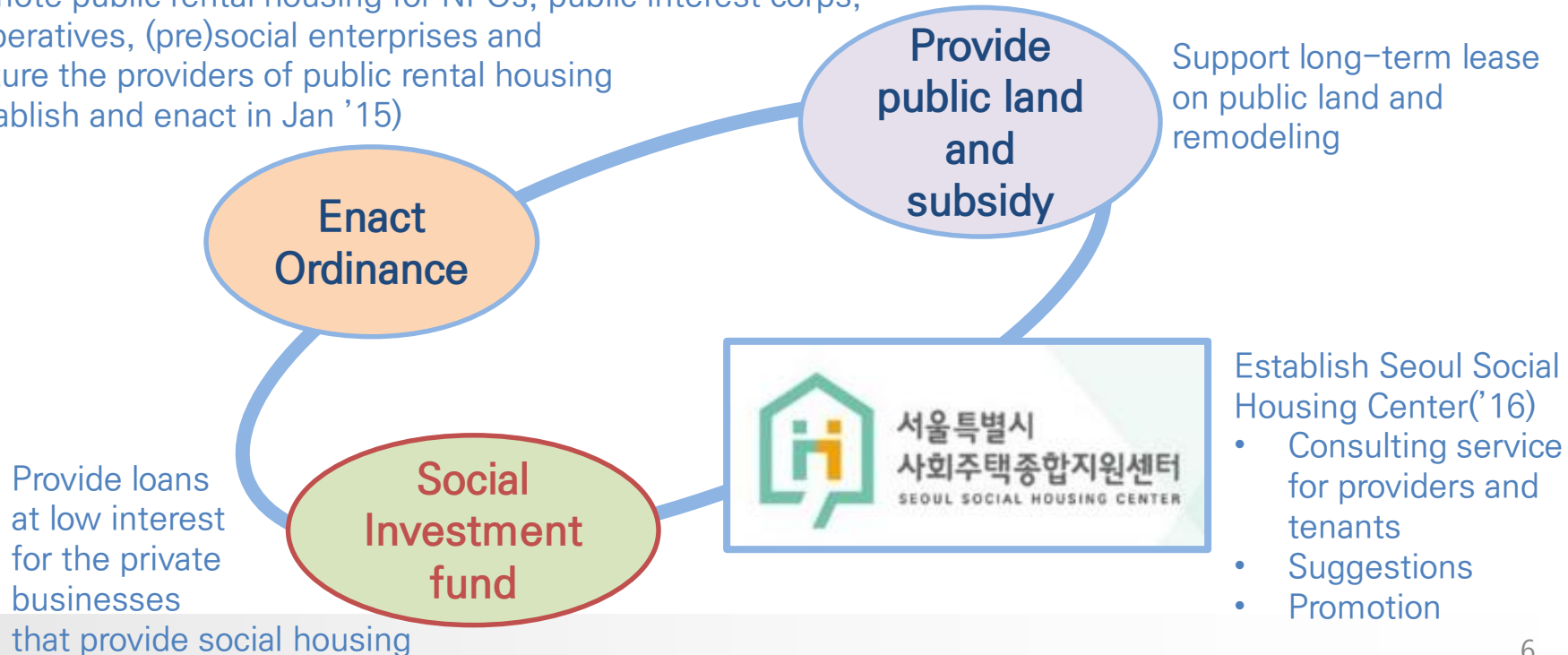
- Not enough financial support from gov't, leading to reside in substandard housing
- Less residential stability due to private owning



## 🏠 Building Infrastructure for the supply of social housing by Private Sector

- Diversifying providers and utilizing private resources to secure the supply of qualified and affordable housing
  - Mainly for young adults, one person households

Promote public rental housing for NPOs, public interest corps, cooperatives, (pre)social enterprises and Nurture the providers of public rental housing (establish and enact in Jan '15)





## 🏠 Type of Social Housing supplied by the Private Sector

Type	Public land rental	Remodeling the vacant houses	Remodeling quasi-houses
Supply method	<ul style="list-style-type: none"> <li>Seoul buy lands and lend them to business operators</li> <li>Business operators lend to tenants after construction or remodeling</li> </ul>	<ul style="list-style-type: none"> <li>Business operators make a direct lease contract with the owner and apply for the project</li> <li>Operators lend to tenants after remodeling</li> </ul>	<ul style="list-style-type: none"> <li>Business operators find the non-residential buildings and apply (15yrs or more)</li> <li>Operators buy or lease them and lend to tenants after remodeling</li> </ul>
Operation period	<ul style="list-style-type: none"> <li>30~40yrs based on the land lease contract</li> </ul>	<ul style="list-style-type: none"> <li>6yrs ~ 8yrs</li> </ul>	<ul style="list-style-type: none"> <li>6yrs ~</li> </ul>
Subsidy	<ul style="list-style-type: none"> <li>Land purchase price: 1.6bln won at Max per building</li> </ul>	<ul style="list-style-type: none"> <li>up to 50% of remodeling costs ~85m<sup>2</sup> : 20mil won</li> <li>85m<sup>2</sup>~165m<sup>2</sup> : 30mil won</li> <li>165m<sup>2</sup>~: 40mil won</li> </ul>	<ul style="list-style-type: none"> <li>6~8yrs: up to 60% of remodeling costs per building (150mil at Max)</li> <li>8~10yrs: 70%(180mil at Max)</li> <li>10yrs~ : 80%(200mil at Max)</li> </ul>
Qualification & Rent	<ul style="list-style-type: none"> <li>100% or less than average monthly income of household in city (70% or less one-person HH)</li> <li>Rent: 80% or less than market price</li> </ul>	<ul style="list-style-type: none"> <li>70% or less than average monthly income(one-person household)</li> <li>Rent: 80% or less than market price</li> </ul>	<ul style="list-style-type: none"> <li>70% or less than average monthly income(one-person household)</li> <li>Rent: 80% or less than market price</li> </ul>



## Social Housing Supply by Private Sector ('17.11)

- Began in 2015, a total of 566 housing Units are supplied

type	Public land rental			Remodeling vacant houses			Remodeling the quasi-houses		
	No. of Providers	No. of buildings	No. of HH	No. of Providers	No. of buildings	No. of HH	No. of Providers	No. of buildings	No. of HH
2015	3	3	29	3	13	72	–	–	–
2016	6	6	87	4	13	151	1	2	40
2017	3	3	69	3	3	13	2	4	105
total	9	12	185	6	29	236	3	6	145

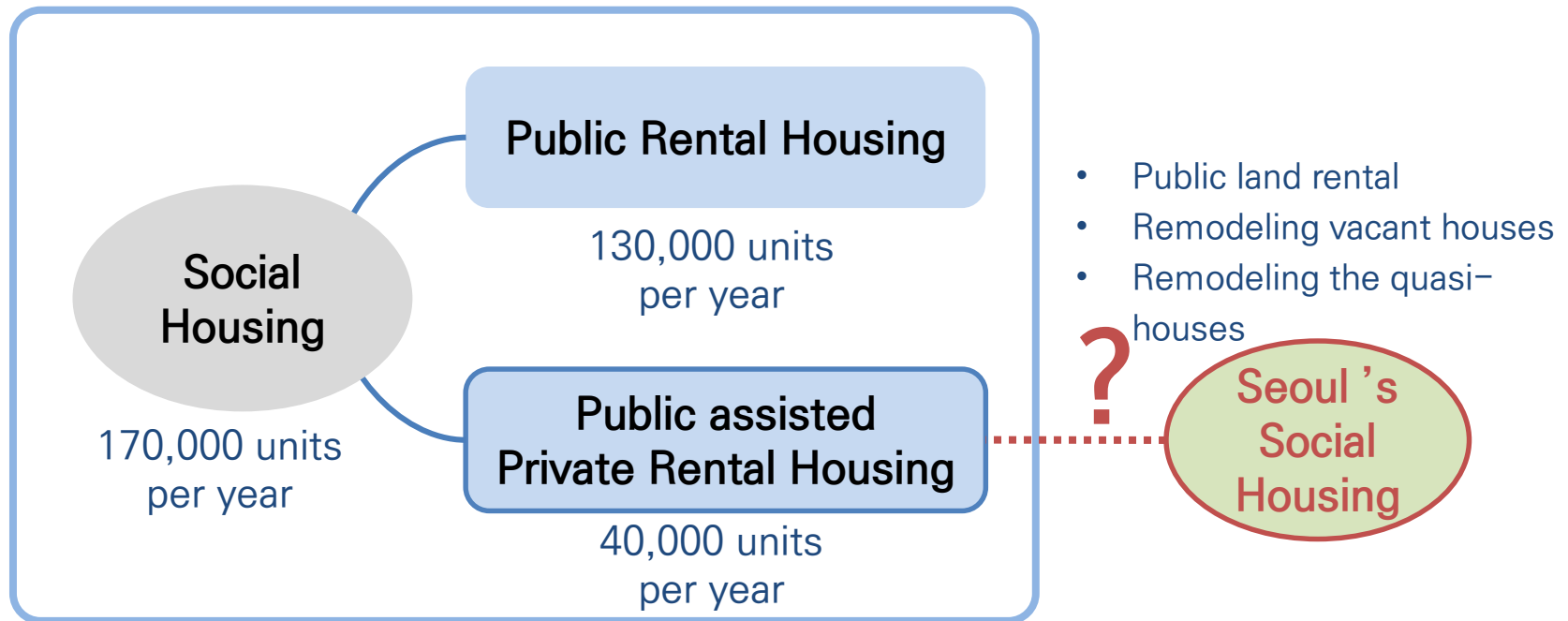
Note: Total number excludes repetition  
Data from Seoul Social Housing Center





## 🏠 Social Housing Supply Plan of the Central Government

- SMG's social housing can be included in the 'public assisted private rental housing' category of the central government  
→ however it was not determined yet



02

## Social Investment Fund: 2013~2016



## Background

(Pre)Social enterprises, cooperatives, village-unit companies and other social economic organizations; Corporations, foundations, social welfare organizations, NGOs and other non-profit organizations

- To nurture and support social economic organizations pursuing realization of social value
- To solve social issues such as citizen's welfare improvement and job creation and activate social investment market
- In July 2012, the 〈Ordinance on Establishment and Operation of Seoul Metropolitan Social Investment Fund〉 was established and fund operation began in 2013



## Management and Operation the 1<sup>st</sup> period: 2013~2016 / the 2<sup>nd</sup> period : 2017~present

### manage-ment

- **the 1<sup>st</sup> period : contracting-out**
  - Out source to Korean Social Investment for 4years
- **the 2<sup>nd</sup> period : direct management**
  - SMG provides loans to private social financial institutions

### Scale of fund

- **the 1<sup>st</sup> period : 70.3 billion won (SMG 52.6bil won, Private17.7bil won)**
  - (Seoul) from social investment fund of general account
  - (Private) from social financial institutions 14.6bil won + contributions 3.1bil won
- **the 2<sup>nd</sup> period : about 20 billion per year**
  - Seoul 10~15bil won + Private 5~10bil won



## Designating a Private Contracting Agency

- In November 2012, agencies for management and operation of social investment fund were recruited
- As a result of open recruitment, Korean Social Investment was selected as a performer and began to operate the fund from 2013 (Outsourcing agreement is renewed every 2 years)



/재/단/법/인/  
**한국사회투자**  
KOREA SOCIAL INVESTMENT

- A foundation established in Dec 2012, from Social Solidarity Bank that carried out microcredit
- Operating social finances
- Providing consulting services, evaluations and educations about social economic issues



## Loan Types of Social Investment Fund

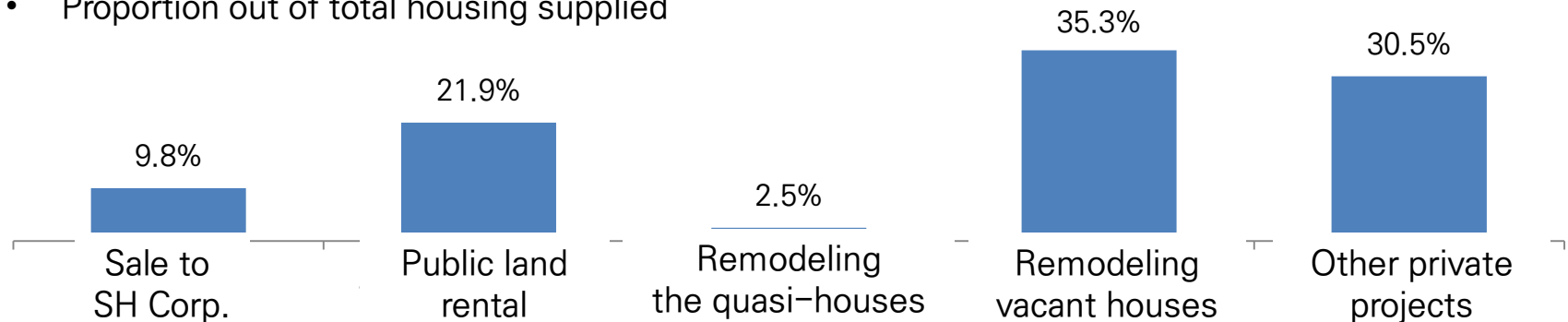
Type	Target	Amount of support	Repayment
<b>Social economy organization loan</b>	<ul style="list-style-type: none"> <li>• (pre)Social enterprises, cooperatives, village-unit companies located in Seoul (→ to ease capital shortage and promote business)</li> </ul>	<ul style="list-style-type: none"> <li>• 4.5bil won('16)</li> <li>• up to 200mil won/corp</li> </ul>	<ul style="list-style-type: none"> <li>• redemption after 5yrs</li> <li>• annual rate of 2%</li> </ul>
<b>Social housing loan</b>	<ul style="list-style-type: none"> <li>• Corporations and (pre)social enterprises planning to supply rental housing in Seoul</li> </ul>	<ul style="list-style-type: none"> <li>• 9bil won('16)</li> <li>• up to 2.5bil won/corp</li> </ul>	<ul style="list-style-type: none"> <li>• redemption after 5yrs (deferred for 1yr, payments for 4yrs)</li> <li>• annual rate of 2%</li> </ul>
<b>Intermediate agency cooperation</b>	<ul style="list-style-type: none"> <li>• Corporations and (pre)social enterprises dealing with social financial issues</li> <li>• must be located in Seoul for refinancing</li> </ul>	<ul style="list-style-type: none"> <li>• 2bil won('16)</li> <li>• up to 1bil won/corp</li> </ul>	<ul style="list-style-type: none"> <li>• redemption after 5yrs (deferred for 1yr, payments for 4yrs)</li> <li>• annual rate of 0% (less than 4% for refinance)</li> </ul>
<b>Social project loan</b>	<ul style="list-style-type: none"> <li>• Corporations and (pre)social enterprises dealing with social problem solving projects in Seoul</li> </ul>	<ul style="list-style-type: none"> <li>• 7bil won('16)</li> <li>• up to 2.5bil won/corp</li> </ul>	<ul style="list-style-type: none"> <li>• redemption after 5yrs (deferred for 1yr, payments for 4yrs)</li> <li>• annual rate of 2%</li> </ul>
<b>Social impact reward</b>	<ul style="list-style-type: none"> <li>• Provide reward if the SIB selected business meets the target</li> </ul>	<ul style="list-style-type: none"> <li>• 1bil won (up until '14)</li> <li>• up to 200mil won/project</li> </ul>	-



## 🏠 Social Housing Loan

Type	Contents
For sale to SH Corp.	<ul style="list-style-type: none"> <li>•Support when the private sector construct or remodel SH Corp’s rental housings to sell them.</li> <li>•loan period : 3 years at max</li> <li>•loan limit : 70% of total business expenses</li> </ul>
For rent	<ul style="list-style-type: none"> <li>•Support the projects connected with public land rental, remodeling vacant housing and remodeling the quasi-housing policies or social hosing, cooperative housing provided by the private sector</li> <li>•loan period : 5 years at max</li> <li>•loan limit : 70%~90% of total business expenses</li> <li>•Up to 90% of business expenses for corps participated in the social housing projects in Seoul, otherwise, up to 70%</li> </ul>

• Proportion out of total housing supplied





## Performances of Social Investment Fund

(no. of cases, million won)

구분	2013		2014		2015		2016		합계	
	cases	loan amount	cases	loan amount	cases	loan amount	cases	loan amount	cases	loan amount
Social economy organization loan	-	-	9	971	27	2,908	14	1,282	50	5,161
Social housing loan	1	310	5	4,355	8	6,172	21	8,732	35 (397units)	19,569
Intermediate agency cooperation	7	11,800	5	1,290	5	1,850	4	940	21	15,880
Social project loan	-	-	1	500	11	6,361	10	7,025	22	13,886
Social impact reward	-	-	3	300	-	-	-	-	-	-
total	8	12,110	23	7,416	51	17,291	49	17,979	131	54,796





## 🏠 Cases by social housing loan

(Photo credit: Korean Social Investment)

### Public land rental



Green friends

### Remodeling the vacant houses



Toadhousing

### Remodeling quasi-houses



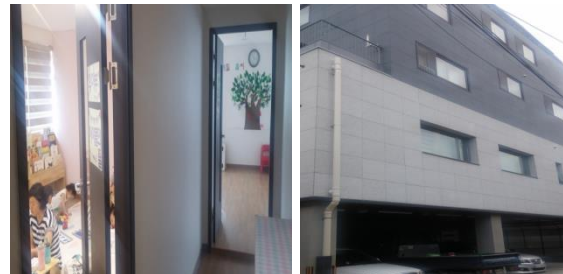
Sunlab architecture office

### SH Corp sales



ibookee

### Private business



Housing cooperatives 'Hanai'



Livingart center

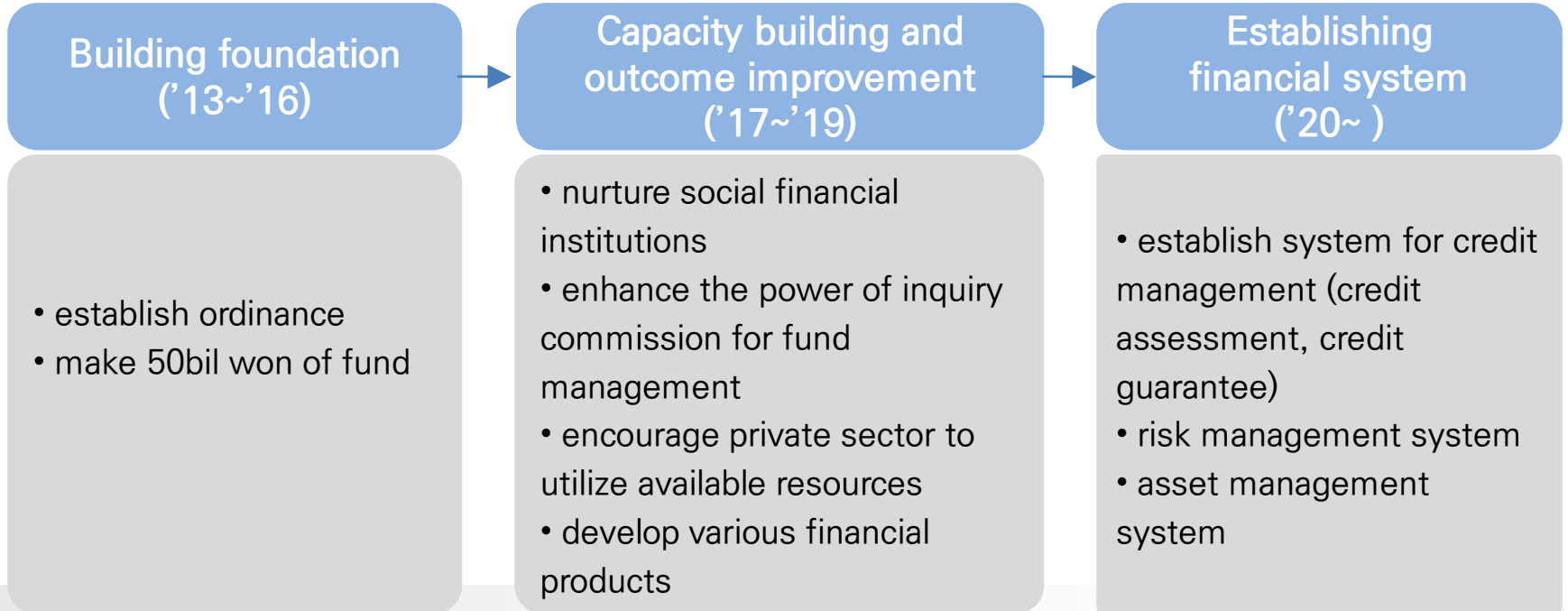
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Social Investment Fund: 2017~present



## 🏠 Reorganizing operating system and Long-term plan

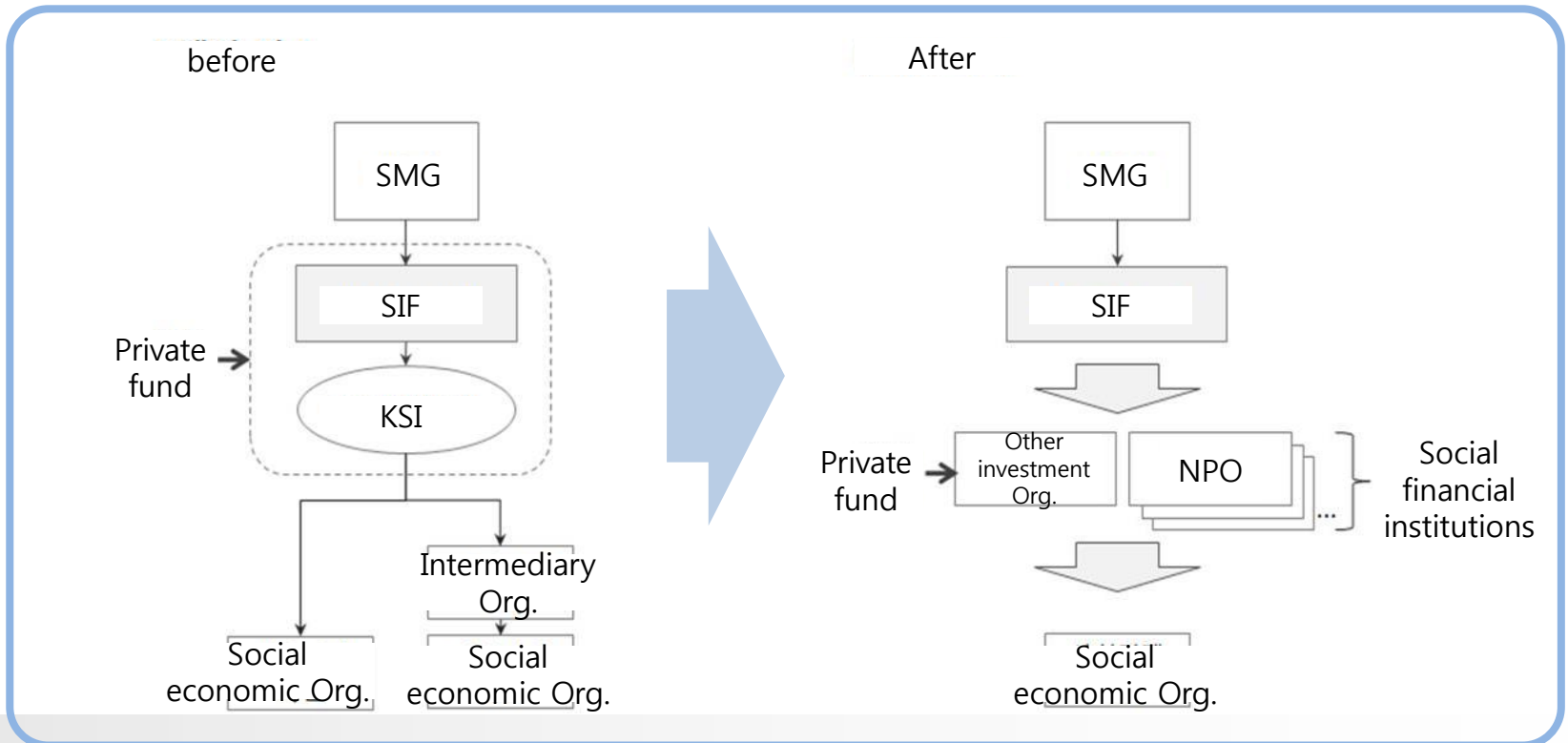
- **Revising <Framework act on the management of local government funds>**
  - Prohibit the contracting-out to improve transparency of fund management
  - Direct management by SMG is inevitable





## 🏠 Reorganizing operating system (1)

- SMG finances social investment fund to social financial institutions
- The institutions combine the fund with their own assets to refinance it for social economic organizations





## 🏠 Reorganizing operating system (2)

Designate  
social  
financial  
institutions

- **Designating social financial institutions by open recruitment**
  - submit business plan including budget plan on its own assets
    - assessed by the inquiry commission for fund management
  - Matching ratio of 1:1 is principle, Maximum of 3:1(city:private) is allowed.

Require-  
ments

- **Repayment period is up to 8 years**
  - Social financial institutions can utilize the interest benefits from loans as revenue
  - refinance rate is less than 4%

Other  
business  
subsidy

- **Providing subsidy for building capacity of social economic organizations**
  - support expenses for management consulting and other programs
  - 1% of applied amount

# 03 Social Investment Fund: 2017~present



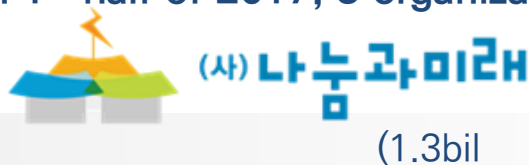
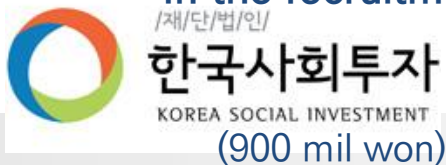
## 🏠 Operation of Social Investment Fund in 2017

• obligated to support more than 50% of total loans for housing policy and selected projects in Seoul (including matching amount)

- Recruiting social financial institutions with a total of 16 billion won

Type	Social economic organization and social project loan	Social Housing Loan
Scale of loan	8 billion won (4bil+4bil)	8 billion won (4bil+4bil)
rate	0%	0%
Rate of refinance	3% or less	3% or less
Redemption period	5 years at Max (deferred for 2 years, level payment)	8 years at Max (deferred for 2 years, level payment)
note	Up to 200 mil won /corp Up to 1 bil won /project	70% or less than total expenses (90% or less for the projects approved by Seoul city) Up to 2.5bil won/corp

In the recruitment in 1<sup>st</sup> half of 2017, 3 organizations are selected





## Korean Social Investment

- In the first half of the year, a total of 1.2 billion won of loans including 300 million won of original grant is provided (support 4 organizations)

limitation	up to 1bil won/corp
rate	annual rate of 2%
period	7 years at Max

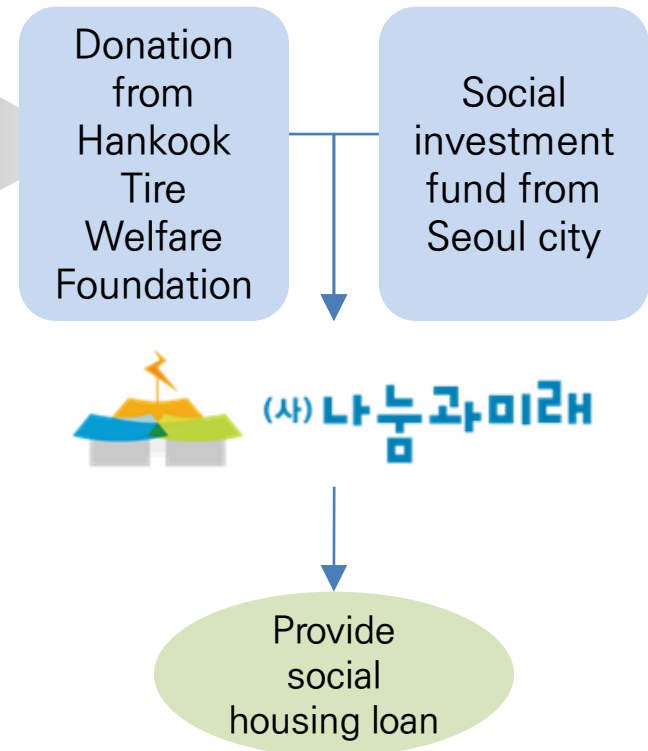
Target	The amount	
Green friends	856mil won	1.2bil won
Korea social housing cooperatives	190mil won	
Toad housing	100mil won	
Bohonus	54mil won	



## 🏠 ‘Sharing and Future(NPO)’ – Warm-hearted Social Investment Fund

- 2016 : Donation from Hankook Tire Welfare Foundation
- 2017 : Donation from HTWF + Seoul’s social investment fund  
(1<sup>st</sup> half 1.3 billion, 2<sup>nd</sup> half 0.75 billion won)

2015.12.16 approval by the HTWF board of directors  
 2016.01.27 contract btw HTWF-sharing and future  
 2016.03.23 announcement on Warm-hearted social investment fund business  
 2016.04.05 donation from HTWF (3bil won)  
 2016.04.12 Agreement on social investment fund operation and management (HTWF-Sharing and future -law firm)  
 2016.06.21 Start support on social housing fund  
 2016.07.18 Agreement on promoting social housing supply (HTWF-Sharing and future -SH Corp)  
 2017 (plan) additional donation from HTWF (3bil won)





# 03 Social Investment Fund: 2017~present



## 🏠 'Warm-hearted Social Investment Fund' – social housing supply (1)

Types	Items	Terms (2016)	Terms (2017)
For sale to SH corporation	Expenses on <ul style="list-style-type: none"> <li>•land purchase</li> <li>•design</li> <li>•Construction</li> </ul>	<ul style="list-style-type: none"> <li>• 1bil won at Max, 1time/Corp every year</li> <li>•70% or less than total expenses, redemption with the ownership transfer</li> <li>•pay 1% of social housing contribution per year</li> </ul>	<ul style="list-style-type: none"> <li>• (same with the left)</li> <li>• (same with the left)</li> <li>• annual rate: base rate+0.5%</li> </ul>
Remodeling vacant houses or quasi-houses	Expenses on <ul style="list-style-type: none"> <li>• building lease</li> <li>• design</li> <li>• construction</li> </ul>	<ul style="list-style-type: none"> <li>• 200mil won at Max, 2times/Corp every year</li> <li>•70% or less than total expenses, redemption with the support from Seoul city</li> <li>•pay 1% of social housing contribution per year</li> </ul>	<ul style="list-style-type: none"> <li>• 50mil won for vacant house project. 1time/Corp</li> <li>• 90% or less than total expenses, redemption after 7 years</li> <li>•annual rate: base rate+0.5%</li> </ul>
Public land rental	Expenses on <ul style="list-style-type: none"> <li>• building purchase</li> <li>• design</li> <li>• construction</li> </ul>	<ul style="list-style-type: none"> <li>• 500mil won at Max, 1time/Corp every year</li> <li>• 50% or less than total expenses, redemption after 5 years</li> <li>•pay 1% of social housing contribution per year</li> </ul>	<ul style="list-style-type: none"> <li>•(same with the left)</li> <li>• 90% or less than total expenses, redemption after 7 years</li> <li>• annual rate: base rate+0.5%</li> </ul>
Other private projects	Expenses on <ul style="list-style-type: none"> <li>• purchase/lease</li> <li>• design</li> <li>• construction</li> </ul>	<ul style="list-style-type: none"> <li>• 500mil won at Max, 1time/Corp every year</li> <li>• 50% or less than total expenses, redemption after 5 years</li> <li>• pay 1% of social housing contribution per year</li> </ul>	<ul style="list-style-type: none"> <li>• 300mil won at Max, 2times/Corp every year</li> <li>•70% or less than total expenses redemption after 7 years</li> <li>• annual rate: base rate+0.5%</li> </ul>
Public housing management by NPO	Expenses on <ul style="list-style-type: none"> <li>• LH deposit</li> <li>• furniture costs</li> </ul>	-	<ul style="list-style-type: none"> <li>• 20mil won at Max, 1time/Corp every year</li> <li>•redemption after 7 years</li> <li>• annual rate: base rate+0.5%</li> </ul>



## 🏠 ‘Warm-hearted Social Investment Fund’ – social housing supply (2)

- Supporting 5 cases in 2016 (2,286 million won), 5 cases in the first half of 2017 (1,418 million won)

### 2016

Type	Amount (mil won)	target
Land rental	530	Young adults, newly weds
Land rental	496	Young adults, newly weds
SH Corp sale	1,000	Young adults (cooperatives)
Private project	200	Young adults
Private project	60	Young adults (share house)

### 1<sup>st</sup> half of 2017

Type	Amount (mil won)	target
Land rental	500	Young adults, newly weds
Land rental	500	Newly weds
Remodeling vacant houses	18	Young adults (share house)
Remodeling quasi houses	200	Young adults (share house)
Remodeling quasi houses	200	Young adults (share house)



## 🏠 Cases by 'Warm-hearted Social Investment Fund'

(photo credit: sharing and future)

Cooperatives housing for young adults in Cheonho-dong



Share house for young adults in Yongdap-dong



Share house for young adults in Bucheon



Construction site of land rental public housing





## 🏠 ‘Warm-hearted Social Investment Fund’ –subsidy for capacity building

types	overview	Amount of subsidy(2016)	Amount of subsidy(2017)
Activating residents' community	<ul style="list-style-type: none"> <li>•Support                             <ul style="list-style-type: none"> <li>- Education fee before moving in</li> <li>- Community activities after moving in</li> </ul> </li> </ul>	• max 5 million won	• max 2 million won
Capacity building of organizations	<ul style="list-style-type: none"> <li>• Support                             <ul style="list-style-type: none"> <li>- fee on tutors and consultants</li> <li>- training expenses</li> </ul> </li> </ul>	• max 2 million won	• max 2 million won

- 2million won for Toad housing and Housing co-op respectively (2016)
  - Toad housing : make pamphlets on archiving about vacant houses
  - Housing coop : enhance capability by developing rules and principles on operation

# 04

## Evaluation and Policy Issues



## Outcomes and Limitations of Social Investment Fund

- Recognizing the possibility of affordable housing supply by private sector
- Securing stocks for young people or one-person households who are likely to be excluded by the public rental housing
- However, it is difficult to expect results beyond the possibility
  - Limitation of the size of the fund, short repayment period, etc.
  - Less stocks & limits to foster social landlords

It is necessary to reconstruct the financial support system of social housing involving the central government with reference to the experience of social investment fund and social housing supply in Seoul



### From Social Financial Institutions

- Sustainable financial support of Seoul Metropolitan Government is unclear
- Attractiveness for participation of social financial institutions is insufficient
- Limit to the activation of social housing supply to the current scale of support(8 billion won per year)

### From Social Housing Providers

- Implementing the central government's loan support
- Public guarantee and interest subsidy for commercial bank loan
- Creating nationwide social housing fund
- Central government's subsidy for Rental income



## Loan from National Housing and Urban Fund

- It can be used stably up to 20 years
- In case of continuing the renting after expiration of the loan term, interest rate will be reduced by 0.1%p

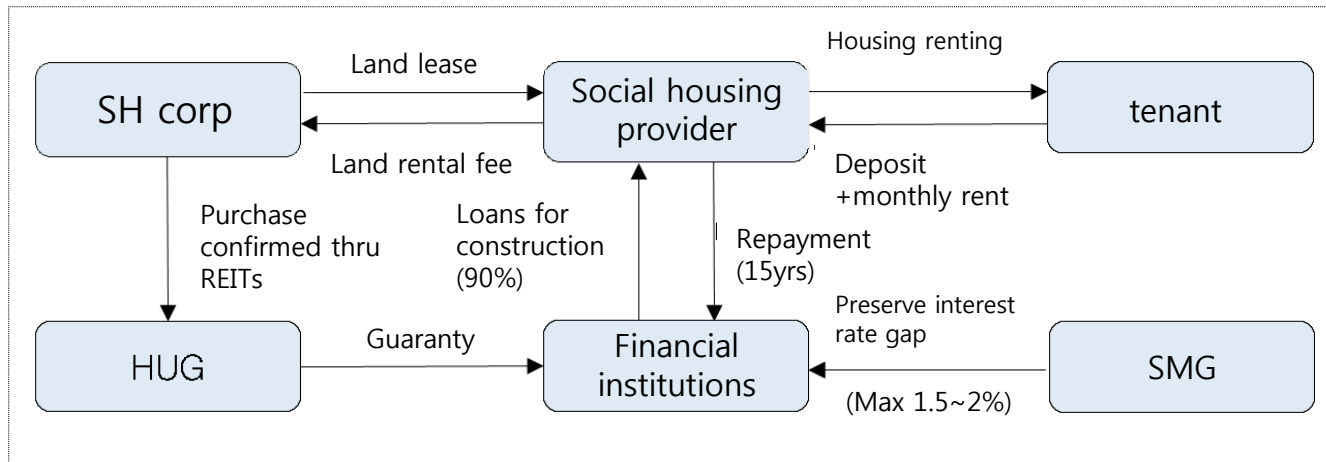
[ 구분 ]	≤45m <sup>2</sup>	45~60m <sup>2</sup>	60~85m <sup>2</sup>
Interest rate	2.0%	2.3%	2.8%
Loan limit amount	50million won	80million won	100million won





## Support for Financing by Private Financial Institutions through Guarantee of HUG Corp.

- The guarantee is provided within 90% of the total project cost
- SMG provides secondary conservation for loan interest rate









## Local level – SMG

- 🏠 Expanding the scale of fund operation
  - Financial support from SMG is required
- 🏠 Expanding support for limited-profit organizations(not social economic org.)
  - The central government's support will be concentrated on NPO or social enterprises
- 🏠 Providing short-term loans for organizations which are urgent
- 🏠 Fostering social financial institutions which distribute the fund to providers



## National level

-  To Clarify the relationship between public-assisted private rental Housing and Seoul's social housing
-  To Re-establish the operational principles of National Housing and Urban Fund
-  To Expand loan for social housing supply
-  To Establish Legal Basis
  - Revising the law on private rental housing

감사합니다  
Thank you

