

2011 Modularization of Korea's Development Experience:

Policy for the Construction and Supply of Affordable Housing in Korea

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of Affordable Housing in Korea**

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2011 Modularization of Korea's Development Experience

Policy for the Construction and Supply of Affordable Housing in Korea



MLTM
Ministry of Land,
Transport and Maritime Affairs



KRIHS Korea Research Institute for
Human Settlements



Preface

The study of Korea's economic and social transformation offers a unique opportunity to better understand the factors that drive development. Within one generation, Korea had transformed itself from a poor agrarian society to a modern industrial nation, a feat never seen before. What makes Korea's experience so unique is that its rapid economic development was relatively broad-based, meaning that the fruits of Korea's rapid growth were shared by many. The challenge of course is unlocking the secrets behind Korea's rapid and broad-based development, which can offer invaluable insights and lessons and knowledge that can be shared with the rest of the international community.

Recognizing this, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) in 2004 to share Korea's development experience and to assist its developing country partners. The body of work presented in this volume is part of a greater initiative launched in 2007 to systematically research and document Korea's development experience and to deliver standardized content as case studies. The goal of this undertaking is to offer a deeper and wider understanding of Korea's development experience with the hope that Korea's past can offer lessons for developing countries in search of sustainable and broad-based development. This is a continuation of a multi-year undertaking to study and document Korea's development experience, and it builds on the 20 case studies completed in 2010. Here, we present 40 new studies that explore various development-oriented themes such as industrialization, energy, human capital development, government administration, Information and Communication Technology (ICT), agricultural development, land development and environment.

In presenting these new studies, I would like to take this opportunity to express my gratitude to all those involved in this great undertaking. It was through their hard work and commitment that made this possible. Foremost, I would like to thank the Ministry of Strategy and Finance for their encouragement and full support of this project. I especially would like to thank the KSP Executive Committee, composed of related ministries/departments, and the various Korean research institutes, for their involvement and the invaluable role they played in bringing this project together. I would also like to thank all the former public officials and senior practitioners for lending their time and keen insights and expertise in preparation of the case studies.

Indeed, the successful completion of the case studies was made possible by the dedication of the researchers from the public sector and academia involved in conducting the studies, which I believe will go a long way in advancing knowledge on not only Korea's own development but also development in general. Lastly, I would like to express my gratitude to Professor Joon-Kyung Kim for his stewardship of this enterprise, and to his team including Professor Jin Park at the KDI School of Public Policy and Management, for their hard work and dedication in successfully managing and completing this project.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessary represent those of KDI School of Public Policy and Management.

May 2012

Oh-Seok Hyun

President

KDI School of Public Policy and Management



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Summary

Korean government has made efforts to establish a sustainable housing supply system so to settle the housing shortage for a long time. Also the government has implemented a policy in earnest to minimize the polarization between classes and to improve the housing welfare for low income households. With such efforts, the housing level in Korea has seen a huge improvement in both quality and quantity. The national housing stock has increased by a factor of 3.3, from 4,378,000 in 1960 to 14,677,000 in 2010, consequently the housing supply ratio that fell to 70% in 1985 by showing a continuous decline since 1960, increased to 86% in a census performed in 1995 and to 112.9% in that performed in 2010, that is, the housing shortage has been hugely improved. Moreover, the level of dwelling quality such as the density of occupancy and level of facilities has also been improved remarkably and the tenure security of housing occupation is also improving. The owner-occupation ratio that showed a tendency to decrease increased to 53.3% in 1995 and 54.1% in 2010. The ratio seems to be stagnant since 1995 however, it experiences a significant increase compared to 1990.

Comparing with the housing situation in the early 1960s and that of numerous developing countries which stood in the same circumstances as Korea at that time, such results are a remarkable outcome. It is difficult to simply explain such outcome as the housing policy of Korea was not independent from other economic policies, but, with limited available resources, pursuing an economic growth through an industrialization-preferential strategy and improving the groundwork of housing supply as well as the housing level is clearly the fruit of efforts to establish a sustainable housing supply system.

This research introduces the flow of a supply of affordable housing as well as the chronological main policies as part of Knowledge Sharing Program and also explains the background, processes and details of such policies and suggests the results and implications. This research consists of 6 chapters; chapter 1 explains the background of a policy for the construction and supply of affordable housings and chapter 2 to chapter 5 elucidate

a process of development of Korean housing supply system through the background and details of establishment of the main policies each period. Chapter 6 is a conclusion and it evaluates the policies for the construction and supply of affordable housing in Korea in general and suggests implications.

It is considered that changes in housing conditions and policy response to them in Korea are not an issue only limited to Korea but in most of the developing countries. Furthermore, the housing welfare of low income households that gradually became an important matter in accordance with the economic growth can be an issue for most of the developing countries that may go through the similar process of development to that in Korea, to experience. Accordingly, this research, for other developing countries that may face the similar housing problems, suggests experiences and implications of Korea by dividing into the early period of growth and latter period of growth(toward the end of accelerated growth). The importance may increase or decrease according to different aspects of developing countries, however, social and economic issues generally appeared in a cycle of economic growth show a similar pattern. Looking into the related implications through the cases in Korea which has already experienced such processes is therefore considered to be helpful in providing a wide range of useful information to minimize housing issues in developing countries.

2011 Modularization of Korea's Development Experience
Policy for the Construction and Supply
of Affordable Housing in Korea

Chapter 1

Policy for the Construction and Supply of Affordable Housing: Background and Progress

1. Background of the Policy for the Construction and Supply of Affordable Housing
2. Progress of the Policy for the Construction and Supply of Affordable Housing

Policy for the Construction and Supply of Affordable Housing: Background and Progress

1. Background of the Policy for the Construction and Supply of Affordable Housing

1.1 Destruction of Housing in the Korean War

Total housing stock just before the Korean War was estimated to be 3,284,000 units. Almost one out of five (18%) housing stock was destroyed during the war. The housing shortage was the most urgent social issue of all. The government had built a total of 216,344 housing units during 1951 and 1953; approximately 40% of them were aimed at providing temporary shelters for refugees who were affected by the war.

The government took the housing shortage as a serious issue, announcing long term housing construction plan. Shortly after the government returned to the capital city in September 14, 1953, President Rhee Syngman announced the presidential proclamation to build one million housing units. Specifically, according to a special Presidential Order issued in April 1955 for easing of the urban housing shortage, the government, American-Korean Foundation, and the UNKRA director agreed in principle to the construction of 600,000 units destroyed during the war. The principle also included the agreements on 400,000 units to reflect increased housing demand, financed 50% by state funds, aid money, and 50% by the tenants. In July of the same year, a five-year plan for housing construction was drawn up, but due to unrealistic financing plans, this plan was not realized.

Figure 1-1 | Postwar (the Korean War) View of Seoul



Source: <http://ja767676.blog.me/70018910534>

1.2 Rapid Industrialization, Urbanization and Population Growth

Housing shortage in urban areas had started in the 1930s when rural population migrated into cities as a result of industrialization. Factory workers, who numbered around 100,000 in 1930, grew to 190,000 in 1936, then 550,000 in 1943, had increased more than a five times during 13 years. With the beginning of the Sino-Japanese war in the 1930s, rapid growth of the urban population exacerbated the housing shortage. As of 1925, there were 67,530 households and 63,802 housing units in Seoul, which implied 5.5% of housing shortage compared to the number of households. However, it increased dramatically to 10.6% in 1931, 22.5% in 1935, and even 40.3% in 1944.

South Korea's population in 1944 was 16,244,000. This number was augmented by large numbers of expatriates having returned from Japan and Manchuria following liberation, and refugees from North Korea, who numbered between 2 and 2.5 million, and they brought the total up to 20,166,756 in 1949. Considering the number of housing units in South Korea before the Korean War, approximately 3.9 million, one can imagine how this rapid population growth made the existing housing shortage even more serious. In the 1950s and 60s, increasing birthrates made the population much more rapidly growth to 21,502,386 in 1955, 25,012,000 in 1960, and 28,705,000 in 1965. Only after 1965 the rate of population growth began to stand under an average of 2.9% annually.

Figure 1-2 | Figure2 Population Growth (1960~2010)

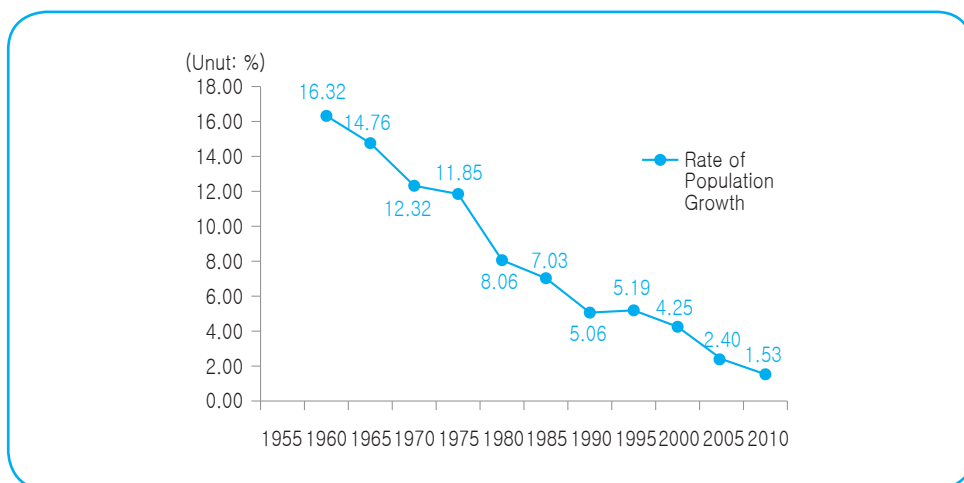


Table 1-1 | Population Growth (1960~2010)

(Unit: Thousands, %)

Year	Population	Population Growth Rate
1955	21,502	-
1960	25,012	16.32
1965	28,705	14.76
1970	32,241	12.32
1975	35,281	11.85
1980	38,124	8.06
1985	40,806	7.03
1990	42,869	5.06
1995	45,093	5.19
2000	47,008	4.25
2005	48,138	2.40
2010	48,875	1.53

Source: Statistics Korea(<http://www.kostat.go.kr/>), 「Future Population Estimation」

Since that time population growth has stabilized, whereas household differentiation resulted in a growth in number of households that far exceeded this rate. From 1975 to 1980, population grew by 1.6%, while the number of households increased by approximately 4%

annually. In 1980, the housing supply ratio actually dropped, because supply could not catch up with the growth of households increase.

Also, the influx of population into cities was further accelerated, exacerbating the housing shortages in large such as Seoul. In 1949, only 1.3% of the national population lived in cities with population over 50,000. This increased to 25.5% in 1955, 28.5% in 1960, 32.3% in 1965, 50.1% in 1970, 88.3% in 2000, and 90.8% in 2009. Housing supply fell far short of this growth, resulting in severe urban housing shortages.

Table 1-2 | Housing Supply Ratio (1979~2010)

(Unit: Thousands, %)

Year	Household*	House**	Housing Supply Ratio
1979	-	5,211	72.0
1980	7,470	5,450	73.0
1981	7,749	5,460	70.5
1982	8,039	5,640	70.2
1983	8,340	5,852	70.2
1984	8,652	6,061	70.1
1985	8,751	6,317	72.2
1986	9,037	6,303	69.7
1987	9,320	6,450	69.2
1988	9,612	6,670	69.4
1989	9,920	7,032	70.9
1990	10,167	7,357	72.4
1991	-	7,853	74.2
1992	-	8,631	76.0
1993	-	8,798	79.1
1994	-	9,133	83.5
1995	11,133	9,570	86.0
1996	11,335	10,113	89.2
1997	11,542	10,627	92.1
1998	11,761	10,867	92.4
1999	11,984	11,181	93.3
2000	11,928	11,472	96.2
2001	12,099	11,892	98.3
2002	12,286	12,358	100.6

Year	Household*	House**	Housing Supply Ratio
2003	12,515	12,669	101.2
2004	12,714	12,988	102.2
2005	12,491	13,223	105.9
2006	12,634	13,534	107.1
2007	12,760	13,793	108.1
2008	12,891	14,169	109.9
2009	13,025	14,456	111.0
2010	12,995	14,677	112.9

* Single-person households, non-relative households of normal households excluded

** Vacant houses included

Source: Statistics Korea e-Narajipyo(<http://www.index.go.kr>)

1.3 Working Class Living Substandard Housing

Substantial portion of working class lived in substandard housing. Rural migrants in 1940s and war refugees in 1950s had illegally occupied hillsides and riversides of the metropolis and built shanty houses. Almost 20% of all housing stocks in Seoul were squatter settlements in early 1960s, which rose to 32% in 1970s.

Figure 1-3 | Refugee Town and Illegal Shacks (1950s)



Source: <http://cafe.naver.com/mogun1027/32863>

Contrary to severe housing shortage due to rapid urbanization and subsequent migration from rural areas, resources to invest housing construction were limited after the Korean War because economic growth and national building construction were the first priority at that time. However, housing shortage was a serious issue based on the fact that 200 new

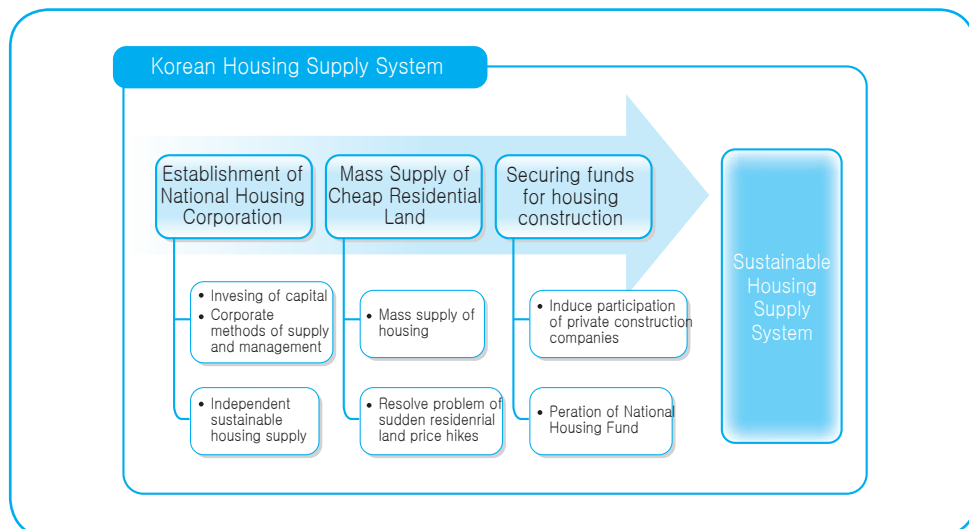
housing units a day should have been provided to meet the housing needs in Seoul during three decades since 1960s. The low-income households and ordinary working class were left to deal with their housing problem by themselves. Shanty houses were one of the most effective ways of having their own shelter in urban areas.

The continued supply of housing and additional government effort led to a steady improvement in housing condition standards, but the rate of households falling substandard still stands high. The first survey of households living in substandard housing condition took place during the 1995 census, which indicated that one third of households lived in substandard housing. The consistent supply of new housing and provision of increased aid to residents of substandard housing brought the ratio of substandard housing down dramatically to 23.4% in 2000, and 13.0% in 2005, but as of 2010, about 10% of the population still resides in substandard housing.

2. Progress of the Policy for the Construction and Supply of Affordable Housing

Korean government has a systematic framework for housing supply, including site preparation, financing, construction and distribution. The system was established through an exhaustive trial and error process. As introduced above, Korea’s housing market has been plagued with chronic supply shortages since the Korean War. Many efforts were made to resolve this problem, but actual results were dismal compared to plans, as housing policy was always a second consideration to the government’s industrial policies. However, the government and housing-related experts have explored various housing solutions tailored to Korea’s circumstances continually.

Figure 1-4 | Korean Housing Supply System



The first step in the establishment of a sustainable housing supply system was taken in 1962 with the foundation of National Housing Corporation. The corporation was established to sustain housing supply projects, financed in part by the government. Limited financing by the government implied that the corporation could not rely completely on government funding as western style social housing (permanently rented). Instead, the corporation would seek to conduct housing construction and supply projects employing limited capital in a manner of private construction company.

The second step was the mass supply of cheap residential land. A significant portion of Korea's houses destroyed during the war, and the continued influx of population into cities meant that the resultant housing shortages could only be overcome with massive supply of housing, which was made feasible by the supply of cheap land. Of course, there were many efforts to this end in the past, but the mass supply of cheap residential land only became brisk with setting off public residential land development projects by the Land Development Promotion Act of 1980. Before the legislation, land development was dependent on private capital, which led to sharp hikes in land prices. With the law, the government designated certain areas for development as residential land, making possible the up-zoning of large tracts of lands previously used as farming and forestry, and their compulsory purchase at prices appraised by public organizations. Utilizing eminent domain, the government succeeded to provide two million housing units.

The third step was the securing funds for housing construction. In Korea's case, inflow of capital into the housing sector was impeded by industry-first policies. There was also a limit to government financing for the construction and supply of housing for the working classes. In response, through the Housing Construction Promotion Act, the government implemented various provisions inducing housing construction by the private sector, including the establishment of the National Housing Fund, which supplied funding for working class housing and working class housing stabilization.

The following chapters will discuss in details the progress of the Policy for the Construction and Supply of Affordable Housing.

Table 1-3 | Milestones of the Korean Affordable Housing Policy

Classification	Supply-Sector Reinforcement	Strengthening of Mass-Supply Capabilities	Financing Improvements
1950	(Housing Administration)		
1960	National Housing Corporation Act	Public Housing Act	Korea Housing Fund Act
1970	Housing Developers' Registration Act	Housing Construction Promotion Act	(National Housing Fund)
1980		Housing Side Development Promotion Act Rental Housing Construction Promotion Act	
1990		(2 Million Housing Units Construction Project)	
2000		Special Act for National Rental Housing	
		Special Act for the Construction of Bogeumjari Housing	

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Chapter 2

The Beginning of the Policy for the Construction and Supply of Affordable Housing in 1950s and 1960s

1. ICA Housing
2. Implement of Systematic Tools for Financing Housing
Construction Projects
3. Establishment of the National Housing Corporation
4. Legislation of the Public Housing Act

The Beginning of the Policy for the Construction and Supply of Affordable Housing in 1950s and 1960s

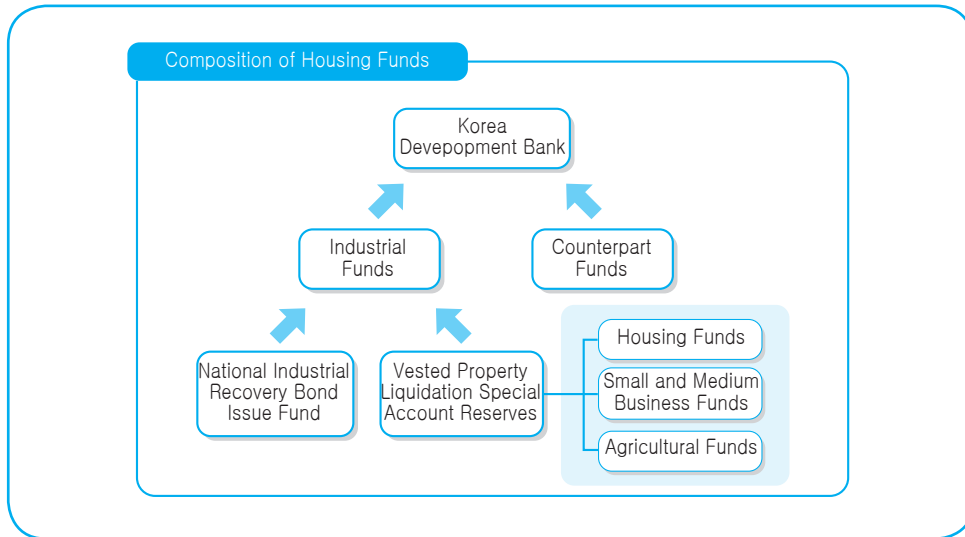
1. ICA Housing

Since a ‘Long-Term Housing Plan’ was adopted at the 40th US-Korea Combined Economic Board’s plenary session on February 6th, 1957, funded by housing capital of ICA (International Cooperation Administration) aid, the construction of housing for low-to middle-income households began.

The ICA was the new name given to the Foreign Operations Administration (FOA) of the Office of the Economic Coordinator (OEC), which managed all US aid. ICA aid including FOA aid amounted to 1.7 billion dollars and deeply impacted Korea during 1950s. ICA had provided over 200 million dollars a year during 1953 and 1961. It amounted to a total of 1.535 billion dollars from July 1955 to December 1961. Most of the aid went into mining and manufacturing products, raw materials and traffic facilities. The amount of ICA aid began decreasing from 1957.

In order to build housing funded by ICA aid, the Korea Development Bank was assigned with housing fund financing from industrial fund and counterpart fund resources. Industrial funds consisted of the National Industrial Recovery Bond Funds and the Vested Property Liquidation Special Account Reserves. Housing funds supplied by National Industrial Recovery Bond Funds amounted to some 2 billion Hwan in 1957, but with the issue of Industrial Recovery Bonds ceased due to financial difficulties, only the Special Vested Property Liquidation Special Account Reserves were left to supply the housing funds. These housing funds were comprised of housing funds, small and medium funds and agricultural funds, and each fund’s financing plans were decided annually with the government budget.

Figure 2-1 | Composition of Housing Funds



The ICA housing program was to last 6 years from 1957, with a goal of providing 3,000 units in 1957 and 1958 respectively. The procedure for housing construction financing by industrial funds was as follows: the Ministry of Health and Social Affairs, the competent ministry, decided the actual demand, number of end users, number of units to be constructed and fund allocation, then recommended financing to the Korea Development Bank (KDB) through the Ministry of Finance. Having received the recommendation, the KDB closely reviewed creditor eligibility, and gave loan to creditors who met the requirements. Eligible creditors were the Korea Housing Administration, local governments, private housing construction companies, and prospective commercial building developers. Beginning in 1958, in case that private housing construction companies constructed houses and turned over the project to the Housing Authority for management, it made the construction company and Housing Authority received a joint loan. This was an administrative action by the Ministry of Health and Social Affairs. It was designed to prevent the embezzlement of funds, to give construction supervision rights to the Housing Authority to ensure responsible construction, and to ensure the proper management of the completed project.

The ICA Housing Project was different from former temporary aid projects funded by UNKRA or CAC aid. Its aim was to establish a permanent housing supply system and promotion of technology development for a solution to Korea's housing problems. For this purpose, it was planned to drive follow-up projects after the 6-year project from 1957. The ICA Housing Project can be considered as the beginning of public housing construction financed by public loan.

Even though the target groups of the ICA housing were mid-to low-income households, it resulted in poor performance because it could not be affordable for them considering the price of housing and eligibility of housing loans as well.

Figure 2-2 | The Completion of Youngnak House held by ICA International Housing Cooperative (1958)



Source: National Archives of Korea

ICA housing project had financed construction costs for mid-and small-sized housing units (up to 66m²) with cap limits per unit. Those who were non-homeowner households but owned private land were eligible to become ICA home owners and they were required to pay for self-finance burden or pay back for the principal.

However, while plans called for \$2,713 and approximately 2 billion Hwan (by counterpart fund) to be invested in the construction of 12,000 housing units from 1957 to 1960, as of August 30, 1960, only 950 million Hwan had been loaned out. At that time only 5,737 units had been built including 1,648 units under construction.

Reasons for the dismal failure of the project were as follows. First, Treasury Stabilization Plan led to cuts in the original budget of the program, hence lowering their execution rate as well. Second, financing could not be provided at the appropriate time due to the Treasury Stabilization Plan or executive budget plan. Third, loan procedures were complicated and time-consuming. Moreover, there were not enough housing construction companies well-organized at that time and, fixed costs of housing construction were not realistic.

Table 2-1 | ICA Housing Fund Loans

Classification	No. Units	Loan Ratio	Interest	Repayment Period	Unit Floor Space	Unit Construction Cost
Private	1	Up to 90% of const. cost; up to 90% of facilities, limited to 300,000 Hwan per unit	Before const. 3%, After const. 8%	15 Years	Up to 66.166m ²	Within 100,000 Hwan
Association	2~25					
Publicly Certified Organizations	No Limit	Up to 75% of const. cost; up to 75% of facilities, limited to 300,000 Hwan per unit
Construction Companies	No Limit	Up to 80% of const. cost; up to 80% of facilities, limited to 300,000 Hwan per unit	12%/Year	1 Year

Source: Han Jongbyeok (1960)

Of these reasons, the length of time required for attaining loan was especially inconvenient to loan seekers. Before applying for a loan, loan-seekers had to have purchased land in advance. And then they were required to wait months for the construction to be approved. In addition, at least several months were required again for the housing fund loan to be underwritten. Only the middle-to high-income households of the time could afford to wait so long for financing on these houses. Upon moving in, additional payments of 2~3 million Hwan had to be paid for.

Even for the loans that were already made, the rate of repayment was low, making follow-up projects difficult. From 1953 to 1957, the rate of repayment was at 32%, and it dropped to 24% in 1958. This rose to 58% in 1959 and 1960, but by and large, great difficulties were experienced in collecting loans.

Faced with these problems, Housing Authority suggested that the repayment period be extended to about 3 times the current duration, and eligibility limited to those who could afford monthly payments with 20~30% of monthly income, while the size of the housing units would need to be further downsized.

Furthermore, there were disputes between the homeowners and the Housing Authority. The Housing Authority's funds for condominium (for sale, not rent) housing were composed

for the Authority's own funds and loaned funds. At the move-in time Housing Authority recovered its own investments, and let loans to be repaid over 6~10 years with 8~11% of interest rates. In 1959, of total 1691 loan-financed units, the Housing Authority was collecting monthly payments of 4,000 Hwan on 361 units, 20,000 Hwan on 802 units, 25,000 Hwan on 246 Units, and 30,000 Hwan on 282 units; most of the loan-financed units entailed monthly payments in the 20,000 Hwan range. At the time, the average income for workers in Seoul, the capital city, was estimated around 50,000 Hwan. With insurance fees and management fees added, over 40% of the average income was being collected every month for the monthly payments. And the heavy debt repayment led to the homeowners refusing to make the monthly payments, to which the Housing Authority responded with litigation for forced evacuation of the properties in question.

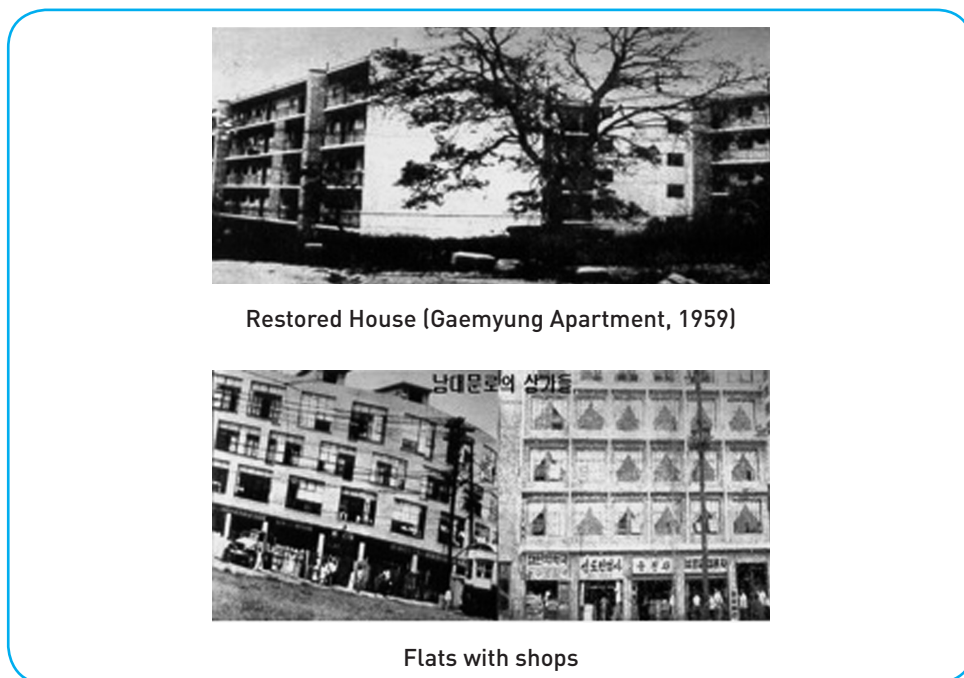
Meanwhile, individuals who could not afford to repay their loans resorted to illegal resale of their properties. With the demise of the Liberal Party and through the Democratic administrations amid the social disorder, delayed payments and defaults became a serious problem. Government-supplied housing was also plagued with this. Accordingly, in ICA housing projects, loan eligibility restrictions were further tightened, further excluding the low-income households so that the program was short-lived in the end.

The first-full-scale public housing supply program, the ICA Housing Project was not tailored to suit homeowners' income levels. Rather, the price was decided according to loan repayment periods and interest rates. Even though it made itself a failure as a housing supply program for low-income households, the ICA Housing Project and accompanying loan assistance program was a significantly meaningful attempt in terms of bank loans for housing suppliers. It survived from the post-war years to the 1960s, and was made in state banks first.

2. Implement of Systematic Tools for Financing Housing Construction Projects

At the same time, the houses supplied by the government under the names of ICA Housing, Recovered Housing, and Rebuilt Housing, ranged from 36.67m² to 76.03m². They were of much higher quality than the Temporary Housing supplied earlier. But the quantity supplied was simply not enough compared to that of private housing. The ratio of government-constructed housing dropped drastically, from 50% in 1957 to 10% in 1961. As a result, of the 400,000 total housing units constructed from 1957 to 1961, only 61,681 units or 15% were constructed by the government.

Figure 2-3 | Flats with shops (1958) and Restored House (1959)



Source: Housing&Urban Research Institute

Table 2-2 | Annual Housing Construction (1951-1961)

(Unit: Units)

Year	Total	Government	Private
1951	51,072	20,325	30,747
1952	70,009	21,700	48,309
1953	95,263	40,633	54,630
1954	132,985	65,202	67,783
1955	86,747	25,246	61,501
1956	84,705	24,224	60,481
1957	76,848	25,741	51,107
1958	65,510	11,326	54,184
1959	70,456	5,535	64,921
1960	107,644	12,167	95,477
1961	77,712	6,912	70,800
Total	918,951 (100%)	259,011 (28.2%)	659,940 (71.8%)

Source: The Korea Housing Bank (1975)

Living conditions including housing itself were very poor in the 1940s and 1950s. Until the mid-1950s, the government's housing policy had its hands full with providing temporary shelter to war refugees as emergency relief, and lacked any sort of sustainable policy or program. In the late 1950s, there were efforts to establish a sustainable housing supply system similar to that of the United States, wherein loan assistance for housing was offered to private corporations, a Housing Authority, and private individuals. However, due to constraints on funds, loan conditions that were too high considering the income levels of that time, prospective users of the loans were limited to upper middle-class households and excluding the good majority of the people. As household income rose, more would have been eligible, but real income increased little in the 1950s. Consequently, the majority of non-home-owning households could not benefit from the ICA Housing Project method. GNP per capita increased 1.5% annually during 1953 and 1962, which was very low rate compared to the annual growth rate of 8.5% between 1965 and 1974.

3. Establishment of the National Housing Corporation

As mentioned above, post-war Korea had experienced serious housing shortage problem not only because of war time destruction of almost 600,000 housing units, but because of influx of rural population and subsequent urbanization. As of 1956, 1.1 million housing units were estimated to need, which means the ratio of the units needed contrast to units shortage was 29%. In case of Seoul, housing shortage was even more serious, almost a half of households did not have house for themselves.

Table 2-3 | Housing in the Post-War Reconstruction Phase

(Unit: Thousands/As of 1956)

Item	National	Seoul
Populations	21,526	1,575
Units needed	3,803	282
Units pre-war	3,284	191
Units destroyed in war	596	60
Current number of units	3,124	156
Units surviving war	2,688	131
Post-war govt. constructed units	200	5
Privately constructed	236	20
Units shortage	1,119	130
Pre-war shortage	679	126
Aged and unlivable units	440	4

Source: Statistics Korea, Korean Statistics Almanac (1952~1962)

Figure 2-4 | Restoring Suwon-si (1950~60s)



Source: Suwon History Museum

With government policy efforts for post-war housing reconstruction lacking in comparison to restoration of industrial infrastructure, housing construction was limited to relief-type construction to deal with emergency housing demand due to the war. This type of construction began in the larger metropolises, where the Korean Housing Authority implemented the hope housing policy, a system where the land and construction costs and construction materials were allotted and distributed by the Housing Authority.

In 1955, the Housing Authority began housing supply programs with the Korea Development Bank (KDB), the Seoul local government, public organizations and financial institutions. The housing units supplied under these programs were named public housing. The public housing supplied by the Housing Authority in 1957, Kookmin Housing, was in the form of detached house¹ or row house. The detached units were 50m² house with lot size of 132m², while row houses were two story building with four households living in a building.

¹ The detached housing is similar to a single family housing in other countries.

Figure 2-5 | Public housing constructed by the Korean Housing Authority (1957)



Source: National Archives, National Records Collection

Figure 2-6 | Moving-in Ceremony of Restored Modern Dwelling (1961)



Source: National Archives of Korea

Figure 2-7 | Kookmin Housing² (1958)



Ui-dong Kookmin Housing



Galhyeon-dong Kookmin Housing

Source: Jeon Namil et. 2008. Social History of Dwelling in Korea. Dolbegae.

Table 2-4 | Public Housing Construction by National Housing Corporation (1954-1961)

Year	1954	1955	1956	1957	1958	1959	1960	1961
Housing	478	334	735	1,109	556	462	319	290

Source: Korea National Housing Corporation, 「Collective Housing Area Pandect by Korea National Housing Corporation 1954~1970」, 1975. 9.

Housing provision had experienced several stages from early 1950s to 1960s. First, the government directly provided relief house until 1950s. Then, the Korean Housing Authority took charge in provision of housing supply from mid 1950s. Furthermore, consumer had emerged as an important factor in sharing construction costs in the late 1950s. The government also had tried to aid construction costs with introducing long-term loans for construction companies. Nonetheless, National Population Census in 1960 showed that Korea had 25 million population, 4,378 thousand households, and 3,464 thousand housing

² Kookmin Housing was supplied with small size under 85m² for every low-income citizens who cannot afford a house

units. Housing shortage ratio at that time was 20.9% at national level, reaching 37.9% in urban areas.

In addition, according to the definition³ of ‘housing’ provided in the 1960 census, the number of housing units in 1960 can be estimated to be 4.47 million, of which 10.3% were so dilapidated as not to be able to properly function as housing, and 28.8% were in need of repairs.

Table 2-5 | 1960 National Housing Statistics

(Unit: Thousands/As of Dec. 1960)

Area	Population	Households	Housing Stock	Housing Shortage	Housing Supply[%]
National	24,989	4,378	3,464	914	79.1
Urban	6,997	1,261	783	478	62.1
Rural	17,992	3,117	2,681	436	86
Seoul/Busan	-	658	386	272	58.7

Source: Bank of Korea (1975), p.40 Table 2-6

It was estimated that the annual housing shortage amounted to some 500,000 units and the government was well aware of the seriousness of the housing problem. The Minister of Health and Social Affairs of the Democratic Party, which came to power post-4.19, pointed out the half-hearted housing policies of the Liberal Party and made several proposals for improvement. The first proposal involved an average increase of 30% annually in the Vested Property Funds. The second included the promotion in status of the Korea Housing Authority to the National Housing Corporation to employ its own funds more active and aggressive housing construction programs. Other proposals involved the devising of solutions to promote housing supply, the mass construction of small apartments, the fostering of housing construction companies through loan support, the establishment of a powerful and united body in charge of housing administration together with an independent financial institution in charge of housing financing, and the legislation and implementation of the Comprehensive Territory Development Act.

Most of these proposals were realized through later housing supply policies, but in 1961 with the expected housing budget halved, they could not be implemented immediately. Despite these setbacks, with the modernization ideology that pervaded Korean society, an improved housing concept that satisfied people’s demands for organized living conditions was caught on. “Mass construction of inexpensive housing” was the dominant ideology

³ Housing refers to ‘house or residence,’ as ‘a structure constructed or modified for the purpose of independent residence, or part of a completely compartmentalized building, including a private room for residence and exclusive kitchen facilities, and access to and from which does not require the passing through of the residential space of others’. [Census, 1960]

dictating housing policy from then on, under the idea that the supply of industrially produced, sanitary housing was needed.

Housing policy in the 1960s grew beyond the relief-type policies of the 1950s, and approached the issue from the construction industry perspective, as a legitimate facet of economic policy. With the launching of a planned economic system, various housing construction plans were established. In accordance, government reorganization involved the installment of the National Land and Construction Office under the Economic Planning Institute took place.

Subsequently, the existing Korean Housing Authority was reorganized into National Housing Corporation. The Korean Housing Authority had had no project funds of its own, and was wholly dependent on the housing funds composed of the Vested Property Liquidation Special Account Reserves and Industry Revival Government Bonds. Therefore it was unable to sustain housing supply programs autonomously. The Congress enacted and implemented the new law of National Housing Corporation Act in January 20, 1962. The newly established National Housing Corporation (NHC) was to take up the rights and duties of the Korean Housing Authority, and was given strengthened legal status and function. The corporation was expected to use its own capital for providing social housing. Since the NHC was not able to subsidize public funds to build rental housing, it was not vested with the ability to run business like a private company.

The NHC provided various public rental housing. Plus, the NHC established regional housing construction plan, conducted land development projects, and involved urban renewal projects. Beginning with the construction of Mapo Apartments,⁴ the first apartment complex in the country, the NHC began construction leased apartments in 1971, and National Rental Housing in 1998. In 2004, the NHC began purchasing multi-family housing for rent to prospective tenants, and as of December 2008, the NHC had constructed over 200,000 housing units.

⁴ The Mapo Apartments constructed by the National Housing Corporation from 1962 to 1964 had originally been planned as a 10-story highrise apartment building with elevators, central heating and water closet toilets, but for economic considerations as well as public opinion that such apartments would be too luxurious to call 'affordable,' they were built as individually heated, 6-story apartments with stairs only. As the first large apartment complex, the Mapo Apartments introduced the apartment complex concept to the general public. In 1972, the Namsan Foreigners' Apartments were constructed, but due to uncertainties in homeowner preferences for highrise apartments, supply of these to Koreans was limited in the 1960s. However with the image of the Foreigners' Apartments as a luxurious form of housing, apartment housing began to spread to the middle and higher classes' housing markets, bringing on the construction of large highrise apartments. This began with the Han-gang Mansion, Yeouido Apartment Complexes and other large-scale apartment complexes along the Han river and in the Gangnam area.

However, it was pointed out that the NHC's functions overlapped with the Korea Land Corporation,⁵ which was in charge of the government's various land-related policies and programs. Following 15 years of debate concerning their consolidation, the Korea Land and Housing Corporation Act was legislated in April 2009. This was followed by the official establishment of the Korea Land and Housing Corporation (LH) on October 1, 2009. The duties of LH, combining the rights and duties of its two predecessors, included the acquisition, development, reservation and supply of land, development of land for housing, industrial and public facilities, urban development and urban/living environment renewal projects, reclamation and landfill projects, North-South Korean economic cooperation projects, the construction, improvement, purchase, reserving, supply, leasing and management of housing (including welfare facilities), trusteeship for the construction, improvement, supply and management of housing, public or community buildings, and housing welfare programs for low-income and vulnerable classes.⁶

Figure 2-8 | Mapo Apartment (1962)



5 The Korea Land Corporation was in charge of the implementation of the government's various land policy programs. It was established as the Land Fund on 1 April, 1975, for the purpose of improving social use of land by providing public mediation for land transactions and use to improve corporate financial structure and make use of floating land capital as industrial capital. On 10 March, 1979, the Land Fund, which had promoted the efficient use of land resources, thereby contributing to national economic development, was dissolved as part of the comprehensive plan against real estate speculation and reestablished as the Korea Land Development Corporation, and later renamed on 1 January 1996 as the Korea Land Corporation. As of 2009 the Korea Land Corporation has completed development of 292 housing and residential complex sites, covering an area of 356km² and is conducting the development of 59 amounting to some 296km².

6 The Inception of the Korea Land and Housing Corporation and Its Policy Challenges (Secretary, Citizens for Decent Housing, Nam Sang-0)

Figure 2-9 | Recent Hoehyeon Rental Apartment
(Built on Shack Maintenance In The Early 1960s)



Source: <http://sural.tistory.com/80>

4. Legislation of the Public Housing Act

With the 1962 promotion of the Korea Housing Authority (KHC) in to the NHC, and following the 1963 reorganization of the competent government bodies, the government prepared legislation to support the supply of public housing. November 1963 saw the legislation of the Public Housing Act, which provided the framework for operation of the public housing system, that is, housing constructed with financial aid administered by the government. It was provided that public housing, constructed by the NHC and local governments with funds loaned by the government, would be provided at low cost to non-homeowner households. Public housing construction or site development for that purpose was to be preceded by approval of the business plan by the Minister of Construction.

Article 3 of the Enforcement Decree of the Public Housing Act defines eligibility of prospective public housing homeowners as “Individuals unable to acquire decent by their housing through his/her own financial means or income, whose total family income is equal to or less than 1/48 of the price at which the housing unit may be purchased.”

In the legislation, two types of public housing were provided for. Type 1 public housing referred to housing constructed by the NHC for middle-income households, while Type 2 public housing referred to housing constructed by local government for households of lower income level. Accordingly, housing supply in the 1960 was largely divided into the NHC and local governments. The NHC concentrated on the development and supply of apartment complexes, while local governments focused on housing supply for low-income workers, military welfare beneficiaries, persons of national merit, Vietnamese defectors, and disaster refugees. This type of division of labor goes directly against recent calls for the NHC to

devote itself to providing public rental housing to low-income households. It is rather reminiscent of colonial times, when Japan's urban housing renovation corporation catered to the middle class, and local governments supplied housing to low-income households.

The maximum loans for government-supplied housing units in 1965 were as follows: 33.3m² detached type 1 public housing 134,000 Won, 39.76m² 160,000 Won, 49.6m² 200,000 Won, 26.45m² apartment unit 160,000 Won, 33.3m² 200,000won. In the case of type 2 public housing, the limits were: 50,000 for detached units under 26.45m², 100,000 for units exceeding 26.45m², and 150,000 for units exceeding 36.36m² (for cities of populations exceeding 200,000). In the case of private housing, a 49.59m² corporate housing unit owner could receive up to 200,000 Won, while industrial 29.75m² to 49.59m² housing unit owners were limited to 100,000 Won, and privately owned (homeowners' association) 49.59m² unit owners could receive 230,000 Won. At this time (1965), a 26.45m² Donam-dong apartment cost 45,131 Won per 3.3m² (361,055 Won), while a 1966 Yeonhee-dong apartment cost 741,933 Won, 61,827 Won per 3.3m². The average monthly household income for urban workers at this time was 8,450 Won in 1965, 11,750 Won in 1966, and 18,180 Won in 1967. This indicates that a 39.67m² apartment at the time would have cost the average urban worker's 4~5 years' salary.

According to a study outsourced by the NHC to the Korean International Relations Institute in 1970, "The Direction of Korean Housing Policy," the following problems were pointed out as the housing policy of the time. The first was a basic shortage in the number of public housing units built. Also, it was pointed out that the eligibility requirements were so stringent that non-homeowner households satisfying the requirements were very few and far in between. This meant that the price at which public housing was supplied was still too high in relation to income levels. The following table compares the prices and monthly payments for a 42.97m² NHC-supplied apartment, and the monthly income level of its intended target prospective homeowners.

Figure 2-10 | Appearance of Large Scaled Collective Housing Area after Korea National Housing Corporation Established (Guro-dong Council Estate Complex)



Figure 2-11 | Hwagok 100 Thousands Council Estate Complex of Korea National Housing Corporation

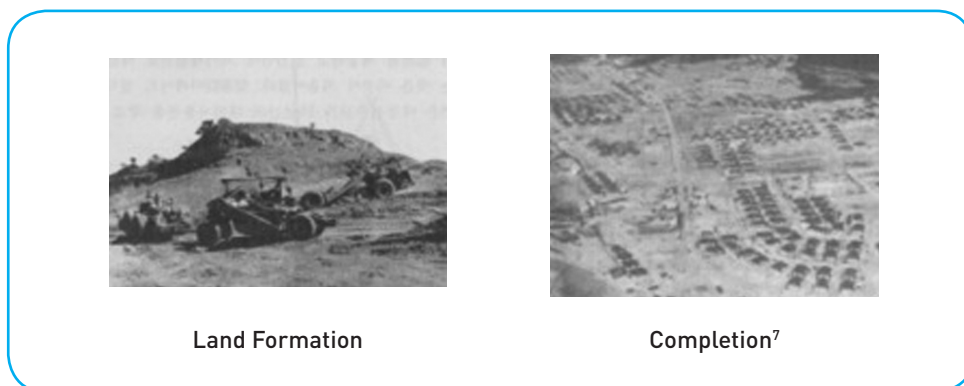


Table 2-6 | Public Housing Construction by Korea National Housing Corporation (1962-1969)

Year	1962	1963	1964	1965	1966	1967	1968	1969
Housing	681	669	620	234	358	0	373	300

Source: Korea National Housing Corporation, 「Collective Housing Area Pandect by Korea National Housing Corporation 1954~1970」, 1975. 9.

Table 2-7 | The price of Public Housing

Type of Project	Price	Loan	Ownership Fee	Installment	Monthly Income	Remarks
Public Housing, 33.3m ² (42.97m ² including shared area)	1,117,000	350,000	767,000	3,500	17,500	78,000 Won land title fee per households

Source: No yunghee, Ju jongwon (1971) p.67 Table 5

⁷ The Land Readjustment Project Act of 1966 included the NHC as a project host alongside local governments, allowing the NHC to conduct its own land readjusting work. As a result, the NHC developed various large housing complexes, including the 100,000 and 300,000 capacity Hwagok complexes, and the 600,000 Gaebong complex. These complexes were developed according to the living sphere concept. As for the 100,000 Hwagok Complex, the project was executed by the NHC in 1965. Development of 117,000 Pyeong of residential land in Hwagok-dong along the Gimpo Road was followed by the construction and sale of 758 national housing units ranging from 12 to 17 pyeong. The rest of the land was sold in parcels to the public.

Here, the issue was that it was very difficult for a household with a monthly income of 17,500 to pay the 767,000 Won ownership fee at once. Therefore, the study stressed that overly private sector-led housing policy should be avoided, and loan conditions be relaxed so that more low-income households may benefit from the policy. It was also suggested that the NHC cater to middle-class non-homeowner households, while the local governments increase public housing to low-income non-homeowner households.

Meanwhile, in December 1963, the Housing Fund Operation Act was enacted to provide grounds for the installation, funding and operation of a revolving housing fund. With this legislation, housing construction, housing improvement, land development and house construction materials manufacturer support was strengthened. Housing funds were categorized as NHC construction funds for type 1 public housing, housing construction funds for type 2 public housing, and land development funds for land development projects by both the NHC and local governments.

Figure 2-12 | NHC Public Housing (1960s)



Mapo Apt. Complex



Shimin Apartments

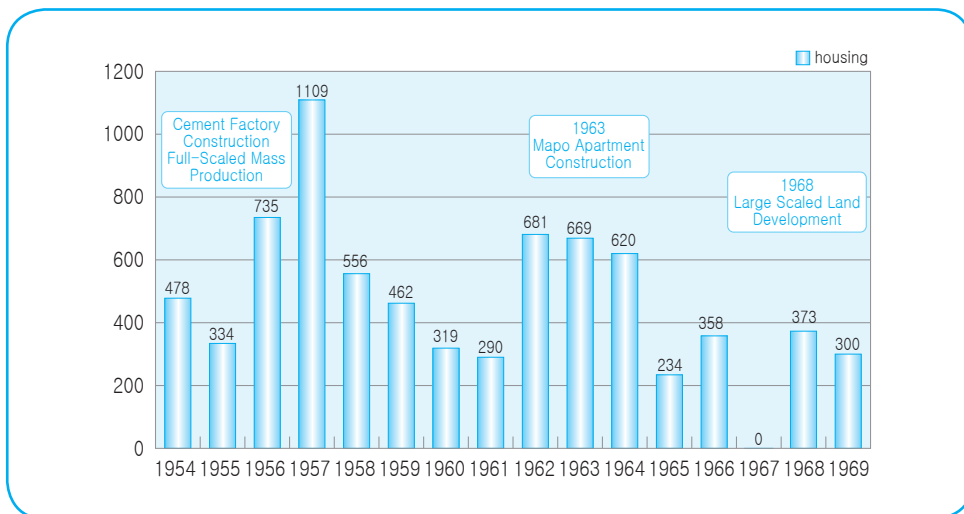


Hilltop Apartments

The 1960s saw the implementation of institutional systems as the establishment of the NHC, the legislation of relevant legal provisions such as the Public Housing Act, the Public Housing Funding Act, and the Korea Housing Treasury Act, and the management of the housing market through tax policies, less aggressive financial policy meant that public housing supply remained largely a symbolic gesture of the government’s provision of public housing.

In the 1960s, the Seoul metropolitan government and NHC, beginning with the construction of the Mapo apartment complex in 1962, built a total of 40,000 apartment units. In this process, a technical foundation was established for later mass apartment construction by the private sector. The following apartment construction boom can be said to have been affected by and large by the rapid growth of the new middle class in large metropolises such as Seoul. But in truth, it was also largely influenced by increased production capabilities for raw materials such as cement due to the progress of industrialization, increased social overhead capital, and developments in construction techniques, which helped overcome the public sector’s half-hearted housing investments.

Figure 2-13 | Public Housing Construction by Korea National Housing Corporation (1954-1969)



Source: Korea National Housing Corporation, 「Collective Housing Area Pandect by Korea National Housing Corporation 1954~1970」, 1975. 9.

Mass residential land development and public housing complex construction by the National Housing Corporation continued until the mid-1960s under various names such as the National, Restoration, recovery, Hope, Model, Cheolsan housing complexes,⁸ according to the source of funds. Beginning with the construction of the Mapo Apartments in 1964, a design giving consideration to efficient land use, detached/town house type housing was gradually phased out until 1969, when such construction ceased completely.

⁸ Public housing complexes were given various names over the years. A rough summary is as follows:

- ① Housing complexes the sale and rent/sale of which were funded by housing funds loans from the national industrial recovery bond issue funds or vested property sale special accounting reserves were called recovery or national housing complexes
- ② Housing complexes built and managed according to government planning and with UNKRA materials and funds were called reconstruction housing complexes.
- ③ Housing complexes wherein land and construction costs were paid for by homeowners but materials were provided and the units sold by the Housing Authority were called hope housing complexes.
- ④ Such housing complexes constructed for use by foreigners, with funding as in item 1, were called foreigners' housing complexes.
- ⑤ Housing complexes built by the Joseon Housing Authority before liberation were called existing or constructed housing complexes.

2011 Modularization of Korea's Development Experience
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Chapter 3

Laying the Groundwork for Mass Supply of Housing and Residential Land in 1970s and 1980s

1. Legislation of the Housing Construction Promotion Act
2. Provision of the Rental Housing Construction Promotion Act
and the Land Development Promotion Act

Laying the Groundwork for Mass Supply of Housing and Residential Land in 1970s and 1980s

1. Legislation of the Housing Construction Promotion Act

The Korean government announced a ten-year plan for the construction of 2.5 million housing units in 1972. According to this plan, 1 million and 1.5 million units were to be constructed from 1972 to 1976, and 1977 to 1981, respectively. Of these 2.5 million units, 1,108,500 units would be constructed with the investment of public funds. This meant more than doubling annual housing construction. Public housing supply would account for 44% of the total supply, which, in light of the 12.6% accounted for by public housing in the 1960s, was a very ambitious plan, demonstrating that the government was serious about tackling the housing problem.

However, despite the political need to increase housing supply, the acceleration of industrialization in the 1970s implied that the housing sector would lose priority in the distribution of public resources. Accordingly, it was necessary that the private sector be more systematically mobilized to promote housing construction, and to more intricately manage the distribution of constructed units so that they would best satisfy the social housing demand. The government enacted the Housing Construction Promotion Act in December of 1972 to provide legal support to their 2.5 million unit construction plan. This legislation allowed the government to legally manage the development, construction and sale plans of public housing projects as well as private housing projects receiving support from public funds.

A significant difference from the previous Public Housing Act was that whereas the former was limited to the construction, supply and management of public housing built by the NHC or local governments, and only the NHC and local governments were permitted to build public housing, the Housing Construction Promotion Act required private companies

to receive government consent for housing projects, thereby giving the government legal power to control homeowner eligibility conditions and housing management.⁹

The government also provided various incentives to induce private construction companies to partake in housing construction, especially the larger private companies. First, with the slowing of economic growth in the early 1970s, the government enacted various incentive policies as a part of economic stimulus programs to induce large construction companies to participate in housing construction. The Special District Development Promotion Act announced in 1973 was an example. Areas designated as priority Kookmin Housing Development Promotion Areas under this law were exempt of all taxes related to housing construction and land purchases. The act was intended to attract the active participation of large private construction companies in the housing development of Yeouido in Seoul and later the Yeongdong Areas. In addition, as a means to develop large companies specializing in housing construction, the government adopted the registration system of home builders in December of 1977. The system was also designed to battle the poor construction work done on housing construction projects and exaggerative advertisements by construction companies amid the development boom in 1977 and 1978, which became the object of much social discontent.

To be registered as construction corporations, they were required to satisfy specific conditions in terms of capital, certified technical manpower, and annual construction capability. Among the registered companies, those companies ranking high in terms of capital, technology and construction capacity were given ‘designated’ status. Designated companies satisfying yet another set of requirements were given legal and institutional support to allow for land expropriation. They were provided tax and financial incentives, in return for which the companies were required to appropriate a portion of the units constructed as rental or small-size units, effectively carrying out the government’s housing supply policy by proxy. In May 1975, 46 corporations became designated companies.

Public housing provided under the Housing Construction Promotion Act was categorized into Kookmin housing and Minyoung housing, depending on the source of funding. Public housing funds can be subdivided into National Housing Fund and private housing funds, of which National Housing Fund was provided at low interest over a maximum period of 20 years to private sector developers with certain qualifications as well as public development organizations. The private housing funds were controlled by The Korea Housing and Commercial Bank, and were loaned mainly to private sector developers. Housing funded by National Housing Fund was called Kookmin housing, and private housing fund-supported housing was called Minyoung housing, but they both fell within the scope of public housing supply policy.

The planning, construction, and sale of these two types of public housing were to abide by the regulations of the Housing Construction Promotion Act. Private development projects

⁹ Therefore, the definition of public housing was changed by the Housing Construction Promotion Act. The public housing is a house constructed and improved under a government support in Korea.

involving the construction of at least 50 (at least 20 after 1982) units in one project area were also required to follow the same regulations. Housing supply system was established in a way that funding sources were from both public and private sectors. And the distribution of housing was controlled by regulation under the law in order to allocate housing to low-income households.

2. Provision of the Rental Housing Construction Promotion Act and the Land Development Promotion Act

2.1 Legislation of the Rental Housing Construction Promotion Act

The government enacted the ‘Special Measures Act for Housing Stability’ in July 1977 to increase the supply of rental housing for low-income households. It aimed to provide 15,000 rental housing units per year, utilizing funds through special consumption taxes, public housing bonds, and lottery sales. Public rental housing began with the NHC’s supply of 300 42.98m² apartment units to the Gaebong area in Seoul.¹⁰ However, until the mid-1970s, only annually 5,000 to 7,500 public rental houses were constructed. The rent period was also limited to just one year, after which the units were sold. Unable to maintain the cheap rents, the involved organizations necessarily had to reclaim their investments. This 1-year rental apartment was the only form of public rental housing supported by the government and targeted at low-income households. However, rental fee was too expensive for workers to pay.

Figure 3-1 | Gaebong Rental Apartment Distribution Lottery



Source: Korea National Housing Corporation

¹⁰ The Gaebong area, where 2000 units were built in the Gaebong NHC Apartments and Cheolsan, Gwangmyeong complexes, had been developed as a gigantic residential plot under the name ‘Gaebong 600,000.’ 2,013,000m² in Gaebong-dong, which was part of Yeongdeungpo-gu at the time, accessible by the Gyeongin national highway and through which the Anyang river flew, and Cheolsan-ri, Siheung County, was divided into 2 areas of 990,000m² each. Planned as a low-density detached housing area, two elementary schools, two middle schools, five markets, seven playgrounds, six parks and a theatre were built in the area. the Gaebong 600,000 signalled the beginning of the emerging Yeongdeungpo secondary city center in southwestern Seoul.

Figure 3-2 | Gaebong 600 Thousands Complex



Source: Korea National Housing Corporation

The government strongly urged large developers to build 10% of the total units for rent. However, with the August 8th Real Estate Speculation Prevention Measure the depression of the real estate market meant most plans to increase housing supply to the low-income households would not be realized. There had also been plans to build some 204,000 Permanent Rental Housing from 1980 to 1986 with ADB funds, but this also could not be realized due to financial limitations.

The government's interest in housing supply for the low-income households and residential stability was evident in the 5 million unit construction plan announced after the new military government was established, as well as measures such as the Rental Housing Construction Promotion Act and price control for newly built apartments. Also, with the crisis brought on by surplus production at the end of the 1970s and the subsequent political crisis, the government needed to adopt strict economic policy, therefore was not in the position to pursue the mass construction of housing. The freezing of the government budget and a strict currency policy made the 5 million unit construction plan difficult, and the plan was downsized several times. Accordingly, the housing construction goal from 1982 to 1986 dropped to 1,431,000, of which 1,166,819 were constructed.

The government established tenant protection with a 5 million housing construction plan as a part of housing market stabilization. The Housing Rent Protection Act of March 5, 1981, was also meant to better the low-income households' residential stability in the private rental market. 'Rental Housing Promotion Plan' was announced in 1982. The plan included housing subsidy plan when private companies with more than 100 employees provided rental housing for their employees of non-homeowners. The rental housing should be leased at least five years, after which it could resale. The companies had decided the level of rents and the amount of deposits.

Meanwhile, in December of 1984, the ‘Rental Housing Construction Promotion Act’ was enacted to require plans for rental housing to be included in comprehensive housing construction plans, to expand eligibility for public rental housing tenancy, and to expand land, finance and tax benefits to promote the rental housing construction.

Funding for rental housing construction was to be supplied from the government’s contributions to the national rental housing fund, lottery funds, and public housing bonds, to be provided in long-term low-interest loans. Sale or rent of publicly owned land or land zoned for public development to rental housing construction companies was given priority, and the construction companies were required to complete work on the rental housing within two years. A certain proportion of the residential land developed by the Korea Land Corporation was distributed for rental housing construction, and housing construction standards were relaxed. Tenant eligibility, rent deposit and rents, and rent duration could be regulated by Decree of the Ministry of Construction.

It started to regulate rent levels and resale price of previously rental housing by the law. Rents regulation was based on Ministry of Construction Public Notice dividing the nation into 5 classes, for each of which maximum allowable amounts for deposits and rents were set. The sales price of rental housing properties was calculated by subtracting the depreciated value of the property during the rent period from the construction cost, then adding the interest on the construction costs invested in constructing the rental housing. Encouraged by such measures, the supply of rental housing was increased from 1984 to 1987. However, with the real estate boom of 1988 and 1989, the profitability of rental housing projects was relatively low, resulting in a sharp decline in privately constructed rental housing supply.

2.2 Public Development of Residential Land

In the 1970s, residential land development was dependent upon private capital. The Land Readjustment Project, since its adoption by the Japanese colonial government in 1930, had been the key component of urban land development. In the case of Seoul, as of 1988, 50% of the city had been developed by the Land Readjustment Project. Under the project, the developer and the city developed and re-zoned plots of land under agreement with the owner of the land. This method of development could only be profitable, however, if the price of the land rose sharply after development.

Figure 3-3 | Jamsil Land Readjustment Project (January, 1974)



Source: The History(Milestone) of Seoul Metropolitan (<http://seoul600.seoul.go.kr/index.htm>)

In April of 1975, the Ministry of Construction began considering the application of the Land Expropriation Act,¹¹ enacted in 1962, to housing construction. The Land Expropriation Act had first been applied to acquiring the land required for the development of industrial complexes in the southern coastal areas, where several land owners had refused to sell their land at the prices proposed by the government. Fearing that this trend would spread to the sites marked for heavy chemical industrial complex development, the government had exercised its right to expropriate property. The government decided to apply this legislation to housing construction as well, since it was becoming increasingly difficult to acquire land through agreement with proprietors.

At the beginning, the government allowed eminent domain only in cases when local governments were developing the housing units, but with a revision of the Housing Construction Promotion Act in December of 1977, the NHC was also given the right to expropriate land for housing development. However, the question of compensation remained, for which the government decided to apply standard tax values¹² to housing construction as well.

With the rise of housing stability for the working classes as a policy issue in the late 1970s, the government began efforts to acquire residential land from plots under development as part of the Land Readjustment Project. In February of 1978, the Ministry of Construction

¹¹ Legislation that existed until 2002 to regulate the expropriation and use of land; was replaced with the Act on the Acquisition of Land, etc. for Public Works and the Compensation therefor on Jan 1, 2003, for such reasons as the efficient execution of public works projects. This policy allowed the expropriation or use of land, property or rights required for public works project, with the approval of the Minister of Construction and Transportation, and was designed to coadjust private property rights and the furthering of public welfare.

¹² In this policy, the government surveyed the standard land price for a certain area and makes notice of land transaction standards, allowing only transactions within the bounds of the standards set forth. This policy was revised the Public Notice of Land Values System which provides public notice of land prices in all major cities nationwide.

ordered local governments to zone all land developed under the Land Readjustment Project as apartment construction zones, with the exception of land intended for public use. In addition, Korea Land Development Corporation which was renamed Korea Land Corporation in 1996 and united with NHC in 2009 was made to perform Land Readjustment Project as proxy to local governments, and required to maintain 50% of developed land as residential land for low-income households.

In August 1980, the government established a public housing and land development plan for the easing of the urban housing shortage problem. The aim of the plan was to construct 5 million units from 1981 to 1991, increasing housing supply ratio from 77% to 90%. At the time, 5 million units was a number equal to the total national housing stock.

Also in December 1980, the Land Development Promotion Act was enacted, where designation of certain areas by the government as planned land development sites would allow for re-zoning of large tracts of agricultural land or forested areas as residential land, as well as the forced sale at prices appraised by public organizations. The price of compensation was decided according to the price of the land before the designation and up-zoning. When it was either forested or agricultural land, the price, appraised by a publicly certified appraisal organization, was determined by adding normal appreciation to the base price. When the land owner did not agree to the proposed price, the land could be expropriated as per the Land Development Promotion Act and Land Expropriation Act. The planning and execution of development was performed by the Korea Land Development Corporation, NHC and local governments, while after development the land was parceled out to public or private housing corporations, or used by the NHC or local governments in their own housing construction projects. This method of development was differentiated from the existing Land Readjustment Project in that public developers purchase and developed the entire tract of land, and is called public development of land.

In the following year, 1981, the government began intervening directly to the relationship between land owners and developers. The government would now purchase land at appraised prices and supply it as housing development land. In 1988 and 1989, companies with no expertise in land management gave up efforts to purchase land from individual land owners, and instead turned toward publicly developed land. Developers, especially larger companies, began to pursue projects by purchasing this publicly developed land.

From 1989 to 1990, H Construction built 16,000 apartment units annually, making it the largest private developed at the time. In 1990, 81 designated companies purchased a total of 7,457,223m² of land, of which 80% was publicly developed land. 83% of residential land supplied in Seoul was publicly developed. From 1977 to 1981, publicly developed residential land accounted for only 14.2% of all residential land developed by government organizations. In 1982 this number increased to 41.6%, which amounted to 23.3% of the total residential land supply. By 1988, these figures had risen to 77% and 37%, respectively; since then, public development has led residential land development. From April 1981 to the end of 1992, a total of 62,479,620m² of residential land was supplied through public

development, and during the same period 40% of housing construction nationwide used this publicly developed land. In 1992, 166,281,740m² of residential land was developed through public development, on which total of 1,162,400 housing units were constructed. This amounted to over three quarters of the total housing units under construction nationwide at the time.

Table 3-1 | Land Development Projects by Developing Agency (1981-2010)

(Unit: 1000m²)

Classification	Designation of residential areas to be developed				Development records of residential areas			
	Total	Korea Land Corporation	National Housing Corporation	Local Government	Total	Korea Land Corporation	National Housing Corporation	Local Government
Total	761,672	426,321	186,154	149,197	930,449	458,602	177,122	294,725
'81~'94	300,430	173,865	41,252	85,313	325,557	143,755	46,595	135,207
1995	8,406	3,725	3,084	1,597	27,183	11,060	3,711	12,412
1996	12,655	6,464	2,348	3,843	39,669	16,528	4,628	18,513
1997	24,444	9,965	11,767	2,712	28,078	11,411	3,712	12,955
1998	13,377	9,574	2,567	1,236	22,112	9,012	2,370	10,730
1999	9,640	1,215	7,001	1,424	20,644	7,551	3,362	9,731
2000	11,997	511	4,911	6,575	25,933	9,752	4,719	11,462
2001	35,801	22,050	4,828	8,923	28,026	13,977	4,463	9,586
2002	17,960	3,107	12,455	2,398	29,436	12,861	7,648	8,927
2003	15,293	4,663	9,835	795	24,367	10,674	8,268	5,425
2004	48,845	29,214	4,111	15,520	41,536	15,379	11,825	14,332
2005	64,792	23,537	40,004	1,251	40,384	14,469	16,708	9,207
2006	75,584	51,403	23,754	427	46,358	20,146	19,053	7,159
2007	54,540	30,052	12,496	11,992	65,232	35,452	18,611	11,169
2008	10,085	3,380	5,741	964	51,943	24,426	21,449	6,068
2009	26,099	23,971	0	2,128	59,151	53,917	0	5,234
2010	31,724	29,625	0	2,099	54,840	48,232	0	6,608

Source: Korea Land Corporation (1981~2008), Ministry of Land, Transport and Maritime Affairs (2009~2010)

2011 Modularization of Korea's Development Experience
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of Affordable Housing in Korea

Chapter 4

Mass Provision of Housing and National Housing Fund

1. Two Million Housing Units Construction Project
2. Supply of Permanent Rental Housing
3. National Housing Fund
4. Adjustment in Housing Supply and Deregulation in the face of Economic Crisis

Mass Provision of Housing and National Housing Fund

1. Two Million Housing Units Construction Project

Despite continued growth in housing demand, housing investment remained low, resulting in housing supply ratio consistently falling behind demand. Consequently, the housing supply ratio that recorded 73% in 1980 fell to 69.2% in 1987, and housing prices rose sharply. Housing prices in Seoul rose over 40% during 1981 and 1983, and plateaued until 1987, while housing prices in the 5 major metropolises rose 7.9% until 1983, then continuing growth until 1987, by which prices had increased by 25%. The average urban housing price had changed little, therefore in the case of regional cities, housing prices can be said to have had downward transitional stability. However, Jeonse (lease) price skyrocketed nationally, compared to sale prices. From 1981, Jeonse (lease) price in Seoul rose 26.5% by 1983, 69.5% in 1985, and then 108.4% in 1987, thereby doubling in this period.

Table 4-1 | Housing Supply Ratio (1980s)

(Unit: Thousands, %)

Year	Household*	House**	Housing Supply Ratio
1980	7,470	5,450	73.0
1981	7,749	5,460	70.5
1982	8,039	5,640	70.2
1983	8,340	5,852	70.2
1984	8,652	6,061	70.1
1985	8,751	6,317	72.2
1986	9,037	6,303	69.7
1987	9,320	6,450	69.2

Year	Household*	House**	Housing Supply Ratio
1988	9,612	6,670	69.4
1989	9,920	7,032	70.9

* Single-person households, non-relative households of normal households excluded

** Vacant houses included

Source: Statistics Korea e-Narajipyo (<http://www.index.go.kr>)

After reaching a peak at 300,000 units per year in 1978, the number of housing construction began to decline. It fell below 150,000 in 1981, and then started to increase again. However, numbers in 1978 were not recovered until 1987. As a result, from 1980 to 1987, 1.85 million new households had been formed whereas the housing stock only increased by 1 million in the same period. The housing shortage became more serious, and housing supply recorded 69.2% nationally in 1987, while Seoul's was lowest, at 50.6%.

And the sharp rises in housing prices and rents complicated the woes of the mid-to low-income households that did not own homes, and public opinion started to express concern on this housing instability. While workers' wages had risen sharply too, housing prices had increased at much higher rates. In an extreme case, whole families would commit suicide because they were no longer able to afford rent.

In the end, the real estate boom of the late 1980s and the rise in housing prices led to unstable housing conditions for the lower income households as well as the middle classes. Speculation created a huge social problem. With land prices skyrocketing, housing construction was complicated and increasingly relied upon public development for residential land development. In order to resolve this housing problem, the third long-term housing construction plan, the 2 Million Housing Units Construction Project (1988~1992), was established. For the first time, housing supply plans were stratified according to income level, and housing support plans for impoverished households were also prepared. In addition, the government pursued the legislation of the concept of public land ownership.

Roh Tae Woo, candidate of the ruling party, made an election pledge to build 4 million housing units during his 6-year term including 300,000 units for low-income households. After election, this plan was downsized to a more realistic 2 million. In detail, the plan was to invest 65 trillion won, 6.5% of the country's GNP, in the construction of 850,000 units Kookmin housing, 480,000 units Minyoung housing, and 670,000 private housing, increasing housing supply to 72.9% by 1992.

The housing supply plan was divided according to target, dividing the population according to 10% income percentile blocks. The first percentile block was labeled poor, the 2nd to 4th blocks potential middle class, 5th to 7th middle class, and the 8th to 10th blocks above middle class. The supply of housing was differentiated according to income group. Later, publicly supplied housing was increased to resolve the low-income households'

housing problem, which had become an important social problem with the sharp rise of housing prices and rents from 1989 to early 1990.

Beginning in the late 1970s, the government drew up plans to greatly increase housing supply in the Seoul area, to stabilize housing prices in Seoul, which had led the real estate price hikes. In April of 1989, the government announced plans to build two new satellite cities, Ilsan and Bundang. Seoul metropolitan areas had suffered from a shortage of developable land, and any available land was prohibitively expensive. Accordingly, there were four guiding principles to the development of residential satellite city development in the Seoul area. First, the cities should ease the traffic and housing problems of Seoul. Second, the cities should not be purely residential, but share the city functions of the capital. Third, the cities should be able to function on their own as self-sufficient cities. Fourth, the cities should not obstruct but complement the functioning of the capital.

To this end, the ‘Housing Repayment Bonds’ was issued to provide funding to private corporations. These bonds could be redeemed after a certain period in the form of a housing unit. These had been issued by the NHC from 1978 to 1979, but the bonds were revived in 1989 to support the development of Seoul’s satellite cities. The purpose of the issue of these bonds was the early allotment of housing units, and the re-absorption of prospective homeowner’s floating funds into the housing market to make for smooth financing.

The Bundang and Ilsan satellite cities construction plan was to build 150,000 and 75,000 units housing 420,000 people and 300,000 people, in 17,851,320 and 15,206,680m² tracts of land, respectively. The President announced that if the satellite cities did not calm the speculative craze, he would resort to using his emergency order powers to do so, exhibiting a strong commitment to stabilizing real estate prices.

Bundang was an ideal development site, where the Seoul’s aristocrat Park Heung-Shik had formerly attempted to develop a city toward the end of the Japanese colonial era. President Park Jung-Hee had, while passing over the Seongnam area in a helicopter on May 4, 1974, ordered that the development of the area be prohibited, as it would ‘someday prove useful.’ As a result, the area had been put off-limits to development as part of the Southern green belt. Ilsan, housing many military facilities, had also been off-limits, but it is said that Minister Park Seung had often mentioned the area in discussions regional balanced development. In addition to these two satellites, the number of planned Seoul satellites rose to five, including Bucheon Jung-dong, Sanbon and Pyeongchon. It was announced that construction of Ilsan and Bundang would be completed by 1992.

Figure 4-1 | Before and After The New Town Development: Bundang and Ilsan



Source: Jang Bakwon, Lee Eujin <Maeil Business Newspaper>

The funds required for the construction of the 2 million housing units was estimated at 64.283 trillion won, of which 67.7% would be provided by homeowners, and 22.3% would be provided by loans from the National Housing Fund and Private Housing Fund. A total of 188,430,600m² in residential land was to be needed, of which 115,703,000 would be provided through the aforementioned public development method. All development costs were to be shouldered by development profits. This meant that the construction of the 2 million new housing units was to rely on private, therefore speculative, capital. As a result, many were less than optimistic about the success of the project, much as they had been with the early 1980s plan for the construction of 5 million units.

Even government ministries were in disagreement regarding the feasibility of the 2 million unit construction plan. Even growth-oriented economic advisors, such as deputy prime ministers Lee Seung-Yun and chief advisor Kim Jong-In agreed with their predecessors Jo Sun and MunHee-Gap that the plan would need to be carefully implemented. However, Minister of Construction Kwon Yeong-Gak held that the project was an election pledge, therefore had to be pursued, and the President gave his support to this opinion. The enormous undertaking was eventually pursued in a manner reminiscent of the 'military operations' style of the former military government. As a result, housing construction that had averaged only 220,000 units annually from 1980 to 1987 rose sharply to 320,000 in

1988, and 460,000 in 1989, reaching a record high of 750,000 in 1990. In the end, 2 million housing units had been built by the end of August of 1991, a year ahead of the plan. This amounted to 40% of the total housing stock of Korea as of 1987, 6.45 million.

Critics of the 2 million unit construction project pointed out that this volume exceeded the country's housing supply capacity at the time. First, with an unprecedented boom in the domestic market, the economy was in need of stabilizing measures. However, the excitement created in the construction market by the plan led to overheating of the economy. This led to a sharp increase in wages. In 1990 alone, construction labor costs rose by 40%. Factory workers moved to construction sites in search of higher wages, creating a manpower shortage in the manufacturing industries. Shortages in construction materials such as rebar, toilet ceramic fixtures, cement and aggregate led to hikes in construction costs.

Table 4-2 | Housing Construction (1982-2010)

(Unit: Units)

Classification	Total	Metropolitan Area	Non Metropolitan Area
1982	191,420	102,531	88,889
1983	225,990	104,164	121,826
1984	222,047	122,197	99,850
1985	227,362	122,080	105,282
1986	288,252	187,428	100,824
1987	244,301	111,447	132,854
1988	316,570	151,215	165,355
1989	462,159	209,288	252,871
1990	750,378	378,797	371,581
1991	613,083	274,685	338,398
1992	575,492	282,983	292,509
1993	695,319	332,421	362,898
1994	622,854	271,406	351,448
1995	619,057	268,111	350,946
1996	592,132	271,927	320,205
1997	596,435	229,370	367,065
1998	306,031	148,669	157,362
1999	404,715	237,454	167,261
2000	433,488	240,985	192,503
2001	529,854	304,396	225,458
2002	666,541	376,248	290,293

Classification	Total	Metropolitan Area	Non Metropolitan Area
2003	585,382	297,289	288,093
2004	463,800	205,719	258,081
2005	463,641	197,901	265,740
2006	469,503	172,058	297,445
2007	555,792	302,551	253,241
2008	371,285	197,580	173,705
2009	381,787	255,158	126,629
2010	386,542	250,218	136,324
Total	13,261,212	6,606,276	6,654,936

Source: Ministry of Land, Transport and Maritime Affairs

2. Supply of Permanent Rental Housing

While the supply of public rental housing was expanded during the political turmoil of the early 1980s, rental housing until then was limited to temporary rental housing, such as the 1-year rental units constructed until the mid-1970s, and the 5-year rental units created as a result of the Rental Housing Promotion Plan of 1982. Even for these, project costs were prohibitively high, meaning that public housing for the low income households was limited to small-size units for sale.

However, the long-term rental housing units and smaller units constructed for-sale for impoverished urban dwellers were too expensive, and there was no realistic system to identify low-income, non-homeowner households as tenants. Also, with the emphasis until the late 1980s on quantity of housing supply, there was not enough support for the resolution of the housing problems of the lowest-income group.

The increased housing instability of impoverished urban residents, and the rise of the need to ease residential costs and stabilize residential conditions as a key labor and political issue, the President announced at his one-year anniversary of taking office on February 24, 1989, that 250,000 permanent rental housing units would be constructed for the lowest 10% income bracket. This was building on the ‘Economic Democratization Proclamation’ made on the 1-year anniversary of the June 29 Proclamation of 1988. Later, on February 28th, the Permanent Rental Housing construction plan was finalized as part of the government’s urban low-income group residential stabilization plan, and 1990 was named ‘Year of Workers’ Housing Stability,’ giving housing policy priority to working class housing stability. Workers’ housing projects were also pursued.

In April of 1989, the government modified the 5-year housing construction plan to reflect higher goals for housing supply to low-income households. Of the 2 million planned units, 900,000 were designated as low-income household housing units. Of these, 250,000

were designated Permanent Rental Housing units for the lowest income bracket. These Permanent Rental Housing units represented the first state-funded housing supply to low-income households since the construction of relief housing with aid money in the 1950s.

Tenants of these Permanent Rental Housing units were to be government welfare beneficiaries, medical aid recipients and livelihood protection beneficiaries falling in the lowest 10% of income. At least 90% of funds required for Permanent Rental Housing were to be supported by government funding (approximately 4.26 trillion Won), and the rest was to be supplied by homeowner deposits. The size of the units was to be small, ranging from 23 to 39m².

The significance of the supply of public rental housing at the end of the 1980s lied in the target-oriented nature of the plan. The supply of permanent rental housing for the lowest-income classes and housing for workers was concentrated in this period.

Later, in the early 1990s, the Kim Young-Sam government reduced such supply. The supply of public rental housing for the lowest income bracket was halted until the late 1990s, when the Kim Dae-Jung administration began the supply of government-funded rental housing.

Figure 4-2 | Hapjeong-dong Permanent Rental Housing (1992)



Source: <http://blog.naver.com/sungsamo01/20134858033>)

3. National Housing Fund

As explained above, the housing financing policy from the post-war years until the 1960s was significant in that national banks established a systematic method of loans for housing suppliers. Housing finance in the 1960s was marked by the establishment of the NHC (1962) and The Korea Housing and Commercial Bank (1969), which decreased the ratio of transactions between private citizens and non-first-tier financial institutions, and the beginning of first-tier housing financing with the Lottery (1969) and Housing Subscription System (1977). Later between 1981 and 1997, housing financing experienced profound changes in terms of institution, scale and role according to changes in the housing market environment. While housing financing had in the past been almost completely responsible for funding housing policy, increasing privatization and increased supply of private housing meant that an expanded role for private finance.

Figure 4-3 | Housing&Commercial Bank (1969)



Source: The Academy of Korean Studies

Since its establishment in 1967 and privatization in 1997, The Korea Housing and Commercial Bank was the sole provider of housing finance. According to the government's housing policy, 80% of its loan portfolio was housing-related. Later, in July 1981, as per the provisions of Article 60 of the Housing Act which the Housing Construction Promotion Act was revised to, the National Housing Funds were established for the smooth supply and funding of house purchasing finances for non-homeowner low-income households. This took up the national housing financing role of The Korea Housing and Commercial Bank,

and aimed for the stable and systematic supply of construction funds for the increased supply of small-size housing.

1983 saw the mandatory purchase requirement of housing bonds. Upon receiving housing permits and registration, generally construction corporations had to purchase Type 1 National Housing Bonds, and the people who were allocated housing had to purchase Type 2 National Housing Bonds through the Bond Bidding System. As mandatory purchases attached to housing-related transactions, these bonds became the main source of funds for the National Housing Fund and others. Since its launch in 1977, the National House Subscription Savings Account was for a long time a very popular product. Account holders were eligible for long-term low interest loans for house purchases, priority in purchasing newly constructed apartment units, and, owing to price controls on newly constructed apartments, could make considerable capital gains on the transactions.

In this manner, the National Housing Fund was placed in charge of financing for smaller housing units targeted to low-income households, whereas the now private Housing and Commercial Bank was responsible for financing of larger scale housing.

Also, for the purpose of housing stability for the lower income households through the provision of low-interest housing financing, and the promotion of national housing construction by providing reliable construction funds, the National Housing Fund supplied construction funds to housing contractors, and provided housing purchase/lease and renovation funds to homeowners.

The National Housing Fund obtains funds in four methods, namely government support, capital markets (State Bond Management Fund Deposits), the savings market (Housing subscription savings), and other sources (National Housing Bonds and Lottery). Of these, Housing subscription savings, Lottery sales and National Housing Bonds make up the largest proportion.

Table 4-3 | History of the National Housing Fund

Date	Details
1972.12.30	· National Housing Construction Promotion Act Enacted (Legislation No. 2409)
1973.1	· National Housing Fund accounts installed at Housing and Commercial Bank
1981.7.20	· National Housing fund installed, fund management entrusted to Housing and Commercial Bank (Article 10, Item 3 of the Housing Construction Promotion Act) - 540.4 billion won in National Housing Fund assets acquired
1997.8	· Privatization of Housing and Commercial Bank (Housing and Commercial Bank Act abolished)

Date	Details
2000.1.27	<ul style="list-style-type: none"> · Fund management entrusted to financial institution designated by Minister of Construction and Transportation to replace Housing and Commercial Bank (Article 10, Item 3 of the Housing Construction Promotion Act and Item 2 of the Addendum) - 2001.11.1 Merger of Kookmin Bank and Housing and Commercial Bank (KB)
2002.11.1	<ul style="list-style-type: none"> · Woori Bank, Nonghyup Bank selected as trustee banks for National Housing Fund operation
2003.2.1	<ul style="list-style-type: none"> · Re-consigned banks trusted with fund operations (loans and housing subscription savings)
2003.5.29	<ul style="list-style-type: none"> · Revised as Housing Act (Legislation No.6916)
2006.1.1	<ul style="list-style-type: none"> · Re-consigned banks begin National Housing Bond operation
2008.1.25	<ul style="list-style-type: none"> · Selection of National Housing Fund depository bank (competitive bidding) - Head depository bank: Woori Bank - Supporting depository banks: Nonghyup, Shinhan, Hana, IBK
2008.4.1	<ul style="list-style-type: none"> · Newly selected depository banks begin operations- KB in charge of management of existing accounts only

Source: National Housing Fund Operation Handbook(2010)

Table 4-4 | Function of the National Housing Fund

Function	Method
Increase housing stock through housing construction support	<ul style="list-style-type: none"> · Supported over 1/3 of housing projects since fund establishment · House supply ratio of 100% reached as of 2002
Facilitate home ownership of non-homeowner low-income households	<ul style="list-style-type: none"> · Reduced financial burden through long-term low interest loans for home purchases · Increased chances for ownership through lease-to ownership transfer of rental housing units
Improve public housing standards	<ul style="list-style-type: none"> · Construction cost loans for rental housing, including national rental housing · Construction cost loans for housing for sale
Stabilizing foundation for housing market	<ul style="list-style-type: none"> · Increased loan support in event of housing market recession · Reduced loan support in event of housing market overheating
Reduce housing gap and create comfortable living environment	<ul style="list-style-type: none"> · Reduce housing gap among classes by supplying rental housing and renovating aged houses · Create comfortable living environment through development of dilapidated houses

Source: KB Kookmin Bank.

Table 4-5 | Sources of the National Housing Fund

Source	Remarks	Interest (Annual)	Period
Type 1 National Housing Bond	· Bonds sold to individuals receiving licensing or registration from the state, or subcontractors to construction projects executed by public organizations	3.0% (5.0% until '01.7.31)	5 Years
Type 2 National Housing Bond	· Bonds sold to recipients of public housing exceeding 85m ² for purpose of retrieving current marginal profit	0% (3.0% until '99.7.15)	10 Years ('99.7.15 20 Years until '99.7.15)
Subscription Savings	· Mandatory savings account for eligibility for supply of national housing under 85m ²	4.5% - Up to 2 years:3.5% - Up to 1 year:2.5%	Until supply
Agricultural and Fishing Town Special Accounts Deposits	· Deposits from special accounting for structural improvements for Agricultural and Fishing towns	3.0%	5 Year deferred, 15 Year installment
Public Fund Management Fund Deposits	· Deposits from the Public Fund Management Fund	State bond interest +0.01%p	Within 20 years
Lottery Sales Funds	· Funds received from housing lottery ticket sales	-	-
General Accounts Deposits	· Deposits from general accounts (Used as loans for national rental housing)	-	-
Excessive Redevelopment Profits Retrieved	· Legal tax levied to retrieve excessive profits gained from housing redevelopment projects	-	-
Withholdings	· Funds withheld from Public Fund Management Fund for National Housing Fund funding	Fixed deposits interest	Within 3 years
Loans retrieved	· Retrieval of matured loans	-	-
Interest profits	· Interest profits from loans, deposits on floating funds	-	-

Source: National Housing Fund Operation Handbook (2010)

Table 4-6 | Uses of National Housing Fund

Use		Details
Fund Operation	Fund management	· Trusteeship fee for management of fund
	Project operation	· Operation fees and other operation expenses
Current Accounts	Financing for Apartment Housing Purchases	· Support for Apartment Housing Purchases for conversion to rental housing (45% of total project cost)
	Support for Sublease Program	· Supports lease rights fee and repair costs for Sublease Program
	Financing for National Rental Housing	· Government support for national rental housing construction (10~40% of total project cost)
	Capital transfer of excessive redevelopment profits	· Total amount of excess redevelopment profits reclaims distributed to local governments
	Contribution to Housing Credit Guarantee Fund	· Contribution to Housing Credit Guarantee Fund
	Financing for Korea Housing Finance Corporation	· Financing for Korea Housing Finance Corporation
Loans	Rental housing construction	· Loans for National Lease and public rental housing Construction
	Construction of housing for sale	· Loans for publicly sold housing and post-construction sale housing
	Housing deposits	· Loans for low-income household housing deposits and workers' or affordable housing deposits
	Housing Purchases	· Loans for housing purchases by workers or low-income households
	House Renovations	· Loans for housing environment improvement or renovation of housing in agricultural or fishing towns
	Etc.	· Loans for purchase and loan program, land development program, and city center renewal programs
Internal Government Expenses		· Payment of principle and interest on withholdings from Agricultural/Fishing Town Special Accounts an Public Fund Management Fund
Debt payment		· Payment of principle and interest on National Housing Bond issue and Subscription Savings Accounts
Floating funds operation		· Operation of floating funds (Deposit in financial institutions, etc)

Source: National Housing Fund Operation Handbook (2010)

Meanwhile, with the drop in housing prices after April 1991, there was a large drop in housing investment demand, and a decrease in the amount of housing funds. As part of the measures to improve financial market autonomy, the stepwise Liberalization of Interest Rates saw the liberalization of interest rates on loans and deposits in 1994, and the adoption of the housing installment finance system in 1996. This was the first attempt at raising and operating funds in a competitive private financial setting.

Total National Housing Fund accounts amount to approximately 27.7 trillion won as of 2009. Accounts were fed primarily by redemption of National Housing Bonds and the recovery of loans, subscription savings and interest profits. Although the makeup of the Fund is continually changing according to environmental changes in the housing market, redemption of National Housing Bonds and the recovery of loans, subscription savings and interest profits continue to make up 70~80%.

Table 4-7 | Raising of National Housing Fund

(Units: Hundred Million Won)

Item	2002	2003	2004	2005	2006	2007	2008	2009
Total	192,000	207,807	203,468	227,009	264,165	244,050	220,978	277,018
Type 1 National Housing Bonds	76,176	70,902	59,864	84,736	95,463	84,612	84,711	89,306
Type 2 National Housing Bonds	-	-	-	-	10,750	891	36	6,352
National Housing Bonds	76,176	70,902	59,864	84,736	106,213	85,503	84,747	95,658
Subscription Savings	6,014	9,020	11,532	16,248	18,805	20,610	19,753	61,001
Public Fund Management Fund(Total)	-	-	-	-	-	360	-	-
Public fund Management Fund(Loans)	200	373	360	360	360	-	-	-
Agricultural/ Fishing Town Special Accounts Withholdings	360	187	180	180	180	180	-	-
General Accounts Deposits	-	-	-	-	-	8,989	9,813	8,684

Item	2002	2003	2004	2005	2006	2007	2008	2009
Other Withholdings	-	100	-	-	100	-	-	-
Lottery Capital	1,054	5,304	1,079	-	-	-	-	-
Lottery Fund Deposits	-	-	3,851	4,846	4,900	4,610	4,647	5,547
Housing Securities	5,102	3,089	-	-	-	-	-	-
Loans Retrieved	70,650	57,720	48,007	54,699	65,459	55,003	56,680	71,838
Loan Interest Profits	22,425	20,397	18,970	19,180	21,086	22,201	23,923	24,993
Deposit Interest.	1,445	2,131	2,144	2,837	2,303	2,088	4,607	1,992
Carryover funds	8,574	38,584	57,481	43,928	44,759	44,506	16,808	7,305

Source: National Housing Fund Operation Handbook (2010)

Figure 4-4 | National Housing Fund Loan



Source: Maeil Business Newspaper

An examination of the expenditures of the National Housing Fund shows that before the foreign exchange crisis in 1998, expenditures for rental housing and houses for sale were the largest, whereas post-crisis, the share of homeowner loans grew substantially, while

expenditure for construction of houses for sale decreased dramatically. This was because bankruptcies and insolvencies of large construction companies during the crisis decreased the demand for housing construction projects, and because increased housing supply meant that the National Housing Fund was directed from housing construction to homeowner loans to the end of housing stabilization for low-income households.

Table 4-8 | Operation of National Housing Fund

(Units: Hundred Million Won)

Item	2002	2003	2004	2005	2006	2007	2008	2009
Total	192,000	207,807	203,468	227,009	264,165	244,050	220,978	277,018
<Loan Operations Cost>	69,979	78,897	71,868	100,158	117,403	100,418	95,029	120,621
○ Rental Housing Construction	36,903	30,659	29,275	29,175	40,366	41,131	26,421	51,908
National Lease	11,665	14,699	20,603	23,570	32,004	32,631	16,262	39,653
Public Lease	23,809	15,072	7,881	5,203	8,320	8,500	10,159	12,255
Loan interim payments	1,429	888	791	402	42	0	0	-
○ Housing Construction for Sale	4,317	9,422	14,480	16,185	14,660	8,522	7,368	13,896
Public Sale	4,017	8,743	12,112	9,502	7,769	1,994	1,949	10,142
Apartment housing	115	59	38	24	10	20	6	2
Purchase and restoration of damage housing	185	620	349	79	76	44	26	6
Post-construction Housing Sale	0	0	1,981	6,580	6,805	6,464	5,387	3,746
○ Homeowner loan support	22,172	35,784	26,839	52,316	60,009	48,929	60,100	53,717
Low-income household deposits	4,880	4,854	2,000	2,499	2,777	3,178	3,707	3,356
Existing housing deposits	0	0	2	1,486	2,810	3,453	6,309	9,522
Worker and low-income deposits	4,808	9,647	6,646	11,257	15,348	21,897	32,170	34,780
Worker and low-income purchases	3,426	1,986	15,563	26,106	11,976	19,239	15,647	5,399
First home purchase	8,796	18,579	1,714	9,710	25,121	1,099	822	-

Item	2002	2003	2004	2005	2006	2007	2008	2009
Purchase and lease	262	718	768	1,049	718	64	1,445	660
Returned lease deposits	0	0	140	166	0	0	0	-
Lease deposit profits	0	0	0	0	0	0	0	-
Lease deposits for development -displaced	0	0	6	43	1,259	0	0	-
○ Housing improvement projects	1,485	1,522	1,271	1,482	1,368	1,336	1,140	1,100
Improving housing environment	365	402	191	222	108	76	60	20
Improvement of agricultural/fishing town housing	1,120	1,120	1,080	1,260	1,260	1,260	1,080	1,080
○ Other projects	5,102	1,510	3	1,000	1,000	500	0	-
Land development funds	5,000	1,500	0	1,000	1,000	500	0	-
Normalization of bankrupt projects	102	10	3	0	0	0	0	-
Loans to Korea Housing Credit Guarantee Fund	0	0	0	0	0	0	0	-
Production of Standardized Materials	0	0	0	0	0	0	0	-
<Current expenses>	668	416	1,011	1,490	1,947	14,034	15,706	15,013
<Basic expenses>	1,421	3,492	2,201	2,112	2,237	1,709	1,893	1,563
<Payment of debt, withholdings>	81,348	67,521	84,460	78,490	98,073	111,081	100,770	95,937
○ Government internal spending	45,241	24,789	31,530	23,317	26,908	5,191	6,174	3,007
○ Debt principal payments	28,107	33,847	40,279	43,007	57,887	91,029	81,858	80,874
○ Debt interest payments	7,442	8,245	11,065	11,324	12,780	14,468	12,734	12,050
○ Other	558	640	1,586	842	498	393	4	6
<Carryover to next quarter>	38,584	57,481	43,928	44,759	44,505	16,808	7,580	43,884

Source: National Housing Fund Operation Handbook (2010)

4. Adjustment in Housing Supply and Deregulation in the face of Economic Crisis

With an unprecedented influx of funds into the housing market, an equally unprecedented 750,000 units were approved for construction in 1990. The plans for construction of 5 Seoul satellite cities accomplished their goal of supplying 2 million housing units, but the ratio of housing investments relatively to GNP had become excessive.

At the end of the 1980s, the resultant floating funds of the rapid economic growth enjoyed until then into the housing market, coupled with measures to further expand the housing construction market, including the construction of the 5 satellite cities, overheated the construction economy, leading to manpower shortages, sharp hikes in labor costs, supply and demand imbalances in construction materials, led to adverse effects on trade surpluses, and began to hurt the economy. In response, the government announced plans to cool down the construction sector, including limits on housing construction volume. Housing construction volume in the 5 satellite cities was also adjusted.

The government announced the Plan for Improving Public Welfare and Living Environment on January 22, 1992. Industrialization and urbanization had led to serious adverse side-effects in traffic and environmental pollution, calling for a comprehensive plan to enhance the living environment. The plan included plans for development of agricultural and fishing areas, easing of traffic loads, environmental improvements, bolstering of welfare policies and housing supply. In response to the downward stability of housing prices achieved by the accomplishment of the 2 million units construction program, and to cool down the overheated construction investment economy, annual housing construction would be managed at an appropriate 500,000 units/year level, and development would be spread among quarters and regions to minimize adverse side-effects such as supply/demand imbalances in construction materials due to concentration of projects in specific areas.

In 1992, the government limited the volume of new housing construction 500,000 units per year. Regarding this measure, the Chairman of the Housing Contractor's Association responded that 'large construction corporations, in accordance with the government's plans for the construction of 2 million housing units, have increased the number of employees, and have already made investments in publicly developed residential land amounting to 2.2 trillion Won. This limit on housing construction caused great difficulties. Accordingly, most companies reduced their reliance on housing construction, turning their companies toward civil works such as expressways and port construction.

February 12, 1992 saw the announcement of the real estate speculation suppression plan. Instead of the existing ex-post regulations, a system of prior supervision would be implemented to fundamentally rule out real estate speculation. The plan strengthened punishment for illegal real estate brokerage and supplemented the shortcomings of the land transaction permit system. In addition, speculation areas were included in the scope of the implementation of the surplus land ownership premium policy planned for March of that

year. Also, the scope of development premiums was expanded to reinforce the concept of public land ownership. The plan also put in place legal provisions allowing for strengthened restrictions on speculative transactions, and grounds for administrative execution by proxy for the reclaiming of profits from the sale of national and rental housing units. The operation of the housing information network was also to be strengthened.

While the stress on the role of the private sector in resolving the housing problem remained, private housing contractors began experiencing difficulties with the progress of the 1990s, diverting housing policy from the goal of meeting housing needs toward reviving the private housing industry. The post-economic crisis housing recession led to even more hardship in the private housing construction industry, to which the government responded by further loosening price restrictions. In January 1998, private developers were allowed to decide autonomously the price for apartment building built with their own funds on land acquired by themselves, and prices were liberalized for units in the Seoul metropolitan area exceeding 85m², even those built on publicly developed land. In 1999, only units under 60m² supported by the National Housing Fund remained under price regulation, while all other housing was deregulated.

Table 4-9 | Adjustment of Housing Supply and Policy Liberalization

Date	Key Plan or Program	Key Contents
1990.4.4	Comprehensive Economic Stimulus Plan	Priority sales to non-homeowners, lease mediation system, expanded deposit financing support, easing of construction regulations including floor area ratio and building coverage regulations, promotion of land development surrounding major metropolises, including apartment housing
1991.10.16	7 th 5-year Plan	Expanded construction of small housing units, improvements in housing-related tax policies and computerization
1992.1.22	Plans for Improvement of Citizens' Welfare and Living Environment	Development of agricultural and fishing towns, adding substance to social welfare, limited housing construction to 500,000 units per year and distributed construction to regions to promote balance in construction materials supply and demand
1992.2	-	limited housing construction to 500,000 units per year

Date	Key Plan or Program	Key Contents
1992.12.12	Plan for suppression of Real Estate Speculation	Stronger punishment for illegal real estate brokerage, expansion of surplus land ownership surtax system, expanded development surtax system, increased controls on speculative transactions and sale of rental housing, operation of housing information system
1998.1	-	Partial liberalization of apartment costs (Units exceeding 85m ² built by private contractors with own funds)
1999	-	Complete liberalization of apartment costs (excluding small units under 60m ² supported by the National Housing Fund)

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Chapter 5

Improving Low Income Families' Housing Welfare in 2000s

1. Supply of National Rental Housing and Strengthened Role of the Public Sector
2. Bogeumjari Housing

Improving Low Income Families' Housing Welfare in 2000s

1. Supply of National Rental Housing and Strengthened Role of the Public Sector

The supply of National Rental Housing was pursued as part of the '100 National Policy Priorities' of the Kim Dae-Jung administration, which came in to power in February 1998, to follow up on election pledges to supply 200,000 Permanent Rental Housing units, picking up on the construction of Permanent Rental Housing units suspended in the Kim Young-Sam administration. Instead of 100,000 units designed for the housing stability of the lower 10~40% income percentile, the aim was to construct 500,000 rental housing units by the end of the administration's term.

However, the original plan for 500,000 was reduced as the risk of increased housing instability of the lower income households due to mass unemployment by the economic crisis. Building upon the October 1990 budget, an additional 30% of construction costs would be provided to build 50,000 units of 10 and 20-year public rental housing by 2002, thereby contributing to the housing stabilization of low-income households those who could not afford 5-year public rental housing. In 1992, to replace Permanent Rental Housing, the government provided 50% budget and 20% finances (30% by homeowners) for NHC and local governments 50-year public rental housing units.

With increasing housing market instability due to rising housing prices and rents, the plan was again revised, adding 50,000 units for a total goal of 100,000 units to be constructed by 2002. Then again in 2001, during the President's independence speech on August 15th, it was announced that the goal would again be adjusted to 200,000 units, as part of the housing stabilization plan for middle and lower-income households, which set out to accomplish 100% housing supply ratio by 2003.

In response to overheating of the housing market toward the end of 2001 in Seoul's Gangnam area, the Ministry of Construction and Transportation (Currently the Ministry of Land, Transport and Maritime Affairs) submitted to the President a housing market stabilization plan on April 3, 2002. Under the plan, 1 million long-term rental housing units would be built in a period of 10 years beginning in 2003, including 500,000 national rental housing units offering low rents at 40~50% of the market rate. This would bring the ratio of long-term rental housing units up from 2.3% to 10% in 2012. This was because the 29,000 long-term rental housing units available at the time were regarded insufficient to contribute housing stability for the lower income households.

The plan was again changed at the Economic Minister's Conference hosted by the President on May 20, 2002, where the number of National Rental Housing units was doubled to 1 million. Both the ruling and opposition parties pledged to build National Rental Housing units in the Presidential elections of 2002. Candidate Roh Moo-Hyun proposed the construction of 500,000 units over five years from 2003 to 2007. In September 2003, it was announced in the Housing Stabilization Plan for Middle and Lower-Income Households that 1.5 million long-term rental housing units would be constructed over the next ten years, including 1 million national rental housing units.

In April 2005, the range of sizes of National Rental Housing units was widened from 46~66m² to 36~79m², to accommodate different type of households demands. Each year, 4,500 existing multi-family housing units would be purchased by the government, for a total of 50,000, to supply to the public as National Rental Housing. This created a new means of housing supply, breaking from the tradition of construction new housing units, and created a means by which National Rental Housing could be supplied to residents of urbanized areas.

In the final revision, the construction of National Rental Housing would receive 15.92 trillion Won (4.35 trillion Won committed as of 2006) in investment until 2012 (construction until 2015), for the construction of 1.12 million 36~79m² housing units for long-term (at least 30 years) lease, including the 120,000 units already constructed between 1998 and 2002.

Table 5-1 | Key Changes in the National Rental Housing Policy

Date	Key Plans and Policies	Key Details
1999.1	Implemented long-term lease of rental housing - Adopted national rental housing (10, 20 years) policy - Announced construction of 50,000 national rental housing units	10-year lease period for units over 50m ² (Revision of Rental Housing Act Enforcement Regulations, 1999.1.28.)
2001. 3.16	Announced construction of 100,000 units national lease in comprehensive lease plan for low-income housing stability (50,000 units 1998~2002, 50,000 units 2001~2003)	
2001. 8.15	Announced construction of 200,000 units national rental housing at August 15 Address	
2002. 4. 3	Announced construction of 100,000 long-term public rental housing units including 50,000 national rental housing units (Increase housing loan proportion from 3.4%→10%)	
2002. 5.20	Housing Stabilization Plan for low-income households (Presidential Economic Ministers' Meeting) - Announced plans for construction of 1 million units national rental housing (2003~2012)	
2002.9. 4	National rental housing lease period extended to 30 years	Liberalized lease rates for medium-size public rental housing units
2003. 5.28	Housing welfare support for low-income households	As part of policy response to income polarization - Construction of 500,000 units national rental housing units for 20~40% income percentile by 2007
2003.9. 3	Housing Stabilization Plan for Medium to Low Income Households	Substantial increase in long-term public rental housing - 1.5 million public rental housing units, including 1 million national rental units, over 10
2005.4.27	Announcement of Rental housing Policy Revision Plans (National Policy Goals Meetings)	Increasing size range of national rental units, revision of supply plans following 2007 lease demand survey, introduction of diverse rental housing supply methods (including purchase and lease)

Figure 5-1 | National Rental Housing: Yecheon-dong, Seosan-si (2007)



Source: <http://astel.com>

Figure 5-2 | National Rental Housing: Hanbora Maeul 4 Danji Apt., Yongin-si (2011)



Source: <http://cafe.naver.com/kookminlease/30347>

In the case of the Permanent Rental Housing units built between 1985 and 1992, the government provided up to 85% financing, but beginning in 1998, 10~40% government financing was provided for 30-year-plus long-term National Rental Housing units.

Table 5-2 | Annual National Rental Housing Budget and Fund Support Standards

Year	Type	Total	Budget	Housing Fund	Contractor	Homeowner
'98~'02	18~20 Py. (3.3m ²)	100%	30	40	10	20
'03	Type I (14 ~ 15)	100%	30	40	10	20
	Type II (16 ~ 18)	100%	20			30
	Type III (19 ~ 20)	100%	10			40
'04	Type I (14 ~ 15)	100%	40	40	10	10
	Type II (16 ~ 18)	100%	20			30
	Type III (19 ~ 20)	100%	10			40
'05~	Type I (11 ~ 15)	100%	40	40	10	10
	Type II (16 ~ 18)	100%	20	45		25
	Type III (19 ~ 24)	100%	10	50		30

Eligibility for tenancy in National Rental Housing was restricted to non-homeowner households with income levels of 50~70% of the average city working-class individual, falling in the 10~40% income percentile range, while eligibility conditions differed according to income.

Non-homeowner households with incomes below 70% of the average city working-class individual,¹³ falling in the 10~20% income percentile range, 1.84 million Won as of 2007,

13 Non-homeowner households satisfying the national rental housing tenancy eligibility requirements and falling under the categories below shall be given priority supply of up to 20% of the total constructed units of a given floor area ratio.

- ① Individuals having supported a direct relative (including of spouse) aged 65+ for at least 1 year as of the date of public notice of homeowner subscription
- ② Individuals having been issued a disability registration certificate as per Article 29 of the Welfare of Disabled Persons Act (including spouse, in the case of mentally retarded, mentally disabled or persons with Level 3 or higher brain lesion disability)
- ③ Persons eligible under the Act on the Honorable Treatment and Support of Persons, etc. of Distinguished Services to the State or their surviving family members, 5.18 democratic movement heroes as defined in the Act for The Honorable Treatment of 5.18 Democratic Movement Heroes, or their surviving families, special operations veterans as defined by the Act for the Support of Special Operations Veterans, or the surviving families, who are judged as requiring tenancy in consideration of income level by the Minister of Patriots and Veterans Affairs
- ④ North Korean escapees as defined in Article 2 Clause 1 of the Act on the Protection and Settlement Support of Residents Escaping from North Korea
- ⑤ Small and medium business workers as defined by Article 2 Clauses 1 and 3 of the Special Act on Support for Human Resources of Small and Medium Enterprises
- ⑥ Householders with at least 3 children under the legal age (civil law)
- ⑦ Eligible single-parent households under standards designated by the Minister of Gender Equality and Family according to Article 3 of the Enforcement Regulations of the Single-Parent Family Welfare Act
- ⑧ Adolescent householders recommended by the mayor, etc., for tenancy in national rental housing

receive priority tenancy eligibility for units under 50m². Non-homeowner households with incomes within 70% of the average city working-class individual, falling in the 30~40% income percentile range, 2.57 million Won as of 2007, and holding a Housing Subscription Savings Account, receive priority tenancy eligibility for units between 50 and 60m². Non-homeowner households with incomes within 100% of the average city working-class individual receive priority tenancy eligibility for units exceeding 60m², at a deposit of 10.6 to 24.7 million Won and monthly rent of 60,000~250,000 Won (as of 2007).

Table 5-3 | National Rental Housing Tenancy Eligibility

Size	Eligibility
Below 50m ²	Non-homeowner householders with incomes under 70% of the average city working-class individual, falling in the 10~20% income percentile range, 1.84 million Won as of 2007 (priority given to those under 50% of average income)
50m ² ~60m ²	Non-homeowner householders with incomes within 70% of the average city working-class individual, falling in the 30~40% income percentile range, 2.57 million Won as of 2007, and holding a Housing Subscription Savings Account
More than 60m ²	Non-homeowner householders with incomes within 100% of the average city working-class individual and holding a Housing Subscription Savings Account

Figure 5-3 | Application for Moving into Rental Apartment



Source: <http://blog.daum.net/scky/17956826>

Final tenancy was decided according to a score chart. Items included householder age, number of dependents, years of residence in area, support of senior parents at least a year, number of children, and number of payments to Housing Subscription Savings Account. In the case of householder age, over fifties receives 3 points, over forties 2 points, and over thirties 1 point. 3 or more dependents equal 3 points, 2 equal 2 points, and 1 equals 1 point. Households supporting an immediate relative aged 65 or more for a period of more than 1 year receive an additional 3 points.

National Rental Housing is provided to development refugees of the housing project in question, classes needing social protection, permanent rental housing evacuees, shantytown residents, and newly-wed couples. First, 10% of the total constructed housing units in the project can be set aside for supply to development refugees satisfying tenancy eligibility conditions, and with mayor's approval, this percentage can be increased. Second, up to 20% of the constructed units may be set aside for supply to individuals satisfying tenancy eligibility conditions and the additional conditions below.

Table 5-4 | National Rental Housing Tenancy Eligibility Score Chart

Item	3 points	2 points	1 points
① Householder age	50+	40+	30+
② No. dependents	3+	2	1
③ No. years residency in area	5+	3+	1+
Supporting immediate relative aged 65+ for 1 year+: 3 points			
② No. children under twenty	3 or more	2 or more	-
⑥ No. additional payments on housing subscription savings account (Only for applicants of units exceeding 50m ²)			
A. At least 12 additional payments: 2 points			
B. At least 6 additional payments: 1 points			
Employee in small-to-medium manufacturer (excluding executives): 3 points			
⑧ Requires Social Guarantee of Livelihood			
- Applicable to Article 31, Clause 1, Items 1-5, 7, 7-2 and 8: 3 points			
<ul style="list-style-type: none"> Recipients of basic livelihood security, Persons of national merit (including 5.18 democratization heroes and special operations veterans) or their families, with income below basic livelihood security standards, Japanese comfort women victims, single-parent families, North Korean defectors, individuals supporting a direct relative (including those of spouse) with income below basic livelihood security standards, graduates of child protective facilities, and other individuals requiring tenancy of permanent rental housing as decided by the Minister of Land, Transport and Maritime Affairs 			
- Individuals of near poor class as per provisions of the National Basic Livelihood Security Act: 3 points			
- Residents of Permanent Rental Housing holding housing subscription savings account: 3 points			

Item	3 points	2 points	1 points
⑨ Former construction workers having been issued a construction worker mutual retirement aid certificate by a firm registered with the mutual aid retirement aid system: 3 points			

* Points under ④, ⑦ and ⑧ do not apply when selecting priority tenants under the provisions of Housing Supply Regulations Article 32 Clause 5 (As Per Article 32, Clause 12)

** For households with at least 4 persons, average 4-person household income shall apply

*** In case of 3rd rank applications, non-holders of subscriptions savings accounts may apply. In event of tied score, residents of the city/district/province in which unit in question is constructed may receive priority.

Table 5-5 | Construction of Public Rental Housing (1982-2010)

(Unit: Units)

Type	Total				Long-term Public Rental Housing	Permanent Rental Housing	Employee Rental Housing	National Rental Housing
	Total	local governments	NHC	Private				
Total	2,000,350	183,740	974,215	842,395	1,149,817	190,077	75,155	585,301
1982~1986	77,719	14,025	34,994	28,700	77,719			
1987	51,918	135	20,070	31,713	51,918			
1988	52,218	1,164	25,188	25,866	52,218			
1989	82,475	24,252	40,046	18,177	39,222	43,253		
1990	144,544	28,747	58,744	57,053	64,890	60,004	19,650	
1991	76,391	21,606	49,224	5,561	15,074	49,607	11,710	
1992	62,679	13,473	44,717	4,489	15,121	36,706	10,852	
1993	41,525	2,922	10,055	28,548	30,912	507	10,106	
1994	74,889	3,088	19,125	52,676	65,751		9,138	
1995	82,032	1,276	18,237	62,519	77,584		4,448	
1996	111,063	3,190	16,188	91,685	104,648		6,415	
1997	108,728	1,057	15,941	91,730	108,115		613	
1998	93,795	160	13,958	79,677	91,294			2,501
1999	109,417	441	30,115	78,861	89,107		84	20,226
2000	95,932	1,714	30,953	63,265	85,923			10,009
2001	102,557	2,438	40,908	59,211	66,980		350	35,227
2002	86,586	4,033	55,403	27,150	35,767			50,819
2003	84,768	10,106	64,686	9,976	12,977			71,791

Type	Total				Long-term Public Rental Housing	Permanent Rental Housing	Employee Rental Housing	National Rental Housing
	Total	local governments	NHC	Private				
2004	97,226	6,150	86,845	4,231	5,803			91,423
2005	105,787	18,533	84,476	2,778	9,604			96,183
2006	111,536	9,461	96,991	5,084	14,551		173	96,812
2007	146,565	15,769	117,351	13,445	34,639		1,616	110,310
2008	22,120	12,802	9,318	0	30,729	0	1,297	84,882
2009	89,603	10,501	66,527	12,575	33,845	3,633	1,537	48,310

* Public Rental Housing: referred to as long-term rental housing from '82 ~ '91, and public rental housing from '92 ~ present (excluding Jeonse (lease), including purchase of unsold units)

National Rental Housing: including apartment housing purchases from '04, bankruptcy purchases from '06, and unsold unit purchases from '08 (below 60m²)

** An additional 2,278 units of long-term rental housing was built in 2009

Source: 2008 Rental Housing Work Manual, 2010 Housing Work Manual. Ministry of Land, Transportation and Maritime Affairs

Meanwhile, the purchase and supply of multi-family housing as National Rental Housing, pursued to give diversity to the methods of securing publicly supplied housing, was implemented in April 27, 2005, as a part of the plan for increased supply of rental housing, following the President's orders to prepare housing stability measures for the urban poor on January 5, 2004, demonstrating the government's housing policy's focus on welfare including the improvement of the living conditions of the urban poor. The aim was to provide city-center rental housing to the urban poor in proximity to their workplace, to make up for the large shortage of rental housing volume available in the city centers.

In this plan, the NHC or local governments would purchase apartment and cooperative housing units of under 85m² in size and rent them to the urban poor at low rents following renovations and repairs. These can be categorized into typical family use, group homes and single resident units. Tenancy eligibility is given to non-homeowner households who are social welfare beneficiaries, near poor class, and single-parent families (1st priority), and the disabled (2nd priority). Residents of Permanent Rental Housing are excluded.

Table 5-6 | Lease Method per Supply Type

Supply Type	Eligibility
Typical Family Use	<ul style="list-style-type: none"> • non-homeowner householders who are social welfare beneficiaries, near poor class, and single-parent families (1st priority), and the disabled (2nd priority). • Residents of permanent rental housing are excluded.
Group Homes	<ul style="list-style-type: none"> • Disabled, children under protective custody, senior citizens (excluding chronically ill), single mothers, sexual abuse victims, domestic violence victims, former sexual workers, homeless teens, rehabilitated offenders, graduates of children’s protective facilities
Single Residents	<ul style="list-style-type: none"> • Homeless, single residents of shanty towns • Persons without regular housing as defined in the “National Basic Livelihood Security Program Guide” issued by the Ministry of Health and Welfare

To complement this policy,¹⁴ as a part of the 4.27 plan, the NHC or local governments adopted a sublease policy wherein the NHC or local governments would lease an existing housing unit for sublease at a discounted rates to lower income households. In the system, eligible tenants select a unit of choice (under 85m²), for which the NHC or local governments concludes a lease agreement with funds loaned from the National Housing Fund, then subleases them to the tenants at a low price. In this system, eligible tenants are identified before the housing is supplied.

Beneficiaries of the program are low-income householders (Basic Livelihood Security Recipients, etc.), evacuees due to bankruptcy, individuals denied credit guarantee, and group homes. As of 2008, the limit for government aid through this system was set at 70 million Won in the Seoul metropolitan area, 50 million Won in metropolitan cities (100 million Won for group homes), and 40 million Won for all other cities (70 million Won for group homes). The minimum lease period is 2 years (renewal every 2 years, up to twice). The lease deposit is the 5% of the lease paid by the NHC or local governments, and monthly rent is set at the amount of the loan interest (at a rate of 2% annually).

¹⁴ For example, mass purchases leading to price hikes in surrounding housing may lead to shortages in property for sale or increased purchase costs (2008 Housing Work Manual, Ministry of Land, Transportation and Maritime Affairs)

Figure 5-4 | Rental Multiple Dwellings



Source: Nocut News

Table 5-7 | Eligibility for Sublease Support

Type	Eligibility
For impoverished households	<ul style="list-style-type: none"> non-homeowner householders who are social welfare beneficiaries, near poor class, and single-parent families (1st priority), and the disabled (2nd priority), who are residents of the city/district/province in which unit is constructed
Group Homes	<ul style="list-style-type: none"> Disabled, children under protective custody, senior citizens (excluding the chronically ill), single mothers, sexual abuse victims, domestic violence victims, former sexual workers, homeless teens, rehabilitated offenders, graduates of children's protective facilities Other individuals judged by the competent minister to require tenancy
Evacuees from Bankrupt Rental Housing	<ul style="list-style-type: none"> Evacuees or soon-to-be evacuees from bankrupt rental housing, evacuated due to third-person bidding
Individuals Denied Housing Credit Guarantee	<ul style="list-style-type: none"> Individuals denied housing credit guarantee for housing lease deposit loans, whose income for the previous year was below 50% of the average household income (excluding single householders)

Table 5-8 | Public Rental Multi-family Housing and Public Jeonse Housing Supply (2004-2012)

(Unit: Units/As Dec. 2010)

Class.	Total	2004	2005	2006	2007	'08	'09	'10	'11~'12
Plan	53,000	500	4,500	6,000	6,500	7,000	7,500	7,000	Annually 7,000
Housing	39,599	503	4,539	6,339	6,526	7,130	7,579	6,983	-

Source: Transport and Maritime Affairs . 2010. 『2010 Year Book of Housing Business. Ministry of Land』

2. Bogeumjari Housing

The mass supply of affordable housing and financial support measures are necessary for the purpose of the fundamental stabilization of the housing market, supply must continue to meet annual demand (500,000 annually), and to encourage the home ownership of non-homeowner low-income households. Accordingly, the government announced on September 19, 2008, as per the Special Act for the Construction of Bogeumjari Housing (effective as of April 21, 2009), the plan to build 1.5 million Bogeumjari housing units.

Bogeumjari housing signifies a departure from the existing quantity-focused rental housing supply, to provide various lease options according to income and preference, including permanent lease at 30% of market rates, Jeonse or shared-ownership rental units (800,000 units total), and medium-to-small size units for sale at prices 15% below market rates to promote home ownership increase.

The September 19 Plan aims to supply 5 million housing units over the following 10 years (2009~2018), with 3 million in the Seoul metropolitan areas and 2 million in other areas. 3.5 million are to be constructed by private contractors, and 1.5 million will be supplied by the government in the form of Bogeumjari Housing, maintaining the private-public mix in supply. 4.1 million of these will be sold to homeowners, and 900,000 (800,000 public, 100,000 private) will be rental housing. Medium-small units (under 85m²) will number 3 million, while 2 million will be medium-large (over 85m² units).

Figure 5-5 | Bogeumjari Housing



Source: Newsis. 11, June, 2010.

Of the 3.5 million units to be supplied by the private sector, 2 million units will be supplied to households within the 70~100% income percentile who are able to afford housing purchases, and 1 million will be in the form of apartment and detached units for the 40~60% income percentiles, for which support will be provided from the National Housing Fund. In addition, for the 50~60% income percentiles, 400,000 medium-small units will be available for sale, with another 100,000 reserved for lease. Financing by the National Housing Fund and land will be provided to support these.

The 1.5 million Bogeumjari units will be located in or in the vicinity of city centers, to improve work-home proximity for the urban poor. The plan is for the public sector (NHC, local governments and government) to build and supply 1.5 million Bogeumjari housing units by 2018 (1 million in Seoul metropolitan area, 500,000 in other areas). Of these 700,000 (47%) will be medium-small units for sale, and 800,000 (53%) will be national rental housing or 10-year public rental housing. Of these 800,000, 200,000 will be shared-ownership leases, and 100,000 will be long-term Jeonse (lease) units, while 400,000 will be provided as national rental housing, while the remaining 100,000 will be permanent rental units. Shared-ownership leases, targeted to low-income householders in the 30~50% income percentiles, are designed to promote increased home ownership. Tenants begin with ownership of a small portion of the property, which is increased stepwise over 10 years, after which the property rights are transferred to the tenant.

Table 5-9 | Plan for the Supply of 1.5 Million Bogeumjari Housing Units

Type		No . Units	Program Details
Units for sale		700,000	<ul style="list-style-type: none"> • Supply of affordable mid-small housing
Rental Housing	Public Rental Housing(10year lease)	200,000	<ul style="list-style-type: none"> • Conversion to ownership after 10 year lease • Promote home ownership of lower-income households by supply of 'shared-ownership rental housing' (active welfare)
	Long-term Jeonse (lease)(10~20 year lease)	100,000	<ul style="list-style-type: none"> • Giving various options to homeowners by supplying units as long-term Jeonse (lease) housing, without monthly rent payments (Supply centering on city centers)
	Long-term Rental Housing(At least 30 years)	500,000	<ul style="list-style-type: none"> • 400,000 national rental units at 60~70% market price(Gradated rent according to rent, select between monthly rent and Jeonse (lease)) • 100,000 permanent rental units: resume supply for lowest income percentile (supplied at 30% market price through funding support)

* Shared Ownership Housing: tenants begin with ownership of small portion of property, which is increased stepwise over 10 years, after which property is transferred to the tenant. (30%→50~70% of property acquired→remainder transferred after 10 years)

Source: Ministry of Land, Transport and Maritime Affairs

Figure 5-6 | Housing Supply System by Type and Supply Plan (2009~2018)

Target	Establish housing safety net				Promote Home Ownership		Stabilize Housing Prices					
Income percentile	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%		
Needs	Cannot afford rent		Cannot afford purchase		Can afford purchase with government aid		Can afford purchase, has replacement demand					
Housing Supply for Sale							Private mid-large sale (2 million) (Improved regulations)					
							Multi-family and Detached Housing (1 million)					
							Private mid-small sale (400,000) Land and fund support, etc.)					
Rental Housing							Public Sale (700,000)					
							Public Rental Housing (300,000) (Shared Ownership, Jeonse)		Private Rental Housing (100,000)			
							National Rental Housing (40,000)					
	Permanent Rental Housing (100,000)											
Supplied by	Mainly public sector			Public + Private			Mainly private					
Public Support	Budget, housing fund, land			Housing fund, land			Improved regulation					
Size	Up to 60m ²			60~85m ²			More than 85m ²					

* Shaded portion is Bogeumjari housing (public sale, public rental housing, national rental housing, permanent rental housing)

Source: Ministry of Land, Transport and Maritime Affairs

The long-term Jeonse (lease) units will be rented for 10~20 years, and target the 30~50th income percentiles. Jeonse (lease) housing does not require a monthly rent payment. The lease period for the national rental housing and permanent rental units will be set at 30 years. National rental units, targeted to the 20~40% income percentile, will be provided at 60~70% of market rent deposits and rents, gradated according to income. Permanent rental units are targeted to the 10% income percentile, and will be supplied at 30% of market rent deposits and rent. The 700,000 units to be constructed for sale to homeowners will target 30~50% income percentile householder, and will be medium-small sized affordable housing units.

The housing supply plan by income levels for 2009~2018 is as follows. Policy goals are: for low income households, establishment of a housing safety net; for the middle classes, promotion of home ownership; and for the high income classes, stabilization of housing prices. Based on income percentiles, the 10~20% percentile was labeled as “group unable to afford rent”, the 30~40% percentile was labeled as “group unable to afford housing purchases”, the 50~60% percentile was labeled as “group able to afford housing purchases with government aid”, and the 70~100% percentile was labeled as “group able to afford housing purchases, with replacement demand”. The type and size of housing supplied, and policy support measures were differentiated according to income levels. Although originally 100,000 Seoul metropolitan area Bogeumjari units were to be built annually, through recent measures lifting development restrictions, the government now plans for the supply of 150,000 units annually by 2012 (September 27, 2009 Plan).

2011 Modularization of Korea's Development Experience
Policy for the Construction and Supply
of Affordable Housing in Korea

Chapter 6

Evaluation of the Affordable Housing Program and Implications

1. Evaluation of the Affordable Housing Construction and Supply Program
2. Implications of the Affordable Housing Construction and Supply Program

Evaluation of the Affordable Housing Program and Implications

1. Evaluation of the Affordable Housing Construction and Supply Program

Until now we have reviewed the history of Korea's affordable housing construction and supply program. In summary, there have been long-term efforts to establish a sustainable housing supply system to resolve the housing shortage issue, and, with the housing shortage issue now somewhat resolved, policies to improve the housing welfare of lower-income households and reduce housing polarization are being pursued.

Direct government construction and supply of housing in the post-war era decreased, and was substituted by loan support. This creates the basis for housing supply policy based on loan support, rather than direct government construction and supply. From this background Korea's National Housing Fund, which contributed greatly to the preparation of funds for housing supply, was born. At this time, it seemed that policy agreed that a relief-based approach to the housing problem was insufficient, that the problem could only be resolved by supplying proper housing with the mobilization of the industry. To this end, a sustainable housing supply system needed be established through housing financing.

Until the 1980s, the government had established and pursued numerous housing construction plans, but all fell short of their expected results. Funds were limited, as industrialization was given priority over housing policy. There was an understanding that the housing problem could not be approached from a relief or welfare perspective, but required mass supply of housing from an industrial perspective. Although the 1960s saw the establishment of a foundation for the construction and supply of affordable housing with the establishment of the NHC in 1960, and the legislation of the Public Housing Act, there was limited impact on the resolution of the housing shortage of the time. Without a means to acquire large tracts of land for development, the existence of the NHC and the Public Housing Act meant little. The 2.5 million unit construction plan of 1972~1981, a ten-

year plan for housing construction, and the 5 million unit construction plan (1981~1995), a public housing construction and residential land development plan, were pursued, but could not be implemented as originally planned. The industrialization-first policy of the government was the critical element, but another cause of failure was attributable to the absence of a policy system fit for the mass supply of housing units.

This type of policy system was implemented with the legislation of the Housing Construction Promotion Act and the Housing Site Development Promotion Act. The difference between the Housing Construction Promotion Act and the previous Public Housing Act was that whereas the former was limited to the construction, supply and management of public housing built by the NHC or local governments, and only the NHC and local governments were permitted to build public housing, the Housing Construction Promotion Act required private companies to receive government consent for housing projects, thereby giving the government legal power to control homeowner eligibility conditions and housing management. The government also provided various incentives to induce private construction companies to partake in housing development, especially the larger private companies.

The government adopted the housing construction corporation registration system in December of 1977 to foster the growth of large development contractors. Development corporations were required to satisfy specific conditions in terms of capital, certified technical manpower, and annual construction capability. Among the registered companies, those companies ranking high in terms of capital, technology and construction capacity were given designated status. Designated companies satisfying yet another set of requirements were given legal and institutional support to allow land expropriation, etc. These were provided tax and financial incentives, in return for which the companies were required to appropriate a portion of the units constructed as rental or small-size units, effectively carrying out the government's housing supply policy by proxy. This method of development was differentiated from the existing Land Readjustment Project in that public developers purchased and developed the entire tract of land, and is called public development.

After the policy system for mass supply of housing had been properly established, the 2 million unit construction plan (1988~1992) was pursued as planned. 2 million units represented 40% of the 6.45 million total national housing stocks at the time. The government's strong willingness toward resolution of the housing problem was a key success element, but the main success factors are judged to have been the existence of a housing supply system encompassing financing and land development, which was formed only after numerous trials and errors.

The Permanent Rental Housing program represented the first time since the government's building of relief shelters that the government supplied housing to the poor with state funds. Increasing democratization at the time pushed the housing problems of the low-income households and urban poor to the forefront of policy, leading to the systematic planning and execution of a low-income households housing program. However, financial limitations

meant the Permanent Rental Housing program begun in 1988 was short-lived. Because land for construction of these units was not readily available within the metropolises, they were constructed on the outskirts of cities, making them too distant from work. Tenancy was low due to such reasons as this as well as transportation issues. Low tenancy led the government to cease funding, and the program was discontinued at 190,000 units.

With the preparation of a mass housing supply system, a steady supply of housing brought the national housing stock up from 4.38 million in 1960 to 11.47 million in 2000, and 14.76 million 2010: a 3.3-fold increase. Accordingly, housing supply ratio, which had continued dropping since 1960 to 70% in 1985 rose to 86% in 1995, 96.2% in 2000, and 112.9% in 2010. This can be said to be the fruit of the mass housing supply policy pursued by the government for decades.

New concerns were growing that the policy focus should be shifted from housing supply to housing welfare with housing supply ratio approaching 100% around the year 2000. The housing shortage had been resolved, but from a qualitative aspect, the lower-income households' living conditions left much to be improved. Although Korea had successfully implemented a mass housing supply system, the loan-centered support system meant that the supply of rental housing for low-income households was lacking. The majority of rental units already supplied were temporary rental, meaning they would be sold after a certain period of lease. As of 2003, only 2.5% of housing was provided in the form of 10-year-plus long-term rental housing, extremely low level compared to other developed countries. The mass unemployment due to the 1998 foreign exchange crisis further exacerbated the housing stability of the low-income households and in 2000, housing prices and rent began to hike steeply, worsening the situation.

Accordingly, the government saw the need to increase the supply of long-term public rental housing wherein low-income households could reside for prolonged periods at low costs, to ensure basic housing stability, and decided to supply National Rental Housing, where part of the construction costs of which would be subsidized by the government. Whereas the former Permanent Rental Housing program involved 85% government support, for national rental housing, support was reduced to 10~40%, and the National Housing Fund and contractors would provide the remaining 50~60% of funds.

The supply of National Rental Housing increased Korea's stock of public rental housing, and contributed to housing stability for low-income households with low rent and the provision of long-term stable residential space. However, the clustering of the low-income class and regional inequalities in benefits, and on an individual level, forced removal from one's original workplace, as well as still-high rental rates, are still problems to be overcome. Therefore, while continuing the supply of National Rental Housing, efforts should be made to resolve these outstanding issues.

2. Implications of the Affordable Housing Construction and Supply Program

2.1 Early Period of Growth

Korea enjoyed fast economic growth since the 1960s to the mid-1990s. This growth brought along not only income growth, but sharp growth in population and number of households, rapid urbanization, widening of the rich-poor gap, and other social/economical/special changes. As reviewed above, in response to these sudden and various changes experienced at the onset of rapid economic growth, Korea prepared an institutional foundation for the expanded supply of housing and market stabilization, establishing and executing various housing-related policies. Specifically, the 1960s saw the consolidation of government agencies charged with managing the housing problem, and legislation and revision of relevant legal provisions. Later in the 1970s, the institutional foundation was reinforced, with the Housing Construction Promotion Act and Land Development Promotion Act.

During this period, there was no clear distinction between normal and affordable housing. Most of the population lived under or just above the poverty line, and differentiating between normal and poor may have had little meaning. Also, because the need to meet the rapid increase in population and number of households with increased housing stock was so pressingly urgent, it was simply impossible to, as now, have separate policies targeted toward the lower-income households. Even if such policy considerations were had, they certainly would not have been of priority.

Such housing-related conditions and policy responses experienced in Korea were not problems unique to Korea, but of a nature that could be experienced by any developing countries. Most developing countries entering into the accelerated growth phase would experience rapid population/income growth and urbanization. Housing shortages in cities are also a common problem, one of many that incoming developing countries can be forecast to experience in the future. Therefore, assuming that such common developing country problems experienced by Korea would be witnessed by developing countries in the future, the housing policies undertaken by the Korean government would provide following implications for them.

First, the rapid population growth and urbanization in the early stage of fast growth cause housing shortages in urban areas. Therefore, it is very important that a foundation for housing supply and a system for mass supply of housing are equipped. As mentioned above, in the early stage of development, it might be of little use to differentiate housing policy for different income groups such as policy for middle-income and policy for low-income households. Especially in urban areas, where population growth is much more rapid than the national average, even fast policy reactions like those had in Korea's development history are likely to experience difficulty in resolving the shortage in housing stock. Therefore, in the early development phase, it will be most important to have an institutional foundation

making possible quick response to demographic/social/special changes following economic growth, which can provide for the rapid transition into a mass housing supply system.

Second, there will be the need to maintain a steady supply of housing in response to housing stock shortage. One may learn from Korea's experience from projects such as the two million housing construction plan, a sudden, large supply of housing results in problems such as materials shortages, shoddy work, and inflation. Moreover, from the perspective of stock management, the simultaneous dilapidation of large numbers of housing units will cause market instabilities, hurting the housing sector in the long run. Therefore, to stabilize affordable housing, and prevent the cycle of overheating of the market, followed by contraction of the market and shortages in housing accompanied by hikes in prices, it will be necessary to maintain a steady and sustainable flow of housing supply to the market.

Third, because rapid urbanization can result in urban sprawl as a response to housing shortages, systematic construction of satellite cities around key metropolises should be performed in anticipation of these problems. As seen in Korea's example, the rapid growth of key metropolises like Seoul inevitably involve physical expansion. Urban sprawl in this case will later cause multiple transportation, security and public health problems. In light of Korea's development of Gangnam and the Seoul satellite cities, developing countries should systematically plan the development of areas neighboring key cities to make possible the supply of new housing, as well as the efficient use of urban area. In this light, areas surrounding major metropolises should be carefully managed, and preparations should be made for mass residential land development work.

This concludes our review of affordable housing supply and construction policy. It is hoped that Korea's experiences and their implications presented above will contribute to the minimization of affordable housing shortages for citizens of developing nations of the future, who will follow a course of development similar to that experienced by us.

2.2 Latter Period of Growth (toward The End of Accelerated Growth)

Until 2000, Korean housing policy could be characterized as providing housing in a massive scale. As a result, the absolute housing shortage issue was relieved: housing supply ratio and number of housing units per thousand people has been increased rapidly. However, issues other than quantity have emerged such as how to maintain housing supply, how to manage housing stock, and how to deal with old housing complexes. Thus, housing policy has departed from providing housing units in a large scale, toward managing stocks already constructed and focusing housing welfare for the underprivileged.

The background of this policy shift could be understood in a context of socio-economic environment changes. Economic policy oriented toward growth has involved expanding income gap between high and low-income households. Social tension has arisen between haves and have-nots as well. Thus, it is urgent to integrate people from different socio-economic backgrounds living in the nation. As one of policy responses, housing policy has

inevitably changed its emphasis toward housing welfare for low-income households and the disadvantaged.

Next, as for changes within the housing market, there was the fact that the previous policy goal of increasing housing stock was for the most part fulfilled. Of course, the need for housing stability and housing welfare for the lower-income households had always been an outstanding issue, but in a situation where even basic housing stock requirements were not met, these issues had always been considered secondary. These problems were pushed to the forefront after 2000, when housing stock goals had been met. Post-2000, in the latter phases of accelerated economic growth, housing policy programs tailored to different income strata became important.

The lower-income households' housing problems and policy responses experienced by Korea toward the end of accelerated growth can be forecast to be experienced by developing countries of the future experiencing development similar to Korea's. Toward the end of accelerated growth, policy will have to resolve not only in the quantitative aspects of housing, but the qualitative aspects as well, and according to a widening rich-poor gap, tailored housing support policies for different income levels will be required.

Therefore, in relation to the housing problem of the low-income households, their housing stabilization becoming a key policy objective in the housing sector is part of a natural course of events in the economic development of most countries. From this perspective, the Korean government's post-2000 policy responses to the low-income housing problem can offer meaningful implications to developing nations of the future.

The implications for low-income housing toward the end of accelerated growth are as follows: First, toward the end of accelerated growth, housing prices and rent rise rapidly, increasing housing costs for low-income households. In response, governments must seek to provide various types of public rental housing to mitigate housing market instability. Once the primary goal of acquiring sufficient housing stock is met, low-income housing stability naturally becomes a key issue. There can be two approaches from which policy can seek to resolve this problem, the most important of which will be efforts to build appropriate stock of public rental housing. This is especially important to relieving housing cost burdens for the low-income households, and improving housing stability. Fair share of public rental housing will relieve housing costs burdens for low-income households as well as keep resale housing prices stable. In this light, policy efforts should be focused on how to provide public rental housing as a means to secure housing stability for both tenants and homeowners.

Second, it should be noted that policy makers must also consider the importance of creating a housing safety net for low-income households who are vulnerable to housing cost burden. Policy oriented toward providing physical building would not be the best solution. Housing policy should emphasize the welfare of tenants and encourage self-sufficiency.

Housing safety net will be an intangible infrastructure for them to increase social mobility. Policy measures might include providing work incentives, tax exemption, and financial support for public housing tenants.

This concludes our examination of low-income class housing policy in the latter stages of accelerated growth. Of course, the implications above suggested will be of differing importance to individual states according to their respective patterns of development. However, keeping in mind that the social and economic problems experienced by developing countries in the course of economic growth are largely similar, the above examination of the development experience of Korea is expected to be able to provide useful insight.

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