

# Rental Housing for Low-income People

## A strategy to involve private investors

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## Introduction

As far as the situation of the Islamic Republic of Iran is concern, housing problems due to rapid increase of population in the last two decades became double and more than half of the population are under 18 years old and many of them are demanding for safe abode to live in and also quite a number of low-income families can not afford to buy houses and sometimes the rents reach up to their salaries, enforces the Government to implement Rental Housing Units to help the needy people and encourages private investors and developers to initiate in such projects.

Moreover, population growth rate (2% throughout the country, 3.2% in urban areas, 0.3% in rural areas) between the two recent censuses and increasing demand for housing have offered a special importance to provide housing for low-income people.

That is why the Constitution of the Islamic Republic of Iran emphasizes that every Iranian national has the right for having suitable housing based on their needs and also obliges the Government “to lay the foundations of a sound and just economic planning, based on the principles of Islam, to bring about welfare, alleviate poverty and remove any kinds of deprivation in terms of food, housing, employment, health care, medical treatment, education and the needed facilities for forming a family, for all the citizens.” Housing is not only a shelter, but also is a very important place for educating humankind as family, is the most fundamental unit of society.

In about fifteen years, the Government for helping low-income families and vulnerable ones in case of housing shortage has adapted different policies to meet their demands.

- 1 Granting, the lands to needy and vulnerable ones in order to comply their needs in housing problems. But later on realised that, these people can not afford to build the lands and they are selling them in small profits and still remain home less and the demand exists. So the Government changed its policy.
- 2 Assisted Housing for encouraging developers and the users of these units by supporting subsidies in construction charges and infrastructure items.
- 3 Social Housing for aiming social goals based on minimum acceptable standards of housing consumption pattern. Users of this kind of housing are young couples, low -income groups, headless households and other similar cases that cannot afford to buy suitable housing on the market. The users will make use of units in tow ways, lease and lease with an option to buy. The lease is called “social lease” whose rent should be around 40% of minimum wages in the country.
- 4 Mass Production of Housing Units by preparing the land by the Government and investment on by developers to compromising with the free market and breaking the price of housing units.
- 5 The last step is Rental Housing Units for low -income groups, vulnerable ones and quite a number of youth seeking for appropriate house to live in. The Government was obliged to send a bill to the Parliament in allowing it to construct Rental Housing Units for these people. And in 1998, the Parliament has ratified the involvement of Government in such projects. Since then the Ministry of Housing and Urban Development has implemented to construct Rental Housing Units all over the country.

In Zajan Province where I am the Administrator of the Housing and Urban Development Organization implementing of constructing 2.720 Rental Housing Units since 1998 with the assistance of contractors started.

## Problem Definition

In the present situation of our country, in which:

- 1 The population in the last two decades became two times bigger and half of the population is under 18 years old.
- 2 Recovering of the Government after the eight years of disastrous imposed war.
- 3 Instability of annual income because of fluctuation of oil price.

The Government is incapable of entering to invest too much budget on Housing firm and must find out different ways to use private investors and developers in handling such this huge problem. The Government for encouraging these sectors to comply with the need and participate in such an issue, by the year 1998, construction of 77.000 Rental Housing Units was proclaimed by the Government and the succeeding years 50.000 and 35.000, So all and all-127.000 units started in three years time.

The Government itself knows that, if such these projects would be continued in the future, the only way is to involve private sectors and developers to comply this need and starting of such this investment was to open an era to the public that, this kind of projects must exist and be a part of their nation tradition. So in my paper I will emphasize for better solutions to encouraging private investors and developers to comply with this need.

## Background

The Islamic Republic of Iran lies in the western part of the Iranian plateau about the north of eastern hemisphere and the southwest of Asia. Its neighbours consist of the Newly Independent States such as Azerbaijan Republic, Armenia, Turkmenistan, and Russian Federation in the north, which are around the Caspian Sea, Afghanistan and Pakistan in the east and Turkey and Iraq in the west. The sea frontiers of the Persian Gulf and Oman Sea in the south relate this country to the high seas and southern neighbouring countries of the Persian Gulf.

It has an area of about 1,648,195 sq. km. And over half of that is mountainous. It has a population of about 60 million.

The country enjoys a variety of climates, which are apparently different from each other. The northern part of Iran has a moderate weather with considerable rainfall, especially in the western part of Gilan Province. The climate of the western parts is cold and humid in cold season and in summertime dry with moderate temperature. In southern areas, the humidity and temperature are so high. Hot summer and moderate winter are the characteristics of these areas and daily variation of temperature is not significant.

The eastern and southeastern have desert climate in which there are extreme differences in daily temperature ranges. Such wide climatic variations are the results of the combination of various climatologically elements with different factors such as: latitude, mountain belts and distribution of the land and sea.



## General View of Housing in I.R. of Iran

Housing production influences on three important components of the national economy of countries including production, capital formation and employment. Housing sector allocated about 5% to 7% of national production, more than 30% of investments and 10% to 12% of all the employment opportunities in the country.

Apart from governmental activities including educational, health, defence and agriculture, housing and construction sectors have the highest offer for job opportunities among other economic activities. Job creation in housing sector is about 714 direct and indirect opportunities and in non-residential housing about 761 in lieu of Dollars 1.250.000 to final demand. Dynamism in construction activities imposes the least pressure to demand for State budget and foreign exchange revenues.

Despite of all efforts made to meet the requirements, shortage of housing remained to be a major problem of society, rooted in the lack of sufficient capital of suppliers and low purchase power of applicants. According to the results of the last census in 1996, if we consider one housing unit for each household, as an ideal situation, we need 1.628.000 units throughout the country of which 1.035.000 (about 64%) goes to shortage of housing units in urban areas.

According to estimation in 1998, houses throughout the country were estimated at about 11.206.000 units. Considering the country's population as 12.8 million households, the shortage is estimated to be 1.600.000 units throughout the country, the share of urban areas will then be 72%.

As mentioned earlier, shortage of housing is directly caused from insufficient investment in this field. During 1989-1998, despite an average annual growth of 4.3% in investment (at fixed prices of 1982) in this field, the share in constant capital has declined, as the share has annually reduced 2.9 % from 78.2% in 1988 to 58.8% in 1998. During three years ending to 1998, the said investment has in average decreased 0.8% per annum.

In view of the considerable share of private sector in investment in Housing and Construction sector, it can be said that investment made by the private sector has decreased in average 1% per annum. This is generally caused from sharp decrease of the said investment in construction and non-habitable buildings.

The statistics show stagnation in the activities of housing and construction fields in general and housing in particular during the said period.

In view of the limited growth of investment in Housing and Construction, value added of the sector has had a limited increased of 3.5% per annum at constant prices during 1989-1998. It's share in GDP, has shrunk from about 4.5 % in 1989 to less than 4% in 1998.

Value added in four years ending to 1998, had an average growth of 0.7% per annum. In other words, during the period, share of increase in national income was consumed instead of saving and investing, and thus drove a wedge between supply and demand in this sector.

Considering this, various policies were adopted and implemented, particularly in providing more banking facilities to housing sector. Such policies helped flourish housing sector in 1999 to some extent.

Since the main theme of this report is to draw a picture of the situation of rental housing units which has been started by the government in 1998, still I am trying to give some ideas regarding housing situation in the last ten years in the country and the role of private investors (constructors) in this regards. The major part of the activity in construction and housing is performed by private sector; the decrease of investment by the sector is tangible despite its relative minor growth at current prices and reduction of annual growth of housing units completed in 1991-1998, especially in recent years. In the said period, total number of constructed housing units throughout the country had 6.5% decreases, i.e. from about 526.000 units in 1991 to 328.000 units in 1998. The decrease in urban and rural areas was less than 6% and more than 7% respectively.

## Regional Level

In recent years, the share of private sector investment of gross fixed capital in construction and housing sector at constant and current prices has been 50% and 40% respectively. The considerable share of the investment left much influence on the fluctuation and stagnation of activities in this field. A review of the investment

of private sector in construction and housing sector of urban areas at current price during two development plans implicates remarkable fluctuations. During the first development plan and first three years of the second, volume of investment of private sector in urban areas had an increase of 28.9% and 34.7% respectively. The same indices in Tehran, where considered as the pivot of flourishing and stagnation of the activities of construction and particularly housing sector, rose 32.6% and 49.4% respectively. The increase of the investment during the first development plan, known as reconstruction years followed by the end of imposed war, caused from granting various banking and budgetary credits including subsidies along with considerable demand in the market for selling housing units.

This led to a will to reap more benefits and encourage more construction during that period. In the second course (1995-1997) we witnessed a sharp increase in investment climaxed in 1996, which was mainly caused from high prices in late 1995 and early 1996. In 1997 Tehran the capital, had highest increase (101.8%) and could attract the largest share 45.5% of investment made by private sector in construction in new urban area. It is obvious that in the light of the sharp increase in prices in 1996, noticeable part of demand for housing was not there in the market.

Following the increase in investment of private sector in 1996 and its limited return in 1997, it could be claimed that the investment could not produce much money which led in turn to a sort of stagnation in the year and continued to 1998 and early 1999. In this regard, Tehran municipality problems should also be taken into account.

In 1997, the basic year for calculations of construction indices was revised. That's why the trend of the indices in 1997-1998 and their expansion with previous years could not be easily followed now.

Continuing of declining trend in many areas of economic activities in 1998, particularly deepening stagnation in construction and housing sector created an alarming situation. In order to reverse the trend, concerned authorities took different measures, the first one of which was liberalizing part of frozen capitals in the sector, particularly in large cities to encourage more demands. The positive results of such policies were first surfaced in April, May, and June 1999. Due to the execution of the policy, investment of the private sector in the construction and housing in the period had 14.4% increase comparing with the same period of the previous year. The same increase could be seen in most of cities. In Tehran, the effect of the policies was the sharp decrease of stagnation from -46.1% in April-June 1998 to -0.9% in the same period of 1999.

Likewise other related indices such as total under-construction area of just-started and completed buildings were considerably turned to positive. During 1999, in the light of facilities such as increasing banking credits in construction and purchase of housing private sector increased its investment in the sector. The investment in all urban areas in 1999 had an increase of 29.1% comparing with the same period of the previous year. In view of the inflation rate during the same period (about 20.4%) the increase was considerable.

A review on the investment of private sector in terms of rural areas of Tehran, major cities, smaller and medium sized towns indicate a considerable increase of the investment in these areas especially in major cities, smaller and medium towns. Investment of private sector in just-started, incomplete and completed buildings in 1999 showed a remarkable increase. 43% of increase went only to complete buildings. One of the reasons of such a situation was better condition of loan deposit funds, i.e. for each 4 months of deposit term, equal amount of the deposited money could be taken as loan.

## Policies

Despite the macroeconomic problems in our country during the years following the adoption of Habitat Agenda, significant progress has been made in addressing shelter issues especially in terms of housing provision policies affecting supply/demand mechanisms.

Following the change in housing supply policies, indicators such as the mean built area and the mean plot area per dwelling have decreased, allowing a substantial increase in the quality of housing. During the 1986-1996 period, the number of households per housing unit has decreased from 1.17 to 1.15.

The shift in shelter provision policies supporting more private sector contributions in housing production and increasing access to credit has had a great impact on shelter provision in the Islamic Republic of Iran. Nevertheless, housing expenditures in total household expenditures has somewhat increased, indicating a major challenge in reaching the low-income population.

The Ministry of Housing and Urban Development, as the policy-making authority in the domain of human settlements and the regulator of urban hierarchy within the framework of national plans, has adopted different policies. On the basis of the policy-making council's balancing and decentralizing policies and the guidance of the first 5-year national development plan (1989-1993), the following aims were pursued in the urban development sector.

- 1 Preventing the destruction of arable lands.
- 2 Providing land and housing commensurate with the societies needs.
- 3 Price control and creating a balance between housing costs and family incomes
- 4 Paving the land for the creation of housing according to a determined schedule and relying on continual savings.
- 5 Reducing the built area of habitation units.
- 6 Creating proper social and economic grounds for all social strata to adopt adequate housing.

## Description

The following policies were adopted by the Government of Islamic Republic of Iran

### I. Land

One of the main problems in housing sector was shortage of urban lands, real estate speculation and high prices of lands in respect of financial capability of the families. The most important outcome of the Islamic Revolution in housing sector was nullification of the ownership of urban wastelands. In post revolution years, more than 338m<sup>2</sup> of urban lands was handed over for construction of 1.5 million housing units.

### II. Limitation of building areas

Average building area of each unit was high. In 1976, this area was estimated about 142m<sup>2</sup> in urban regions that in contrast with other developing countries was high.

In the first construction plan (1989-1993) investment and construction of required building areas realized, but as the average building areas of newly built units was high (about 140m<sup>2</sup>, required numbers of units could not be achieved, but during 2<sup>nd</sup> plan on housing sector, particular policies employed to encourage limitation of unit areas. One of these policies was payment of subsidy to small-house constructors. So in 1997 average building area of each unit decreased to 123m<sup>2</sup>.

### III. Mass Production of housing units

There are many advantages for mass production such as:

- Efficient usage of land.
- Saving in building materials and required energy during construction.
- Observance of environmental issues.
- Observance of technical issues and solidarity of building.
- Increase in efficiency and skilled manpower.
- Making advantage of industrial technologies in construction.
- Improvement of construction management.

Policies of the Government of the Islamic Republic of Iran have been to encourage mass production. As an indicative, share of 3-storey buildings and more have increased from 5.9% in 1979 to more than 25% in 1999.

### IV. Banking Facilities

Required conditions for devoting more facilities to housing and construction sector prepared through nationalization of banks and non-usury banking operations. Although this figure increased to 30%, but it is not yet enough; Of remarkable financial policies in the recent years, we can refer to payment of banking facilities for purchasing newly built housing units in order to prevent real estate speculation.

Saving fund of housing is another new policy in which the payment of facilities is subject to having deposit in bank. This fund was established in 1990. Since 1992 about 50% of housing sector facilities have been paid in this way.

In giving priority to Rental Housing Units, those families who were qualified to be given one of these houses even do they have no savings in the bank, would be granted around 50% of total cost and would be refunded gradually in 15 years time table.

#### **V. Rental Housing Units**

After ratification of “Act of Encouragement and Provision of Rental Housing Units” in 1998 for the first time, the policy of encouragement to present housing rental units by governmental and non-governmental sectors placed on the agenda of the government as one of the most important policies.

According to this act, Government is obliged to devote annually at least 10% of all housing units production anticipated at the 5-year plan, overall budget and banking facilities for construction as rental-ownership to low-income groups and newly married couples. To encourage private sectors for constructing rental units, the Government obliged to provide required supports. In this regard, the land for constructing more than 127,000 rental-housing units has been prepared.

#### **VI. Subsidy**

Subsidies policies were not only include to low-income families but also to supply (production). So the subsidy were allocated to the following units:

- 1 Rental Housing Units.
- 2 Mass production projects.
- 3 Newly built units to encourage production.
- 4 Small-units constructors.
- 5 To encourage saving of depositors.

The remarkable point here is the importance of production and reduction of Building areas.

### **Analysis**

Shelter policies have undergone major changes since late 1980s, partly due to the changes in conditions and partly because of the change in attitude and approach. The First National Development Plan (1989-1993) was aimed at production of houses. While the plan achieved 115% progress in terms of built area, it was not as successful in terms of other indicators. For example, only 74% of the anticipated number of dwellings was built. The plan also undermined legal instruments for supporting the private sector in shelter provision.

Production of private rental housing, the second most frequent tenure type in the country thus decreased to less than half. Consequently, the share of private rental dwellings available decreased from 15% of total housing stock to less than 11%. In face of urbanization trends and national per capita income fluctuations due to oil price crisis, shelter provision situation aggravated in most urban areas.

In this regard, the Development Plan supported three interrelated policies:

- 1 Using public subsidies to attract individual household savings in shelter provision;
- 2 Enabling small contractors to handle large-scale housing projects;
- 3 Reducing the built area of urban dwellings to allow for qualitative improvement, increased coverage and equitable distribution of subsidies.

Land allocation was more directed towards enabling private sector small contractors and housing cooperatives.

But regarding Rental Housing Units it was obvious that the Government with so much difficulties in financial problems will not be able to construct these huge number of housing units and based on that prediction we could see after four years only 45% of the houses were accomplished and the Government is no longer capable of finishing them all. That is way another strategy should be taken into consideration, which I will elaborate in the strategy section.

## Strategies

The Government is employing the following strategies:

- 1 Maximum usage of existing housing facilities;
- 2 Decrease in usage of foreign currency in the housing division,
- 3 Achieving and maintaining equilibrium between center of production, employment and settlement;
- 4 Emphasis on strengthening the non-government sector for investment in and management of housing production;
- 5 Protection of elements of living environment and economizing in materials and energy;
- 6 Creation of necessary monetary and salary base by the Government for the provision of social and economical equilibrium in housing;

As mentioned earlier, in construction and particularly in housing sector, shortage of investment was among the most important reasons of non-realization of the goals of development plans of the country. Poor investment of private sector in this field played an important role. Moreover, small share of government in supplying housing has deteriorated the situation. In view of the nature of activity in this field and its range and considering the current economic policies of the country, it is not justifiable for government to further involve in housing.

And so the Government has introduced a strategic plan where three projects namely

- 1 Participatory Mass Production Projects;
- 2 Participatory Land Preparation Projects; and
- 3 Governmental Rental Housing Projects where mostly the partner or constructors are private investors.

## Description

### **Participatory Mass Production Projects**

- 1 The Housing and Urban Development Organization (H.U.D.O.) represents the Government and provides the land, which constitutes about 15% to 20% of all costs of the project (cost of land and construction).
- 2 The developers (partner of the H.U.D.O.) and sometimes Housing Cooperative Companies, which provide about 80% to 85% of total project cost (including land, construction cost and infrastructure). So housing units of the participatory mass production project is prepared based on the technical specifications and is ready to be occupied.
- 3 The (H.U.D.O.) is the supervisor for the execution of the project. At the same time at least one licensed engineer controls each project.
- 4 The housing units are divided based on the shares of the Organization and its partner. For example, when the share of the (H.U.D.O.) on land is 20% and the share of the constructor in the construction is 80% and subsequently, 100 housing units are produced. Then 20 units belong to the (H.U.D.O.) while the 80 units will go to the contractor who is the partner.

In order to increase the share of mass housing construction in the entire pie of housing sector as well as expansion of rental housing for small residential units, the private sector companies as well as housing cooperatives active in this field will receive full support from the Government. The residential complexes with three or more units in rural areas and residential complexes of five or more units in cities of less than 250,000 population and ten or more units in other cities meet the support criteria mentioned above. The Government will aid the contractors as follows:

The contractors shall be exempt from the property taxes during the transfer of property and the Ministry of Economy in line with each unit's total floor space and excluding the number of units will fix the relevant taxes related to these units.

The Oil and Energy Ministries, municipalities as well as other relevant authorities and organizations are required to act according to the set regulations regarding the issuance of cost of supply, conveyance and branching permits for infrastructure and fees related to construction permits. Moreover, the amount received per housing

units constructed according to this law shall be at the most the same as the amount received from individual builders.

The Contractors welcome this project because:

- 1 Price of the land will not receive from the contractors at first.
- 2 Contractors can receive 50% to 75% of housing units price as banking facilities from the agent bank. This loan is transferable by purchasers and can be paid in instalments.

## **II. Participatory Land Preparation Projects:**

- 1 The Housing and Urban Development Organization represents the Government and provides the land, which consist about 50% of all the cost of project (including land and preparation).
- 2 The contractors (partner of the Organization) which are mainly housing cooperatives, organizations and institutions (for providing housing for their own staff) provide about 50% of all the project cost including: land surveying, civil operations (land lifting, asphalt, water and electricity networks so the produced housing plots are ready to be handed over to the applicants for construction.
- 3 The Ministry is the top supervisor for the execution of these projects; a supervisor engineer who will be introduced by the Organization has direct control over the execution of the project.
- 4 Housing plots are divided based on the shares of the Organization and its partner equally. For example, in a 10-hectare land with a capability to produce 200 housing plots, the share of the Organization is 50% and the partner is also 50%.

So at the end of the construction, the (H.U.D.O.) has 100 housing plots and the partner has also 100.

The contractors welcome this project because:

- 1 The price of the land is not received from housing cooperative company at first.
- 2 Lands in large areas are limited within the legal limitation of the cities.
- 3 There is a value-added prepared for the housing plots due to the shortage of preparing housing plots in cities.

## **III. Governmental Rental Housing Projects:**

- 1 In the Governmental rental projects, the Housing and Urban Development Organization (H.U.D.O.) represents the Government and provides the land, which constitutes 80% of all construction cost (building area, infrastructure, site construction, municipality fees and etc.). This cost is paid by the organization to the contractor after the termination of each stage.
- 2 The contractor (the partner of the Organization), which is mainly the private sector, provides about 20% of the construction cost.
- 3 The (H.U.D.O) is the top supervisor for the execution of these projects, and the consultant engineers have the direct control of these projects.
- 4 The housing plots are divided based on the shares of the Organization and partner. For example, when the share of the (H.U.D.O) is 80% and its partner is 20% and when there are 100 housing units built, 80 units belong to the (H.U.D.O) and the 20 units will be for the partner.
- 5 The rental Housing units of the (H.U.D.O) are handed over to young couples, low - income families and women-headed families after construction.
- 6 20% of the units costs are paid by the applicants at the beginning and the rest 80% are paid through instalment basis for 15 years.

The contractors welcome this project because:

- 1 Price of the land is not received from the constructors at first.
- 2 About 80% of construction cost is directly paid to the constructor during each stage of construction.
- 3 The partner who at the end of the project would sell his share as value-added units pays only 20% of project cost.

These kind of housing projects even do were appreciated by contractors, but due to budgetary shortage did not succeed and enforced the Government to find other solutions that can comply with the need of low -income families and newly married once. That is why in the year 2001 two different strategies were adopted,



- 1 Providing the land together with furnishing 70% of total cost in loan facilities by banking system, in which 20% of total loan would be granted special interest rate and the private investors should provide 30% of total cost.
- 2 The Government will only facilitate 80% of total cost in terms of loan, in which 30% of total loan would be granted special interest rate and private investor will bring 20% of total cost by himself.

The Government's giving support to the contractors will pave the way in attracting more private sectors to invest in the housing rental projects. But still we are not hopeful that contractors will appreciate such these grants and have investment on these projects, because

- 1 They are not sure such these grants, as loan facilities would be fulfilled, because of economic situation of the country.
- 2 The dim relation between contractors and lessee.

## Actors

During a construction work, the following actors have their own roles to be played so they could attain their aims and objectives in building rental-housing units for the vulnerable people, which is the intention of the Government of the Islamic Republic of Iran for attaining sustainable development. They are: the Government; Ministry of Housing and Urban Development; Housing & Urban Development Organization; Housing and Construction Research Centre, Consultant Engineers/Licensed Engineer; Banks; Private Investors (Contractors or Housing Cooperative Company and Beneficiaries).

## Description

I will give a brief description of the actors in my paper:

- Government is the governing body which is responsible in recognizing and providing the basic needs of the people like housing, food, clothing, health care and medical treatment, education and other needed facilities and which gives priority to the needy, rural inhabitants and the labourers. The Government also supports the housing projects in the form of allocating subsidies and low -interest loans.
- Ministry of Housing and Urban Development (M.H.U.D.) is the institutional framework for housing provision as it is the main executive agency responsible for housing in the country and which has the main responsibilities as follows:
  - 1 Preparation and implementation of government funded plans for housing provision and construction, nationwide.
  - 2 Implementation of plans related to residential complexes.
  - 3 Supervision of the affairs of the companies that are solely active in the construction of residential units and rendering of technical assistance and guidance to the said institutions.
  - 4 Preparation of regulations, standards and technical specifications on construction, construction materials and housing.
  - 5 Preparation and implementation of public building plans.
- Housing and Urban Development Organization (H.U.D.O.) represents the Ministry in the provinces in providing land to different projects and the top supervisor over the execution of these projects. It is also in-charge of the task of providing and undertaking sites and services projects. As one of the aims of the Organization is popular participation as a principle in all activities, the Organization provides backing, supervision and particularly technical control in the urban development projects. It also takes a more active role in the sustainable development of the country's urban areas. Another aim is the reinforcement of habitation units in reconstruction activities effected in disaster-stricken areas, with the aim of safeguarding capitals invested in construction. Enhancing indigenous appropriate technology and improving local materials, in view of attracting maximal popular participation in the creation of housing units, achieve this goal. The implementation project aimed at preventing the destruction of habitation units owing to natural disasters by enhancing construction methods and assuring the safety of urban environments is another aim.

- Housing and Construction Research Center is a research institute, affiliated to the (M.H.U.D.) is charged with the following activities:
  - 1 To coordinate and implement research programs in the field of housing and construction;
  - 2 To prepare housing and construction regulations and the housing and construction production techniques;
  - 3 To test and study building materials;
  - 4 To study traditional housing in urban and rural settlements.
- Consultant Engineer checks maps, designs, drawing of the construction work of the contractors and has the direct control over the construction.
- Licensed Engineer controls, checks and supervises the construction project.
- Banks give the housing financial facilities, which include low-interest mortgage loans, which are extended to different social groups. One initiative that had a significant impact on quantity and quality of rural construction is called rural upgrading Loan. The low-interest (8%) long-term (15 years) loan was extended to a rural household under the condition that the construction was carried out according to earthquake resistant guidelines.

Another initiative which started in 1998, aimed at simultaneous support of both supply and demand actors in urban areas. Through this initiative, a long-term (15 years) non-deposit loan with an interest rate of 18% was extended to the household who purchased dwellings built by the “mass-builder” a contractor building more than 50 houses per project according to the approved standards. The facility covers both built and half-built houses. The mass-builder enters a profit-sharing contract with the public land-developing agency whereby a percentage of total houses is allocated to low-income households.

There are no private banks in Iran, and all loans are mortgage loans. It is estimated that about 60% of constructed buildings are covered by mortgage bank loans throughout the country. The percentage for urban areas increases to 72%, whereas it drops to 38% in rural areas. The share of banks of the total amount of loans granted for building construction is around 93%. Therefore, the banking system policies are the determining factor in the urban housing market.

Private Investors (Contractors/Housing Cooperative) is the partner of the Organization in housing construction. They are invited to join the bid and the lowest offers will be chosen and will be given contracts for mass production of housing units. The contract will state the necessary conditions and if agreed will start the construction of houses.

Beneficiaries are mostly vulnerable groups of people like the needy, rural inhabitants, labourers, low-income families, people living in slum areas, newly married couples, woman-headed families. They pay whatever they can afford, be it part of the budget or their participation in the work, particularly the direct management of building operations.

## Conclusions and Recommendations

In the last four years, the Government’s main executive agency, which is the Ministry of Housing and Urban Development, has tried different kinds of constructing Rental Housing Projects by itself and using private investors by means of finding appropriate solutions to solve the problem of low -income families and, newly married once. But we could observe that, even do compare with before, lots of successful attempts were done still there are long ways to go and the only remedy I believe is to support and understand more and more the interest of private investors, by knowing their capabilities in all aspects specially regarding financial point of view, most of the problems of this issue which the Government believes that it should exist and be a part of our tradition could be implemented, if aside from above statement the following recommendations can be taken to the consideration.

- 1 What ever the Government is proclaiming regarding policies of Rental Housing Units it must be determined to comply with and any circumstances will not affect these issues.
- 2 To take advantage of the opportunity to use international financing institutions (World Bank, I.D.P, SIDA and etc.)

- 3 Even do the banking system is under Government supervision, still we are encountering misunderstanding and inappropriate disorder by banking authorities and such this action will directly affect to private investors, who have come to comply and contribute the Government's need.
- 4 In my point of view for changing the situation from zero point to 100% (from constructing Rental Housing Units by Government to private investors). The subsidies which are granted by the Government is not sufficient enough to encourage developers to attribute and comply with the needs of society and attractive subsidies to encourage the private investors to comply the demand must be taken to the consideration.
- 5 These new policies that are newly implemented in the year 2001 which I have illustrated in my papers need to have strong legislative action between private investors and lessee. Other wise these policies would collapse.
- 6 Providing the necessary investment securities, both legal and financial, for
- 7 Shelter issues especially in terms of housing provision.
- 8 Improving technological efficiency by promoting appropriate technologies.
- 9 Enabling small and informal contractors in order to develop the capacity to undertake large-scale housing projects with an improved standard.
- 10 Supporting professional associations and enabling them to undertake more technical and legal responsibilities.
- 11 Developing specialized financial institutions and procedures targeting at low-income and other vulnerable groups.
- 12 Enabling local authorities to participate more effectively in community-based planning and implement national enabling policies at the local level.

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