

The Evolving Roles of the Public and Private Sectors in Korea's Public Rental Housing Supply

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Abstract While there has been a substantial amount of studies on public rental housing of Korea, most have focused on housing policy changes, international comparisons, and current characteristics and future prospects. This article aims to examine the evolving roles of the national and local governments, and the private sector in provision of Korea's public rental housing. The findings suggest that one, although the wave of neoliberalism and financial crisis have prompted the national government to reduce its role and to encourage engagement of other actors by utilizing incentivizing tools, it has continued to assume a central position in formulating and implementing housing supply plans. Two, local governments have played a marginal role throughout the history of public rental housing supply, although they have expanded their participation through redevelopment projects and utilization of existing housings. Three, private sector actors have expanded their role to delivering public benefits of making housing available for a wider range of populace leveraging various incentives that make projects financially more feasible. The study poses a question on how responsibilities and risks can appropriately be allocated among three key actors to achieve housing welfare going forward.

Keywords: public housing, Korea, roles, housing policy

1. INTRODUCTION

Within the discussions of welfare states, there has been an extensive literature on the topic of public housing policy which the government has developed public housing sector to achieve its social and spatial distributive goals. In places in the US, Southern Europe and Australia, public housing always has had a minority or residual role, while in other places such as in Northern and Western Europe and Hong Kong, it has played much larger role in the housing sector. While this has been in relative continuity for the past several decades, many countries have found its decline in size and share in recent years. Instead, they have seen rises in private sector participation associated with privatization and reorientation of government subsidy (Jin, 2011; Lau & Murie, 2017).

Public housing, more specifically, public rental housing in

South Korea (Korea) has always been a residual element in its housing sector. With its first long-term lease introduced in 1989, the total number of public rental housing has amounted to 1.57 million units in 2018 year-end. This is approximately 8.9% of the country's total housing stock (Korean Statistical Information Service (KOSIS), 2020) which is considered a small share from international comparison (Nam, 2014). According to KOSIS (2020), the national government provided 71.2% of the public rental housing stock through its agency, Korea Land and Housing Corporation (LH)¹, while local governments and the private sector provided the remaining 17.2% and 11.6%, respectively.

In regards to comparatively low level of contribution by local governments and the private sector, the former has been described as "mere conveyors of funds and services designated by the national government" (Seo & Joo, 2018, p. 1228) while the latter has been identified as the reluctant party in the long-term, below-market rate rental business. However, with the wave of decentralization and neoliberalism in recent decades, there has been increased attention placed by the national government to expand the roles of local governments and to attract *for-profit* private actors in rental housing business (So & Song, 2011; Cho,

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¹ Korea National Housing Corporation that assumed the responsibility of the country's housing supply merged with Korea Land Corporation in 2009 and was named as Land Housing and Housing Corporation (LH).

2017).

Especially, the national government has utilized various incentives such as providing state grants, state loans and tax exemptions, and relaxing regulations to pool financial resources as well as market expertise from the private sector. At the same time, it has imposed various regulatory controls to regulate private sector activities. For example, the private actor is required to conform to mandatory lease terms, and restrictions on rental price level and escalation rate. By introducing the concept of quasi-public rental housing in the private housing sector in 2013, the government has encouraged the private sector to provide decent and affordable rental accommodations for the populace (Cho, 2017).

In past studies, many have focused on changes in Korea's housing policies and programs often explaining them in terms of socioeconomic and political context and path dependency (Lee, 1996; Ha & Bae, 2004; Cho, 2013; Kim & Ryu, 2016). Other have conducted international comparisons emphasizing its distinct characteristics and lessons to be learned from other countries (Jin, 2011; Pong, 2011; Chu, 2017), and examined current characteristics and future prospects for Korea's public rental housing (Nam, 2014; Koh & Suh, 2018). However, there had not been an approach that comprehensively examined the roles of different actors that have characterized the country's housing sector. To fill this gap, this article aims to examine the evolving roles of the national and local governments, and the private sector in provision of Korea's public rental housing.

The methodology of this study encompasses comprehensive literature review of various sources including published books, academic papers, laws and regulations, public documents as well as official statistics published by government agencies. Following this section, the article first reviews international experiences of changes in the roles of the public and private sectors in public rental housing supply. Then, it examines public rental housing of Korea by reviewing its legal definition and history and by identifying contributions of key actors and the challenges they faced for greater participation. In the section that follows, the article examines the evolving roles of the actors from the 1960s to the current period. The article concludes with a summary of the main findings.

2. INTERNATIONAL EXPERIENCES OF CHANGES IN PUBLIC AND PRIVATE SECTOR ROLES

The term "public rental housing" may mean differently and have varying implications in different places and time. In broad terms, it refers to housings that are subsidized by a government authority for production or for occupancy, or both to enhance the welfare of low-income households (Miles et al., 2007). While public housing has been an important element in the welfare state, a large number of studies have sought to describe differential growths in different places (Lau & Murie, 2017). One of the key reasons for growth divergence has been explained in relation to the role of the state. For example, whereas Western countries have had a greater tendency to leave market forces to

establish certain level of social welfare with a belief in the free market, East Asian countries have been more prone to heavy state intervention with allocation of spending on groups that are economically productive and support development aims. Despite the fact that variations exist within and between the two groups, however, many have experienced changes in the roles that key actors play in public housing supply with the influence of global wave of neoliberalism (Ronald & Kyung, 2013; Seo & Joo, 2018).

In the US, the production of housing has always been considered an activity of the private sector. However, from the Great Depression in the 1930s to the late-1970s, the federal government expanded its responsibility in public housing. It provided financial assistance and tax incentives, directed production, created a secondary market, and more for suppliers and occupants. However, beginning in the late-1970s, the government retreated from public housing and shifted its housing policy. In consequence, it looked to local governments in which they began to gradually assume a larger role in rental housing supply for their poorest households. Nevertheless, combined with decreasing federal involvement and scarce local resources, the private sector has been called upon to participate more actively. In consequence, private actors including *for-profit* private developers, community development corporations and other nonprofit organizations have become major players with receipt of financial incentives (Miles et al., 2007).

In the UK, the local government has long played a large role in provision of public housing. In 1890, the UK Parliament provided the legislative authority for local governments to develop housing for working-class tenants, albeit without financial assistance. While the UK's local authorities continued to provide rental accommodations following London County Council's first public housing development in 1896, the government opened avenues for greater private sector involvement. More specifically, while this initially took the form of policy support, legislation in the early 1970s provided opportunities for the UK housing association to receive subsidies for production of rental housing for the first time. This resulted in the launch of its increasing role and the dominance of the private sector in the provision of subsidized housing (Stone, 2003).

For the group of industrialized East Asian countries that include Korea, Taiwan, Singapore, Hong Kong as well as Japan, strong government intervention has historically been a particular feature of their housing sector. That is, although the level of state involvement and state-market relationship varied across societies, the housing sector has been tightly controlled or mediated by the government that differentiated them from Anglo-Saxon countries. Generally, the public rental sector has been underdeveloped, except in Hong Kong, with emphasis on homeownership (Ronald, 2006). Despite such underdevelopment of the sector and a large role played by the state, the East Asian countries have embraced the global trend towards neoliberalism as well, although each country has reacted somewhat differently (Ronald & Kyung, 2013). According to

Ronald and Kyung, whereas Japan focused on deregulation and privatization, Korea focused on selected government intervention in the private sector in the face of neoliberalism. Overall, their findings suggest that there have been increases in roles played by both local governments and the private sector.

Table 1. Public Rental Housing Sector in Western and East Asian Countries

	Western (Anglo-Saxon) Countries	East Asian Countries
Welfare System	Liberal welfare regime: Leave market forces to establish a level of social welfare	Productivist welfare regime: Focus spending on economically productive groups
Policy Focus	The private sector: Promote operation of the invisible hand of the free market	State intervention: Set national goals and intervene to direct production
Key Producer	Private sector dominance: Non-for-profit or for-profit private companies	Public sector dominance: The state
Trends	Increasing attractiveness for more private sector participation	Expanding the roles of local governments and the private sector

Source: Reproduced based on Ronald (2006); Ronald & Kyung (2013)

3. OVERVIEW OF KOREA'S PUBLIC RENTAL HOUSING POLICY

Public rental housing in Korea is governed under the Special Act on Public Housing, which is defined as housing that is built, purchased or leased by the public housing project operator for lease or for conversion to *for-sale* housing after mandatory lease terms. It is subcategorized into *publicly-constructed rental housing* and *buy-to-rent rental housing* which the operator either directly constructs and supplies or acquires existing housing and supplies. Here, the project operator includes the national and local governments, LH, the local government-invested public corporation and joint public housing project operators that comprise both public and private entities. The operators are supported by financial sources from the national or local governments or the Housing and Urban Fund (HUF) (National Law Information Center, 2020).

Private rental housing, on the other hand, is separately governed by the Special Act on Private Rental Housing. It is built, purchased or leased by private housing builders who are registered for rental business. Under the category of private rental housing, there is government-assisted housing that includes "Quasi-public Rental Housing," "Enterprise-type Rental Housing," and "Public Sector-subsidized Rental Housing." They are regulated in terms of their lease terms, initial rental prices and their annual escalation rate, eligibilities of the lessees, and reporting obligation on the terms and conditions of the lease. On the other hand, they are provided with incentives to promote production in the private rental market. This article focuses

on both public rental housing as well as government-assisted private rental housing.

For Korea, economic growth has long been the top priority with all policies including housing policy subordinating to its economic policy. Although details vary in different socioeconomic, political circumstances, the Korean government has leveraged housing production and housing policies to stimulate the economy while making efforts to curb real estate speculation. Especially, it has placed attention to *for-sale* housing with a basic housing strategy based upon filtering concept that predicts that expansion of supply of *for-sale* housing will eventually improve the housing available to low-income households. Nevertheless, the filtering-down strategy has not been effective and there have been deliberate efforts made by the Korean government to pay greater attention to social welfare (Ha, 2002). The following outlines a brief history of Korea's public rental housing.

(1) The Beginning of Public Sector Intervention in the Housing Sector

Public rental housing was stipulated in the Public Housing Act of 1963 for the first time which termed it as housing that is built by the national government or the local government using public funds or loan supports, and are leased to people who do not own a home at low rental prices. Although the legislation may be said to be the starting point for a discussion on public rental housing, this hardly suggested of its role in social welfare. In 1972, the Act was replaced by the Housing Construction Promotion Act which focused on *for-sale* housing to promote homeownership. Although there were attempts to providing rental housing, these were those of short-term lease that were converted for sale when mandatory lease terms of one to five years expired. This was considered "modified *for-sale* housing" than true public rental housing for low-income households (Lee, 1996).

(2) Introduction of Long-term Lease Public Housing

The first long-term lease public housing was introduced with the launch of the "Permanent Rental Housing (PRH)" program in 1989. In the 1980s, while the coming of 1988 Seoul Olympics presented opportunities for redevelopment of Seoul, social tensions exacerbated with outbursts of protests by the displaced residents and the urban poor. Moreover, in the aftermath of the Olympics, housing prices skyrocketed which posed threats to housing security of the populace. Against this backdrop, the President Roh Tae-woo administration institutionalized the PRH program to gain social support in the face of mid-term evaluation of his Administration (Lee, 1996; Ha, 2006). PRH was specifically targeted towards those in the lowest income bracket with cost covered by the state (85%) and lessee (15%). It is meaningful to note that this was the first time that the Korean

government introduced public housing of long-term lease which were not converted for sale when lease term expired.

(3) Cutback-period in Public Housing Supply

In 1994, the President Kim Young-sam administration (1993-1998) launched the Five-Year New Economy Plan that emphasized the role of the private sector for the nation's economic growth. On the housing policy-side, this also accentuated the role of the private sector in provision of public housing (Ko & Suh, 2018). More specifically, instead of continuing with the PRH program of the past Administration, the Kim administration terminated it once it successfully accomplished the existing supply plan. Then, it newly introduced a short-term lease housing program, "5-year Public Rental Housing", to bring the private sector play a leading role and also introduced the "50-year Public Rental Housing" program for the public sector. In practice, however, the former was too expensive for low-income households to afford (90% of market rent), and the latter was soon terminated because there was too much reliance upon the use of the HUF with the reduction of state grants that increased the burden of interest payment.

(4) Expansion in Public Housing Supply Following the 1997 Asian Financial Crisis

With the outbreak of the Asian Financial Crisis in 1997, housing prices plunged and many became unemployed which demanded a larger role of the public sector. Facing severe fiscal constraints, however, little development occurred in the public housing sector as well (Lee et al., 2013). By the early-2000s, the President Kim Dae-jung administration (1998-2003) sought to reduce the burden that the government bore but to accommodate a wider low-income population. It introduced the "National Rental Housing (NRH)" program in which housing cost is to be covered by state grants (10-40%), state loans (40-50%), lessees (10-30%) and suppliers (10%). It had announced provision of one million NRH units during the 2002-2012 period (Ha & Bae, 2004)². The significance of the NRH program rested upon the fact that it reinstated a social welfare perspective into public rental housing. The program continued to the following President Roh Moo-hyun administration (2003-2008) with expansion in government support, supply amount as well as diversification of eligible population (Park, 2011)³. As of 2018, NRH accounts for 34% of the country's stock, the largest in share of all public rental housing stock.

² NRH program was included in the "One Hundred National Agendas" of the President Kim Dae-jung administration. Several announcements have been made with various revisions to the supply plan: 50,000 units in 1998, 100,000 units in 2001, 500,000 units in April 2002, and one million units in the following month.

³ The 10- and 20-year obligatory lease terms of the NRH in the President Kim Dae-jung administration had been consolidated into 30-year lease term in the President Roh Moo-hyun administration.

(5) Expansion in the Target Group and Promotion of the Local Government and the Private Sector Involvement

Following the introduction of the NRH program, various efforts were made to accommodate changes in socioeconomic environment. The housing policy of the President Lee Myung-bak administration (2008-2013) entailed a reduction in rental housing and an increase in cheaper and more diversified *for-sale* housing. More specifically, the Administration introduced the "Bogeumjari Housing" program that packaged both rental housing and subsidized *for-sale* housing. This was targeted towards meeting more varied housing demand and attracting private companies for participation. In addition, the Administration also reintroduced the PRH program to support very low-income households.

Then, the President Park Geun-hye administration (2013-2017) introduced the "Happy House" program which was targeted at early career workers, newlyweds, and college students rather than low-income households.⁴ This was meant to accommodate demographic changes in falling birth rates and growing one-to-two person households.⁵ In particular, since housing is a major cost that affect household fertility decision (Dettling & Kearney, 2014; Pong et al., 2018), the program was designed to alleviate housing cost burden of the newlyweds. In addition, the Park administration placed greater attention to promoting private sector participation. By introducing the "Quasi-public Rental Housing" and the "Enterprise-type Rental Housing" programs in the private market, it incentivized the private sector to provide private rental housings that meet government requirements.

In the current President Moon Jae-in administration (2017-present), there has been an emphasis on providing rental housing for young people who are in college or applying for a job and newlyweds in addition to the elderly and low-income households (Ministry of Land, Infrastructure and Transport, 2020). Especially, the President pledged during its presidential campaign to place priority on providing 30% of public rental housing for the newlyweds with the intention to solve the country's low fertility problem (Kim & Lee, 2017; Ministry of Land, Infrastructure and Transport, 2020). Moreover, the Administration has introduced the "Public Sector-subsidized Rental Housing" program in the private market as a substitute for Enterprise-type Rental Housing program of the past Administration. One big difference the new program set itself apart from the existing one was that housing was supplied in areas of high rental demand rather than in outskirts of cities.

⁴ Although the initial plan was to supply 200,000 units for a 5-year period, this had been reduced to 140,000 units due to oppositions from the residents in the Mokdong, Seoul who feared that such public housing will bring degradation to the surrounding residential area (Koh & Suh, 2018).

⁵ The nationwide birth rate has dropped from 1.48 in 2000 to 1.19 in 2013 (KOSIS, 2020).

4. CONTRIBUTION OF PUBLIC AND PRIVATE SECTORS IN KOREA'S PUBLIC RENTAL HOUSING

Three key actors in public rental housing supply, that is, the national government through its agency, LH, the local government, and the private sector have contributed in the public rental housing sector by using public funds and low-interest loans from the HUF.⁶ As of 2018 year-end, each had provided 1,118,671 units (71.2%), 269,659 units (17.2%), 181,912 units (11.6%), respectively (Table 2). This amounts to 1,570,242 units which include both new construction as well as acquisitions of existing housing for lease. In the private rental market, there are additional 258,663 units that had been subsidized by the government for serving public purpose.

Table 2. Public and Private Rental Housing Stock (2018)

Category		National Gov't (LH)	Local Gov't	Private Sector	Total (unit)	
PUBLIC RENTAL HOUSING	Permanent Rental	150,743	56,497	-	207,240	
	50-year Rental	26,254	84,690	-	110,944	
	National Rental	503,118	31,625	-	534,743	
	10-year Rental	103,507	4,287	100,175	207,969	
	5-year Rental	3,032	1,832	59,163	64,027	
	Employee Rental	-	50	22,574	22,624	
	Long-term Chonseil	1,592	31,152	-	32,744	
	Chonseil-to-Rent	209,014	25,556	-	234,570	
	Happy House	28,716	9,132	-	37,848	
	Buy-to-Rent	92,695	24,838	-	117,533	
Sub-total		1,118,671 (71.2%)	269,659 (17.2%)	181,912 (11.6%)	1,570,242 (100.0%)	
PRIVATE RENTAL HOUSING	Quasi-public Rental	-	-	148,111	148,111	
	Enterprise-type Rental	-	-	97,736	97,736	
	Public Sector-subsidized Rental	-	-	12,816	12,816	
	Construction-Rental	-	-	254,142	254,142	
	Buy-to-Rent	-	-	390,187	390,187	
	Short-term Rental	-	-	365,366	365,366	
	Long-term Rental	-	-	132,968	132,968	
	Other	-	-	13,096	13,096	
	Sub-total		-	-	1,414,422 (100%)	1,414,422 (100%)
	Total					2,984,664

Source: KOSIS (2020)

As evidenced in Table 2, LH has acted as the most important agency in supplying housing to low-income groups. It had predominantly provided PRH, NRH, *Chonseil-to-Rent* Housing

⁶ The sources of the HUF include the state housing pre-emption subscription deposits, the national housing bonds and the housing lottery. State housing pre-emption subscription deposits were designed to induce prospective purchasers to make deposits in advance, either in full or as partial down payment (Ha, 1994).

and *Buy-to-Rent* Housing that are especially designed for low-income households. The housing rents in this category range from 30% to 83% of the market rent (Chu, 2017) which LH had supplied 87.3% of them. Local governments and the private sector, on the other hand, have had comparatively little presence in the public rental housing sector.

The role of local governments has been pronounced in provision of 50-year rental and long-term *chonsei* housings. For 50-year rental housing, the number of units supplied by local governments had been three times to those supplied by the national government. Of those supplied by the former, approximately 75% of them are those included in redevelopment projects for accommodating displaced residents. For long-term *chonsei* housing from the "Shift Housing" program introduced by the Seoul city government, 92.6% of the stock (30,325 units out of 32,744 units) had been supplied by the Seoul city government (KOSIS, 2020).

The private sector, on the other hand, has focused on provision of 5-year and 10-year public rental housings that are designed for households who do not own houses but can afford to pay 90% of the market rent. They have also supplied private rental housing that complement the public housing sector. As shown in Table 2, the total stock of Quasi-public Rental, Enterprise-type Rental, and Public Sector-subsidized Rental housings has amounted to more than 1.4 times of the public rental housing stock that had been provided by the private sector.

While the Korean national government has been the major contributor of public rental housing, there have been increasing discussions of the need to bring more active involvement from local governments and the private sector (Pong, 2011; Nam, 2014; Cho, 2017). In fact, LH has been under severe financial distress because of loss of profits from rental business that had increased from KRW 304 billion in 2010 to KRW 712 billion in 2016. Therefore, there has been a pressing need by the Korean government to encourage actors in other arenas to actively participate in public rental housing supply (Pong et al., 2018). Followings are some concerns that have discouraged active participation by the private sector and local governments.

1. Long payback period
2. High financing cost
3. Default risk on rent payment
4. Stigmatization and low reputation
5. Tax decreases and financial burden

Because of the advantages of the presale system, the private sector has always preferred *for-sale* housing to rental housing. Under the Housing Construction Promotion Act (1977), the Korean government has allowed private companies to receive payments by homebuyers, typically 20% of total housing price at construction start, 60% during construction in installments, and the rest at construction completion (Kim, 2013). This has enabled them to cover construction costs using presale proceeds while realizing profits by the end of construction. For rental housing, however, companies need to obtain large amount of

construction financing since no revenue is generated before property operation. Also, even when revenue is generated during the lease term, there is always a default risk on rent payment by the lessee which presents additional challenges to the private sector for ensuring financial return.

Moreover, stigma and low reputation associated with public rental housing also present challenges to local governments. In Korea, as well as in many other countries, public rental housing is generally characterized by relatively low degree of social mix, geographically and socially-peripheralized and distinguishable in design. Therefore, there have been cases where local residents have severely opposed to the inclusion of public rental housing for the fear that it can adversely affect the local area (Lee et al., 2013). Also, local governments have had concerns about issues surrounding financial burden as well as decreases in tax revenues. This is compounded by the fact that while public rental housing may successfully deliver housing welfare at the local level, it contributes little in reinforcing local competitiveness in economic terms.

5. EVOLVING ROLES OF THE PUBLIC AND PRIVATE SECTOR ACTORS IN KOREA'S PUBLIC RENTAL HOUSING SUPPLY

This section turns our attention to the ways in which the roles of the national government, local governments and the private sector have evolved with time. Figure 1 exhibits the changes in construction amount of public rental housing during the period between 1989 and 2018 by each actor.⁷

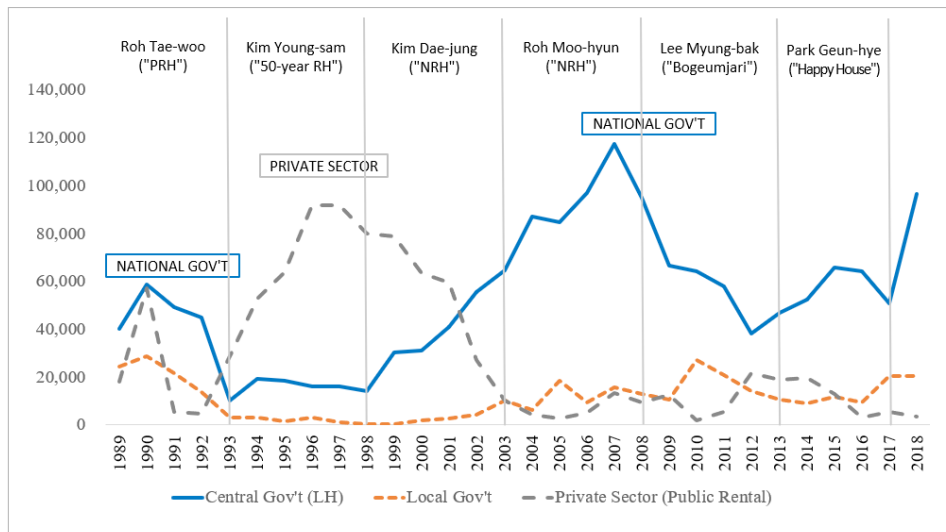
(1) The National Government

The roles that the national government has played in provision of public rental housing can be divided into three categories: one, establishment and reinforcement of laws and regulations; two, provision of financial support through land supply, state grants, low-interest loans, and tax exemptions; and three, construction and management. The following describes how its role has evolved with changes in socioeconomic, political landscape.

Prior to its first introduction of long-term lease in 1989, the focus of the national government in the rental housing sector was largely limited to the establishment and reinforcement of laws and regulations. This is not to say it played no role in supplying rental housing until this period. For example, it had supplied 450 rental units in 1962 for the first time, but they were those converted to *for-sale* shortly after the lease start due to financial and managerial reasons (Lee et al., 2013). Therefore, this had little effect in providing housing security for low-income households.

During the period between the 1970s and the mid-1980s, the Korean government focused on institutionalizing incentives and regulations for facilitating housing production and consumption. Namely, it revised the Housing Construction Promotion Act in 1981 to include establishment of the HUF that provided loans for construction of rental and *for-sale* housing as well as financial supports on housing rent to low-income households. It also announced Measures to Promote Rental Housing in 1982 to include provisions related to government assistance for Employee Rental Housing, and legislated the

Figure 1. Construction Amount of Public Rental Housing (1989-2018)



Source: e-Country Index (2020)

⁷ The construction amount of private rental housing had increased from 783 units in 1994 to 57,215 units in 2006 and to 334,685 units in 2018. This is 1%, 51% and 278% of the construction amount of public rental housing in respective years (Ministry of Land, Infrastructure and Transport, 2020).

Promotion on Rental Housing Construction in 1984 to encourage rental housing supply through financial supports such as low-interest loans and tax breaks.

It was in the late-1980s that the national government, for the first time, actively planned, financially supported, and constructed public rental housing. The expansion of its role had been prompted by soaring real estate prices that threatened housing security for low-income households. In 1988, the Korean government announced the Two Million Housing Construction Plan which included the supply plan for long-term lease public housing (PRH). From 1989 to 1993, the national government had supplied 140,000 units through LH while local governments had supplied 50,000 units (Ministry of Construction & Transportation, 1993).

When the new Administration had taken power in 1993, however, it reduced the role it played in the housing sector. While the Administration adopted deregulation and privatization as a strategy to achieve globalization, it legislated relevant laws that promoted increases in the roles of the private sector in rental housing supply. For example, in 1996, it announced Measures to Activate Rental Housing Business which included incentives on land development for rental housing construction and expansion of low-interest loans from the HUF. In 1997, it also relaxed regulations on deposits and rents to enhance project profitability (Lee et al., 2013).

The public role of the national government was reinforced following the 1997 Asian Financial Crisis. While the crisis had led to sharp decline in housing sales and new housing supply by the private sector, the Korean government deregulated credit restrictions in the real estate sector and liberalized real estate lending by 1998 (Kim, 2013).⁸ This had allowed private companies to access capital from the financial market for construction of more luxurious housing and brought housing prices to sharply increase after few years of little supply. As a consequence, it became more difficult for households to purchase a house and the Korean government announced the One Million Construction Plan for NRH (2002-2012) which was targeted for a wider population. Different from previous rental programs, the government emphasized pooling of financial resources from the HUF and the supplier (the developer) as well as from public funds and the lessees to cover the cost of development.

Moreover, by the mid-2000s, the government increasingly sought market solution for welfare problems. Notably, to solve the problems of land scarcity and stigma associated with public rental housing, it utilized existing multi-family housings located at city centers. So, instead of building a new house, it acquired an existing house and provided it for lease (known as *Buy-to-Rent* Housing and *Chonsei-to-Rent* Housing) (Jin et al., 2019). Moreover, to solve the problem of fiscal constraints following the 2008 global financial crisis, the government introduced the

Bogeumjari Housing program which was intended for promoting homeownership through subsidized *for-sale* housing. Although the government reintroduced PRH for very low-income households as well, it went as far as lifting restrictions in some parts of the greenbelt area within the Seoul Metropolitan Area for securing land for *Bogeumjari* Housing. This, on the other hand, had an adverse effect on the private housing market since it brought more attention to and increase in demand for public housing (Lee et al., 2013).

Whereas market solutions were being pursued for public rental housing supply, the following Administrations introduced programs that specifically targeted towards rental demands of young people (Lee et al., 2013). Namely, their assistance focused on newlyweds and college students to alleviate their burden from housing costs. They also intervened in the private housing market to fulfill public purpose. Although the Korean government promoted private sector participation since the mid-1990s, it was unsuccessful in attracting much attention since provision of rental housing was practically infeasible without massive government subsidies. Therefore, by making it more attractive for *for-profit* private actors through the use of incentivizing tools such as tax breaks and risk-sharing (eg. guarantee on property acquisition when the lease-term expires), the government sought to bring increased private sector participation. This was intended to better accommodate and meet diversified demand.

(2) The Local Government

In principle, local governments have the power to establish and implement housing plans apart from the comprehensive housing plan prepared by the national government. However, in practice, because local governments are required to obtain approval from the national government and lack necessary financial resources to pursue rental housing supply independently, the role they played has been marginal so far (Pong, 2011).

In the mid-1990s when the national government had announced to reduce the role it played in the housing sector, local governments have also assumed insubstantial role. During this period, however, decentralization has taken place with devolution of power from the national government to local governments. Therefore, in the housing sector, relations between two different tiers of governments started to transform from hierarchical to horizontal relationships (So & Song, 2011). Table 3 provides some evidence of decentralization in which administrative functions related to housing have been transferred from the national to local governments. While most functions in housing supply had been in the hands of the national government, many have been transferred to local governments through revisions of relevant laws and regulations.

By the beginning of the early-2000s, there have been efforts made by the national government to increase local participation. For example, in 2001, the Korean government had announced Measures to Activate Rental Housing to incentivize local governments of large cities to provide NRH where land was

⁸ In 1986, the Korean government categorized majority of real estate development and investment as "prohibited business for credit" to ensure capital flows into export industries. Specifically, lending was not available for construction and acquisition of housing units other than low-income housing (Kim, 2013).

available (Lee et al., 2013). However, according to a report by the Ministry of Construction & Transportation (2008), active participation by local governments has not been witnessed with reasons related to the lack of organizational and human resources as well as relevant capital, and managerial difficulties. Moreover, lack of social consensus in regard to the necessity of public rental housing has also discouraged local governments who have experienced oppositions from the local community on the inclusion of low-income households in the area (Lee et al., 2013).

For the very low-income households, on the other hand, because of the relatively high rental level of NRH, local governments pursued acquiring existing multi-family housing located at city centers and provide it for lease. However, this also posed challenges for local governments since the cost of housing operation and management was too high and there was little incentive for low-income households to voluntarily manage housing properly (Oh & Lee, 2017).

Table 3. Housing-Related Functions Transferred from the National Government to Local Governments

Housing-related Functions	Relevant Laws
Registration of housing construction company (land development company)	Housing Act; Urban Redevelopment Act
Accreditation of housing manager	Housing Act
Designation of housing environment redevelopment district	Urban and Housing Environment Redevelopment Act
Approval of housing construction business plan	Housing Construction Promotion Act
Approval of urban basic plan	National Territory Planning and Utilization Act
Designation of housing land development district	Housing Land Development Promotion Act

Source: So and Song (2011)

While local governments, especially the Seoul city government, have played a larger role following the establishment of legal basis that made it compulsory to submit a Rental Housing Plan when pursuing a redevelopment project with existing residential tenants in place since the late-1990s (Lee & Sung, 2017b), in general, their contribution in the rental sector has been limited. By the late-2000s, however, there have been some attempts to expand their role either independently or in partnership with the private sector. Namely, in 2007, the Seoul city government introduced *Shift* Housing program which it along with Seoul Housing and Communities Corporation built and supplied new housing or purchased some portion of housing in the reconstruction or redevelopment projects for lease.

The program was targeted towards middle-income households that do not own a home, emphasizing the use value rather than asset value of housing. Since the program did not involve any state subsidy, there have been financial challenges to budget

constraints and high management costs (Lee & Sung, 2017a). Despite such challenges, however, the program has been of significance since it showed heightening sense of responsibility by the local government in achieving social welfare (Park, 2009).

Also, there have been attempts by local governments to pursue social housing projects in partnership or association with the private sector. Here, the private sector includes non-profit organization or foundation, housing cooperative, social enterprise and small and mid-sized firms. Although it is at initial stage and yet tenuous, it is meaningful that local governments have been making efforts to associate with other actors in their pursuit towards diversification in supply (Pong & Choi, 2019).

(3) The Private Sector

The ways in which the private sector has played its part in serving low-income households in addition to middle-income households who do not own a home can be categorized into three (Cho, 2017). One, provision of 5-year and 10-year public rental housings which are converted to *for-sale* housing after 5-year and 10-year mandatory lease terms. Two, inclusion of public rental housing in its reconstruction and redevelopment projects. Three, provision of private rental housing with government support.

The active participation by the private sector in public rental housing supply began with the government's announcement of the Five-Year New Economy Plan in 1994. The Plan was a response to neoliberalism which the government had sought the private sector play a larger role in propelling economic and social development (Cho, 2013). Accordingly, the government established a regulatory framework for private sector-driven public rental housing supply that entailed revising the existing law and introducing registration system for rental housing business (Cho, 2017). Also, it introduced the 5-year Public Rental Housing program to attract the private sector and provide financial supports through low-interest loans from the HUF and tax incentives. Whereas the government assumed an exclusive role in land supply, it expected the private sector to undertake land development and vertical construction.

In 2004, the Korean government extended the mandatory lease term from 5 years to 10 years and introduced the "10-year Public Rental Housing" program to emphasize the welfare perspective of public housing. This was, in actual, a response to the criticism about whether 5-year rental housing rightly serves welfare recipient (Cho, 2017)⁹. However, because the extension of the mandatory lease term presented greater risks and challenges for the private sector, 10-year rental housing had failed to attract much interest. The length of the period from investment to payback was too long for private companies especially when *for-sale* housing projects brought good financial returns. As a consequence, 5-year Public Rental Housing was re-introduced in the following Administration.

Meanwhile, the private sector also engaged themselves in

⁹ The Korean government had allowed the lease term to be shortened to 2.5 years upon the agreement between the lessee and the lessor following the 1997 Asian Financial Crisis.

rental housing supply in reconstruction and redevelopment projects. For example, while private companies would receive incentives that allowed them to capture the maximum density for residential-use land located within the 500m-radius of the subway station, they were required to sell 60% of the difference in area between the post- and pre-adjusted density at standard construction cost and donate land for provision of *Shift* Housing to the Seoul city government. This, however, did not attract much attention from the private sector because of high land cost and additional obligations that it had to comply with. Later, in the mid-2010s, more expanded financial and administrative supports were given for participating in provision of public rental housing in reconstruction and redevelopment projects (Cho, 2017).

While the Korean government has encouraged the private sector to participate in public rental housing, it has shifted its focus to promoting private rental housing while reinforcing publicness. Government-assisted public housing was intended to resolve housing insecurity for middle-income households. Therefore, whereas the private sector conforms to pre-established requirements on mandatory lease term, initial rental level, annual rental escalation rate, notification of the terms and conditions of the lease, and more, it is provided with various incentives related to land supply at cheap price, low-interest loans and tax exemptions. Although the programs have limitations to gaining popularity, the Korean government continues to make efforts in increasing private sector participation by relaxing or terminating some of the obligatory conditions placed upon them.

Table 4 depicts the total stock of public rental and government-assisted private rental housings provided by the private sector. By 2018 year-end, the private sector had provided more government-assisted private rental housing than public rental housing.

Table 4. Total Stock of Public Rental and Government-Assisted Private Rental Housings by the Private Sector (2014-2018)

		2014	2015	2016	2017	2018
PUBLIC	10-year Rental	59,414	270,480	73,522	72,846	100,175
	5-year Rental	65,622	144,226	70,355	69,222	59,163
	Employee Rental	25,609	19,591	25,772	17,595	22,574
	Subtotal	150,645	434,297	169,649	159,663	181,912
PRIVATE	Quasi-public Rental	501	3,570	16,865	57,264	148,111
	Enterprise-type Rental	-	-	42,407	78,116	97,736
	Public Sector-subsidized Rental	-	-	-	-	12,816
	Subtotal	501	3,570	59,272	135,380	258,663
Total		151,146	437,867	228,921	295,043	440,575

Source: KOSIS (2020)

6. CONCLUSIONS

The study has examined the evolving roles of the national government, local governments and the private sector in provision of public rental housing in Korea. The following summarizes the main findings.

First, the Korean national government has exercised a dominant control over the housing policy since housing supply was a key indicator for economic growth. Although there had been some supply of rental housing by the early 1960s, these were considered modified *for-sale* housing which contributed little to achieving social welfare. It was only by the late-1980s that the national government introduced long-term lease public housing and played a comprehensive role in serving low-income households. The roles it played included establishment and reinforcement of relevant laws and regulations, provision of financial aid and development and management of rental housing through its agency, LH.

While it has assumed a central position in provision of public rental housing, the Korean government has increasingly encouraged other actors to participate with changes in socioeconomic and political environment. Especially, with the influence of neoliberalism and financial crisis of 1997 and 2008, the Korean government sought to shift away from “big government” feature and to reduce production of and funding support for public housings. At the forefront of efforts were to transfer administrative functions related to housing supply from the national government to local governments and provide various incentives to make housing projects more feasible and attractive for *for-profit* actors.

To date, however, results of these efforts have yet been limited, and the hierarchical nature between the national-local governments, and government-business has placed the national government to continue playing a centralized role than a distributive one. That said, the national government continues to make key decisions on supply methods and general directions for public rental housing, and to undertake actions for implementing such decisions.

Second, the role of local governments in public rental housing supply has remained more or less marginal throughout the history. While there has been devolution of power from the national government to local governments in the process of decentralization in the mid-1990s, local governments have not shown strong expansion in their role. That is, whereas there has been some increase in production especially since the mid-2000s with its participation in redevelopment projects and utilization of existing housing for lease, its share in the overall public rental housing supply has stayed low throughout the years.

More specifically, despite efforts to play a larger role, their lack of relevant financial and human resources as well as concerns over high management costs and oppositions from local communities have deterred them to participate more actively. Therefore, although there have been initiatives undertaken by local governments such as the *Shift* Housing program and social

housing projects, such efforts have been limited to few local areas and their implications on the overall public rental housing have been yet insignificant.

Third, with the global wave of neoliberalism, there has been an expansion of roles of private actors in delivering public benefits through public and private rental housing supply. More specifically, with the shift of the national policy from state-led economic development to private sector-driven development in the mid-1990s, the national government has set the stage to encourage private sector participation in public rental housing for serving middle-income households. By introducing a rental housing program with relatively short mandatory lease terms (5, 10 years), and also by providing financial supports, it had incentivized private actors to play a larger role in housing supply.

In more recent years, the Korean government introduced the concept of government-assisted private rental housing in the private market that serves public purpose while provided with various incentives that make the project more feasible. This was aimed to solve increasing fiscal constraints and to make rental housing available to a wider range of populace by leveraging private capital and market expertise. With its first construction completion in 2014, the total stock of government-assisted private rental housing had exceeded that of public rental housing provided by the private sector by 2018.

While previous studies on public housing have focused on national government's role and the initiatives for promoting private sector participation, this study has examined the evolving roles of different actors. The findings suggest that although the wave of neoliberalism and financial crisis have prompted the national government to reduce its role and encourage engagement of other actors, it continues to play a dominant role with the authority of formulating and implementing housing supply plans. Moreover, due to having a continued pressure to lead the housing sector, the national government has utilized various measures to regulate private sector activities in addition to providing them with incentives for active participation in rental housing supply. This is in line with findings of previous studies on path dependency in respect to the fact that the Korean government continues to influence and regulate the market for rental housing supply rather than leaving it to the market to respond to rental demand freely.

It needs to be highlighted that the national government has taken account of public interest, social mix, and the logic of the market economy while playing a leading role in public rental housing. For example, whereas the national government has concentrated on long-term lease for low-income groups, it has also provided legislations and policies as well as incentives to promote other actors expand their roles and additionally accommodate middle-income households. This poses a question on how responsibilities and risks can appropriately be allocated among three key actors to achieve housing welfare going forward.

In recent years, there have been efforts to cater to varied demand for young generation, one-to-two person household, newlyweds and more. The diverse ways of supplying public

housing is a part of efforts to find a new equilibrium in the low-birth, aging society. Nevertheless, a new form of inequality may arise from various attempts to achieve welfare (Esping-Andersen, 2009). That said, before trying to find answers to who should and how much one should take responsibility of public rental housing supply, we should not forget the purpose is to enhance the welfare of a wider population that need public assistance.

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