

You Can Stay in Beirut:

Towards Inclusive Housing Policies

Social Justice and the City Program

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Introduction

One of the most endemic problems of Lebanon's cities is the dearth of appropriate affordable housing options. In fact, one can safely speak of an ongoing affordable housing crisis, one that forces a substantial number of Lebanese citizens, refugees, and migrant workers to dwell in dismal conditions. This crisis extends to a large percentage of the Lebanese population to whom housing loans do not provide a viable option while many of those until recently protected by an albeit dysfunctional rent control system (Law 160/1992) are threatened with immediate eviction.

As part of its commitment to generate informed public debate on issues of salient concern to social justice in Beirut, the Social Justice & the City program launched an interdisciplinary, pilot initiative supported by the Kondad Adenauer Foundation under the title: Inclusive Housing Policies in Beirut. The aim of this initiative is to articulate concrete strategies to address the affordable housing challenge in Lebanon on the basis of an interdisciplinary crossing of legal, economic, and planning constraints (presented in detail in the report's annexes).

Study Methodology

Our approach relied on a two-tier approach: On the one hand, looking at the wider urban scale, we sought to take-stock of the critical trends that shape today's urbanization in Beirut and affect its housing market. On the other hand, we delved into a single neighborhood where we sought to unravel the mechanisms through which the transformations of urban patterns and of the housing market are taking place.

Crossing these two approaches, we attempted to frame specific demands (on the basis of contrasting our findings of the lit reviews with the conditions observed in the neighborhood) that combine policy reforms to direct interventions and test them through participatory meetings and focus groups.

We selected the neighborhood of Mar Mikhael as case study given the richness and availability of past research, looking in depth at the neighborhood's housing stock, the strategies adopted by developers producing new housing in the area, the processes through which these developers acquire land and develop projects, and the consequent impacts of these developments on the lives of neighborhood dwellers –including elderly people who have benefited so far from rent control to stay in the area. (Achkarian 2012, El Samad 2016, Fawaz et al, 2016, Krijnen 2010 and 2016, Public Works Studio 2017, Yazigi 2015, Zouian et al. 2011) .

More specifically, the following steps were conducted:

- (i) Establish a review/overview of what we know about Mar Mikhael to serve as the basis for our housing, legal, and economic investigations and link with community members to test through direct interviews and focus groups the validity and acceptance of the proposals we make for dwellers (see attached community group report as example);
- (ii) Survey current gray and academic literature about affordable housing in contexts similar to Lebanon and identify successful interventions that could be tested in the country. More specifically, through studying the trends and transformations, we extracted the most relevant strategies and solutions to serve the housing sector's affordability in the city. These were found in contexts where government is weak, commitment to social welfare lacking, corruption rampant, real estate speculation intense, and poverty levels rising. We also accounted for geographic context, period of studies, their sources, and extracted the affordable housing mechanisms that had been adopted. All in all, 24 strategies were extracted from 129 consulted case studies (Housing report, Annex 1).
- (iii) Explore the legal framework that supports the housing sector in Lebanon and investigate thoroughly the regulatory framework that could organize the options identified by the housing expert (Legal report, Annex 2). The legal report traced every law, decree, regulation, decision, memo, published in the official gazette, issued since the creation of Lebanon, in connection to housing policies and property regulations including the laws regulating any empowered public authority to execute those rules of law such as the Ministry of Housing and cooperatives (cancelled in the year 2000), the Public Housing Corporation, the municipalities, housing cooperatives and other public and private initiatives. The legal consultant researched existing housing models operating in Lebanon owned and launched by the private sector, in comparison to the housing policies and models developed in other countries to fight the similar social crises. Linking between the laws regulating property ownership and transfer, rental, home loans, and their concomitant amendments, they applied these regulations to understand the findings unraveled by researchers in the recent cases of population displacement witnessed in Mar Mikhael. Finally, and based on the scenarios proposed by the SJC team, the report articulates legal mechanisms (preferably within the already existing legal framework, with minimal to no legal reform needed) that could allow the recommendation of ways in which successful models (found in both, the local and international contexts) can be reproduced locally, first in the case of Mar Mikhael and eventually in similar urban

neighborhoods elsewhere in Lebanon. The report also includes a list of consulted laws, regulations, and legal documents.

- (iv) Test the financial feasibility of the proposed options, particularly in view of their affordability to low-income city dwellers. This was done by choosing actual case studies in the neighborhood of Mar Mikhael which then served to test whether implementing SJC's two proposed strategies would be financially feasible in real scenarios (Financial report, Annex 3).

Where the legal and the housing studies were conducted taking into consideration a wider urban context, the financial feasibility was taken through a close look at several specific scenarios within a same neighborhood and would need to be extrapolated to other neighborhoods of Beirut.

General Recommendations:

All our recommendations fit under a single banner: The imperative to shift the role of public agencies in the housing sector from supporting tenants and/or buyers (i.e. demand side management) to developing a sustainable stock of affordable housing units that can remain permanently as a reservoir of affordable housing units in large cities. In the absence of a measure of affordability, we adopt the strict criteria of a housing unit priced at least 40% below the threshold of the Public Housing Corporation but it is recommended that Lebanon develops a measure of affordability related to the actual measurement of income levels.

The development of a stock of affordable housing doesn't need a study, it can begin immediately for the short and medium ranges through:

- Housing, planning, and other public agencies that can incentivize developers and low-income city dwellers to come in as partners to public agencies in the production and management of an affordable housing stock.
- Parliament, which can reallocate the "fund" earmarked in the 2014 rent law to ease the transition out of rent control for poorest groups as a capital to invest in long-term affordable housing solutions.
- Community groups and civil society actors, who can immediately implement claims of urban inclusion through the existing mechanisms of cooperatives that offer appealing advantages to city dwellers aged 45 and above.

On the long run:

- The Public Housing Corporation, which can lead with a holistic housing strategy in partnership with planning, urban and financial agencies to influence the shelter sector

notably by expanding the urban perimeter, reviewing land-uses, implementing equitable taxation mechanisms, and introducing incentives and controls.

- Legislative and executive bodies that should aim for the gradual development of an affordable housing ecosystem by introducing hybrid property forms, instituting neighborhood-based development organizations, and empowering the role of local authorities in fostering urban inclusion.

Below are the two housing strategies that we found to be the most immediately applicable in our city's current urban, social, political, and economic conditions.

I: Inclusionary Housing

Inclusionary housing sets cities and/or neighborhoods on the long-term path of steadily increasing their stocks of affordable housing. Depending on the situation, inclusionary housing can be imposed as a pre-requisite to obtaining a building permit or facilitated through incentives extended to builders. By adopting inclusionary housing measures, many cities have secured a long-term sustainable production of affordable housing and consequently a minimum level of social diversity.

The definition of "affordability" in inclusionary housing is context-specific. There are nonetheless typical characteristics that distinguish "affordable housing units" from market units such as smaller units, lower selling prices, and deed restrictions that maintain the property outside speculative market mechanisms. Such figures still need to be developed in Lebanon through further studies. The proportion of affordable housing imposed upon construction of a new building usually ranges between 10 and 30 percent.

The choice of resorting to incentives or imposing regulations depends on political will, economic feasibility, and the level of planning constraints. When needed and/or feasible, public authorities may choose to introduce incentives such as tax breaks or density bonuses that can compensate losses incurred by developers and reduce their resistance to implement the policy.

Inclusionary housing can be implemented at the scale of entire cities and/or regions but it is also possible to restrict its application to the neighborhood level. In such contexts, municipalities may target specific areas with development restrictions that tie new developments to the provision of a percentage of affordable units. This is achieved through a change of zoning regulations. Inclusionary zoning can be motivated or justified by the will to preserve mixed-income neighborhoods.

How is inclusionary housing relevant in today's urban context?

Since the mid-1990s, Lebanon's large cities have been heavily impacted by the financialization of land. Studies have demonstrated the social impacts of population displacements in reinforcing class but also sectarian divisions, as distances grow between various social groups. The pace of change varies with market conditions, but in the absence of appropriate measures, the trend is for further divisions. Inclusionary housing would allow the steady production of housing affordable for lower-middle class households who would otherwise turn to buying in the suburbs.

Is it feasible to speak of inclusionary housing in Lebanon?

The feasibility of inclusionary housing in Lebanon depends on several factors of which legal feasibility may be the easiest hurdle. It is possible to impose inclusionary restrictions on new developments today within the existing legal framework: First, Article 13 of the Building Law (636/2004) allows local authorities to refuse to provide a building permit when/if a project threatens the "public good". In the absence of a clear definition of the "public good", municipalities have the authority to consider rapid gentrification and/or large-scale forced displacements as a serious threat to communities and hence to balance the negative effects of large-scale urban transformations by imposing a percentage of affordable housing as a pre-requisite to permitting. In addition, municipal councils have the authority to demand a revision of zoning codes and impose inclusionary requirements within land-use regulations in specific neighborhoods and/or entire cities.

To date, neither municipal authorities nor planning agencies have officially considered an inclusionary requirement. Nonetheless, recent evidence points to rising demands among High Council of the Directorate General of Urbanism (DGU) members to activate the social dimensions of existing regulations by placing additional social or environmental requirements on large-scale developments (e.g. a park) as a pre-requisite to the provision of a building permit. This is a good start.

Inclusionary housing demands a redistribution of a share of the profits reaped by developers. The latter's acceptance of this restriction is linked to financial considerations, meaning the margin of acceptable profit below which they are not willing to operate.

Recommendations for legislative amendments

Inclusionary housing can be strengthened if the regulatory framework is modified to control profit and to introduce the principles of value capture taxes where a share of the profit reaped by any development is mandatorily redistributed to the neighborhood. Such controls could be introduced through revision of the zoning, the adoption of "a ceiling on densities" (plafond de densité) and/or regular revisions of property taxes to control speculative landholdings. Within such context, measures such as waiving taxes or extending density bonuses would become feasible.

II: Housing Cooperatives

A housing cooperative is a voluntary association of individuals who come together with the shared goal of organizing their shelter arrangements within a set of solidarity rules that do not conform to market laws. While there are multiple modes of housing cooperatives around the world, all cooperatives typically adopt forms of democratic member control, participatory arrangements, and economic autonomy. Thus, members of a housing cooperative dwell in and manage property along shared rules that allow them to decide collectively on duties and privileges, rules to expand and/or organize payments and services, the selection of new members, and other short and long term choices.

The most distinctive aspect of housing cooperatives is their conception of property ownership. Departing from freehold, housing cooperatives restrict ownership to “the right to dwell” in a housing unit while the right to exchange and/or bequeath is managed by members’ collective and restricted by cooperatives guidelines. As a result, properties claimed by cooperatives are removed from the market and preserved at an affordable rate for present and future members. In recognition of the importance of these limitations, public agencies typically support the formation of cooperatives through benefits such as tax exemptions, lower mortgage rates, subsidies, and/or incentives. We look at the current lifting of rent control as an interesting opportunity to increase the stock of affordable housing in Lebanon’s cities.

What is the relation between housing cooperatives and the current rent law?

Since 2014, the “new rent law” has introduced a public fund that supports the most vulnerable social groups losing rent control benefits over a nine-year transition period in which the Fund covers the difference between market and subsidized market rates for tenants.

1. The state is willing to provide subsidies to rent control beneficiaries. These subsidies could be used towards the establishment of housing institutionally controlled to remain affordable, instead of exclusively serving the rent hikes on rent-controlled units.
2. A substantial group of vulnerable urban dwellers are willing to consider cooperative modes of housing acquisition since they offer them the means to remain in the city.
3. Housing units released by rent control constitute a large, deteriorated stock of properties that may be acquired by housing cooperatives.
4. The market is currently low and slow, thus prices are advantageously low for a group of people who want to establish a cooperative.

The most vulnerable households have the possibility to pool their compensations in order to invest in a housing cooperative that will provide a stable housing option with no possibility in rent hikes or eviction.

Policy Recommendations

Today, the Lebanese law allows for housing cooperatives to be founded. To facilitate the actual implementation of this process:

Public authorities could raise awareness about housing cooperatives as an existing mechanism of housing provision and encourage their materialization by facilitating registration at the Directorate of Cooperatives in the Ministry of Agriculture;

The PCH could facilitate access to loans for housing cooperatives by waiving the requirement for individual members' eligibility and shifting the "eligibility" to the cooperative that would be responsible for the payment of the loan. Risk can be reduced by demanding a detailed financial plan from the cooperative and a plan in case individuals become unable to pay their part;

The PCH could protect the long-term stock of affordable housing it has supported through cooperatives by introducing a requirement for cooperatives accessing PCH loans to introduce articles in their bylaws that prevent the dissolution of the cooperatives and its transformation into for-profit housing.

General Conclusions

1. The Lebanese legal framework upholds the right to housing:

The first Housing Law in Lebanon was issued in 1962 and amended (Law 58/1965) in 1965. The Law recognized the need to "facilitate residency to Lebanese in need, whether middle or low income, in cities and villages." The responsibility of public agencies in facilitating access to housing for middle and low income citizens materializes through multiple regulations such as Law 118/1977 that included this responsibility in its definition of the jurisdictions of municipal authorities or again through the rent control jurisdiction last upheld through 160/1992, in setting up historically agencies such as Taamir that were entrusted with direct construction, as well as in the activities of the Public Housing Corporation since 1997. Through these, other regulations, and multiple international agreements that Lebanon has ratified, one reads an implicit recognition of the right to housing that mandates state agencies to participate in the direct and indirect production of affordable housing.

2. The Lebanese regulatory, political, and economic frameworks undermine the right to housing:

Lebanon's commitments to the right to housing are undermined by a larger political and economic framework that fails to recognize, let alone uphold, the social value of land. The primacy of real-estate activities which are (erroneously) identified as a "productive" sector of the economy, the incentives and facilities given by the Central Bank for

investments in land to both developers and homeowners, failure to control and tax property speculation appropriately, are only but a few reasons behind a spike in land prices (Krijnen 2016).

While these trends are quite indicative of similar international trends, Lebanon differs in the sense that the country displays a severe deficit of housing tools that could provide strategies for inclusive housing. More responsibility, through a wide range of strategies has been delegated to corporate, civic, non-profit and philanthropic entities. And although these institutions have identified diverse ways to address the need for affordable housing in their contexts, they often struggle to recognize which strategies are actually successful for families and individuals at the lower end of the economic ladder. It is imperative to develop mechanisms that reclaim urban land, at least partially, to support the social needs of city dwellers.

3. There are existing mechanisms within the Lebanese law that can be activated to empower the production of affordable housing:

Our study points to two under exploited schemes within the current purview of public agencies:

- (i) The legal review specifically pointed to Cooperatives as an interesting framework to explore and to Waqf as a property mechanism capable of facilitating access to property. Successful precedents are present in Lebanon and elsewhere.
- (ii) Building law regulations can be used to require developers to allocate a percentage of the housing stock they are producing as “affordable”.

4. The Lebanese regulatory framework lacks the adequate tools to support the production of affordable housing:

Lebanon’s regulatory framework displays a severe deficit in the type of housing (e.g. density bonuses), taxation (e.g. value capture, empty property), and planning tools (e.g. inclusionary zoning) that typically empower public agencies to intervene effectively, secure inclusion in housing markets, and/or encourage developers to invest in affordable housing units. The introduction of such tools would empower public agencies to guide the housing sector.

5. The survey of housing literature points to a set of integrated policy options and direct interventions that could be adequately introduced in Lebanon:

There are three main approaches to producing affordable housing in similar contexts:

- (i) Planning tools: Removing areas deliberately from the market to earmark them for affordable housing through regulatory constraints in zones of special interest, for example;

- (ii) Controlling the price of land: Property taxation that reduces the price of land and/or providing revenue for authorities to produce housing, Creating land trusts and/or other mechanisms...
- (iii) Facilitate the production of affordable housing: Incentives provided to developers such as development bonuses or transfer of development rights particularly when they are willing to produce affordable housing; Establishment of mechanisms such as cooperatives that empower low-income dwellers to produce housing.

6. In Mar Mikhael, these options were tested in relation to four case studies/blocks through the following scenarios:

- (i) Cooperative with a group of identified 10 owners/tenants to turn an existing building into a Coop, ideally a heritage building;
- (ii) Cooperative to build on either religious Waqf or donated land, potentially based on the money of the “rent fund” that would be invested to create a stock of long term affordable housing;
- (iii) A limited profit development in partnership with developer with density bonus incentives possibly;
- (iv) A regulatory intervention to use inclusionary zoning as a requirement for development

7. It is imperative to place the adoption of a holistic housing policy framework on the long-term horizon of policymakers:

This will require a large-scale urban vision that widens the perimeter of cities and organizes mobility and housing around an efficient public transport and land-use set of policies. Such large-scale interventions can be self-financed through land value capture taxation, but they should also accompanied by measures to control speculation, encourage inclusive developments, develop the housing ecosystem to complement existing bank loans with other non-profit incentives, and reshuffle zoning to support the vision of more inclusive cities.

8. The first community responses indicate a strong reluctance among property owners and some relatively well-off tenants to the idea of Coops. Conversely, very poor tenants showed willingness to explore this option (Community report, annex 4)

Annex 1

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Affordable Housing Options for Beirut: policy or direct intervention strategies?

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1 Introduction

1.1 Affordable Housing strategies: actors and subtext

Housing is widely recognized as a right. In Lebanon, the first Housing Law was issued in 1962 and amended (Law 58/1965) in 1965. The Law recognized the need to “facilitate residency to Lebanese in need, whether middle or low income, in cities and villages.” Public responsibility for the provision of housing, or at least for facilitating access to housing for the middle and low income citizenry is seen through multiple regulations, including for example the Law 118-1977 that defines Municipal jurisdictions. The law proposed to directly build housing, facilitate the construction of social housing, and allow the provision of loans. In some ways, this law implicitly recognized *the right to housing* through the involvement of the state in direct and indirect production of public housing. Yet throughout its evolution, the Lebanese housing framework has emphasized ownership through private freehold as the main conduit for housing acquisition. This bias is still prominent today with the absence of housing interventions outside the facilitation of loans for private housing.

As the conception of land and housing in Lebanon is hijacked by real-estate profit discourses or questions of ownership, the country presents a clear deficit of housing tools that could provide strategies for inclusive housing. In most other contexts, growing neo-liberal urbanism and free market tendencies, as well as rising competition for living space in cities, all existing conditions present in Beirut, have led to debates about housing affordability and the need to provide more affordable housing. In fact widespread throughout the international planning and housing literature (Hartman 1998). Efforts to provide affordable housing are occurring in all kinds of contexts, with different actors providing affordable housing, and with different success rates (Katz et al. 2003). Moreover, in light of a shift in political ideology and neoliberal tendencies, governments have often retracted their involvement in housing provision through policy both in the Global North and the Global South (Katz et al. 2003). More responsibility, through a wide range of strategies has been delegated to corporate, civic, non-profit and philanthropic entities. And although these institutions have identified diverse ways to address the need for affordable housing in their contexts, they often struggle to recognize which strategies are actually successful for families and individuals at the lower end of the economic ladder.

As part of its commitment to generate solutions for the production of affordable housing in Lebanon, the Social Justice and the City program has commissioned this report with the task of reviewing existing literature on the housing sector and identifying options that could potentially be piloted with the Mar Mikhael community as possibly adequate approaches to the provision of affordable housing. Mar Mikhael was chosen as a starting point given the richness and availability of past research looking in depth at the neighborhood’s housing stock, the strategies adopted by developers producing new housing in the area, the processes through which these developers acquire land and develop projects, and the consequent impacts of these developments on the lives of neighborhood dwellers –including elderly people who have benefited so far from rent control to stay in the area. By extracting information from the reviewed case studies, this report will then propose strategies that could be translated to the Lebanese context to propose specific approaches that could increase the availability of affordable housing throughout the country, particularly in cities. What kinds of approaches and strategies have been used elsewhere that would be useful to the Lebanese context? Which tools are needed and used? Which Policy/regulatory frameworks? Who are the institutions that have implemented them? The aim is to learn from the details of the

cases the aspirations, expectations, possibilities open for a local authority to intervene and expand its stock of housing.

There are three main approaches to producing affordable housing in similar contexts:

1. Planning tools:
 - a. Removing areas deliberately from the market to earmark them for affordable housing through regulatory constraints in zones of special interest, for example.
2. Controlling the price of land:
 - a. Property taxation that reduces the price of land and/or provide revenue for authorities to produce housing.
 - b. Creating land trusts and/or other mechanisms.
3. Facilitate the production of affordable housing:
 - a. Incentives provided to developers such as development bonuses or transfer of development rights particularly when they are willing to produce affordable housing.
 - b. Establishment of mechanisms such as cooperatives that empower low-income dwellers to produce housing.

A full list of these tools is itemized in section 2. This study has attempted to review techniques from these three categories. Furthermore, and in order to identify the most adequate options in Lebanon, context characteristics were identified and classified to establish keywords that allowed the collection of real case-studies from a variety of sources. Although a wide range of case-studies were consulted, many are not actually applicable to Beirut despite the many similar conditions in national contexts. This report thus endeavors to highlight the mechanisms that can realistically be applied to Beirut. It favors short term direct intervention strategies given the state of urgency of the affordable housing situation in Beirut. Moreover, the report selected short term strategies that are potentially replicable and/or scalable. The report also considers policy-based schemes that could be developed in the longer term, highlighting the difficulty and small success of such strategies in the absence of political will. Legal and financial consultations, as well as fieldwork building on previous research will then help translate one recommended strategy to bring it to a focus group in Mar Mikhael with the hope of testing the susceptibility of this option to be adopted by neighborhood dwellers.

Frequently, the success of an affordable housing program is determined by the extent to which it achieves a narrow set of objectives, such as the number of new units created or converted. A comprehensive strategy to protect or expand a stock of affordable housing would need to start by answering the question: how many units are needed? both with regards to rental housing and homeownership. Which leads to the question, how many units are in danger of losing their affordable housing 'status' by being put on the free market? In Lebanon, there are no official statistics to determine the median percentage of income households spend on housing, making these questions difficult to answer. Yaacoub & Badre (2012) show that households can go from spending almost half their income (47%) on housing if earning 4,000 USD a year to 26% if earning 15,000 USD a year. These figures are even more extreme for Syrian refugees who UNHCR shelter surveys show are sometimes spending 60% of their incomes on rent. Therefore, it is difficult to determine the relationship between household incomes and housing costs in Mar Mikhael, and how do these evolve over time (Hulchanski 1995; Paris 2007; Chen et al. 2010).¹ Further limitations include the unavailability of data on the loans provided by the Public Housing Corporation for

¹ According to Cobb-Douglas, households consume a composite consumption good C and land L which results in the equation $Y = RL + C + tx$, where Y is income, R is rent, L is land area, C is consumption and tx is transport cost paid by household (O'Sullivan 2003).

affordable housing units as well as the locations of these dwellings, as well as the infrequency of registration of new rentals and often of transactions of properties.

Housing affordability is not only a question of economic viability. It is a complex issue that needs to be assessed holistically. As argued by Mulliner et al. (2012) and others in the context of gentrification (Lees & Ley 2008; Lees 2012), the environmental and socio-cultural sustainability of a given community needs to be considered. Without such considerations mixed-income neighborhoods are difficult to obtain and housing strategies are seldom successful. The next section of this report consequently provides an overview of the contextual factors affecting Beirut's housing sector.

1.2 Affordable Housing in context

To effectively learn from other case studies and adapt interventions or strategies, previous work suggests that reviewed evidence should have similar housing characteristics and socio-economic conditions to the context of interest (McFarlane 2010; Roy 2011). Given the considerable differences between North and South planning in practice, this report is careful in considering any northern approaches as possible solutions to be adapted to Beirut (Watson 2015). However, certain contexts traditionally considered as northern such as Southern European countries may be useful in shedding light as they present some of the similar instabilities that Beirut does.

To guide the evidence review of possible affordable housing (AFH) options for Beirut, the most commonly considered characteristics of the housing context in Mar Mikhael and more widely in Beirut were first synthesized. The characteristics were identified both through material provided by the *Social Justice and the City Program* (Articles, Master and PhD Theses, Media articles and reports) and through studies previously collected by this report's author. Macro characteristics affecting the housing sector were first identified (Table 1) to then specify five primary contextual characteristics affecting Beirut's housing stock (Table 2). These characteristics attempt to pinpoint both opportunities and limitations facing Beirut's housing sector, in order to facilitate the identification of AFH strategies in similar contexts

Tab. 1 Macro characteristics affecting Beirut's housing sector

Index	Macro Characteristics	Summary
A	Political Context	Instability: Lebanon has known various phases of conflict and political turmoil (Lebanese Civil War, South Lebanon Conflict, July War, Syria War spillover in Lebanon). Urban planning is characterized by a public-private overlap and the undue influence of political parties (Fawaz 2009; Krijnen & De Beukelaer 2015; Krijnen & Fawaz 2010; El-Achkar 2011).
Index	Macro Characteristics	Summary

B	Economic Context & Financial Policies	<p>Free market economy with no or scarce social networks (Krijnen & Fawaz 2010)</p> <p>In 2017, the real estate sector made nearly 15% of the Lebanese GDP with no capital investment in infrastructure and transport (Fransabank 2017; CEIC 2017).</p> <p>Post-civil war has inflated the growth of the real estate sector and the role of conflict has contributed to widening rent gaps (Ross & Jamil 2011; Krijnen & De Beukelaer 2015).</p> <p>The real-estate sector is boosted by the incentives provided by the Central Bank that have increased the financialization of land and by the financial capacities of a diaspora population (Freifer & Kronfol 2016).</p> <p>Since 2011, the Syrian conflict has resulted in a massive population influx and consequently larger demand.</p> <p>Housing market is heavily segmented, with sectarian divides.</p>
C	Absence of a framework of social policy	<p>Policies are led by neo-liberal principles</p> <p>Weak public social expenditures such as social security, pensions and health care.</p> <p>Various Beirut neighborhoods are amidst the process of gentrification directly affecting Beirut stock of affordable housing (Krijnen & De Beukelaer 2015; Krijnen 2016; Ziad El Samad 2016). These include commercial gentrification through the influx of creative industries and new restaurants and bars and residential gentrification (GAIA-heritage 2015; Ashkarian 2012). Mar Mikhael's follows the gentrification process largely as defined by Clay (1979).²</p>
D	Dis-functional urban regulation	<p>Lebanese urban law is limited, frequently out of date and is often not be applied with rigor (Pietrostefani 2015; Lebreton & Lamy 2010; Saksouk 2015). It has been characterized as a context of exceptions and exemptions with few taxes (Krijnen & De Beukelaer 2015).</p> <p>Very limited protection of heritage buildings (Bekdache 2015; Massena 2017), with a few exceptions including in Mar Mikhael.</p> <p>In Mar Mikhael political parties who have had roles in protecting residents in other neighborhoods do not have power – the area is in many ways a neutral area 'where neo-liberalism can 'flourish' and this protecting affordable housing is difficult' (Krijnen & De Beukelaer 2015, p.301; Smith 2002).</p>

Tab. 2 Contextual characteristics affecting Mar Mikhael's stock of AFH

² Pioneers move into cheap neighborhood and change the character of the neighborhood. They are followed by bars, restaurants and other amenities. The latter attract new gentrifiers – usually more affluent households.

#	Characteristics	Outcomes	Summary
a	Rent	Rent control New Rent Law	<p>Liberalization of rental contracts, particularly the lifting of Law 160 in 2014 that had controlled the price of a large housing stock, has created an immediate displacement threat for large population groups (Krijnen & De Beukelaer 2015; Public Works Studio 2017; Marot 2012)</p> <p>Price increase from 2007 until 2015 (both rental and purchase) and, since then, prices declining in controlled form with stagnation of real estate sector (Raad 2014; Commerce du Levant 2016).</p>
b	Ownership	Co-ownership Absentee owners Financial means of owners	<p>Old properties are typically claimed by a multiplicity of owners (Fawaz et al. 2017). Many of the buildings are not subdivided in individual apartments, meaning that co-owners claim entire properties and not homes.</p> <p>Old Properties often have absentee owners, particularly because of the large rate of immigration of this community during the years of civil war.</p> <p>Resident owners often have limited financial means (Krijnen 2016; Saksouk 2015). Substantial number of elderly owners.</p>
c	Development	New builds Rent gap outcomes Tax breaks and subsidies	<p>Great development pressure exists for the purpose of exploiting the value of land in light of the large rent gaps (Smith 1987; Fawaz et al. 2017).</p> <p>A tendency to build new instead of converting and modernizing existing stock (Salem 2010; Ziad El Samad 2016). Huge profits can be made from demolishing older, 3 to 4 floor buildings to replace them high rise buildings, especially in light of low construction costs and cheap labor (Krijnen & De Beukelaer 2015, p.289).</p> <p>Tax breaks for investors (Krijnen & De Beukelaer 2015). Lebanese Central Bank offers real estate initiatives, supporting new builds with no specific requirements (Hourani 2012).</p> <p>Subsidized housing loans have indirectly raised the price of housing by increasing the purchasing power of middle income families while they have, conversely, further widened the gap between the purchasing power of the majority of city dwellers and the asking prices of apartments in the city.</p>
d	Land & housing stock	Subdivision FAR Aging	<p>Aging housing stock.</p> <p>Often partially empty new-builds because of lack of demand for housing on offer.</p> <p>Land prices are relatively high and taxes easy to evade.</p> <p>Exploitation of the morphology of urban land by plot subdivision for greater profit (MAJAL 2012; Lebreton & Lamy 2010).</p> <p>Exploitation of FAR ratios: build higher and larger buildings (Krijnen & Fawaz 2010).</p>
#	Characteristics	Outcomes	Summary

e	Corruption	Demolition Eviction Displacement	Actions to population indicating high level of corruption and overlooking the right to housing such as questionable evictions, bribery and harassment to evict tenants driven by neo-liberal consensus (Krijnen & Fawaz 2010; Public Works Studio 2017; Lebreton & Lamy 2010). Policy makers also describe multiplicity of ownership as a cause for development when this is not necessarily the case (Krijnen & De Beukelaer 2015).
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Notes: ^a See Table 1.

Defining both the macro and more specific contextual characteristic in Tables 1 and 2, helps delimit the reasons behind Beirut's, and more specifically Mar Mikhael's, need for AFH. Macro characteristics A, B and C (Table 1) are all interlinked and influence a, b, c, d and e (Table 2) to different degrees. The latter are more specific occurrences that have been narrowed down for the purpose of this research to identify keywords. These keywords helped objectively select case-studies with similar specificities where AFH strategies and mechanisms have been implemented.

Although the characteristics described certainly present many challenges for the creation of AFH, they also present a number of opportunities which will be discussed in section 5 of the report.

A note on affordable housing for the elderly

Given that a great number of the low-income residents of Mar Mikhael are over 60 (GAIA-heritage 2015) a note is due on affordable housing for the elderly. Although substantial literature on housing solutions and quality of housing for the elderly is available (Hui et al. 2014; Baron Pollak 1994), few solutions are available for older resident populations. Various authors (Golant 2008; Henig 1981) have concluded that home modifications and ageing 'in place' improve the quality of life of the elderly more than specialized housing. The elderly resident population of Mar Mikhael should therefore be integrated into affordable housing strategies for the neighborhood, if possible with specific thought to who will inherit their property both in terms of actual ownership or rent contracts. The *viager* mechanism will be delimited in the recommendations section of this report, even though it does not present a sustainable solution for affordable housing (Service Public 2016; Drosso 2002), particularly in the context of Mar Mikhael where our survey showed that a substantial percentage of the elderly are not property owners in the first place.

2 Affordable Housing: policy and direct intervention strategies

In Lebanon, as in other countries, AFH strategies cannot solely act through policy. This is quite clear given the political and governmental characteristics described in Section 1.2. As mentioned by Krijnen & De Beukelaer (2015), in the Lebanese case, actions are mostly carried out through non state actors both with the state or others supporting them. Traditional policy driven AFH solutions implemented through a regulatory mechanism are more difficult to implement and usually take much longer periods of time (Katz et al. 2003). This is in line with the 'enabling' housing approaches recommended by the World Bank and UN-Habitat since the late 1980s (Ganapati 2014).

Even though they are more difficult to implement, policy driven solutions are typically more effective and have larger and longer term impacts. This report will thus consider both policy-based and direct intervention strategies. In its final recommendations it will, however, give preference to direct intervention mechanisms given the nature of this project that seeks to operationalize a housing approach. The reader should note that the policy and direct intervention strategies summarized in sections 2.1 and 2.2 are implemented by a wide range of housing actors. Affordable housing strategies often involve two or more institutions working together, or they implicate the

application of policy by one or more agencies. For the purpose of clarity, the report has divided strategies and possible actors in the groups below and this has helped delimit the keywords that permitted the collection of the greater part of the case-studies overviewed.

2.1 Policy-based interventions

Local regulatory policies often offer cost-effective opportunities to make private housing more available and affordable. Regulations help guide whether and where different types of housing can be developed, how much it costs, and how it is maintained. Policies can also create powerful incentives for private developers to produce more AFH where it is needed most. Moreover, such interventions can be implemented at national, regional or local levels, depending on the context requirements.

Policy-based interventions include but are not restricted to following itemized strategies:

- Planning Tools to make the city more inclusive:
 - Constraints/housing guidelines that require the entire housing stock to reach and maintain a percentage of affordable housing at city or national levels. These require in turn either local authorities and agencies to be involved or developers to produce this housing.
 - Zoning policies and land use restrictions: inclusionary zoning, conservation areas, special interest zone, mixed-use zones, structural restriction zoning etc.
 - Demand side support: Interventions on the housing market through incentives and/or subsidies
 - Indirect demand side support: fair property owner taxation (tax abatements & relief)
 - Direct production of housing/social housing increase revenues
 - Value capture and other forms of development taxation to increase public authority revenues, who can then invest this money in housing or control rent increases

- Playing the Development Game
 - Introduce land use regulations that improve the possibility of development affordable housing by providing incentives to developers (e.g. development bonus, TDR, etc.)

Elaborated from Katz et al. 2003; Paris 2007; Crook & Whitehead 2002

In Lebanon, creating and passing new policies through government has a difficult history in recent years, which this report will not elaborate on. Extensive lobbying strategies would thus need to be devised to push the updating of existing housing related legislation. Moreover, control bodies independent from the government, such as itemized in section 2.2.1.1 would need to be established in parallel, to regulate the application of policies. Some research (Raad 2014; El-Achkar 2011) suggests that regulation would be most effectively applied through municipal governments in Lebanon, but is not conclusive. Although this report will not recommend policy-based strategies as a short term-solution to generate affordable housing, it will include policy-based strategies in its recommendation given their wide spread use and successes in other contexts, both similar and

distinct from Beirut. Both public (ministries, national agencies and municipalities) and semi-public institutions (pension funds and life companies as well as other government affiliated bodies) are key to the implementation and outcomes of policies (Williams et al. 2011). The questionable presence of a working public administration (as a pre-condition to policy effectiveness), is the second difficulty the Lebanese context presents, making policy-driven interventions challenging.

2.2 Direct intervention mechanisms

Direct intervention strategies for AFH, often defined as operational urban models (Foot 1981) can also take different forms and are carried out by a much wider-ranging set of actors, depending on the local context where they are introduced.

Direct intervention strategies usually providing low-income city dwellers with housing tools that enable them to secure a space in the city or, alternatively, they directly help vulnerable residents: These include but are not limited to:

- Direct or indirect subsidies for vulnerable populations (from housing finance to rent subsidies). Usually administered by a housing association with either government or philanthropic funds.
- Introducing property mechanisms that create exceptions for the more vulnerable (Land trusts)
- Motivating the creation of limited equity entities such as Cooperatives to change characteristics of ownership and safeguard affordable housing long term

2.2.1 Who Intervenes?

This sub-section presents possible actors able to implement direct intervention mechanisms. Given the contextual characteristics itemized in Table 2, only actors who would be likely to implement direct intervention mechanisms in Mar Mikhael were considered.

2.2.1.1 CBOs, NGOs and non-profits

Among the many entities responsible for direct AFH interventions, community based organization (CBOs), non-governmental organizations (NGOs) and non-profits have been increasingly involved in AFH provision (Buckley & Kalarickal 2005). More generally, CBOs and NGOs have assumed a more central role in local governance as the responsibility for the delivery of public needs has been relayed to them (Silverman 2008; Tostensen et al. 2001).

Community led housing takes several forms. The most popular are co-operative housing and community land trusts which both rely on new forms of ownerships (that maximize use over exchange value of land) to facilitate affordability. NGOs and other non-profit organizations such as housing associations either provide assistance to low and middle income communities through non-monetary measures such as legal advice, and community activities or they administer subsidies of different forms (monetary and non-monetary (rental vouchers) subsidies from various sources). Housing associations are private, non-profit organizations that help provide low-cost housing in a variety of ways, their exact roles are defined by their by-laws and local legislation. According to local regulation, such all such entities can either receive funding from the state or from philanthropic parties. Such agents could all realistically help provide AFH in Beirut as Lebanon has a history of strong and active civil societies, few such organizations tackling housing issues exist in Lebanon.

2.2.1.2 Philanthropic entities and private developers

AFH strategies can also be driven by philanthropic funding, which is usually administered through other institutions as described in previous sections 2.2.1. Private developers can also be important providers of low-income housing, company bylaws or policy driven regulations are usually the incentives for these private for-profit organisms.

AFH and philanthropy have a long established relationship (The Smith Institute 2013). Their social purposes are similar: both aim to invest for a social return and seek to use any financial surplus for the benefit of the community. Philanthropic funding can work in many ways, through a housing association, together with a CBO or even through a public or semi-public institution. It can manifest both through personal philanthropy or Corporate Social Responsibility. The barriers to grant giving and social investment in this sector would need to be identified for the successful use of philanthropic resources in Lebanon. Some have argued (Dreier 1997) that philanthropic investment is best used as a way of supporting and giving government a stronger role, however this should be taken with caution in Lebanon given the overlap of profit led development and political interests.

Private development involvement in providing AFH can take place in different forms, but it typically is about direct provision. Specific types of development companies can impose a minimum provision of AFH to themselves through their by-laws (see section 5.3), if such a company were to be created in Lebanon it could at least ensure the creation of a limited amount of new affordable accommodation. Policy mechanisms as described in section 2.1 also enforce the provision of low-income housing through private development (Crook & Whitehead 2002).

2.3 Matching actors to defined contextual characteristics

Given that the number of existing strategies possible for better provision of AFH are close to endless, a choice was made to match existing affordable housing agents (as described in sections 2.1 and 2.2) to Beirut's housing sector characteristics instead of an infinite list of possible strategies. The resulting matrix of actor-characteristic relationships, of which not all are theoretically relevant, aimed at summarizing possible AFH responses to Beirut's contextual characteristics. Table 3 aims at providing an accessible summary. Table 3 is by no means exhaustive of all possible strategies, but it covers a large number of options and it sets out as an approach to collect the relevant literature. As mentioned earlier, this report has favored direct intervention strategies given the Lebanese context. For a developed matrix of policy-specific housing programs in meeting the affordable housing goals such as 'preserving and expanding the supply of good-quality housing units' and 'making housing affordable and more readily available' please refer to Katz et al. (2003).

Tab. 3 Possible relationships between contextual characteristics and affordable housing agencies

	(Support to) Renters	(Support to) Owners	Facilitate Development	Increase Land Supply	Resident aid	
Public/ Semi-public actors	1 Public agencies (Ministries, Councils, Parliament, Municipalities)	<i>Control house prices</i> , limited increase in rents; pre-emption rights <i>Needs-based</i> government <i>subsidies</i> ; <i>Tax</i> abatements or credit	Develop <i>pre-emption rights</i> legislation; Legal and <i>financial protection</i> of fragile property owners <i>Needs-based</i> government <i>subsidies</i> ; <i>Tax</i> abatements or credit	Facilitate <i>% of affordable housing</i> in <i>new builds</i> / throughout national <i>housing stock</i> ; <i>Inclusionary zoning</i> Betterment <i>taxes</i> on new development (<i>land value capture</i>) <i>TDR</i> to exploit development profit; <i>density bonuses</i>	Revise land <i>subdivision</i> regulations Revise <i>FAR</i> regulation and other <i>morphological</i> urban laws	Update laws concerning correct terms of <i>eviction</i> and <i>demolition</i> <i>Empty building</i> laws
	2 Semi-public agencies or PPPs	-	<i>Subsidies</i> accompanied by <i>fixed-rate mortgages</i> for new owners	Funding of affordable housing through <i>bonds</i>	Investment in land to <i>protect morphology</i>	-
Non-State actors	3 CBOs, NGOs & non-profits	Support renters in their legal choices about <i>housing contracts</i> Provide rent <i>financial support</i> mechanism	Encourage creation of <i>cooperatives</i> <i>Support</i> owners and communities <i>legally</i> Non-profit led <i>financial support</i>	Create non-profit to provide new low-cost affordable housing	Encourage creation of <i>Land Trusts</i> or similar	Encourage creation of <i>Cooperatives</i> Support <i>evicted</i> or <i>displaced</i>
	4 Philanthropic & private development	-	<i>Purchasing of shares</i> from owners who want to leave instead of developers	Investment in <i>new build</i> affordable housing or financial injection to rehabilitate <i>abandoned</i> and <i>damaged</i> properties	-	Investments to avoid unnecessary <i>demolitions</i> Provision of <i>subsidies</i> or % of profit <i>investment</i>

3 Collecting the evidence

The aim of this research was to collect an evidence base that covers, as broadly as possible, the relevant links between housing sector characteristics and housing actors as described in section 2. The evidence collection does not impose any geographical restrictions, i.e., studies were collected from the Global North and South but only kept in the final evidence when the presented strategies from contexts that had at least one similarity to the Beirut contextual characteristics summarized in Table 2. In collecting the evidence base for the case-study review, best-practice approaches of meta-analytic quantitative research were applied, as reviewed by Stanley (2001) and principles of case surveying as explained by Dixon-Woods et al. (2005) as well as following recent research by Ahlfeldt & Pietrostefani (2017). To prevent publication bias, documents were explicitly considered both published as edited book chapters, reports, in academic working paper series and journals as well as blogs on university or institutional websites.

A three-step strategy was pursued to search for the evidence base. The first step was the standard practice of a keyword search in academic databases (Google Scholar and Web of Science) and urban institute working paper series (Joint Center for Housing Studies (Harvard University) and World Resources Institute Working Paper Series). The selection of keywords was guided by the actor-characteristic matrix as summarized in Table 3, the aim being to collect evidence in a transparent manner consistent with the outlined contextual characteristics. Searches specific to actor-characteristic combinations were run.

Combinations of keywords included the words ‘affordable’ and ‘housing’, selected housing outcomes as defined in Table 3, as well as the relevant possible strategies. Running more than one search with each of the relevant housing outcomes enabled the maximization of evidence. In various instances, more than one search for an actor-characteristic combination was run in order to identify case-studies from lower-income countries by including the word ‘south’. Adding related keywords such as low and middle-middle income or ‘inclusive housing’ did not improve the search outcomes in initial trials. In order to collect relevant reports, the second step was a Google search including the word ‘report’ with each of the keyword sets. A subset of keywords was also translated in French, Spanish and Arabic and run to pick up further relevant documents in the third step.

In total 46 keyword combinations were considered for 27 theorized relevant actor-characteristic combinations summarized in Table 4. These were then applied to 5 databases (Table 5), resulting in a total of 230 keywords searches, not including the extra 24 run in other languages. Both Google Scholar and Google search tended to return large amounts of documents, ordered by potential relevance. As in Ahlfeldt & Pietrostefani (2017), the probability of a paper or report being relevant was minimal after the 50th entry. The evidence collection process did not consider reports or articles beyond this threshold in order to keep the evidence collection efficient.

Tab. 4 Keywords

		Renters	Owners	Development	Land	Actions to population
Policy based	1 Public agencies (Ministries, Councils, Parliament, Municipalities)	affordable; housing; control house prices; policy /south	affordable; housing; rights; owner, law /south	affordable; housing; new build/existing stock; policy /south	affordable; housing; land division; regulation /south	affordable; housing; corrupt; regulation /south
		affordable; housing; subsidies; policy /south	affordable; housing; absent owner, policy /south	affordable; housing; zoning /south	affordable; housing; FAR; regulation /south	
		affordable; housing; tax; policy /south		affordable; housing; new build; value capture /south		
Institution based	2 Semi-public agencies or PPPs	-	affordable; housing; public; subsidies, policy /south	affordable; housing; public; bonds /south	affordable; housing; public; morphology /south	-
	3 CBOs, NGOs & non-profits	affordable; housing; house prices; civil society /south	affordable; housing; owner, civil society /south	affordable; housing; new builds; civil society /south	affordable; housing; corporation; land /south	affordable; housing; corruption; civil society /south
	4 Philanthropic and private development	-	affordable; housing; owner, philanthropy /south	affordable; housing; new builds/ existing stock; philanthropy /south	-	affordable; housing; corruption; philanthropy /south
		-	-	affordable; housing; new builds/ existing stock; developer /south	-	-

4 Quantitative overview of the evidence

This section provides a quantitative overview of the evidence to synthesize the broad and diverse evidence base. The aim is to provide an accessible synthesis of the reviewed affordable housing studies in order to be aware of where the evidence was obtained. As with most quantitative desk reviews, we use statistical approaches to test whether existing empirical findings vary systematically in the selected attributes of the studies, such as the context, the data or the methods used. The attributes of the reviewed studies are encoded into variables that can be analyzed using statistical methods.

- i) The type of affordable housing strategy i.e., policy based (regulation, law or other) or direct intervention based (Cooperative, Community Land Trust or administered by a non-profit).
- ii) The publication venue, e.g., academic journal, working paper, book chapter, report
- iii) The disciplinary background, e.g., housing, planning, urban studies, law etc.
- iv) The study area, including the continent and the country
- v) The period of analysis
- vi) The outcome category out of 24 possible outcomes as listed in Figure 3.

Table 5 summarizes the collection process of the evidence base. The number of studies found by category are presented and from database they were collected from.

Tab. 5 Evidence collection: Distribution of analyses

#	Affordable Housing Agents	Google Scholar	Web of Science	Reports	JCHS ^a	WRI ^b	Total
1	Policy-led	14	5	12	3	3	37
2	Direct Intervention led	15	4	25	3	1	48
	Total	29	9	37	6	4	85

Notes: Google Scholar, Web of Science, Google (Reports), ^a Harvard Joint Centre for Housing Studies and ^b World Resource Institute.

In total 129 observations were collected from 85 studies (Table 6). For example Grynspar (1999) provides insights about both microfinancing and subsidies for affordable housing. A slightly higher number of analyses (58%) provided evaluation of direct intervention led strategies, while 47% provided insights about policy-led strategies.

Tab. 6 Evidence base breakdown by affordable housing agents

#	Affordable Housing Mechanism	Total	Perc.
1	Policy-led	61	47%
2	Direct Intervention led	68	52%
	Total	129	100%

Table 7 summarizes the distribution of studies by world region, publication and discipline. Figure 1 illustrates the distribution of publication years and the study period. The evidence overall is quite recent, mostly published in the last 25 years, reflecting a growing academic interest in the topic.

Tab. 7 **Distribution of studies by attributes**

World region		Publication		Discipline ^a	
South America	16	Academic Journal	45	Housing and/or Planning	69
Asia	18	Report	20	Urban Studies	6
North America	17	Book	7	Environment	3
Africa	8	Concept Note	2	Law, Admin & Econ	5
Oceania	2	Thesis	2	Energy	1
Europe	11	Website	4	Regional Studies	1
Global South	7	Working Paper	3	-	-
MENA	3	Blog		-	-
Global North	3				

Australia (2), Bangladesh (1), Belgium (1), Brazil (3), Bulgaria (1), Cameroon (1), Canada (1), Chile (4), China (1), Costa Rica (1), Ecuador (1), Germany (1), Hong Kong (2), India (7), Italy (2), Kenya (1), Malaysia (1), Mexico (1), Netherlands (1), Nigeria (1), Pakistan (1), Philippines (1), South Africa (3), Sweden (1), Thailand (3), Tunisia (1), Turkey (1), UK (3), USA (15), Uruguay (4), Vietnam (1), Zimbabwe (1)

Notes: ^a Assignment to disciplines based on publication venues.

Fig. 1 **Distribution of study period**

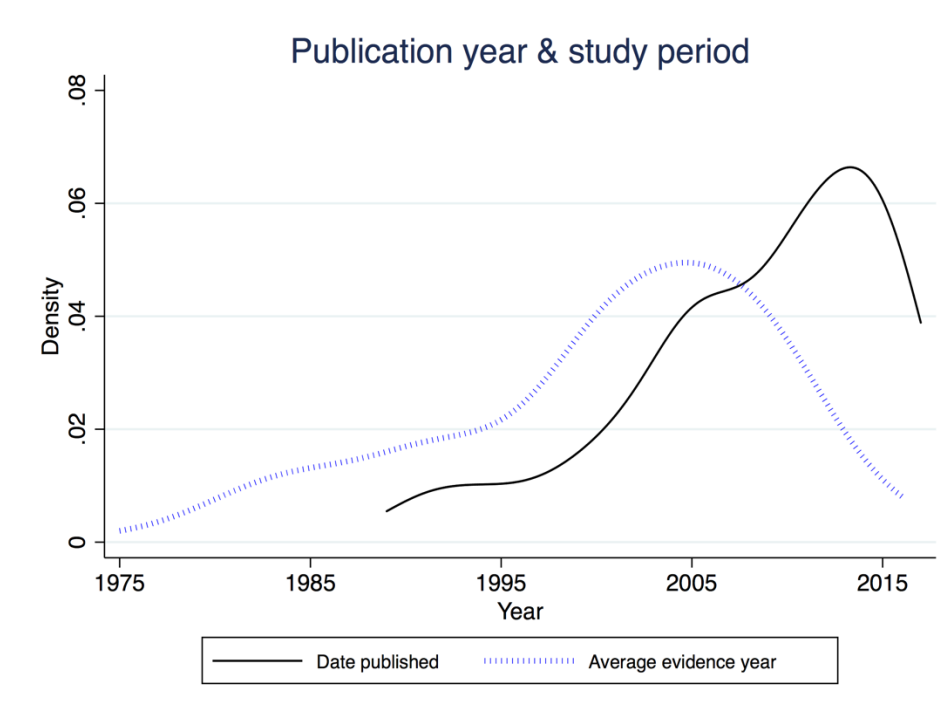


Figure 2 itemizes the contextual characteristics found in each of the studies. In order to ensure that the strategies being consulted were relevant to the Beirut context, the two or three most present urban conditions in each of the studies were collected. At least one of the collected contextual conditions in each study needed to also be present in Table 2, in order for the study to be retained as part of the evidence base. A total of 32 contextual urban conditions were collected. Neo-liberal urbanism and rising house prices were among the most cited conditions, closely followed by real estate speculation and development profit.

Fig. 2 Contextual characteristics found in case studies

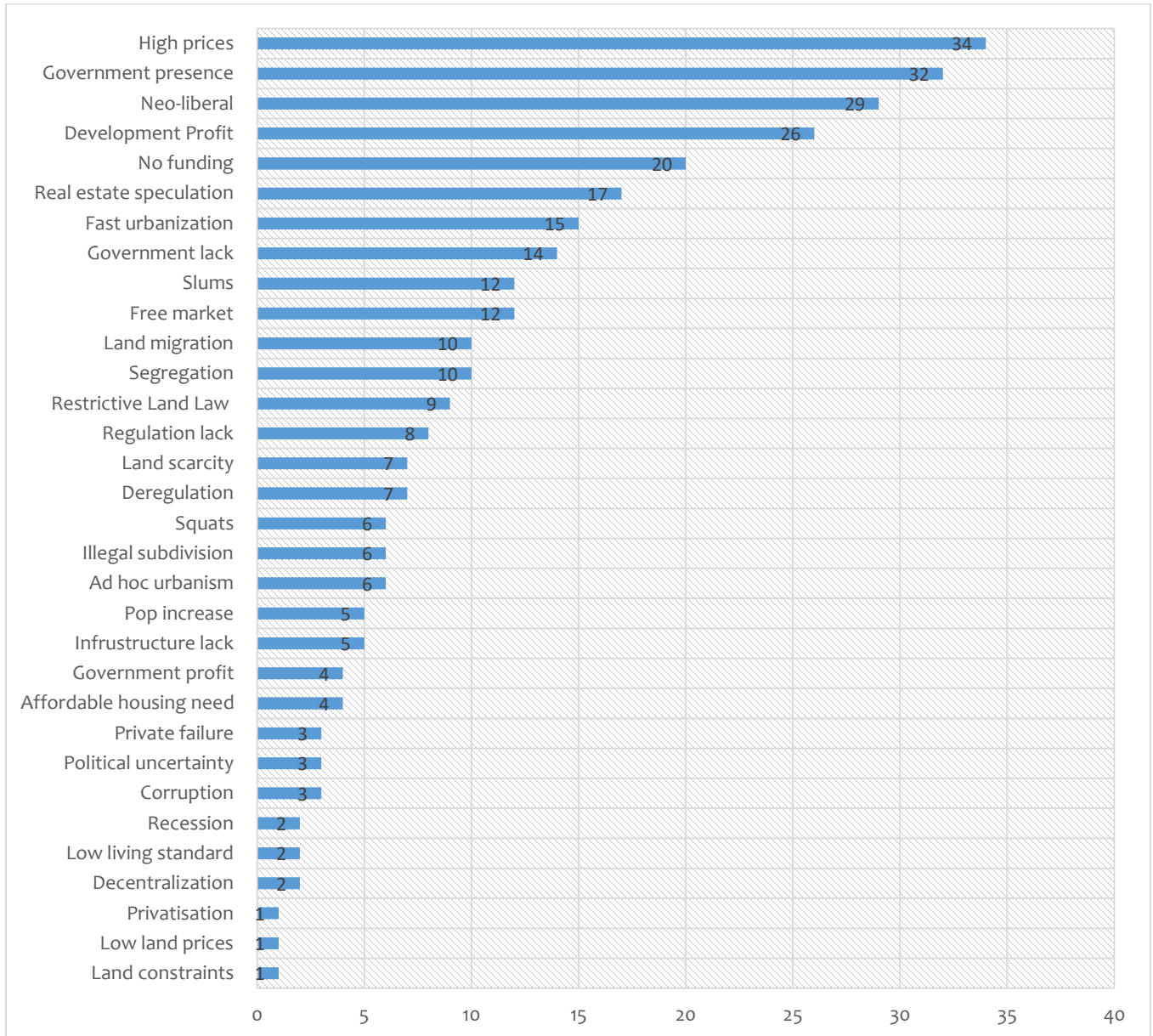


Table 8 summarizes evidence by type of affordable housing mechanism. The number of analyses within each agent category as well as the proportion of analyses being published in academic journals, belonging to the housing and planning disciplines, and using empirical evidence (vs. contextual theory), as well as the median year of publication are reported.

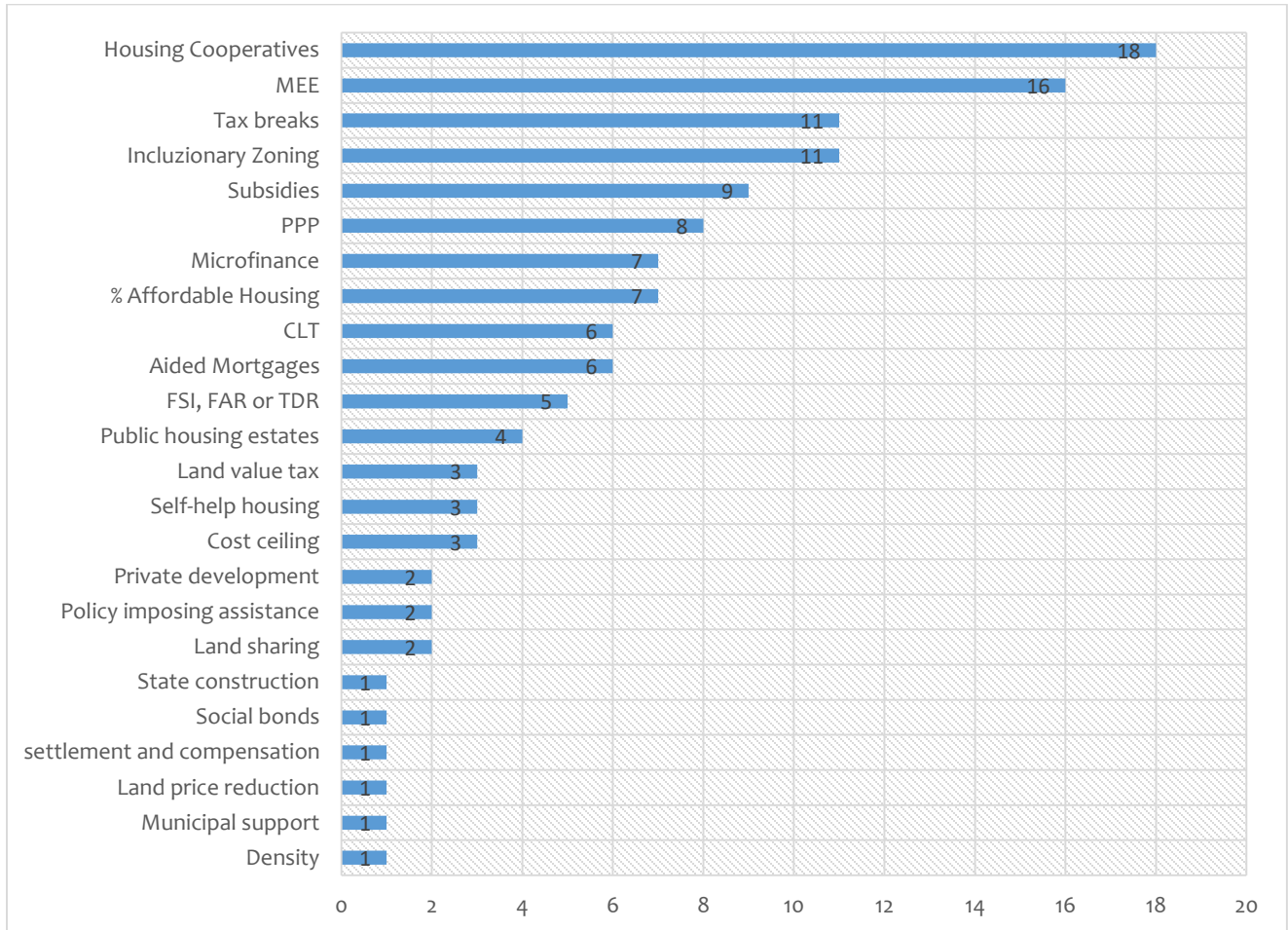
Tab. 8 Evidence summarized by attributes (2)

ID	Affordable Housing Mechanisms	N	Acad.	Housing	Evidence	Year ^a
1	Policy based	61	.56	.77	.75	2009
2	Direct intervention based	68	.53	.79	.79	2008

Notes: ^a Year of publication.

Figure 3 summarizes the 24 strategies found in the 129 consulted analyses. The three most prominent strategies are housing cooperatives, various kinds of MEE-led (Mission Entrepreneurial Entity) initiatives, tax breaks and zoning laws. The reader should be aware that recommendations in Section 5 are limited to the studies overviewed and the evidence they presented. Many articles and reports presented considerable limitations, they did not necessarily specify how a given strategy was implemented or the specificities of how it was financed. It was therefore often not possible to have a complete overview of a housing strategy from its conception to the results it gave. This report has attempted to fill in the gaps when possible by combining information from similar studies. By overviewing case-studies in more than 30 countries, it also became clear that in order to sustainably address affordable housing solutions in Mar Mikhael, more than one affordable housing mechanism would have to be implemented. Implementing or applying only one strategy would only partially respond to the issues at hand.

Fig. 3 Overviewed Outcomes



5 Recommendations

This final section presents strategies responding to specific scenarios within the Mar Mikhael case-study. It imagines responses to buildings or empty lots within Mar Mikhael that present opportunities for the creation or preservation of inclusive housing. The targeted interventions presented in this section will also be considered for scaling up, and as examples from which more general affordable housing approaches can be developed. All proposed mechanisms will be based on the reviewed case-studies summarized in Section 4 of the report. Given the urgency of identifying pilot short-term solutions for Mar Mikhael's stock of affordable housing, Mechanism 1a – Limited Equity Cooperative (LECs) possibly combined with Community Land Trusts (CLTs) – is the overall recommended strategy for the provision and protection of affordable housing in Mar Mikhael. Mechanism 1a is advantageous not only because a pilot cooperative could be feasibly constructed in a short time frame, but also because cooperatives are easily scaled-up and do not require direct involvement from the government, which is an encouraging characteristic in the Lebanese case.

Other strategies have been recommended for longer-term development and implementation, the underlining factor being that in order to sustainably provide inclusive housing in Beirut more than one strategy would need to be implemented. Drafting and application of policies supporting housing

provision would be necessary in the long run, but also the creation and nourishment of more institutions and agencies advocating and facilitating affordable housing. The case-study overview carried out for this study highlighted that institutions involved in affordable housing provision are multi-faceted and wide-ranging from ministries to municipalities to private developers to different non-profit and non-governmental agencies. In Lebanon, although NGOs and non-profits are active in many sectors, the establishment of such agencies with respect to housing is rare and would need to be developed given the limited capacities of government and semi-public institutions.

Tab. 9 Recommended strategies for Mar Mikhael

#	Mechanism	Description	Strategy Type
1a*	Limited-Equity Cooperatives (LECs) and Community Land Trusts (CLTs)	Limited or non-equity entities that enable AFH long term and are able to grow independently	Direct Intervention Strategy
1b	Exploitation of FAR	Increase of development rights, densifying plots to provide AFH and/or change zoning by reducing exploitation before providing incentives.	Policy Strategy
1c	Tax incentives for property owners	Tax abatement for owners to invest in derelict properties and provide AFH	Policy Strategy
1d	<i>Viager</i>	Release of an annuity to elderly owners in exchange for property acquisition on death	Policy & Institution-based Strategy
2	% of affordable housing & Inclusionary Zoning (IZ)	Imposition of a % of AFH on all developments	Policy Strategy
3a	Tax incentives for developers	Land value capture mechanisms or tax breaks	Policy & Institution-based Strategy
3b	Non-profit development	AFH provision through non-profit or limited profit developers	Direct Intervention Strategy

Note: * Recommended strategy for Mar Mikhael.

5.1 Scenario 1

5.1.1 Description & Fieldwork example

Examples of owners of apartments and parts of buildings wanting to remain in their properties in Mar Mikhael have been recorded by various researches (Fawaz et al. 2017). These owners are, however, often forced to sell through psychological pressures and isolation. They are not aware of mechanisms that would enable them to keep living in their properties, keep enjoying its locational amenities, as well as continuing to live in their neighborhoods of origin. What affordable housing mechanisms could facilitate owners to stay in their properties in a financially feasible way? Could these mechanisms simultaneously help old tenants who are being forced out of their homes by their landlords, or new tenants in need of affordable housing? Could strategies addressing such issues also be adapted to empty or derelict buildings where owners do not wish to sell to developers who would demolish and build new

structures? Various mechanisms not yet developed or exploited in Lebanon could respond to such scenarios.

5.1.2 Mechanism 1a: Limited-Equity Cooperatives (LECs) and Community Land Trusts (CLTs)

| Direct Intervention Strategy

Housing cooperatives have a long history. Although they first emerged in European countries in the 1800s they have more recently been adopted in countries across various continents (Ganapati 2014; Tostensen et al. 2001; Dreier 1997). Over the last 25 years, cooperatives have re-emerged as a key strategy both in Global North and Global South countries as a response to increasing neo-liberal policies. The retreat of the public sector, both because of financial and technical limitations, together with the inability or unwillingness of the private sector to cater low and middle income housing, has resulted in organizations like housing cooperatives gaining considerable significance in low and middle income countries (UNCHS (United Nations Centre for Human Settlements) 1989).

Cooperatives are defined as voluntary third sector associations (Silver 1991), distinct from the public and private sectors. Their legal nature differs from country to country often based on institutional context and this would have to be specified in the Lebanese context in order to understand the implications, opportunities and limitations of such an entity in Lebanon (Ruonavaara 2005). As itemized by Ganapati (2014) there are various cooperative principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence among others. The most appropriate form would also need to be identified for Lebanon.

The underlining principle of a cooperative as a response to cater affordable housing in Beirut is that it would attempt to change the traditional concept of ownership:

1. In ownership cooperatives, ownership rights are transferred to the purchaser, which is not very different from traditional ownership.
2. In non-equity cooperatives, members have occupancy rights to a specific suite within the housing cooperative as outlined in their occupancy agreement, which is similar to a lease (Miceli et al. 1994).
3. Limited-equity cooperatives (LECs) differ from ownership cooperatives in that the purchase price of a membership share and the rate of its appreciation are limited in order to maintain affordability.

In order for a cooperative to work in terms of inclusive housing, it would need to be under a limited equity regime. In a market rate system (ownership cooperative), the coop share price could increase on the open market and shareholders could sell at market price when they want to move out (Kennedy 2002). With limited equity, the co-op regulates the pricing of shares when sold in order to maintain affordable housing (Kuijpers & Groeneveld 2017). Under this structure, residents own a share of the housing (typically a multifamily dwelling) without an individual mortgage on their own unit. Every month, shareholders pay an amount that covers their share of the expense of operating the entire cooperative, which usually includes mortgage payments, property taxes, management, maintenance and insurance (Burnett et al. 2008).

A LEC would thus seemingly be a good option to preserve and even increase affordable housing in Mar Mikhael if the correct actors were involved. LECs are responsible for the costs of maintaining their

property as they hold title to all the housing in question. Moreover resident-members exercise considerable control over their housing environment, primarily through self-management and selection of members (Miceli et al. 1994). These elements are positive both because single entities are no longer individually responsible and they are more easily able to improve their housing working as a group. Indeed, LECs have been advocated as housing solutions both in light of their economic and social advantages. Moreover, as cooperatives are by definition non-profit, all work is done without possibilities of profit.

LECs are accordingly a translation of the concept of *right to housing*. People buy shares inexpensively and are assured the right to a home until their death. The shares cannot be transferred to the relevant heirs unless they are eligible for affordable housing, they are therefore compensated with a small financial sum and the shares are sold to new shareholders. Properties thus remain within affordable housing provision. Cooperative examples exist in Lebanon within religious institutions such as the *Waqf* or the model of the Syriac church but in these cases, the first down-payment is secured by the religious authority. There is no reason why such principles could not be streamlined and applied to buildings that present the right pre-conditions, namely at least one owner per building interested in remaining in their property.

A note is due on the relationship between LECs and other housing actors. Although LECs can establish themselves independently, as with other housing entities, they have been shown to work best when supported by other institutions. In some contexts (Luna 2010), limited or zero-equity affordable housing coops receive grants and government subsidies to make their shares more affordable to low-income people. This guarantees the permanent affordability of the housing. Subsidies for the initial purchase of an existing building may include charitable donations, public grants, or mandated concessions from a private developer (Burnett et al. 2008). If a LEC compromises more than one building, a corporation made up of all residents, administers the cooperative. In other cases an independent housing association administers the cooperative. Residents own shares of stock in the corporation, which entitles each tenant/owner to a long-term lease on a unit and a vote in corporate governance. Individual share prices are inexpensive, and tenants/owners are never evicted unless they violate their lease.

A community land trust (CLT) also allows for shared equity and often works hand in hand with LECs (Bernard et al. 2010; Attard 2013). Land is either gifted or bought by a CLT, who then holds the deed to the land and another party such as a LEC holds the deed to a residential building located on the land. The CLT is usually a non-profit corporation leasing the land and it uses this lease to ensure that the residential housing on its land remains affordable (Burnett et al. 2008). CLTs vary widely in their geographic scope. Some serve entire metropolitan areas, others serve particular neighborhoods. They often purchase the property that is held in the land trust on the open market through variations forms of funding. As tax-exempt organizations, they also sometimes receive gifts of property from individuals or corporations and acquire city or county-owned property from local governments. Since the community own the land itself, it is integrally involved throughout the process in key decisions like what is provided, where, and for who (Burnett et al. 2008). They do not necessarily have to build homes themselves, but they ensure that they are genuinely affordable to rent or to buy and will remain affordable. Members of the CLT board can include both residents who occupy CLT housing and other local residents who have an interest in the CLT's activities, such as neighbors or citizens concerned about the availability of affordable housing in the community (Wainwright 2017). LECs would thus be in a more secure position if the land their buildings are on is administered by a CLT.

For this report, the author reviewed housing LEC case-studies in Brazil, Uruguay, Kenya, Zimbabwe, South Africa, India, Germany, the US, and the UK (Dreier 1997; Tostensen et al. 2001; Ganapati 2014; Wainwright 2017). About 425,000 units are contained in limited equity or zero-equity cooperatives in the US (Burnett et al. 2008). In Zimbabwe, joint action through mutual assistance through housing cooperatives has been successful (Kamete II 2001). By 1997 there were over 180 housing co-operatives in the urban areas of Zimbabwe, a reflection of the dissatisfaction with policies addressing housing needs. Similar growths of housing cooperatives has happened in India where cooperatives contributed about 17% of the housing stock during the 10th Five Year Plan period (2002–2007) especially in Maharashtra and New Delhi (Ganapati 2014). Cooperatives came to life from the 1970s in South America, heavily aided by legal measures to establish their role. For example in Uruguay, the creation of the *Centro Cooperativista Uruguayo* and the National Housing Law (1968) enabled collective ownership and consequently helped the establishment of many housing cooperatives (Ganapati 2014). They are now championed as model of mutual assistance. This suggests that the legal background to these community-based associations is key in determining their nature.

Option 1

It is often difficult to start a housing co-op. Studies have shown that the less costly option to create a LEC would be do so out of an existing building because it does not involve the construction costs which can be costly (Hickey et al. 2014; King et al. 2017). In Lebanon, owners with a given number of shares of a property have pre-emption rights to buy the rest of a property's shares (even though this right is seldom exercised). To create a LEC, at least one apartment owner in a building, whichever their shares, would need to freely want to change the ownership status of a building in order for such a change to take place (UNCHS (United Nations Centre for Human Settlements) 1989). This would most likely be the most difficult step, as owners could lose some of the financial value of their properties. They would need to be convinced of the social values they would gain from such an action as well as the right to keep living in the properties they have always occupied. The difficulty would be to convince owners to convert to a cooperative instead of selling to a private developer which would probably be able to offer much higher short term financial compensations.

With the creation of a co-operative, each resident or resident household would then gain a membership in the co-operative association. If the cooperative consisted of only one building, the monthly amount paid by shareholders to cover operating costs would only cover essentials, but if a cooperative were to expand through further subsidies or loans, economies of scale would allow it to provide many other social benefits such as investing into open spaces, services for the elderly or local nurseries (Burnett et al. 2008). The self-managed cooperatives in Porto Alegre illustrate the opportunities of cooperatives by highlighting socio-cultural as well as economic benefits of being in housing within a system of shared accountability and transparency, on common goals and shared responsibilities, even when resources are scarce (Fruet 2005). The term of memberships vary between countries, legal systems and types of cooperatives, and would therefore need to be established according to Lebanese law and resident wishes (Etchezarreta & Merino 2013). The number of shares from previous ownership systems could be salvaged by incorporating a cooperative into a limited stock company where the number of votes an owner has is tied to the number of shares owned by the person (Miceli et al. 1994).

If a building with owners willing to convert to a LEC system is not available. There are often organized groups of low-income tenants that agree to collectively buy the building through a non-profit entity. Often a land trust that holds titles to the land takes it off the speculative market. In San Francisco, a

Community Land trust worked with the local Chinese-American low-income community, who through subsidies were able to purchase their units as part of a coop (Luna 2010). Similar mechanisms were successful in Montevideo and Sao Paolo (Fruet 2005). If an owner of a building is looking to sell in Mar Mikhael for example, a strategy could be to find philanthropic money (from Lebanese expatriates) administered by a housing association to buy such a building, carry out capital repairs on the asset to then sell shares of the building and transform it into a housing cooperative. A non-profit could alternatively buy the building to rent it to local lower-income residents who might not be able to afford shares (Luna 2010). For details on possible financial difficulties tenants confront when wanting to buy into a coop, Kamete (2001) gives some initial financial breakdowns. Once a LEC is established, some have been known to form their own construction companies in order to cater to their needs at the correct prices without passing through middle-men (Fruet 2005; Tostensen et al. 2001).

A similar strategy could be envisaged in the Mar Mikhael case for derelict or abandoned buildings. Instead of a non-profit buying a building, philanthropic funding administered by a non-profit could be used to make capital repairs of a building with the owners' agreement that their building would then be used for affordable housing for a given number of year (10 or 15). Such a strategy would be attractive as it would upgrade existing stock and eliminate such buildings as targets for new development. It would most likely need to be supported by tax cuts or other forms of subsidies but would potentially converts the liability of a neighborhood into an asset.

A limited-equity housing cooperation would seemingly be a good option to preserve and even increase affordable housing in Mar Mikhael if the correct actors were involved. This report recommends this strategy as the most feasible in the short term with good chances of success. Such a strategy could be possible both in forming cooperatives for refurbished buildings or ones needing renovation. A good relationship with local political power would certainly facilitate the possible tensions of such an intervention, and local government support would generally be a helpful factor (Fologwe 1997). Obstacles include, access to construction or refurbishment credit for collective ownership, and although housing cooperatives have often been created in response to neo-liberal free market economies, the latter can be a hindrance in preempting collective efforts.

Option 2

If a building is not already in existence, similar strategies could be devised for a piece of land. However, a significant mortgage loan usually needs to be acquired and this would be difficult, unless facilitated by an aided mortgage scheme for low-income residents.

Advantages

LECs

- Increases affordability for potential homebuyers by reducing the initial cost of purchasing a home and the monthly costs of financing a home.
- Enables future homebuyers the same opportunity to buy affordable housing as the first generation of homebuyers.
- Benefits accrued to first-time homebuyers are balanced against benefits offered to homebuyers in the future.

CLTs

- Can help create partnerships by bringing together various members of the community, including developers, affordable housing advocates, government officials, and low- and moderate-income households.
- Provides for long-term affordable housing needs, as the CLT owns the land and keeps the housing affordable long-term, often in perpetuity.
- Can counter neighborhood disinvestment by introducing resident control over land.
- CLTs often work in conjunction with other local strategies, such as a housing trust fund, demolition taxes, or inclusionary zoning ordinances, creating a synergistic and multifaceted approach to affordable strategies.

Disadvantages

LECs

- Shared equity limits the ability of low-income households to build wealth.
- Buyers must be carefully educated about the limits of the home price appreciation they can achieve with the purchase of their subsidized home

CLTs

- Community land trusts may face organized resistance from various political or ideological perspectives.
- Recruiting potential homeowners and educating them about the special features of the CLT model can be challenging.
- It can be difficult and/or expensive to acquire developable land, particularly in gentrifying areas.
- CLTs generally cannot offer a sufficiently deep subsidy to allow low-income families to purchase homes

Elaborated from Burnett et al. (2008) and Llewellyn & Gorenflo (2016)

5.1.3 Mechanism 1b: exploitation of FAR or FSI (air rights)

| Policy Strategy

Various more general policies could support the bringing to life of cooperatives in the case of Mar Mikhael. These will now be briefly overviewed in sections 1.1.3 and 1.1.4.

FSI is ratio of the permissible built-up area to plot area, which essentially regulated how much can be constructed on a given plot (Phadke 2017; Mischke 2016). Definitions of this can vary: Floor Area Ratio (FAR) is the ratio of the building's total floor area to the size of land, development index or air space are all different varieties of this concept. Increasing such ratios is often linked to the provision of affordable housing (Phadke 2017; Patel 2017). In some cases, developers are required to build low-cost homes for lower-income groups using the additional FSI and hand these over to the state at the construction cost. However, these policies are to be applied with caution given the risks they can bring in terms of over densification and complete transformations of city skylines. It may be well advised to begin by reducing FAR in areas and/or establishing a density ceiling that is then increased for affordable housing.

On 12 October 2017, the Council of Ministers in Lebanon approved a Heritage Law which is now awaiting discussion in Parliament. The law described a mechanism of Transfer of Development Rights (TDR) which exploit the concept of FAR. Developers are now demolishing old small buildings which have not totally consumed their permitted FAR to replace them with other new constructions where the developer will consume the FAR totally, maximizing the built area and thus profiting from its sale. With the new owners will be able to sell their TDRs on their ‘protected’ buildings or areas to developers who will then be able to build that same surface elsewhere in the city. In return selling the TDR will give owners revenues to renovate their buildings which in many cases will be a necessary step for new LECs as advised in the section above. Such a law could therefore provide an interesting source of revenue in the conceptions of LECs in Lebanon. TDR has however been severely critiqued as a development tool for multiple reasons, particularly because it makes development rights the property of the landowner when the Urbanism Law in Lebanon explicitly considers them as “public rights” that can be brought down without compensation. Elsewhere, TDR has also reduced the capacities of public agencies to intervene on the city and its reviews are typically negative.

5.1.4 Mechanism 1c: Tax incentives for property owners

| Policy Strategy

Tax abatements are also often used as incentives for constructing or rehabilitating affordable rental housing. Some jurisdictions encourage rehabilitation of older affordable properties by offering property tax abatement over a specific period (often 10 years) to owners who improve their properties and, in some cases, also agree to rent them at affordable levels (Medda & Modelewska 2011; Davidson & Malloy 2009). The abatement may freeze the property’s assessed value at the current level for a period, tax the property at a lower rate during that time, or exempt the property entirely from property taxes. Similarly, some jurisdictions encourage affordable housing construction by providing tax abatements for a period of time on new apartments. In Portland tax abatement programs have been designed to promote the rehabilitation of rental homes, construction or rehabilitation of owner-occupied homes in “opportunity areas” (Burnett et al. 2008). In Italy, similar mechanisms exist for home owners in areas that are recognized as having landscape or heritage value (Pietrostefani & Holman 2017). In Lebanon there are both property (8% of yearly rental value) and municipality taxes. Further study of how abatement taxes could be proposed and administered in order to create affordable housing should be evaluated with respect to the specifics of these taxes. Tax incentives for developers will also be discussed in section 1.3.2.

5.1.5 Mechanism 1d: Viager system

| Policy & Institution-based Strategy

Viager systems allows the release of a sum of money (an annuity) to a property owner in return for an interest in the property on the owner's death (Simm 2017; Service Public 2016). This strategy could provide a solution for elderly resident population of Mar Mikhael, many of which are at risk of losing their homes. It could also be advantageous to buyers wanting to invest rather than purchase homes for themselves. Such systems have been used in contexts where prices are high in highly desirable areas of

a given country notably in France (Paris, Provence and the Riviera) (Drosso 2002; Drosso 1993). A lump sum, known as a Bouquet, is payable to the seller on the agreement of the *viager*, followed by agreed monthly "rental" or annuity payments thereafter to the seller (Ogg 2012). The Bouquet is normally 15-30% of the value of the property.

For the buyer a risk within this system related to whether the value of a house may fall during the period between the agreement of price and the buyer taking possession, due to the long term nature of the investment (Simm 2017). Moreover, even with quite elderly people, lifespan is not easy to accurately predict. Buying a *viager* property from a person in their 80s could guarantee a limited period before the property passes to the buyer, however depending on local conditions for the elderly period can be rather elastic.

Lastly, although this strategy would be an advantageous option for many elderly tenants in Mar Mikhael it does not present a sustainable solution for affordable housing unless the purchaser is a public agencies and/or a non-profit wishing to expand the stock of affordable housing, because once the elderly person passes away, the properties in questions would be on the free market. This mechanism is therefore closer to a short-term solution for a limited amount of elderly owner, but does not address the larger shortage of inclusive housing unless it is seen as part of a larger scheme. Another more pragmatic limitation of *viager* in Mar Mikhael is that property is typically in the hand of multiple, often contesting descendants rather than in the hands of one elderly person.

5.2 Scenario 2

5.2.1 Description & Fieldwork example

There are few city-wide policy-based actions that seem suitable affordable housing options given Mar Mikhael's contextual characteristics, however, if implemented the following strategy would be a good starting point to ensure a conducive minimum amount of AFH.

5.2.1 Mechanism 2: % of affordable housing and Inclusionary Zoning

| Policy Strategy

Mechanism 2a imposes on all city developers that any new development (hence building permit) should include a percentage of affordable housing or contribute a given amount to a public fund which would be invested in the development of public or affordable housing. Such strategies are usually carried out at city-level and involve the mayor of a city or a housing ministry announcing a target of affordable homes to be secured or built (Crerar 2017; Reuters 2014). The question remains, how do we define this percentage of affordable housing in light of the local context? A financial feasibility scheme that investigates profit would need to be carried out.

Policy-driven interventions imposing a given quantity of affordable housing stock on a city are usually underscored by larger holistic policies about living rights. The Brazilian Constitution initiates mechanisms to reduce the price of urban land, and also defines the right to 'adequate housing' (Budds et al. 2005). It obliges the state to provide free legal and technical assistance to lower-income groups and to improve access to housing. The municipal government then mobilizes these provisions through master plans. For example, the master plan of Sao Paulo, revised the urban development strategy of the city and

introduced legislation and incentives to reduce land speculation and promote social housing (Budds et al. 2005).

Unfortunately, in Lebanon, no amendments to the constitution have been made in this direction. The current Public Housing Corporation provides 6000 affordable housing loans of up to \$120,000 a year with bank guarantees giving low and middle-income families the possibility to obtain housing. To access such a loan, however, families need to be in possession of some small capital of their own (\$25,000); these loans are therefore most likely not accessible to very low income families. And although there is no available data on the locations of properties acquired through such loans, the price range would not permit households to acquire homes in central Beirut neighborhoods such as Mar Mikhael on the free market.

To determine levels of affordable units within the total national or city-level housing stock government bodies take into consideration average incomes, average house prices across a city as well as median percentage of income households spent on housing. The adopted rule of thumb is that households should spend no more than 30% of their income on housing and this includes all services related to housing such as water and electricity (OECD 2015). Most recently (Weise 2014; Matthews 2015) studies have insisted that this percentage is arbitrary, particularly as the percentage people spend on housing has considerably increased across countries as prices rose in many contexts. Moreover, as income spent on housing increases levels of social housing directly facilitated by the government vary greatly and are essentially determined by politics: France 19%, Germany 3.9%, Canada 4.1%, USA 4.3%, New Zealand 5.8%, Poland 8.3%, Netherlands 34.1% (Trevien 2013). In many countries, these rates have decreased significantly in the last decade, resulting in non-state actors leading the way towards new strategies for affordable housing and therefore not compensating for increasing house prices.

In Lebanon there are no official statistics to determine the median percentage of income households spend on housing, or the locations where affordable housing would be most needed in the city at a spatial level. Yaacoub & Badre (2012) show that households can go from spending almost half their income (47%) on housing if earning 4,000 USD a year to 26% if earning 15,000 USD a year. These figures are even more extreme for Syrian refugees who UNHCR shelter surveys show are sometimes spending 60% of their incomes on rent. It would also be difficult to determine a potential percentage of affordable housing for Beirut (or simply within Mar Mikhael) given the large differences both between old rents levels and market prices as well as between levels of income. Moreover, as in other Global North and Global South countries, the ratio of housing cost to income has increased in the last 30 years, making it difficult to determine a standard best-practice percentage to follow (Stone 2006; Hulchanski 1995).

If a percentage of affordable units relative to Beirut's housing stock were to be determined, this would enable the implementation of a straight forward strategy for the protection of vulnerable residents within the city. Such a policy would need to impose this quota on both existing and new housing stock. Unfortunately, the examined evidence did not divulge successful examples of such policies in similar contexts at city level. In Chile, such a policy had been conceived (Departamento Administrativo Nacional de Estadística (DANE) 2015), aiming to promote more small-scale and socially mixed development, based on the objective of social integration (Dohnke et al. 2014). However, attempts to direct real estate developers or investor to include a quota of 5 percent of social housing in any residential development was blocked before ever reaching parliament however, and the construction of affordable housing continued to rest of non-imposed guidelines (Casgrain & Janoschka 2013). The opportunities and

difficulties of such a strategy are thus clear. The author is not aware of successful case studies in contexts driven by neo-liberal urban principles and free markets.

In order to implement a similar mechanism at a neighborhood level, case-studies suggest that a more specific zoning policy would need to be considered in the form of inclusionary zoning (Levy et al. 2006; Rolnik & Freire Santoro 2014; South African Cities Network 2016). Applications of percentages of affordable housing per stock levels have been most successful when combined with some form of zoning law. An inclusionary zoning law would also work towards the preservation of a mixed-income neighborhood which to a great degree Mar Mikhael still is.

Inclusionary zoning refers to a set of ordinances that require that some affordable housing be produced as part of a new market-rate development. The most effective ordinances are based on an understanding of local market conditions, include density bonuses or other means of offsetting costs to developers, and are used in conjunction with a variety of additional strategies to encourage affordable housing (Levy et al. 2006). This would work well for Mar Mikhael as ordinances would mandate developers to provide affordable units in an otherwise market-driven development. City ordinances would require that a percentage of the units be affordable, typically 10 to 30 percent of new units. These units are often deed restricted to ensure long-term affordability (Burnett et al. 2008).

Inclusionary zoning ordinances vary substantially (Levy et al. 2006). Variables can include:

- Definition of affordability
- Length of time that price restrictions apply to affordable units
- Percentage of units devoted to inclusionary housing
- Whether the ordinance is mandatory for all developments or only applies to those who accept particular incentives
- Incentives or cost offsets the local government provides in exchange for the affordable units.

Inclusionary zoning ordinances have the strong advantage of not requiring significant government expenditures, but they require strong political will... if few cost offsets are offered; however, these ordinances are likely to produce only few affordable housing units (Burnett et al. 2008).

Advantages:

- Aims to bypass local NIMBYism by linking construction of affordable units to the construction of market rate units.
- Aims to create income-integrated neighborhoods.
- Most effective in conjunction with other municipal 'bonuses'
- Relatively inexpensive for municipalities to institute

Disadvantages:

- Complex market intervention that can be difficult to administer
- Writing and adopting an inclusionary zoning ordinance can be expensive, as it needs to be tailored to local economic and demographic conditions
- Can diminish construction rates and consequently raise the costs of housing
- Can make it difficult for developers to build to the maximum densities
- Its effectiveness decreases in low-growth areas

Elaborated from Tsenkova & Witwer (2011) and Burnett et al. (2008)

Cities throughout the USA routinely implement inclusionary zoning schemes requiring between 10 and 15 per cent, and up to 50 per cent of all new development within residential and mixed areas to be affordable (California Coalition for Rural Housing and the Non-Profit Housing Association of Northern California 2004; Katz et al. 2003). In Brazil Special Social Interest Zones (ZEIS) (Budds et al. 2005) have also been widely used, particularly in vulnerable neighborhoods such as favelas. ZEIS have three main objectives: (1) legalizing land tenure as long as the area has basic infrastructure; (2) enforcing compulsory development on underused property, and expropriating it if the owner does not comply; and (3) requiring property owners to produce a certain proportion of affordable housing for all (re)development (Rolnik & Freire Santoro 2014). Such areas have been widely used given their success in Brazilian municipalities such as Salvador (Bahía) y Fortaleza (Ceará). One of the major successes was the increase of offer of land for the production of affordable housing, such as in the city of Diadema, which increased affordable units from 3 to 6% of the total area of the municipality (Smolka & Furtado 2014).

In Sao Paulo 964 areas were defined as ZEIS up until 2005. Incentives to local municipal governments to encourage the private sector to produce social housing in these areas include: exemption from certain building rights fees, possibility of signing property ownership over to municipal governments in exchange for building rights vouchers, exemption from municipal taxes (Budds et al. 2005). The case of Sao Paulo is illustrative of the combination between ZEIS and affordable housing subsidies which were implemented in parallel (Rolnik & Freire Santoro 2014). The joint mechanisms enabled a relative greater number of low-income families to access new affordable units.

Other case-studies such as Sydney who has an objective of creating 640 000 new dwellings by 2031 through various strategies, includes inclusionary zoning as one of its principal strategies (Gurran 2008). Inclusionary schemes currently operate within the urban regeneration areas of Green Square and Ultimo/Pymont, where between 0.8 and 3% of the value of developments is contributed to an affordable housing scheme managed by the City West Housing Company (Gurran 2008). Adelaide's new metropolitan planning strategy contains the boldest inclusionary objectives, committing to a target of 15% of affordable housing in new developments, a third of which is to be dedicated to high needs housing (Gurran 2008). It is not yet clear whether this will be delivered through a traditional inclusionary zoning approach (which would continue to apply to all specified development within the designated zone) or a contribution negotiated through the master planning process of large projects or estates (likely to be more feasible in new release areas and in the redevelopment of brownfield sites).

An adaptation of the inclusionary zoning strategies detailed above could be devised for Mar Mikhael, but it starts with legislation being successfully passed through government which is a difficult and long step in the Lebanese case. And it then depends on the enforcement of these strategies. Given that political will is at the heart of the success of such strategies, this report recommends it as a long-term solution which would need extensive lobbying rather than a short term answer.

5.3 Scenario 3

5.3.1 Description & Fieldwork example

There are several empty lots owned by developers who recently demolished buildings in Mar Mikhael. Over the past five years, approximately seventeen buildings have been demolished for new development and at least another dozen have been emptied (Fawaz et al. 2017). Various kinds of

incentives would encourage the developers of this empty plot to incorporate AFH in their development. This may be particularly attractive in the current moment as developers are keenly aware that the types of high-end developments until now seen as profitable have been severely halted, with recent estimates indicating that actual prices have gone down as much as 40%.³ The incentives would in most cases, however, decrease the profit retained by the developer after completion of the building and sale of new units, and would therefore need to include compensation in another form. Section 5.3 will focus on these mechanisms, based both on policy and direct intervention by various institutions. The overview of case-studies presented earlier suggests that the mechanisms presented in this section are the most frequently applied in cases similar to Mar Mikhael.

Other mechanisms would either include the involvement of a non-profit developer or a policy mechanism that would enforce a percentage of AFH on all new constructions. Policy mechanisms were discussed in Scenario 2 of this report, and as noted above, such policies are most often established at city, regional or national level. The role of non-profit housing developer will be discussed in section 5.3.3, with the AFH opportunities they present, but as longer term solution to empty plots in Mar Mikhael. To the author's knowledge non-profit developers or housing association that carry out development roles do not exist in Beirut to date. Moreover, in the case of most empty lots in Mar Mikhael, non-profit development would imply current owners of empty lots selling to non-profits, which in most cases would not be in the for profit developer's interest.

5.3.2 Mechanism 3a: Tax incentives for profit developers

| Policy & Institution-based Strategy

Tax mechanisms are used as incentives for constructing or rehabilitating affordable housing in many countries. Given political will, they may be the most effective means to improve the framework of housing provision. Tax mechanisms traditionally take two forms: land value capture mechanisms or tax breaks which come in different forms such as tax abatements or tax credits. Land value tax is a type of value capture mechanism designed to capture the value created by the provision of a public service (Medda & Modelewska 2011) in order to either cover the costs of this infrastructure (hence make it more affordable) or reinvest it in the city. It can be directed only towards a specific group of people, it assesses land value rather than property value and focuses on landowners. In the case of AFH, developers can also be subject to betterment taxes which are then used to provide AFH. Betterment taxes stipulate an increase in property value in order to improve something within society. Tax credit or relief regimes offer a reduction of a taxpayer's tax liability in exchange for private investment in the construction or redevelopment of affordable housing (Davidson & Malloy 2009; Tsenkova & Witwer 2011). Although these mechanisms are policy-based, they would not necessarily need to be introduced or administered at national level. In fact, most such policies are initiated at city level. The Beirut Municipality could therefore be lobbied to put forward such incentives basing itself on the already existing tax system.

³ Presentation given by Dan Azzi in the financialization conference in Beirut, Nov. x, 2017, Orient Institut.

5.3.2.1 Tax breaks

New York City and California have been offering property tax abatements for newly constructed apartment buildings since the 1970s (NYC Housing Preservation & Development 2016). Tax abatements can be administered in a number of ways and can be applied at different geographical levels, city- or county-wide or in a particular districts, and they could therefore be applicable to Beirut or Mar Mikhael alone. Tax abatement can be specific to types of affordable housing projects or as in New York City tax-abatement certificates can be bought and sold (Burnett et al. 2008). In the US, tax abatements are widespread. Chicago implemented a property tax classification designed to stimulate the construction and rehabilitation of affordable rental homes (Burnett et al. 2008). New York City's 421a program provided developers a partial tax exemption for new apartment buildings when the units met an affordability standard (NYC Housing Preservation & Development 2016). Similar policies have been introduced in Turkey and Tunisia successfully (?) (Smith 2008; Ministère de l'Équipement de l'Habitat et de l'Aménagement du Territoire 2015). Tax abatement thus provides strong incentives to developers to create or maintain affordable housing. The disadvantage lies in the reduction of tax revenues for the administering localities.

Tax-based incentives also include tax credits. These can be either for donations or for investments in AFH (Burnett et al. 2008). Tax credit for investments in AFH involve developers applying to a government agency for an allocation of the available tax credit for that year. Successful applicants sell the credits, usually through a third party, to an investor who gains an ownership stake in the project and the sales value of the credits provides equity for the project. Developers then need to meet all relevant milestones and place the units into service complying with rules governing maximum rents that may be charged for the units and the income levels of the families and individuals who move into the affordable unit (Christians 1999). These strategies are often preferred as they are indirect methods of funding affordable housing investment, which is often more politically palatable. The fixed expenses of obtaining and selling the tax credits can be high, precluding small projects from using them. As with tax abatement, tax credits represent foregone revenue and as such either constraint other spending or must be made up with higher fees or taxes from other sources.

In Lebanon, although development taxation is low, tax on profit made by development has recently risen from 10 to 15%. A mechanism by which the development tax would be reduced if developers committed to provide x% of AFH within each new development could be devised. Alternatively, the municipality could agree to exempt a developer from built property tax over 10 years on each building where it provided an x% of AFH. The percentage of affordable housing units per development would need to be determined by taking into account both the total number of units to be constructed in a given development and the total cost of the development in question. There is no standard percentage of AFH established in counterpart for tax abatement, this is a matter that should be further developed through an example project in Mar Mikhael. If established, such a mechanism would provide an incentive for the development of empty lots to include AFH units.

Given the level of corruption in Lebanese institutions, both public and private (Transparency International 2016), a control mechanism would need to be implemented jointly with tax abatement opportunities. In several overviewed case-studies, such a role is taken up by a Housing Association or committee (Williams et al. 2011; Hashim 2010) which regulates the affordable units constructed by developers, ensuring new owners or renters would pay the agreed upon price and not an informally

agreed counterpart. This Housing Association would also regulate sales or rentals in terms of quality and amenities according to established standards. It would thus need to be an independent body, as it would need to verify the eligibility of tenants in need of AFH. The current Lebanese Public Housing Corporation does not have the resources to carry out such a role. This proposed strategy would thus entail more than one missing link in the current Lebanese housing environment and it may not be possible to implement it short term.

5.3.2.2 Land value taxes

In the case of Mar Mikhael, a strategy for the creation and preservation of AFH could be to capture value and exploit it. This is often done through a form of betterment tax that imposes requirement for real estate development according to planning gain principles (Medda & Modelewska 2011; Crook & Whitehead 2002). The assumption of a betterment tax (also known as benefit assessment or betterment levy) is to cover the cost of AFH (or another urban necessity such as transport infrastructure) through value capture following an intervention which raises the land value.

The UK and Australia are just two locations where such strategies have taken place. Although these contexts are in many ways different from Lebanon, these countries provide next to no state-led affordable housing and have neoliberal housing trends. Other cities such as Hong Kong and Warsaw have successfully provided part of their transport infrastructure through betterment mechanisms.

Mechanisms capable of capturing betterment include the following (Fensham & Gleeson 2003):

- Government purchase and ownership of land, with resale at developed land prices or providing development and use rights through long-term leases.
- A uniform land tax, paid annually without discrimination.
- A tax on income generated from the sale of land and buildings at appropriate personal and business tax rates, providing tax deductibility for the value of improvements.
- Taxes or charges applying to the 'unearned increment' of value increases only.

The UK aimed to provide 4.4 million additional households between 1991 and 2016 – an increase of approximately 25% over a 25-year period. Targets were set out for accommodating new housing development on previously developed or brownfield sites (Crook & Whitehead 2002). Instead of providing the affordable housing directly, planning permissions are only granted for land or conversions at increased prices. The difference between the market price and the actual price is then used to provide AFH. This allows local government to provide affordable units. It is seen as legitimate that developers contribute to the costs involved in affordable housing development, including offsite infrastructure costs, and to mitigate some of the negative effects of development (Crook & Whitehead 2002).

The betterment mechanism has several advantages, the most noteworthy being that it shifts the burden of AFH finance from the general public to the properties that receive location benefits, while avoiding the short-term time horizon of purely private infrastructure provision. Moreover, the use of planning gain takes into account housing requirements of the whole community for urban regeneration of areas in need. However, betterment strategies have also been criticized for increasing house prices (Hilber 2015) and in the UK adding less than the intended 15000 units of AFH between 1991 and 1994. Although they might provide a solution to successfully exploiting for-profit development in Mar Mikhael to also

protect AFH, a comprehensive evaluation of such a strategy in the context would need to be carried out, especially given that such a mechanism would easily increase segregation with AFH being provided elsewhere.

5.3.3 Mechanism 3b: Non-profit development

| Direct Intervention Strategy

MEEs (Mission-driven Entrepreneurial Entity) are independent operational and financial bodies that have, in recent years, provided alternatives for affordable housing provisions (Smith 2013). The non-profit housing sector displays a remarkable diversity of organizational forms: community development corporations, non-profit development organizations, housing associations and more. All these MEEs have been increasingly involved in affordable housing provision (Buckley & Kalarickal 2005). More generally they have assumed a more central role in local governance as the responsibility for the delivery of public needs has been relayed to them (Silverman 2008; Tostensen et al. 2001). Some non-profits have the capacity of carrying out all stages of development – project financing, community outreach and planning, construction management, property management and asset management – this is not always the case, however, in which case non-profit developers work with construction companies (Walker 1993). According to local regulation, they can either receive funding from the state or philanthropic parties.

The various agents presented below are not affordable housing strategies in themselves, but are proposed here as entities which are currently missing in the Beirut housing arena and which if developed would facilitate the provision of inclusive housing both in partnership with independent bodies such as housing cooperatives or government initiatives. The agents could all realistically help provide affordable housing in Beirut given as Lebanon has a history of strong and active civil societies.

5.3.3.1 Community Development Corporations (CDCs)

An example of non-profit developers are community development corporations (CDCs). They are defined as nonprofit, community-based housing sponsors or developers. They usually identify with particular neighborhoods and restrict their development activity to those neighborhoods (Walker 1993). CDCs usually take on both development and non-development roles such as community organizing, social service provision, advocacy of neighborhood strategic interests, and so on (Walker 1993; Burnett et al. 2008). In fact, few CDC directors would describe themselves primarily as housing developers. Most would contend that community revitalization is their principal goal, where physical revitalization of housing stock and creation of affordable housing are necessary components. Community development uses both local public and private funding channels. CDCs are active in a wide-range of countries from Eastern Europe to the US to South America. In the US CDCs are credited with having produced or rehabilitated more than 1,252,000 units of housing and, in general, nonprofits have been responsible for a significant percentage of the lower income housing that has been developed since the 1990s (Bratt 2007). In 1990 alone, nonprofits produced approximately 17.2 percent of the total number of government assisted housing units in the US and between 1960- 1990, the cumulative nonprofit share of all federally subsidized production and preservation units was about 15.7 percent (Walker et al. 1995). For example, Urban Edge (USA) is a national leader in the community development field in Boston.

Public, private and non-profit entities turn to Urban Edge for its advice and expertise, and as a partner in undertaking complex and transformative urban projects (Urban Edge Building Community 2017).

5.3.3.2 Housing Associations

Housing associations are similar to CDC as private, non-profit organizations that in the last 25 years have provided multiple affordable housing options by handling philanthropic funding in many countries. They have introduced efficiency measures in many contexts and have looked at creative and innovative ways to generate additional funds, such as philanthropic donations and crowdfunding, ensuring that communities in which homes are located are sustainable and thriving through targeted community projects (The Smith Institute 2013; Hashim 2010). In many countries, such entities are regulated by the state and receive public funding. In the Lebanese case, however, a more successful tactic may be to have the housing association funded by different philanthropic entities, until political will is amassed. The specific role of a housing association in Lebanon would have to be specified by its by-laws and should be limited according to local need. Housing cooperatives would for example benefit from a housing association that advocated this alternative form of ownership and lobbied for funds to support such initiatives from both the government and philanthropists.

Housing associations could for example purchase a building, renovate it, and then convert it into an affordable cooperative with mixed-income or low-income housing (Jacobs et al. 2010). A housing association could agree with a community land trust that it would pledge 50% of development costs for a number of converted heritage buildings into affordable homes, if the local community crowdfunded the other 50% from local residents and businesses (The Smith Institute 2013; Davidson & Malloy 2009). It could also formulate a subsidy scheme with specific objectives, funded through philanthropy for Mar Mikhael residents in need. Possibilities for how such a body could protect and expand affordable housing opportunities are evidently many and would need to be discussed further with local stakeholder to determine best options. Various South American countries have attracted philanthropic funding for affordable housing then administered by housing associations by using techniques such as: matched funding, collaborative giving, and social investment (Mitlin 2001). Housing Association have also helped communities evade local political patronage to avoid residents being pressured to leave their housing (Arevalo T 1997). Moreover, the advantage of a housing association is that it could start through one project (block or building) and then evolve throughout the neighborhood catering plans for specific areas, while keeping in mind the housing needs for the whole zone.

Actions carried out by housing associations include the following. In Brazil rent voucher schemes were operated by housing associations for low-income families with incomes of up to ten minimum salaries (Budds et al. 2005). The subsidy took the form of a voucher worth up to US\$ 100 per month for a limited period of time in which recipients must find acceptable accommodation with a rent value within given limits. In Mumbai, housing association handled a micro-finance and credit for low income areas in order to improve their housing conditions (Gandhi 2012). In the US, housing associations facilitated tenant involvement in the development of new affordable housing following studies underlining the significance of participation by low income residents in the life of their communities and in their buildings (Davidson & Malloy 2009).

Various housing associations attract funding through social impact bonds. Unlike crowdfunding, social impact bonds are more likely to attract corporate investors or high-net-worth individuals. This model

would work most effectively for clearly defined projects where there is solid evidence that intervention would lead to a higher rate of affordable housing (Ashby 2014). Moreover, if public money were available, social impact bonds could be established with public-sector commissioners under which government commits to pay for improved social outcomes. Either way, social impact bonds are particularly successful to access funding when: (1) a clear target group is defined; (2) robust outcome metrics have been calculated, against which success or failure can be measured; (3) evidence can be provided to evaluate the chosen intervention (Noya & Galitopoulou 2015). The cost of an intervention is also sought especially in comparison to what profit led entities could offer.

Housing associations are also often capable of providing much more holistic services than other entities operating towards increased affordable housing. In Bangkok, housing associations have provided communities with construction skills and expertise (Yap & De Wandeler 2010). This would not be relevant in Mar Mikhael but such an entity could be set up to help provide legal and other knowledge to those with poor housing security. In Dhaka, housing associations programs have emphasized capacity-building and sustainability, which are absent in public sector programs (Rahman 2002). Such strategies would obviously not be solutions in providing affordable housing, but are often important supplements in situations of housing insecurity. As mentioned earlier, in order to sustainably address affordable housing solutions in Mar Mikhael, more than one affordable housing mechanism would ideally have to be implemented. The difficulties of such an institution is the length in creating it administratively. Furthermore, although many such entities have provided affordable housing in the Global South, long term there have been few viable models proposed that could allow for a reliable capital funding stream (Rahman 2002).

5.3.3.3 Limited profit private developers

Limited profit or non-profit private developers (hereafter called MEELPs) also generate affordable housing in many contexts and such entities would be particularly appealing in the Lebanese context (Blessing 2010). Like housing associations and CDCs, MEELPs work at both an economic profit and social benefit level (Smith 2013; Christman et al. 2009). They must generate cash revenue to cover their financial costs, but would be defined by strict by-laws ensuring both the social benefit and economic benefit of its clients. Examples of such entities can be found in the UK, Brazil and Chile. They can moreover, work both on the supply side, by offering affordable housing, or the demand side, but facilitating structured finances such as loans (Christman et al. 2009). Such entities could be kick-started through philanthropy and then evolve through other various forms of funding as well as their own financial gain.

Under-planned or under-capitalized MEELPs have poor track records, especially in Global South countries. It would thus be essential for such an entity in Lebanon to be established, as advised by the Affordable Housing Institute, by a strong consortium of philanthropic, commercial, and academic actors who jointly recognize its potential value (Christman et al. 2009). Moreover, both local and national involvement with MEELPs would need to be considered carefully. Although many (Smith 2013; The Smith Institute 2013) argue for government support of such entities, in the Lebanese case, where real-estate is characterized by a public-private overlap, this might interfere with the neutrality and objectivity of such an entity.

Dohnke et al. (2014) illustrate how in Chile, a similar neo-liberal reality to Lebanon, profit-oriented affordable housing development is a dominant organizing force. The main opportunity of such an entity is that it fits the Lebanese entrepreneurial tendencies where profit could be made. It also has the advantage of being an institution based project that could be set up quickly thus immediately responding to the affordable housing lack in Mar Mikhael. Moreover, MEELPs drive to reduce grant dependency and could in the long run sustain themselves. The difficulty in establishing such an entity would be to find the parties interested in kick starting it. For more details on MEELPs please see Bratt (2007), Dohnke et al. (2014), Hebert et al (1993) and Ludl (2007).

6 Ending note

This report has reviewed 129 affordable housing strategies within 85 case studies in more than 30 different countries in contexts similar to Beirut. The evidence has highlighted the difficulty of translating affordable housing mechanisms and strategies to the Beirut context despite many similar contextual characteristics in other countries and cities. The difficulty lies in the limitations presented by the Lebanese urban legal system and the restricted capacities of relevant institutions as many of the consulted case studies rely, in one way or another, on national policies. This report has thus proposed Housing Cooperatives as a recommended strategy given that could be most easily applied in Mar Mikhael short term. The advantage of the proposed strategy is the possibility of easily replicating or expanding it in order to provide affordable housing to areas in the future. Although this report stresses the importance of Housing Cooperative creation to tackle affordability in the short term, it has also included five other strategies which are based or reliant on policy development to underline that political will and government enterprise are both necessary to sustain affordable housing in the long-run.

7 Appendix 1 – Summaries of other AFH mechanisms

7.1 Pre-emption rights for tenants

| Policy Strategy

Live-in residents renting property in Mar Mikhael are given the right to choose to buy their property at a preferential price before the property is put on the open market. Such a law exists in Lebanon but only for resident owners who already possess a number of shares in a given building, pre-emption rights do not exist in Lebanon to date. Pre-emption rights for tenants would entail the drafting and passing of legislation with an agreement on the number of years during which residents would need to have lived in the property they occupy, as well as other conditions, to benefit from such a policy. Moreover, such a policy would need to be sustained by an aided mortgage scheme as discussed in section 5.2.1. Unfortunately, none of the overviewed evidence provided insights on such mechanisms. If this mechanism is of particular interest to the *Social Justice and the City Program* further research can be carried out as the author is aware of recent cases in southern European countries such as Italy (Hello Home 2017). In some Italian rental contracts, a pre-emption right exists. In this case, if the contract has not expired, the tenant will be given the opportunity to purchase the home for sale first and often at a discounted rate. The owner must inform him of the intention to put the property on the market and the

sale price, and if the tenant is not interested in buying the house can be sold as occupied, and the lease remains valid with the new owner.

7.2 Subsidies and aided mortgages

| Policy and Institution-based Strategy

Subsidies are an incredibly popular mechanism to attempt to increase housing security and protect existing affordable housing units. Case studies range from Brazil, Chile and Costa Rica in Latin America, to Canada to other contexts in Europe. Subsidies are facilitated by policies and are usually provided by the government and administered by public bodies, but they have also been funded by philanthropic means in other contexts or are sometimes founded on voucher-based systems.

In Chile, demand-based subsidies were introduced in the 1970s as part of the liberalization reforms. By applying for a one-off capital subsidy provided by the government, families with modest income became property owners of new housing units built by the private sector (Dohnke et al. 2014). This was enabled by long-run credits for up to 20 years with minimal mortgage loans from banks. These policies greatly reduced the housing shortage and increased housing security for the poorest strata of the population, which is now evident as almost 80 percent of the population are home owners (Richards 1995; Dohnke et al. 2014). The state would provide a subsidy of 70 to 75% of the value of the house, with the remainder being financed by a fixed-interest state mortgage that could not exceed 20% of the household's income (Casgrain & Janoschka 2013; Gilbert 2004). In the Philippines a similar, although less coordinated mechanism has more recently been put forward. On the one hand, banks have been expanding the reach of mortgage to middle-income and lower-middle income households (World Bank 2016). On the other, the National Housing Authority has been assessing options both to obtain funds from non-public sources but also to look into different subsidy systems. Among these are short-term support for alternative types of lenders (housing microfinance institutions) through liquidity funding or capacity building (World Bank 2016). In Shanghai, Housing Provident Fund introduced a tax-free payroll contributions from employees matched by those of employers to access housing in the 1990s (Chen et al. 2010). Contribution rates varied between cities but were usually around 7%.

The issue is that subsidies, although they may effectively resolve many housing security problems, not only require large amounts of capital, they often have secondary negative effects. For example, they often lead to concentration of low-income households and overcrowding in disadvantaged locations although they fare better than social housing projects (Dohnke et al. 2014; Beidas-Strom et al. 2009; Akeju & Andrew 2007). Moreover, subsidies must have strict rules tied to them to prevent developers from capturing them. There is also a problem of targeting (who is eligible, particularly in a context such as Lebanon), or resources (do public agencies have enough money) and finally of pushing prices up (as happened with the Syrian refugee crisis in Lebanon). So unless you have solid controls, such a strategy is not advised in the Lebanese context.

7.3 PPPs

| Institution-based Strategy

In recent years Public-Private Partnerships (PPPs) for the building, operation and maintenance of affordable housing have become particularly popular given the limitations of government means (Davidson & Malloy 2009; Copiello 2016; Riley & Kraft 2010). In light of increasingly impoverished governments or public agencies with limited technical skills, Private-Public Partnerships (PPPs) have also become popular as ways to address affordable housing issues (Copiello 2016; Abdul-Aziz & Kassim 2011; Sengupta 2006).

In Bangladesh, the private and the informal sectors supply more than 90% of urban housing in the country (Rahman 2002). PPPs have recently been used in the delivery of homes in Egypt, India, Pakistan, South Africa, Bulgaria, Mexico, Russia, Thailand and the United Kingdom (Payne 2000). The way PPPs work is actually quite a simple mechanism: the private developer assumes development responsibilities (Abdul-Aziz & Kassim 2011). Often this includes designing, constructing and financing. The developer is also expected to provide internal infrastructure as well as social and public amenities if these are required. The public sector on the other hand, provides output specification such as number of housing types and typed of communal facilities, these include rates of affordable units within a given development or conversion (Sengupta 2006). In some cases, government owned land is also supplied but this is not always the case. The public and private sectors thus share accountability and housing is usually provided more efficiently as it is engineered by development companies.

The opportunities and problems of applying such a strategy to Beirut are immediately apparent. The funding and technical capacities could in practice be provided by developers. The approach corresponds to Beirut's free market reality, it would tap into the expertise of the private sector and transfer all risks to them (Pugh 1992; Gandhi 2012). These are the key reasons why such strategies are applied in countries like Australia, the UK and some South American countries (Maguire, G., & Malinovitch 2004; Akhaury 2017; Shankar 2017). In Malaysia, the government imposed a policy that transferred the responsibility of housing low-income earners to private developers. It required developer to provide at least 30% low-cost housing unit within their housing schemes (Abdul-Aziz & Kassim 2011). However, the success of such a strategy would rely on a strong public agency such as the Ministry of Housing or Order of Engineers which would need to impose the numbers and features of affordable housing units within developments. Given that government and most public institutions in Lebanon cannot be held accountable for their actions, devising a PPP to facilitate affordable housing is not advised in the short term. Ong and Lenard (2002) argue that housing institutional accords can be successful without government interventions, and that this is in fact necessary in corrupt political regimes. However, this would no longer be a PPP but an agreement between a private developer and an independent organism such as a Housing Association.

7.4 Empty Building Law

| Policy Strategy

Many cities require owners of vacant buildings to register their vacant property within an established time frame from the date that the property becomes vacant and periodically thereafter (Burnett et al.

2008). Some cities require that owners implement a maintenance plan for vacant buildings in order to remedy any public nuisance problems and prevent deterioration. Sometimes governments require owners to pay a periodic fee for each vacant building that they have registered. The fee acts as an incentive for owners to maintain and occupy them. Indirect impacts include an increase in the housing stock for renters and homeowners, as building owners are encouraged to fill vacant properties to avoid costs.

7.5 Demolition taxes

| Policy & Institution-based Strategy

A tax is charged upon demolition in order to promote the preservation or creation of affordable housing. The demolition tax only applies to residential demolitions, and is usually only in effect with the removal of more than 40% of an existing structure. Demolition taxes are often implemented to provide revenue to a housing trust fund that creates housing targeted to low- and moderate-income renters and homebuyers. It may also help preserve the diversity of a community's housing stock, benefiting the community generally. Demolition taxes are typically administered by a section of the city's municipality where payment is required prior to issuance of a demolition permit. Demolition taxes are operative primarily in strong and gentrifying markets. Mar Mikhael thus fits the characteristics of an area that would benefit from such a tax as these taxes are usually issued in place where modest homes are being torn down and replaced with luxurious homes. They are less effective in distressed areas, because the tax is a disincentive to revitalization. Such a tax may provide a source of revenue for the city and/or a housing trust fund and may help maintain a diverse housing stock in a gentrifying area, however it is likely to face opposition by property owners.

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Annex 2

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The Legal Framework of Housing Provision in Lebanon

**The Social Justice and the City Program, Issam Fares Institute for public policy and
international affairs**

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9 1- Introduction

9.1 1.1. Framework

Building up a society and ensuring its development while preserving social equality and human rights requires the State to establish a set of general policies regulating the relationships between individuals among each other and with the State. Such policies translate the State's willingness to intervene in a clear, precise manner, on all levels affecting the citizen's livelihood, including education, health, finance, housing, and more. In Lebanon, the State has rarely stood up to these challenges, typically defaulting on upholding the essential tenements of human rights. State withdrawal from the provision of social services is paralleled by its absence in the regulation of urban growth. Consequently, most urban development is triggered by developers and neither channeled nor regulated. The most dramatic transformations have occurred in the capital city Beirut where intensive investments have triggered large waves of population displacement and the transformation of the residential, commercial, and business fabric through processes often defined as "gentrification". By "gentrification", I point to the term coined by Ruth Glass (1964)⁴ in her analysis of the transformation of the working class quarters of [London](#) as they were invaded by the middle-classes—upper and lower. The author described (p.xvii) "[Shabby](#), modest mews and cottages—[two](#) rooms up and two down—have been [taken](#) over, when their leases have expired, and have become elegant, expensive residences Once this process of 'gentrification' starts in a district it goes on rapidly until all or most of the original working-class occupiers are displaced and the whole social character of the district is changed." Although gentrification is sometimes cast under a positive light to connote "the uplifting change" and improvement in an area's quality of life, the word loses its positive connotation when affecting and causing the displacement of the poorer and the elderly, depriving them from the "affordable housing" they dwelled in for years, with no alternative and limited means to sustain a similar life within the same perimeters.

Undeniably the negative effects of gentrification are intensified by the inadequacy of housing policies and the absence of a public framework of social security. In effect, although the rent control laws aim generally to limit gentrification, keeping rent agreements contracted before 1992 frozen for over 25 years and in parallel leaving rent agreements rates at the sole will of the landlord played a major role in widening the rent gap making the landlord sell their property to the highest bidder.

In this context, scholarly research and debates has focused on these consequences and the means to curtail them (Fawaz, M., Krijnen, M. & El Samad, D., 2017), (GAIA-heritage, 2015), (Pietrostefani, E. 2015), (Pietrostefani, E. 2017) (Krijnen, M., 2016), (Raad, A., 2014) . These studies have typically been conducted by sociologists, urbanists, architects, and economists, while conversely very limited legal research was developed on the matter. This is despite the fact that unpacking the laws regulating property, rent, housing, building, taxation and public intervention and further unravelling the mechanics connecting between them is critical to any understanding of the gentrification mechanisms. Indeed, the legal framework is an important part of the framework that facilitates gentrification. In other words, developers would not have been able to induce the snow ball effect of gentrification if the legal infrastructure was not already in place, supporting their actions. Therefore, short of claiming it is possible to prevent

⁴ See Glass, R. 1964. *Aspects of Change*, Edition and place.

gentrification, one can at least control its pace and channel its effects only if a solid review, study and understanding of the legal regulatory frameworks of property and housing production and transfer and the ways in which such frameworks have enabled in Lebanon developers to infiltrate into neighborhoods and initiate processes of displacement that push out old, poor residents, making way to new residents of better financial means.

The most definite way to restrict such phenomenon is through the intervention of the government by installing strategic housing policies to get implemented on several levels, whereby the public and private sector work hand in hand to maintain and create housing opportunities for the poor and those of limited income. But has Lebanon drawn any housing policies for the less fortunate? In the affirmative, why aren't such policies effectively hindering gentrification? Where are they defaulting and what would be the recommendations be to remedy and reconstitute the effectiveness of affordable housing policies.

This report first outlines the current and historical contexts in which policymaking has addressed the land and housing sectors in Lebanon. Second, and based on detailed material on population displacement in the neighborhood of Mar Mikhael (Beirut) provided by the Social Justice and the City Program at the Issam Fares Institute at the American University of Beirut, the report will unravel the weaknesses of existing policy frameworks, showing how these frameworks facilitate forced displacement through their organization of property and housing. Finally, the report makes recommendations on specific scenarios proposed by the Social Justice and the City program team to devise the legal frameworks through which interventions can be designed to support the production and/or protection of affordable housing – particularly in a gentrifying neighborhood.

9.2

9.3 1.2. Methodology

For the production of this report, we first traced every law, decree, regulation, decision, memo, published in the official gazette, issued since the creation of Lebanon, in connection to housing policies and property regulations including the laws regulating any empowered public authority to execute those rules of law such as the Ministry of Housing and cooperatives (cancelled in the year 2000), the Public Housing Corporation, the municipalities, housing cooperatives and other public and private initiatives. We also researched existing housing models operating in Lebanon owned and launched by the private sector, in comparison to the housing policies and models developed in other countries to fight the similar social crisis. Linking between the laws regulating property ownership and transfer, rental, and home loans, and their concomitant amendments, we applied these regulations to understand the findings unraveled by researchers in the recent cases of population displacement witnessed in Mar Mikhael. Finally, and based on the scenarios proposed by the SJC team, the report articulates legal mechanisms, preferably within the already existing legal framework, with minimal to no legal reform needed, that could allow us to recommend ways in which successful models on the local and international levels can be reproduced locally, first in the current case of Mar Mikhael and eventually by replicating this model in similar urban neighborhood elsewhere in Lebanon.

10 2. The Present Legal Framework for housing and property

The right to housing is a right inherent to the person, which recognizes every human being's right to live in a decent space, constantly over time, having all vital needs met. When discussing the right to housing and more specifically affordable housing, it is essential to distinguish between the said right and ownership. Therefore, the State's intervention to recognize the right to dwell in a certain space must accommodate between that right and private ownership, making the grounds on which a certain individual can be entitled to dwell in a certain space based on either ownership, rental or social placement.

10.1 2.1. Ownership and attached rights in the Lebanese Laws.

Article 15⁵ of the Lebanese Constitution protected private ownership, prohibiting any expropriation except for public use as determined by the law provided equivalent compensation. This article has typically been used to make of the freehold of property a valuable asset, subject to the rule of supply and demand. A person may not in any case be deprived from the ownership of his/her asset unless a public agency can demonstrate that this asset is needed for a higher shared/public use, either for a public amenity (e.g. parking, park, road) or for heritage preservation, through expropriation and only in consideration of equivalent indemnity.

Land and property ownership in Lebanon is governed by a system under which each asset is representative of 2400 shares equaling to total ownership. Property is transferred in whole or in shares, by sale or inheritance. An asset may be owned by several persons, each owning shares thus creating a co-ownership of the asset be it a land, a building or a single unit apartment.

Before the implementation of the title deeds registry system according to the works of cadaster, it was possible to acquire ownership of a land by settling in it, peacefully and constantly for a period of 30 years. However, since the launch of the Cadaster works and land registry, that option is no long available in areas that have already been surveyed.

10.1.1 2.1.1. Right not to be in a coownership

Moreover, the civil code in Lebanon (Code des Obligations et des Contrats article 840⁶) gives the right to any owner of shares to withdraw from the situation of coownership by filing a request to the court, which

⁵Article 15 of the Constitution:

Property is in the guard of the law, it may not be taken away from anyone unless for public interest in the events described in the law after equitable indemnity.

المادة 15- الملكية في حمي القانون فلا يجوز أن ينزع عن أحد ملكه إلا لأسباب المنفعة العامة في الأحوال المنصوص عليها في القانون وبعد تعويضه منه تعويضاً عادلاً.

⁶ Article 840 – amended by the law of 21/12/1954

No one is obliged to stay in coownership, each co owners may request division however the court may interrupt the division lawsuit temporarily if it appeared to her that the situation was inappropriate to such.

المادة 840- معدلة وفقاً للقانون تاريخ 1954/12/21

will examine the property and decide on the division of the asset if the asset is dividable or the sale of such by way of auction to the public if the asset cannot be divided into shares representing the each of the co owners' rights. In this event, all co owners are compelled to sell their shares to liquidate the asset. These proceedings may be done amicably outside the court, however the recourse to the judicial system is mandatory when the different parties cannot reach an amicable solution alone. The cost of such proceedings is relatively low⁷, however the registration fee at the real estate registrar is of 1%⁸ of the value of the divided asset in case of division.

Another way to withdraw from coownership is to sell the shares to a third party interested. Generally, in such cases, the third party would be interested in buying the whole property, addressing every co-owner in his/her turn.

10.1.2 2.1.2. Preemption rights

Following the same principle of unifying ownership in the hands of a single owner, the law provides a preemption right⁹ (حق الشفعة) whereby any co-owner has the right to exercise a right of first refusal, given by default to all co-owner of shares of the same property, in the event of sale or transfer of rights to any third party, provided that that third party does not already own shares in the property or is a first degree relative to someone who owns shares in the property. The said right must be exercised within a period of 1 year following the registration of the transfer at the real estate registrar by filing a law suit against the new buyer, depositing on the date of filing the case the full price paid by the purchaser in addition to the transaction fees and costs. The owner of such right may waive it in favor of the new purchaser.

10.1.3 2.1.3. Right to use the property

Ownership is composed of 2 elements, the right to dispose of the property (Nu-Propriete or حق الرقبة) and the right to use and exploit the property (Usufruit or حق الاستثمار), each of which is divided into 2400 shares. The right to use is, as the right to an affordable housing, a personal right inherent to the person of its owner, attached to the person of its owner, extinguishable with his death, however the right to use is transferrable between the living. It is worth mentioning that during the liquidation of a property, the right of exploitation is up to a quotient of 20% of the fair market value of the property, decreasing with the older age of its owner.

In the event where property is shared between multiple owners, the management of the property is done through decisions taken by a majority of 75% of share owners and thus the use of the property will be determined by the decision of the majority of 75% of share owners. For example, if an apartment is

لا يجبر احد على البقاء في الشيوخ فلكل شريك ان يطلب القسمة انما للمحكمة ان توقف دعوى القسمة موقتا اذا تحقق لديها عدم ملاءمة الظروف لاجرائها.

⁷ In such legal cases, the judicial fees are computed on a flat rate basis, additional cost of the proceedings will vary according to the number of co-owners and ability to reach them. Excluding the lawyer's fees, the total cost of the proceeding can be as little as 1500\$.

⁸ The registration fee is subject to additional stamp duty of 4‰ and other fees and municipality taxes making the total registration cost of about 1.30%.

⁹ Articles 245 and on of the law 3339 on real property ownership.

transferred by inheritance to Fadi, Hadi, Chadi and Radi, each having an equal share of 600 out of 2400 shares and Fadi kept on living in the apartment after his parents' death, if the 3 other brothers decide to rent out the apartment, Fadi does not have the right to object to their decision. However, if Fadi has 2400 shares of right to exploit, his brothers would not have been able to rent the apartment to a different person.

10.1.4 2.1.4. The State's intervention in promoting ownership

The right to decent housing is guarded under Lebanon's international commitments towards the international community through principles recognized in the universal declaration of human rights and other international conventions. Furthermore, the Lebanese parliament issued in 1962 the "Housing Law"¹⁰ regulating the State's intervention facilitating the housing of Lebanese in need and with limited resources, indirectly recognizing the principle of the right to affordable housing, institutionalizing an ideal housing plan. The said law was followed by several executive decrees under the management of the Ministry of Social Affairs until 1972, when the Ministry of Housing and Cooperatives was established. Later in 1977, the Council of Ministers approved a decree establishing the Housing Bank (Banque de l'Habitat (مصرف الاسكان) to provide loans to people in need of purchasing, building houses or rebuilding their homes following the destructive war. Only 2 years later, the parliament voted on a law institutionalizing the independent housing fund, which later was cancelled and replaced by the Public Housing Corporation in 1996 providing loans to people (combined household) with limited resources, earning less than 6 times the minimum wage. Although such intervention may seem as in line with a structured housing policy to promote equality and accessibility to affordable housing to the less fortunate, it is doing the opposite. It is boosting artificially the demand to affordable housing, causing their inflation, making them less affordable, focusing mainly on lending to purchase rather than leasing or other more efficient measures.

10.2 2.2. right to affordable housing through rent

Rent is one of the forms in which a person can dwell in a property for a determined period of time, in exchange of monthly allowance paid to the landlord. The rent contract is an agreement defined by the Lebanese Civil code (Articles 540- 601). The volatility of the rent legislation for over 70 years, continuously extending the term of rent agreements whereby agreements made in the 1940's till 1992, remain in effect till today, made of "access to housing" a synonymous of homeownership rather than rent.

10.2.1 2.2.1. Rent Control

Rent control is one of the most direct and effective way of intervention of the State in application of a structured housing policy. In effect, the State will be the agent responsible on setting rent rates and the course of increase or decrease. However, "rent control laws" in Lebanon not only backfired but formed one of the main reasons of gentrification, more specifically the law number 160/1992. Between 1940 and

¹⁰ The law on housing was later amended on 8/12/1965 in the law 58 titled: amendment to the housing law issued on 17/9/1962.

1992, an estimated 25 rent control laws were issued, almost all revising the rents and outlining the maximum increase allowed on rents for the coming years serving the true purpose of rent control law, saving the dwellers from getting evicted, simultaneously monitoring the rent increase on vacant and newly rented apartments. For example, the law issued in 1941¹¹ extended the period of the rent for 1 year and regulated the relationship between the tenant and the landlord providing a mechanism for rent increase of 10% for rents up to 250 liras, 15% on rents from 251 till 500 liras, 20% on rents exceeding 20%.

The legislative decree number 288/42 issued on 11/12/1942 adjusted the rent on extended agreements as follows: an increase of 20% on rents under 500 liras, 30% on rents between 500-1000 liras, an increase of 40% is to be made on rents of 1000 Liras.

Noticeably, the law issued on 30/3/1948 was the first to enact a decrease on rents. In Article 2, it first imposed an increase of 10% of the rents which term has been extended then in Article 3 it ordered a decrease of 20% on rent of apartments in buildings constructed before 1939 and of 15% if the building was constructed later than that. The State's intervention 3 years later in the law issued on 24/3/1951, and later in years 1954, 1956, 1962, 1967, 1974, 1977 and law number 22/83 issued on 26/8/1983 also figured an increase/decrease on rents mechanism.

In 1994, the government lacking a clear structured housing policy, let go of its role as the guardian of the right to housing, as it had issued two laws concerning rents, 159/1992 and 160/1992, then in 1994 instead of examining the suitability of rent rates, it linked the rent increase of rents contracted before 1992 to the minimum wage increase in a country where such increase was made 3 times in 30 years. If the State kept revisiting the rent rates as it did in the 50's, 60's, 70's and lastly in the 80's, the law number 160/1992 could have been qualified as a proper rent control law. Moreover, law 159/1992 freed all new rental agreements contracted after 1992 to the will of the contracting parties, withdrawing the regulatory role of the State in determining increases on new rents. Since rents contracted prior to 1992 were still held under the old control system, a large difference was created between rents under the law 59/1992 and 160/1992. As a result, two neighbors in a same building with the exact same income renting 2 adjacent and similar apartments could be paying radically different rents depending on the date they signed their contracts: one renting on the premise of pre-1992 law could be paying 100\$ per year while the other could be paying 10,000\$ a year.

Today, after much debate, a new rent law was issued in 2014 and then later revised in 2017, becoming effective as of February 2017. This new law provided a mechanism by which rent, which was way below market value, will increase gradually to become equal to the market value over a period of 6 years, eventually liberating old rents within 9 or 12 years depending on the financial situation of the tenant. On the other hand, the Lebanese legislator did not interfere to control the new rents leaving them at the sole discretion of the supply/demand equilibrium. It has been confirmed by the Constitutional Council, in a decision rendered on 6/8/2014 concerning the suspension of the rent control law of 2014¹², that the

¹¹ Legislative decree 134 of 31/12/1941

¹² A full reading of the decision rendered by the constitutional council published on 6/8/2014 on the case filed by 10 members of parliament challenging the rent law issued on 28/6/2014 is recommended as it highlighted the view of the judicial body on the housing right. A brief section is reproduced below. The full text of the decision will be attached to this report along with the rest of the legislative texts.

motive to issue such a law was to put an end to the injustice suffered by owners of housing property managed under the law 160/1992. It specifically declared that an excess of protection is equal to the lack of such, thus justifying the intervention of the legislator at this level. The State did not issue the said law in a frame of a structured, studied housing policy. It just referred to the access the targeted tenants have to benefit from the loans granted the Public Housing Corporation, channeling the thoughts once more towards ownership of property and not the actual right to an affordable housing.

10.2.2 2.2.2. Leasing

In concept of leasing was introduced in Lebanon in the law 160 dated 27/12/1999. The said law only related to the leasing of machineries and industrial equipment. Since then, several laws regulating "leasing" were issued, transferring the monitoring and control to such sector to the Central Bank. Every year, the Central Bank publishes in the official gazette the list of Leasing companies operating in Lebanon. The latest list issued in 2016 showed that there weren't any Leasing companies registered at the Central Bank operating in Lebanon. Concerning the real estate sector, Law 767/2006 (published on 11/11/2006) amended Law 539/1996 on the establishment of the Public Housing Corporation (PCH), introducing an additional sub-clause under article 7¹³ that added to the scope of work of the PCH to grant medium to long term loans directly or with the partnership of other financing sources, to natural persons and moral entities and institutions to build housing with the purpose of leasing. The concept of real estate leasing was then defined for the first time in the Lebanese Legal literature. Although "leasing" has been under discussion since 1999, the method has not been adopted (Interview with the legal advisor of the PCH, Mr Fares Lawandos conducted on 19/10/2017) because PCH lacks the human resources to introduce this new scheme and its personnel is unfamiliar with the process and possible obstacles. Leasing remains nonetheless in the books and is looked at positively by public stakeholders as a method that provides interesting prospects to expand the tools of housing acquisition in Lebanon.

وبما أن غاية الدستور تنظيم العلاقات في مجتمع الدولة بما يضمن العيش الكريم للمواطنين والاستقرار والأمن، وتوفير المسكن هو من مستلزماتاتها جميعاً،

لذلك يعتبر توفير المسكن للمواطن هدف ذو قيمة دستورية ينبغي على السلطتين التشريعية والإجرائية رسم السياسات ووضع القوانين الآلية إلى تحقيق هذا الهدف وعدم الاكتفاء بوضع قانون ينظم العلاقة بين المؤجر والمستأجر،

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المادة 1- تضاف الفقرة "د" التالي نصها إلى المادة السابعة من القانون رقم 539 تاريخ 1996/7/24:

د - تقديم القروض المتوسطة والطويلة الأجل، مباشرة أو بالمشاركة مع مصادر تمويل أخرى، إلى الأشخاص الطبيعيين والمعنويين والهيئات المنتفعة لبناء المساكن بهدف تأجيرها من المستفيدين إيجاراً تملكياً.

قصد بالإيجار التملكي عقد الإيجار الذي يعطي المستأجر حق تملك المأجور لقاء ثمن متفق عليه عند إجراء عقد الإيجار مع احتساب الأقساط المدفوعة منه كبدايات إيجار من أصل الثمن.

خلال ثلاثة أشهر من تاريخ نفاذ هذا القانون على المؤسسة أن تضع نظاماً خاصاً للإيجار التملكي يصادق عليه بمرسوم يتخذ في مجلس الوزراء بناء على اقتراح الوزير. يحدد النظام المذكور شروط وإجراءات الإيجار التملكي بما في ذلك الأحكام التي يجب أن يتضمنها العقد وحقوق وموجبات كل من المالك والمستأجر وكيفية ممارسة حق الخبراء بالشراء ومفاعيله.

كون مدة الإيجار التملكي 30 سنة كحد أقصى ولا يجوز للمستأجر استعمال حقه في شراء المأجور قبل مرور خمس سنوات على الأقل على عقد الإيجار.

10.3 2.3. Social Placement

Social placement is where the person is granted a housing right in a special housing project owned by an individual or entity wishing to contribute to the development of the social welfare in the society. It can be based on private initiative, either institutional based such as a religious establishment or non-profit organization or individual based such as housing cooperatives. In such a cases property is valued for its social need not its economic value.

10.3.1 2.3.1. Social Placement based on institutional intervention of an entity in the private sector.

Religious institutions and many non-profit organizations play an important role in social development and charity in Lebanon, filling a critical gap left by the withdrawal of public agencies from their role as social providers. The essential goal of such institutions and NGO is to expand the stock of affordable housing, each according to their mission.

10.3.2 The Syriac Catholic Church of Antioch Model

The Syriac Catholic Church in Lebanon is known for its several initiatives to provide affordable housing opportunities to young Christians by building housing projects in different areas of Lebanon as part of its social intervention. The Church's first project in Achrafieh proved to be the most successful model, making it interesting to investigate. The legal structure of the project, including the housing rights, ownership, terms and conditions were discussed with Me Elie Charchabi, one of the legal representatives of the Syriac Church in Lebanon and one of the authors of this scheme.¹⁴ Charchabi explained that the land where the project was built was initially owned by the Church. From the 70's and for the next 30 years, the land was occupied by Lebanese who were fleeing combats in their villages and chose to resettle away from the war, on that land. As the war ended, the State proceeded to persuade those people who fled their villages to return to their homes, disbursing to them resettlement indemnities.

The Church wishing to rebuild the land and keeping up with its social vocation, suggested to these new inhabitants to waive their right to the indemnities in favor of the Church in return for the Church to provide them with an apartment to live in, in such way, those displaced will have remained living in the same area where they dwelled for more than 30 years. Since these people moved in their new apartments, more than 10 years ago, they are only responsible of paying the monthly common charges that do not exceed US \$50. This advantageous offer is bound by restrictions on the transfer of the right to use the apartment where they live to the inhabitant's children only, those who remain living in their parental home by inheritance. The ownership of the apartment remains in the hands of the Church. The model designed by the Church serves the sole purpose of providing shelter to the inhabitants, but the property value/asset remains the Church's. In other words, this model managed to unbundle the apartment, separating the "use" value (shelter) from the "exchange" value (asset).

The current inhabitants of the housing project in Achrafieh are divided into 2 categories: the ones described above, and others, regular tenants, through rent agreements, with rents ranging from US \$150 to US\$400 per month including common charges and generator fees, making such apartments extremely affordable, catering to the needs of those with limited resources.

¹⁴ Phone Interview held with Me Elie Charchabi on 7/11/2017.

It is worth mentioning that over the 10 past years, rents only got inflated of about 100\$ and all the tenants' agreements we renewed automatically. The condition to benefit from the Church's advantageous offer is that all tenants should belong to this Church.

10.3.3 Standard model reproduced by Municipalities, religious institution and NGOs

The Syriac Catholic Church in Lebanon also established other projects in different areas, adopting a different model, very similar to the model adopted by the Social Maronite Organization Fund and Caritas, where they allow young Christians to access ownership in the project, by providing them with the option to buy an apartment at 30% less than the market value. For the creation of such projects, the Church declares its intention to launch a housing project asking interested people to submit an application to participate in the project. Once built, the ownership of the apartments is transferred to the applicant who pays the asking price (30% below market value).

To insure the right to affordable housing and prevent turning these cheap apartments into an interesting investment opportunity, both the Syriac Church and the Maronite association put strict conditions on the resale of such housings, including the prior approval of the Church and association on the sale and the identity of the new purchaser and imposing a waiting period of 5 years between the last sale transaction on the project and the current operation, imposing that the new sale price of the apartment remains 30% below market value, keeping it as part of the affordable housing stock. On 11/11/2017, just 2 weeks ago, the Municipality of Bourj Hammoud announced the finalization of its affordable housing projects following the same model above, where around 100 housing units have been added to the stock, accessible to the inhabitants of Bourj Hammoud¹⁵.

This housing project started in 2013 and took 4 years to finish. In its application the municipality has seek the advisory opinion of the Audit Bureau (ديوان المحاسبة) on the legal ability to create and develop such a project and its mean of financing. A second opinion was requested on the municipality's right to sell these housing units directly to individuals without having recourse to public tenders. The audit bureau came back with 2 positive answers¹⁶, giving birth to a housing project, as part of the Bourj Hammoud municipality's personal initiative to implement a housing policy on its local level. To note that building affordable housing units by municipalities is within their scope of action, particularly article 49 and 50 of the law on municipalities in decree 118 issued on 30/6/1977¹⁷.

¹⁵ <https://www.lbcgroup.tv/news/d/news-reports/345856/مشروع-سكني-ضخم-يشيد-في-برج-حمود>

¹⁶ رأي استشاري رقم 45 تاريخ 2010/7/13 أساس استشاري 2010/9

رأي استشاري رقم 2016/37 تاريخ 2016/11/15 أساس استشاري 2016/49

¹⁷ المادة 49- يتولى المجلس البلدي دون ان يكون ذلك على سبيل الحصر الأمور التالية

-الموازنة البلدية، بما في ذلك نقل وفتح الاعتمادات.

-قطع حساب الموازنة .

-القروض على أشكالها لتحقيق مشاريع معينة أنجزت دراستها .

-التنازل عن بعض العائدات البلدية الأنية والمستقبلية للمقرض أو للدولة لقاء كفالتها القرض، وإدراج الأقساط التي تستحق سنوياً في الموازنات البلدية المتتالية طوال مدة هذا القرض .

-تحديد معدلات الرسوم البلدية في الحدود المعنية في القانون.

-دفتر الشروط لأصفقات اللوازم والأشغال والخدمات .

-دفتر الشروط لبيع أملاك البلدية .

10.3.4 2.3.2. Social placement based on individual initiative promoting the right to affordable housing

In a similar way, social settlement based on individual's initiatives resides also on the notion of building up and preserving a stock of affordable housing the law gives such possibilities to organize and expand. The personal individual initiative can be achieved through a philanthropist's funding or a group of invested individuals.

- المصالحات .
 - قبول ورفض الهبات والأموال الموصى بها .
 - البرامج العامة للأشغال والتجميل و التنظيفات والشؤون الصحية ولمشاريع المياه والإنارة.
 - تسمية الشوارع في النطاق البلدي .
 - تخطيط الطرق وتقويمها وتوسيعها وإنشاء الحدائق والساحات العامة ووضع التصاميم العائدة للبلدة والمخطط التوجيهي العام بالتعاون مع المديرية العامة للتنظيم المدني ومع مراعاة أحكام قانون الاستملاك على ان تكون موافقة كل من التنظيم المدني والبلدية المعنية ملزمة لإقرار المشروع وفي حال اختلاف الرأي بين البلدية والتنظيم المدني يبت مجلس الوزراء بالموضوع بصورة نهائية .
 - إنشاء الأسواق والمنزهات و أماكن السباق والملاعب والحمامات والمتاحف والمستشفيات والمستوصفات والملاجئ والمكتبات والمسكن الشعبية والمغاسل والمجارير ومصارف النفايات وأمثالها .
 - المساهمة في نفقات المدارس الرسمية وفقاً للأحكام الخاصة بهذه المدارس.
 - المساهمة في نفقات المشاريع ذات النفع العام .
 - إسقاط الملك البلدي العام الى ملك بلدي خاص .
 - تنظيم النقل بأنواعه وتحديد تعرفاته عند الاقتضاء ضمن النطاق البلدي، ومع مراعاة أحكام القوانين النافذة .
 - إسعاف المعوزين والمعاقين ومساعدة النوادي والجمعيات وسائر النشاطات الصحية والاجتماعية والرياضية والثقافية وأمثالها .
 - الأنظمة الخاصة بموظفي وإجراء البلدية وتحديد سلسلة رتبهم ورواتبهم وأجورهم
 - حق التعاقد مع البلديات.
 - مراقبة النشاطات التربوية وسير العمل في المدارس الرسمية والخاصة وإعداد تقارير الى المراجع التربوية المختصة.
 - مراقبة سير المرافق العامة وإعداد تقارير عن سير العمل فيها إلى الإدارات المعنية .
 - الموافقة على اعتبار الطرقات الناتجة عن مشروع إفراز والتي يستفيد منها أكثر من ستة عقارات لمالكين مختلفين كالأمالك العامة البلدية والتي يحق للبلدية إجراء الأشغال عليها .
 - إلزام المستفيدين من مشروع إنشائي أنجزت دراسته المساهمة في تكاليف هذا المشروع في حال موافقة أكثرية ثلاثة أرباع المنتفعين منه على الأقل.
- المادة 50- يجوز للمجلس البلدي ضمن منطقتة ان ينشئ أو يدير بالذات أو بالواسطة أو يساهم او يساعد في تنفيذ الأعمال والمشاريع الآتية:
- المدارس الرسمية ودور الحضانة والمدارس المهنية .
 - المساكن الشعبية والحمامات والمغاسل العمومية والمساح.
 - المستشفيات العمومية والمصحات والمستوصفات وغير ذلك من المنشآت والمؤسسات الصحية .
 - المتاحف والمكتبات العامة ودور التمثيل والسينما والملاهي والأندية والملاعب وغيرها من المحال العمومية والرياضية والمؤسسات الاجتماعية والثقافية والفنية.
 - الوسائل المحلية للنقل العام .
 - الأسواق العامة لبيع المأكولات وبردادات حفظها وبيادر الغلال.

10.3.5 Philanthropist's funding

The law on freezing private ownership known as Wakef (وقف) dated on 10/3/1947 allows a philanthropist and/or an individual of good financial means to buy a land or property and allocate its use to a special purpose, freezing the ownership, removing effectively the property from the market. This restriction on transfer of ownership may only be applied over 3 generation, after which the property is released and may be transferable again. This way of creating a stock of affordable housing is precarious and difficult to apply. In practice, when a philanthropist intends to create such opportunities, they resort to donating the funds or land to an NGO or a charity organization, whether religious or civic, as the regime of property of such entities freezes the lands eternally by default. The church cannot sell any of its properties, however, it can exchange it. Clearly any decision of this weight must be authorized by the highest organ of Church.

10.3.6 Housing Cooperatives

The housing law of 1962, was later followed by a law on cooperation amended several times through executive decrees¹⁸. The housing law also comprised on establishing in 1972 a ministry of housing and cooperatives¹⁹, previously under the duties of the ministry of social affairs. However, in the year 2000, that ministry, along with others, got cancelled and the duties of the said ministry were re-allocated to the Minister of Social Affairs (oversight of the Public Housing Corporation) and the Ministry of Agriculture (oversight of the Directorate of Cooperatives).

According to the Lebanese law, (Decree 17199 of 18/8/1964 making effective the law on cooperatives) a cooperative is an institution composed of at least 10 people, willing to work together to achieve a certain goal, sharing the same purpose, of fixed capital, injected through the participation of its members. The cooperative aims to serve its members and provide them with benefits, developing their standards of living.

To establish a cooperation, regardless of its scope, the applicants should file an application form with the articles of cooperation with a financial study, specify the area of work, location, term, founding members to the directorate of cooperation now directed under the ministry of agriculture who will study the file and deliver an approval to the interested parties. Following the approval, the founding members should deposit the capital at a Lebanese bank then finalize the registration procedure. The capital of the cooperative, like any other company, is divided into shares distributed to the members of the cooperation each proportionally to their participation. The raised funds will procure the land and the building cost, later each member will get to use unit in the project the built by the cooperative. The property of the project and including housing units remain the property of the cooperative as a whole. The member may sell his shares in the cooperation but not the divided unit he dwells in, provided that the potential purchaser possesses the conditions to adhere to the cooperative.

The housing cooperatives are a very interesting model to explore in light of affordable housing policies, as they preserve the stock of affordable housing removing them from the market on one hand and benefit from a long series of tax exemptions.

¹⁸ Executive decree 2986 issued on 17/3/1972 on the application of Decree 17199 issued on 18/8/1964 of the project law of cooperation.

¹⁹ Law 9/73 of 31/1/1973

According to the records of the directorate of cooperation, a number of 28 housing cooperatives is registered. The reason behind this very limited number is the lack of information and access to information people have concerning the opportunity such a mechanism can provide especially with regards to the numerous tax exemptions.

11.3. The Mar Mikhael case study

The ongoing demographical change in Mar Mikhael, which started a few years ago, alarmed social researchers and urban planners as they have seen what gentrification has done to other areas in Beirut leaving them lifeless, change the social fabric of inhabitants, whipping away the years of interpersonal relationships inhabitants shared between them for over 50 years.

Developers are coming in to the neighborhood like predators, waiting on the weakest prey to attack. But why are those developers so interested in the area, what are the advantages of such investment and what are the legal measures they are using to conquer their victims.

11.1 3.1. Investment opportunity and incentives

Understanding the incentives pushing the developers to find interest in changing the area is key to finding ways to hinder or at least slowing down such process.

11.1.1 The reasons and incentives

A small country that came out of a 30 years old war, comprised of different rivals having to get along, found it can only lean on the banking sector to start rebuilding after the war, given that the tourism sector was the only sector that could provide the backbone of the economy.

With the lack of a clear housing policy being applied, reestablishing social equality, and in line with the general track of focus on developing the banking and tourism sectors caused the nomination of Lebanon as a country of “Neo-Liberalism”.

The first sector to restructure following the end of the war and the crash of the lira, was the banking sector to regain the trust people lost in the local currency. The work was centered on empowering the central bank and the local banks, by creating attractive products, loans with low interest rates, subsidized by the Central bank. The law 283/1993 issued on 23/12/1993 amending the decree 14/77 on the establishment of the Housing Bank was the first evidence to the main focus of the state’s policy for reconstruction of the country. A series of laws and Central Bank directives followed in the same direction, starting from the Central bank decision 6180/96 issued on 31/5/1996 addressed to the banks on the creation of housing savings accounts and housing loan products to their clients. Just about 2 months later, the law 539/1996 initializing the Public Housing Corporation was issued on 24/7/1996 and was later followed by its executive decrees. By the year 2000, it was clear that the State totally let go on producing any housing policies by cancelling the ministry of housing and cooperatives dividing their duties and mission between

the hands of the ministry of social affairs and the ministry of agriculture. The PCH on the other hand, focused on only granting loans people wishing to buy a house rather than promoting the possibility to certain institutions to take loans to build housing units and then renting them out to citizens of limited means, in line with the goal of the PCH.

The increased number of loans inflated artificially the demand on housing and thus inciting the developers to build more to sell more.

Of the incentives for investment opportunity in the areas is the relatively lower cost of lands comparing to other areas in the vicinity. As most buildings in the area of Mar Mikhael are small buildings, of 5 or 6 floors up, not having consumed the total exploitation factor, the cost of the property is calculated according to the area of the land not of the built property, making it more advantageous to the investor. Furthermore, the decree 14942/1970 published in the official gazette on the 18/7/1970 exempt buildings erected on lands of areas greater than 10.000 m² within the vicinity of Beirut as displayed in the directive plan of the center of Beirut from height and exploitation restrictions, allowing the construction of high rises. These exemptions, with what they offer as potential profit generation from the construction an unlimited number of floors, multiplying the return on investment, increased the number of developers wishing to benefit from such incentives to master the game of “monopoly”, buying adjacent properties, then regrouping the lands as one whole piece of land of more than 10.000 square meters, filling the requirements of the law.

Other factors of attraction are linked to the first interest in the area expressed by art galleries and businesses categorized as the Arts, Crafts and Design (ACDs) in the study report published by Gaia Heritage in January 2015 conducted by the Mediterranean Cultural Network to Promote Creativity in the Arts, Crafts and Design for Communities Regeneration in Historical Cities program – MEDNETA on the Arts, Crafts and Design Sector and Urban Change in the Beirut District of Mar-Mikhael.

In summary the main incentives along with numerous social factors:

- The focus on the banking system creating competitive loans, artificially inflating the demand on housing.
- The advantageous asking price of the land in comparison with the ability to build an unlimited number of floors
- The emergence of businesses in hospitality and Arts, crafts and design in the area attracting consumers and clients, increasing the demand to refurbish the area.

In light of the above, it is interesting to develop ways to decrease the appeal of these incentives. But before concluding to the practical recommendations, it is worth also exploring the factors inducing gentrification, related to inhabitants and their precarious situation.

11.2 3.2. Vulnerability and precarious status of the inhabitants of Mar Mikhael

As the land market got saturated in the area of Mar Mikhael where very few lands remain unbuild, gentrification is taking place through investors buying built property then demolishing the existing buildings. Most of the old buildings in the area are already inhabited, which lead the investors to used measures, some through legal proceedings, some through negotiation to see the old inhabitants leave

their homes, where they dwelled for years. Measures used in application and achieving gentrification on owners differ from those used on tenants, however leading to the same result of change of demographic fabric either through “amicable” evictions or judicial ones.

11.2.1 3.2.1. Measures used on tenants

The law 160/1992 provided the landlord, in very strict cases and under firm conditions, with the option to evict tenants in consideration of paying the latter an eviction indemnity equaling to an amount varying from 20% to 50% of the fair market value of the apartment at the time of the lawsuit. It is remarkable how the legislator implemented the use of the same valuation equation for the said indemnity as for the appraisal the right to use (Usufruit) with an increase in indemnity to reach 30% of fair market value if the tenant is an elderly, in comparison to the valuation of the right of Usufruit which decrease with the advance age of the beneficiary of such right.

The reason behind this difference resides in the fact that the older the tenant is the more difficult it is for them to resettle somewhere else and thus in need of a larger indemnity, the younger the tenant is, the more potential and endurance they have handle resettlement and work in a way to generate more income to cover housing expenses later on.

However, the valuation of the Usufruit is related to the time left for the beneficiary of such right to benefit from it should they remained where they were. The shorter the time, the less valuable it is.

It is worth mentioning that the new law changed the indemnity calculation used under the old rent law. In fact, under the old law, if an apartment is valued at US 300k\$ the indemnity would be for an elderly for reason of reclamation for demolition, around 40-50% of the valuation equaling to an amount of 120k\$-150k\$. However, the new rent law decreased that amount significantly making it equal to 6 times the locative value, defined at 4% of the market value. That same apartment valued at US 300k\$, for the same cause, the reclamation indemnity will amount to US 72k\$.

Furthermore, the new regulation of 2014 and 2017, included the option for the home owner and tenant to agree on an amicable liberation of the rent in return of an indemnity the home owner pay to the tenant. If the apartment is located in a building qualified as luxurious according to the provisions of the laws 29/67 and 10/74, the indemnity is set at 50% of the indemnity the tenant would get if the reclamation was made on basis of reclamation for demolition and reconstruction. Applying to the above hypotheses, the indemnity will be reduced to US 36k\$.

The legislator limited the cases of optional eviction to reclaim the apartment for family necessity (للضرورة العائلية) and for the demolition of the property. Since reclaiming an apartment for family necessities, required the owner or his child to live in the reclaimed apartment for a period of 3 continuous years, the most used option was to reclaim the property for demolition and rebuilding. The option to reclaim for demolition and reconstruction was also subject to a strict condition, the developer must demolish and start the reconstruction works within 1 year as of the retrieving the ownership. If the developer fails to do so, he must pay the tenant and additional indemnity equaling to 50% of what has already been paid. The 2014 law as the 2017 took into consideration the lengthy bureaucracy and construction requirements on the directorate of urbanism and the order of engineers. The legislator considered that these 2 cases only justified infringing the safeguard of the right to an affordable housing.

When interviewed on the matter²⁰, Mr Mohamad Ibrahim, a judicial clerk in the court of Beirut, confirmed that in the recent years the number of lawsuits filed for reclamation of property for demolition and reconstruction surged peaking in 2014 then gradually decreased today being less than 5 cases (the number of cases expressed by Mr Ibrahim is relative to the files he is handling, knowing that in Beirut there is more than 3 employees filling the same the role as Mr Ibrahim) in the area of Beirut. According to him, the reason behind the decrease is the land price increase and the issuance of the new rent law liberating the rents and providing a lower indemnity.

As the new law on rents entered into effect definitely in February 2017, old rents were now liberated after a maximum period of 12 years. The landlords wishing to reclaim these apartments may now agree with the tenants on the amicable reclaim, regardless of the existence or not of the family necessity or with the intention of demolishing the building for reconstruction. The valuation of the tenant's indemnity under the law naturally had some tenants welcome this opportunity for financial gain gladly giving up the house they dwelled in for more than 30 years, which had become old and maybe decayed. However, some other tenants who really wished to benefit from living in the house rather from the indemnity of leaving it, suffered more loss than others. In case where the tenant refuses such offer, the landlord may not request the forced reclamation for reasons other than the ones above.

11.2.2 3.2.2. Measures used on Owners

The developers' targeted prey of the Owners of real estate property in Mar Mikhael and measures used differ according to different scenarios.

- One owner of a whole building rented under the old rent law 160/1992, today called the new rent law of 2017 and where the building is not in a very good shape, the owner not having sufficient means to restore the building nor does he have the means to pay the current tenants' an eviction indemnity. The owner then takes the first opportunity to get rid of the property with what it poses as financial and legal²¹ risks in case of the building decay. It is important to point out that the reason behind the owner's lack of interest in holding on to his property being the State's attitude towards imposing an excessive protection to tenants according to the old rent law at the expense of the landlords for a period of 25 years.

- Multiple owners of one asset composed of 2400, where each co-owner own shares in the building or apartment. This situation is created when the property has been passed on to a second and maybe third generation, dividing it between the heirs. In this event the developers usually target the owners with the least interest in the property, generally the absentee owner who do not live in the apartment or building are more willing to sell than others, especially when the shares they own are very minimal. Once purchased, the developers approach the other co-owners to buy their share one after the other, because from a negotiation standpoint, negotiating on parts of the property comes at a better cost than negotiating on a property as a whole, thus weakening the position of the co-owners. If negotiation does not succeed in convincing the owners to sell their shares, the developers, who now became co-owners

²⁰ Interview with Mr. Mohamad Ibrahim, a judicial clerk in Beirut, Rents division, on 6/11/2017.

²¹ The owner has a criminal liability in case the building falling caused physical harm or death to any of its inhabitant and faces jail time.

after purchasing the shares of absentee owners, rush to file a lawsuit requesting withdrawal from co-ownership. At this stage, if the co-owners do not hurry to sell their shares of fear of expensive legal proceeding fees and later registration fees of allotment, maintain their position and wait until the court renders a verdict on the matter, either ordering the division of the asset, if the property is deemed dividable or ordering the sale of the asset as a whole through legal auction, leaving the co-owners at the risk or getting overbid by the developer. On the other hand, even if the asset is deemed to be dividable, an aggressive developer will find many ways to drain the owner's energy from deciding on an expensive renovation of the building, compelling the latter to participate proportionally to the common charges and expenses, to other the bothersome pressuring ways to make the owner surrender and sell his shares.

It is important to point out that all this situation can be prevented, if the co-owner, who has the means to stay, and buy other co-owners' shares exercise his preemption right within the legal period of 1 year as of the registration of the transfer of shares to the developer.

In light of all the above, as in the housing regulations whether in the context of ownership, rental, social placement in contrast with the current changes Mar Mikhael is undergoing, through the gentrification of the area with the potential profit-making investors envision in it, is putting at risk the stock of affordable housing ever decreasing. Following are the recommendations generated from the analysis of the weaknesses of the different elements in practice in the Lebanese system, fragilizing the required housing policy.

12 4. Recommendations

The recommendations forged through-out the research on the Lebanese position on housing described in this report are summarized as recommendations to hinder gentrification by paralyzing the incentives of the developer and reinforcing the position of current dwellers who wish to benefit from their right to affordable housing and on the other hand, and regardless of the factors facilitating gentrification, using the available tools creating opportunities of preserving and producing a stock of affordable market, in models immediately applicable and replicable in other areas of Lebanon.

12.1 4.1. Recommendation to limit the incentives

We displayed above the incentives and breaks investors are using to infiltrate the market, inducing gentrification, whether the focus on the banking sector creating competitive loans, artificially inflating the demand on housing or the advantageous asking price of the land in comparison with the ability to build an unlimited number of floors or and most importantly the lack of a unified well-structured housing policy.

12.1.1 4.1.1. Adopting and maintaining a clear unified Housing policy empowering the existing system

The recommendations to that effect can only be policy based, where it is recommended for the State to Create and adopt a structured sustainable housing policy. In such way, the Public Housing Corporation

will have the ability to exercise its role fully, diverting the focus from ownership, promoting leasing and participation in housing projects when approached by the interested parties.

The enactment of the above policy does not require the issuance of new laws, as they already exist.

The recommendation focuses on the empowering the housing institutions, lowering the ceiling of loans, as it is directly causing the inflation of apartment prices, artificially, not according to the equilibrium but according to the developer's calculation on the housing loan installments, leaving those who are not eligible to benefit from housing loans, without any protection.

The new tax provisions recently issued, although were not targeting directly the empowering of the intervention of the state in a housing policy, may have a positive effect reducing the enthusiasm developers were having towards increasing the stock of vacant new housing units, at rocket high prices. In other words, the State when intervening at the supply level can benefit from liquidating the already existing housing stock at a lower price, slowing down if not stopping the production of new buildings in the place of old ones.

On a different note, and to maintain a clear view on the housing situation, research should be made, gathering data and updating it regularly. The body responsible of conducting such research in the ministry of social affairs has not produced any advances on the matter for years now. The PHC on the other hand too, complying with the shady behavior the Neo Liberal government of Lebanon has become accustomed to, has restrained from publishing any information on the number of loans being paid and the number of files considered as non-performing loans.

In addition, it is compulsory to take into consideration when issuing any new regulation that may affect the right of affordable housing, taking into consideration the general housing policy and the compatibility of any new law with such policy.

12.1.2 4.1.2. Imposing a new zoning regulation

It is suggested that each new construction of a housing project in the area, be subject to a new zoning regulation where a percentage of the new build area is allocated as affordable housing to people of limited resources. The intervention for the success of this recommendation is on 2 levels, the first one being at the directorate of urbanism, the body responsible on giving construction permit, imposing and checking the application of such requirement in the blue prints of the building to be erected. The second level of control is at the municipality level, where the latter will control the affordability of the housing unit and the eligibility of its inhabitant to benefit from such advantage as the municipality holds a record of all inhabitants in the city.

This regulation can be implemented in a way of imposing smaller size apartments, to be sold at cost value or at a price determined by the municipality, updated every other year.

The said regulation would require an amendment to the zoning regulation and the municipality taxes law 60 of 12/8/1988.

12.1.3 4.1.3. Imposing municipality taxes on vacant apartments

The current municipal tax system is to only subject inhabited apartments to municipal tax, indirectly exempting vacant apartments. To limit the number of vacant apartment, setting a tax or penalty on such

is key. The developer who owns an apartment, that has been vacant (the asking price being high) for more than 2 years will be faced with the obligation to either pay additional taxes, or sell the apartment at a lower price or rent out the apartment. In all cases, this will generate more profit for the municipality to invest in affordable social housing elsewhere, putting empty apartments at use reducing the demand on apartments in the area thus reducing production of apartments.

12.2 4.2. Recommendation to reinforce the current inhabitants

The most loss inhabitants face, whether owners or tenants is caused by lack of adequate information.

12.2.1 4.2.1. Spread accurate information of the inhabitants' rights and give them access to the legal system

Developers when approaching inhabitants, use the same methods as predators, by inflicting fear on their preys. The lack of information concerning their rights and the implications of developers' and their behaviors play a major role in weakening the position of the inhabitants, causing them not to resist the developers' attempts to abuse their weak situation. To counter that, it is imperative to insure the inhabitants' access to accurate legal information and the ways they can benefit from it, even if they don't possess the financial means for it through social aid provided by the Beirut Bar Association (مَعُونَة قَضَائِيَّة) or other non-profit organizations.

A second way of the spreading accurate information is through transparent communication between the inhabitants of the same building and neighborhood, uniting, acting as one entity can have an important impact on empowering their position facing the negotiations with developers.

This development and awareness role can be played by the ministry of social affairs, the municipality or NGO as part of the civic society.

12.2.2 4.2.2. Imposing rent control on new rent agreements

Rent control on new rent agreements can be implemented by issuing a new law, amending the law 159/1992, imposing the ceiling percentage on rent increase or rent value in different areas within the municipalities, thus restricting the discretionary will of landlords on demanding high rent prices. Such restrictions may be implemented in 2 different ways, either by amending the law 159/1992, reproducing the rent control laws issued yearly since 1940 until 1983, or through a cooperation between the municipality and the ministry of social affairs, in a similar way to the cooperation done between the municipalities and the ministry of trade and economy (specifically by the consumer's protection body) on the pricing of amp subscribed to from electrical generators providers, where the ministry now determines the fair price, taking into consideration the need of the people to have access to electricity. The same logic can be applied to housing, putting a ceiling on rent prices.

12.3 4.3. Recommendation on Scenarios to create

12.3.1 4.3.1. the creation of a housing cooperative based on the initiative of a philanthropist or religious institution

Similarly to the Syriac Catholic Church project, it is suggested to create a cooperative between the interested parties wishing to have access to an affordable housing in the city. The cooperative will either acquire a piece of land or a property, where it will build a housing project, qualified as affordable, aimed to cater the need of those of limited resources creating and preserving the stock of affordable housing. The choice of creating a housing cooperative resides in the numerous tax exemption advantages it benefits from, in addition to donations it can receive from different parties, including philanthropists, a religious institution, the PCH or even the municipality.

The benefit of creating a housing cooperative is that the property and affordable housing units will be taken off the market and will not be of freehold to individuals but the cooperative as a whole. It may only be sold in the even the cooperative gets liquidated or resolved. It benefits from advantageous funding sources, and benefit from many exemptions:

- The municipality fees on advertising, building permits, technical studies, locative value and municipality fees on electricity and water bill.
- Publishing in the official gazette fees.
- Indirect tax such as stamp duty on loan agreements and credit notes.
- Judicial fees.
- Real estate registry fees.
- Direct taxes such as built property tax
- Tax on donations, aids and wills
- Corporate profit tax on profits generated by the coop and interest tax

12.3.2 4.3.2. Steps to setting up the cooperative

To launch a cooperative, the following steps should be taken:

- 1- Form a group of at least 10 people willing to establish a housing cooperative and live in neighbors.
- 2- Search and find a land or property suitable for the housing project where the owner is willing to sell. Generally, given the high price of land in Mar Mikhael, ideally, adopting the same mindset as a developer in finding the land at a competitive price, in case it could not have been donated by the religious institution. In other words, finding a property with absentee owners, willing to sell or a property weighed by legal problems offer the most competitive price and the starting point of the project.
- 3- Prepare a business plan on the housing project, including the goals of the cooperative, the statutes (also named the articles of cooperation), the governance structure and the feasibility study. The statutes will include all the information on the cooperative, the name, founding members, the area of practice, location, objectives, initial capital, number of shares, rights of members, voting, requirements for members to joins, transferability of shares, profit distribution, capital reserve, valuation, accounting standards, auditing, management, resolution.
- 4- File a request to the directorate of cooperatives, which will study the feasibility of the project and its prior approval on the submitted documents.
- 5- Make a deposit of the cooperation's initial capital at a Lebanese Bank.
- 6- Register the cooperation at the directorate of cooperatives at the ministry of Agriculture for final approval and establishment.

Once launched, the cooperative can start its business, by acquiring the land/property. In the event the Cooperative requires additional funding, it should resort to the PCH to request a long-term loan and the eventual participation of the PCH through financial aids.

12.3.3 4.3.3. the Funding Source of the cooperative

The funding sources of the cooperative shall be the initial capital deposited by the members in addition to donations and social aids from the ministry of social affairs through the PCH and the ministry of agriculture, more specifically the directorate of cooperatives. Also, the cooperative has the option to take long term loan backed by the PCH. The ground floor and possibly the first floor can be allocated for commercial purposes, generating income for the cooperative by renting them to restaurants or galleries, the cooperative can also sell advertising space on its buildings facades, thus generating money to pay back the loan.

12.3.4 4.3.4. The Management of the Cooperative

The governance of the cooperative is achieved by its management council and manager. Restrictions on the sale of shares in the cooperative are implemented by imposed prior consent of the managerial council on the sale transaction, controlling the eligibility of the new purchaser of shares in accordance with the cooperative's goals. Priority of adherence to the cooperative is reserved to those who dwelled in the area for longer than 25 years.

12.3.5 4.3.5. Difficulties housing cooperatives could face

Although creating and maintain will require hiring the services of a lawyer and an accountant, the first factual difficulty could reside in finding a group of people willing to live next to each other, the lengthy processing time of acquiring a prior approval and definite approval from the directorate of cooperatives, the lack of funding and human resources at the PCH which could affect the easiness of fund raising.

12.4 4.4 Recommendation on emphasizing the role of the municipality can play

As did the municipality of Bourj Hammoud, and given the numerous source of funding of the municipality of Beirut, the latter can dispose of one of its assets in the area of Mar Mikhayel allocating it to the establishment of a housing project. The Audit Bureau allowed the municipality to launch such a project on lands of the municipality, as long as the construction cost is covered by the beneficiaries of such affordable housings. Therefore, making it accessible to different tranches of the population given that the fact that the construction is not so much costly as the price of the land.

Therefore, as article 49 and 50 of the Municipality law, legislative decree 118/77 of 30/6/1977 allows municipalities to establish affordable housing, the municipality may launch such a project, first by acquiring the land, through expropriation. (The municipality may as well use any of its already

expropriated lands). The next step to take draw a feasibility study, determining the number of housing units that could be built, cost of the project, the construction price per unit. Accordingly, the municipality will set up a public offering to its inhabitants to benefit from the affordable housing. The offering will include the eligibility of applicants, priority, payment terms, ownership rights and other conditions. Once enough applicants wishing to benefit from the project deposit their share of the construction cost have applied, the municipality can start the construction works through an independent contractor. When the project is completed, it gets allotted into individual units enabling the transfer of ownership from the municipality to the beneficiaries. It is worth mentioning that the municipality may acquire a long-term loan from the PCH to finance the construction works which will be repaid through the installments made by the beneficiaries.

13 5. Conclusion

In summary, we conclude, the right to affordable housing is a right inherent to the person, thus requiring the protection of the law, it can only be implemented through a combination of multidisciplinary regulations, composing all together an efficient housing policy.

The State first intervened implementing for the protection of housing rights in 1940 when it issued the first rent control law, through which it extended the term of the rent agreements, protecting tenants from eviction. Then, in 1962 the Lebanese parliament issued “the Housing Law” in 17/9/1962, where it indirectly recognized the right to affordable housing leading the way to the establishment of the Housing Fund and later the Housing Bank, having principle objective to provide the necessary funding, through grants, aids and loans to individual and institutions for the purpose of creating or acquiring affordable houses. The said laws established a set of rules regulating and facilitating the accessibility of low income people to affordable housing. Concomitantly, the Lebanese legislator maintained its control over rent agreements, subjecting their rates to increase and decrease according to the fluctuation of events before and during the consecutive wars, protecting the inhabitants from housing rates inflation.

Following the war, the focus shifted from protection of affordable housing rights to protection of the banking sector, promoting the role of the Public Housing Corporation as a lender and offering many other housing loans through other banking institutions. The foregoing only resulted in inflating the economic value of property without any consideration to its social value, leaving the right to affordable housing unattained.

As the rent control laws 159/1992 and 160/1992 were not updated for more than 25 years, the rent gap became wider, owners of property managed under the rent control law 160/92, become more dissuaded to retain property and more encouraged to sell it to the first buyer, in parallel, given the building laws and updated zoning regulations, many of the old buildings which did not use the full exploitation quotient permitted by the new zoning laws became interesting investment opportunities for developers in the area.

The lack of intervention of the State in protecting the right to affordable housing coupled with the excess incentives offered to developers (who, through their business cycle and size promoted to the growth of the economic cycle and banking sector) caused a wave of gentrification in the area of Mar Mikhael.

This reading enabled us to conclude that the Lebanese Housing policies in their current state require comprehensive reshaping. The recommendations suggested in this report are not new inventions, we only highlighted the mechanisms already installed in the Lebanese legislation on ownership, housing, rental, cooperative, municipality's prerogatives to deliver the set of recommendations and scenarios to put the housing policy back on track. Our first recommendation is the empowerment of the civic society, the inhabitants, spreading awareness about the inhabitants' rights and access to information and legal assistance. Secondly, guide a general coherent housing policy, limiting the excessive incentives given to developers.

We also suggest the creation of a cooperative between inhabitants willing and wishing to live together under a cooperative scheme, where the inhabitant will disconnect himself from the concept of ownership and rather focus on housing. Finally, as the Bourj Hammoud prototype, if could be useful to replicate the steps adopted by the municipality of Bourj Hammoud in Mar Mikhael to hinder gentrification and provide a larger stock of affordable housing.

14 6. Annex

15 List of laws, regulations and legal documents.

1. The Lebanese Constitution
2. Real estate ownership law number 3339
3. The Civil code (Code des obligations et des Contrats)
4. The Housing law 58/62 of 17/9/1962, amended on 8/12/1965
5. Decision rendered by the constitutional council published on 6/8/2014
6. Law 539/1996 on the establishment of the Public Housing Corporation (PCH)
7. Law 767/2006 (published on 11/11/2006) amending the law 539/1996.
8. Law 160 dated 27/12/1999 on Leasing
9. Law on municipalities in decree 118 issued on 30/6/1977
10. Municipality taxes law 60 of 12/8/1988
11. The law on freezing private ownership known as Wakef (وقف) dated on 10/3/1947
12. Executive decree 2986 issued on 17/3/1972 on the application of Decree 17199 issued on 18/8/1964 of the project law of cooperation.
13. Law 9/73 of 31/1/1973 on the establishing of the ministry of Housing
14. The law 283/1993 issued on 23/12/1993 amending the decree 14/77 on the establishment of the Housing Bank
15. Central bank decision 6180/96 issued on 31/5/1996 addressed to the banks on the creation of housing savings accounts and housing loan
16. Decree 14942/1970 published in the official gazette on the 18/7/1970 exempt buildings erected on lands of areas greater than 10.000 m²
17. Decree 17199 issued on 18/8/1964 of the project law of cooperation in application.

Rent Laws

18. Decision LR 19/40 of 26/1/1940
19. Decision LR 368/40 of 28/12/1940
20. Legislative decree 134/41 of 31/12/1941
21. Legislative Decree 288/42 of 11/12/1942
22. Law issued on 29/2/1944 on the extension of rents and determination of their rates
23. Law issued on 5/5/1945 on the extension of the rents law

24. Law issued on 30/3/1948 on the extension of the rents law and additional provisions
25. Law issued on 29/4/1949 on the extension of the rents law
26. Law issued on 24/3/1951 on the extension of the rents law and additional provisions
27. Law issued on 4/3/1952 on the Extension of the previous rent law
28. Law issue on 9/10/1953 on the Extension of the previous rent law
29. Rents Law of 1954 issued on 7/5/1954
30. Rents law of 1956 issued on 21/6/1956
31. Law issue on 9/8/1961 on the Extension of the previous rent law
32. Law on Rent of real estate for purposes of housing, trading, production, the exercise of liberal profession and other activities issued on 31/7/1962
33. Law 29/67 issued on 9/5/1967 on the extension of the rents law and additional provisions
34. Law 16/70 issued on 26/12/1970 on the Extension of the previous rent law
35. Law 30/71 issued on 31/3/1971 on the Extension of the previous rent law
36. Law 65/71 issued on 10/12/1971 on the Extension of the previous rent law
37. Law 8/73 issued on 31/1/1973 on the Extension of the previous rent law
38. Law 17/73 issued on 4/9/1973 on the Extension of the previous rent law
39. Rent Law 10/74 issued on 25/3/1974
40. Law 7/77 issued on 30/6/1977 amending some provisions of 10/74
41. Rent Law 22/83 issued on 26/8/1983
42. Law 13/86 on the Extension of the previous rent law of 25/2/1986
43. Rent law 160/92 of 22/7/1992
44. Law issued on 10/1/1994 on rents
45. Minimal wage increase law on 18/1/1995
46. Minimal wage increase law on 6/6/1996
47. Law on the Extension of the built property rent law effect issued on 8/7/1996
48. Law on the Extension of the built property rent law effect issued on 28/2/1997
49. Law on the Extension of the built property rent law effect issued on 27/12/1999
50. Law on the Extension of the built property rent law effect issued on 26/5/2000
51. Law on the Extension of the built property rent law effect issued on 12/12/2002
52. Law on the Extension of the built property rent law effect issued on 30/1/2004
53. Law on the Extension of the built property rent law effect issued on 20/11/2004
54. Law on the Extension of the built property rent law effect issued on 15/5/2006
55. Law 63/2008 on the built property rent law effect issued on 5/9/2008
56. Minimal wage increase Law issued on 14/10/2008
57. Law issued on 6/3/2010 on the built property rent law effect
58. Law issued on 29/8/2011 on the built property rent law effect
59. Minimal wage increase on 25/1/2012
60. The rent law of 8/5/2014
61. Amendment of the new rent law of 28/2/2017

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Annex 3

Nabil Abdo

Economic Feasibility Study for Affordable Housing Schemes in Mar Mikhael

The Social, Justice and the City Program, Issam Fares Institute for public policy and international affairs

Option 1: Cooperative housing

The proposed scheme entails that residents of Mar Mikhael benefiting from rent control as per the law 160/92 assemble and form a housing cooperative. This option is especially relevant as tenants benefiting from the aforementioned law are under constant threat of eviction, especially that a new rent law has been passed annulling rent control and converting pre-1992 rents to market rates. Therefore, tenants might seek to buy an old building, the one they are living in or another one and transform it into a limited-equity housing cooperative and protect it from market speculations while securing affordable housing.

Thus, based on a field research several buildings were identified for this possible intervention. However, only one building was deemed viable in terms of the potential financial ability for residents to purchase it as well as the number of housing units it contains. In fact, the more the units it contained, the more residents are able to spread the costs amongst them. This economic evaluation was based on several factors: a financial estimation of the building's purchase cost, and subsequently the amount of down payment required and the monthly payments as per the Public Housing Corporation. In order to assess these factors, we used the methodology of real estate valuers to estimate the purchase value of the buildings, and we inquired from banks regarding the details of the Public Housing Corporation scheme for private individuals. Accordingly, we identified the building constructed on the lot Mdawar 718.

Construction period	1975
Lot area	202 sqm
Zone	3
Investment factor	4
Surface investment	60 percent
Ownership	Share ownership, the building is not divided into allotments
Number of housing units	14
Levels	Ground floor and 7 levels
Forms of occupancy	7 tenants benefit from law 160/92 and 7 tenants rent at market price
Commercial shops	3 storefronts
Nominal price of sqm/land in the area	Between 3,300-4000 USD

Estimation of purchase value:

As mentioned above, the estimation was computed based on the methodology used by real estate valuers. The latter takes into account several factors: the surface of the lot and the construction, the price of land in the area, the investment factor, the cost of construction, the state of the building itself, the presence of commercial stores in the building, and the profit to be made from the purchase. In this regard, the information regarding the building in question

were collected through field work, nevertheless some information are still missing, such as the built area, the state of the individual apartments and their surface, and the overall detailed conditions of the building. Therefore we had to use proxys in order to factor them in our estimation

First, we have to determine the market value of the land. We asked people in the neighborhood who stated that the price of square meter is around USD 2500. In addition to that, we consulted the “Commerce du Levant” magazine that periodically publishes real estate prices. The latest published prices were in September 2017, stating that the prices in the area range from USD 3300 to USD 3967 per square meter²². Therefore, for the sake of caution, we will adopt the higher end of the price range and round it to USD 4000 per square meter. This is despite the fact that the above are posted prices and do not reveal the final purchase value after negotiation that are estimated to drop significantly where some experts suggest that prices will fall by 50 percent²³. Nevertheless, adopting the highest nominal price will present us with the maximum possible purchase value in case of the unlikely recovery of the real estate market in the near future in Lebanon.

Second, we determine the price of the lot and the price of the built square meter on the lot. The price of the lot is equal to the area of the lot times the square meter market price (202 sqm x USD 4000), which is USD 808,000. Then, in order to determine the price of the built square meter, we have to compute the price of the virtual square meter, i.e. the total permissible built are on the lot. The latter is determined by the investment factor and the balconies’ surface which is excluded from the investment factor and it amounts to an additional 20 percent. Thus the total investment is the investment factor (4) plus 20 percent, amounting to 4.8. Therefore total permissible area (4.8 x 202) is 969.6 sqm. Therefore, to compute the price of the square meter we divide the total market price of the lot by the total permissible are (808,000/969.6) which equals to USD 833.33 per virtual square meter. Thus, the price of the built square meter is the price of the virtual one added to the cost of construction which is estimated at USD 600/sqm²⁴, which results in USD 1433.33/sqm. Finally we add a percentage profit that does not

²² Commerce du Levant, 2017. La carte des prix quartier par quartier. Available at: <https://www.lecommercedulevant.com/article/27621-les-prix-moyens-quartier-par-quartier> [Accessed December 3, 2017].

²³ The Daily Star, 2017. How low can Beirut’s housing prices go?. Available at: <http://www.dailystar.com.lb/Business/Local/2017/Dec-04/428727-how-low-can-beirut-housing-prices-go.ashx> [Accessed December 3, 2017].

²⁴ According to an interviewed construction engineer, the cost of built square meter is USD 500, however for caution we added an addition USD 100 to the cost. Moreover, since it is an old building the cost of construction could be discounted to up to 40 percent.

exceed 15 percent as it is an old building. Thus the total purchase price of the square meter is USD 1648/sqm.

Third, we compute the total purchase price of the building which is subdivided into residential and commercial. Since we do not have information on the surface of the commercial stores on the ground floor we had to estimate it using the permissible surface investment which is 60 percent, i.e. 121.20 square meters. Thus, we assume that the commercial spaces occupy all the permissible surface area. As a result, the residential built area is the total permissible area minus the surface area, i.e. 686.8 square meters and multiplied by the purchase price of square meter amounting to USD 1,132,075.33. However, the square meter price of the commercial can be the double the residential area as per real estate valuers, thus USD 2,293.33/sqm, totalling up to USD 399,556. As a result the total purchase price of the building is the sum of the prices of residential and commercial areas: USD 1,531,631.33

Financing the purchase of the building:

The Public Housing Corporation offers lending schemes with subsidized interest rates, up to USD 180,000, for low income households at a current rate of 3.735 percent. The loan, if approved, requires from the household a down payment that could reach 25 percent, as well as 10 percent of the amount of the loan to be deposited in the bank for half of the loan period. It would cumulate interest rates for the said period. The household would repay the basic amount of the loan for the first half of the loan period, and during the second it would only repay the interest rate cumulated. During the latter period, the debtor could take out the deposit to reimburse some of the cumulated interest and repay the remaining amount over the second period of the loan. The PHC also offers loans for housing cooperatives, however the modality is not specified. In this regard, we simulate the monthly repayment for cooperatives assuming it follows the same mechanism as for individuals. We apply it to the identified building above (Mdawar 718).

Down payment, loan amount and deposit: The down payment for the above building is 25 percent of its purchase price, i.e. USD 382,907.83. Subsequently the loan amount would be the purchase price minus the deposit, i.e. USD 1,148,723.50. Thus, the amount to deposit is 10 percent of the latter, amounting to USD 114,872.35. The cooperative would have to secure the deposit amount and the down payment USD 497,780.18, resulting in USD 35,555.73 per household, assuming we have 14 units. Furthermore, if we assume that the loan is for 30 years, the deposit would yield USD 263,591.95 in 15 years if we assume a conservative interest rate of

5.55 percent on deposits in Lebanese pounds²⁵ as per the Association of Banks in Lebanon reports²⁶.

Repayment: During the first 15 years, the cooperative would repay the original amount of the loan on a monthly basis, that is over 180 months. This means a monthly repayment of USD 6,381.80 (USD 1,148,723.50 divided by 180), amounting to USD 455.84 per household. During the second 15 years the household would repay the cumulated interest over 30 years, which is USD 762,928.68. It would cover part of it through its deposit and pay the rest on the monthly basis. Thus, after using the deposit, the cooperative would have USD 526,336.73 to repay over the remaining 180 months. Therefore, the monthly payment would be USD 2,774.09, i.e. USD 198.15 per household.

²⁵ The actual interests are higher. The one presented here is the weighted average. Nevertheless interest rates reached 6.5 percent in regular time and reached higher levels in times of political tension and crisis.

²⁶ Association of Banks in Lebanon, 2017. Key indicators September/October. Available at: <http://www.abl.org.lb/Library/Files/Files/Exec%20sum%20SEP%20OCT%202017.pdf> [Accessed December 4 2017]

Lot number	Mdawar 718	Mdawar 718 if profit 60%
Lot Area, sqm	202.00	
Permissible built up area, sqm	808.00	
Sqm price of land in the area	4,000.00	
Investment factor	4.00	
Investment factor+balcony	4.80	
General investment of construction	969.60	
Sqm price of virtual sqm	833.33	
Sqm commercial	121.20	
Price of construction	600.00	
Price of constructed sqm	1,433.33	
Price of constructed sqm if profit is 60% for new building	2,293.33	
Price of old constructed sqm for limited profit of 15%	1,648.33	
Price of residential part occupied in the building	1,132,075.33	1,575,061.33
Price of commercial part, assuming the price is double	399,556.00	555,904.00
Total price of the lot	1,531,631.33	2,130,965.33
Number of units	14.00	14.00
In case of downpayment of 25%		
downpayment amount	382,907.83	532,741.33
Downpayment/unit	27,350.56	38,052.95
Amount to borrow	1,148,723.50	1,598,224.00
Deposit in bank 10%	114,872.35	159,822.40
Total amount to be secured in advance	497,780.18	692,563.73
Total amount per unit	35,555.73	49,468.84
Housing Corporation (interest rate at 3.735%)		
Loan for 30 years		
Monthly payment for the first 15 years	6,381.80	8,879.02
Monthly payment per unit	455.84	634.22
Monthly payment for the second 15 years	2,774.09	3,859.61
Monthly payment per unit	198.15	275.69

Figure 1 Computation of the purchase price of Mdawar 718 in USD

Securing the deposit and the down payment: The required fund could be either secured through philanthropic contributions or mechanisms introduced by the new rent law. The latter has

created a fund in order to help old tenants transition from the old rent to the new market one through subsidizing rent payments of low-income tenants. The support provided is only given for households earning less or equal to five times the minimum wage through subdividing them into two categories. The first one consists of those who earn three times the minimum wage or less, where the fund covers the difference between the new rent and the old one for 9 years as the rent increases gradually increases. In fact, according to the new rent law, rents will increase gradually to reach their fair market value in 6 years. For the first four years 15 percent of the difference between the old rent and the new rent will be added each year, and for the fifth year 20 percent will be added, and it will reach 100 percent in the sixth year. The second group, consists of those who earn between 3 times and 5 times the minimum wage. The fund will cover the difference, if any between 20 percent of their income and the fair market value as per the gradual increase explained above. The fund also helps in supporting owners pay eviction fees for the old tenants. These are 6 times the yearly rent at fair market value in case the eviction was caused by the will to demolish the building, and 5 times the yearly rent at fair market value in case the eviction was for family reasons. Therefore, instead of subsidizing the rent, the fund could be used to fund the purchase of cooperative housing.

The building in question, Mdawar 718, comprises 7 households benefiting from the old rent (700,000 LBP/year) and tenants paying the market rate of 750,000 LBP/month amounting to 9,000,000 LBP a year. Therefore, we assume that the old tenants will gradually move to a new rent equal to that currently paid by those in the building who do not benefit from rent control. Therefore the difference between the two is LBP 8,300,000 per year. In order to calculate the gradual increase we calculate 15 percent of the amount, and we add it for the first four years, and then we add 20 percent for each of the fifth and sixth year, and until the ninth hundred percent of the difference will be paid. The below table is a computation of the fund's contribution for the tenants of the building according to three scenarios: households earning 3 times or less the minimum wage, households earning 4 times the minimum wage, and households earning 5 times the minimum wage.

Year	Difference between old and new rent	Percentage of the difference	Fund's contribution				
			Fund's contribution to 7 households earning 3 times or less the minimum wage over 9 years	Fund's contribution to a household earning 4 times or less the minimum wage over 9 years	Fund's contribution to 7 households earning 4 times or less the minimum wage over 9 years	Fund's contribution to a household earning 5 times or less the minimum wage over 9 years	Fund's contribution to 7 households earning 5 times or less the minimum wage over 9 years
1	1,245,000.00	15%					
2	2,490,000.00	30%					
3	3,735,000.00	45%					
4	4,980,000.00	60%					
5	6,640,000.00	80%		160,000.00			
6	8,300,000.00	100%		1,820,000.00		200,000.00	
7	8,300,000.00	100%		1,820,000.00		200,000.00	
8	8,300,000.00	100%		1,820,000.00		200,000.00	
9	8,300,000.00	100%		1,820,000.00		200,000.00	
Total LBP			366,030,000.00	7,440,000.00	52,080,000.00	800,000.00	5600000
Total USD			244,020.00	4,960.00	34,720.00	533.33	3,733.33

Figure 2 financing the purchase through the new rent law fund

Now we assume that the residents of another building (Rmeil 1845) will leave in return for an eviction fee, especially that the owner has been trying to evict the tenants under the pretext that the building is set to be demolished. Six households benefiting from rent control are residing in the building paying LBP 600,000 per year, and there are seven tenants paying a market rate of USD 700, i.e. LBP 12,600,000 per year. Therefore we conduct two scenarios: the first one, which is more likely, where they will be evicted for demolition and a second one for family reasons. The amount of compensation will be as follows:

Reason for eviction	Demolition	Family
Compensation per household	75,600,000.00	63,000,000.00
Total compensation for 6 households in LBP	453,600,000.00	378,000,000.00
Total compensation for 6 households in USD	302,400.00	252,000.00

Figure 3 financing the purchase through eviction fees

Therefore, if we assume that all residents of the Mdawar 718 building earn three times or less the minimum wage and they are joint with the residents of Rmeil 1845, they can pool their resources to buy the Mdawar 718 building. Nevertheless, more information is needed.

Option 2: floors quota for affordable housing in newly constructed buildings

The following scheme involves developers who would be either required or incentivized to dedicate floors in every newly constructed building where apartments would be sold at 60 percent of the market price. In the following passages we will detail both options. However, first we need to compute the direct costs of construction, from buying the lot to the construction process. The process was explained by a developer that we met who provided us with the needed information. The logic is similar to the one portrayed above, however there is a difference in which the total exploitation ratio of new building is not limited to the investment factor along with 20 percent for balconies, we also have to add 20 percent for the stairs, exterior walls, etc. In order to do a simulation we assumed that the lot is in the same area as the building described in the first option above, therefore the investment factor is 4 as well as the surface exploitation (or floor to area ratio). Also, we assumed that the lot area is 500 sqm, therefore the surface exploitation would be 300 square meters, and the total exploitation ratio is $500 \times 4 \times 1.2 \times 1.2$, i.e. 2880 square meters. In order to compute the price of construction, we followed the same logic as above calculating the price of the virtual square meter adding it to the price of construction per square meter. If we consider, as above, that the price of the lot is USD 4000/sqm, therefore the price of the virtual square meter would be USD 694.44. According to the developer we met, the cost of constructing one square meter is USD 1200 including all costs (such as fees, taxes, engineers, architects, etc.). Thus, the total cost of construction would be USD 1894.44 per square meter, or USD 5,456,000 for the whole permissible built area. Then, considering that the average profit per square meter is 30 percent, we add this profit rate to the total cost of construction per square meter, which amounts to USD 2,462.78 per square meter. Finally, we have to account for the number of floors to be constructed. In this regard, there is no general formula to compute it as it depends on regulations, the design of the building and the willingness of the developer to go high in terms of the building, or their decision in terms of the height of the ceiling, amongst other factors. To this end, we opted to spread the total permissible area over the maximum surface area, which is TER/FAR, which in our case equals 9.6. Thus we assume that we have 9.6 floors, and more precisely 9 floors, and 60 percent of the surface area would constitute the entrance of the building. It should be noted that those are assumptions that should be verified.

Estimating the cost of the constructed building	
Lot Area, sqm	500.00
Permissible built up area, sqm	2,000.00
Floor to area ration (FAR)	300.00
Sqm price of land in the area	4,000.00
Investment factor	4.00
Investment factor+balcony+stairs	5.76
Total exploitation ration (TER)	2,880.00
Sqm price of virtual sqm (USD)	694.44
Price of construction	1,200.00
TER/FAR	9.60
Price of constructed sqm (USD)	1,894.44
Cost of Construction (USD)	5,456,000.00
Price of constructed sqm for a profit of 30% (USD)	2,462.78

Figure 4 estimating the cost of the constructed building

Now that we computed the cost of the building, we have to calculate the expected revenues that would be generated from the sales of the apartments on nine floors. The price of the square meter starts at USD 2,462.78 at the first floor and increase by USD 100 as we go up by one floor. Nevertheless, figuring out the surface of each apartment as well as the sellable area is not an evident task. Therefore we simulated three scenarios. We assume that the developer is fully exploiting the surface area, i.e. 300 square meters at each floor, and then we subtract 20 percent for each floor for the stairs area. Thus the available surface for apartments would be 240 square meters, that is 120 square meters per apartment.

In order to compute the potential revenues, we had to simulate three scenarios: first, the developer informs the buyer that the apartment is 120 square meters, but in reality the former is transferring to the latter the costs of the stairs and the entrance of the building. The stairs account for 20 percent of the floor, meaning 60 square meters per floor and 30 square meters per apartment. As for the entrance, it constitutes 60 percent of the surface area divided by 18 apartments, therefore 10 square meters per apartment. Thus, the developer would be announcing to sell 120 square meters but actually charging for 160 square meters. The second scenario is where the developer is transferring only the costs of the stairs without the entrance, thus announcing to sell 120 square meters while charging for 150 square meters. The third scenario consists of charging for the 120 square meters only.

9 floors, 120 sqm/apartment with balconies						
Floor	Sqm price	Price per apartment if we include entrance (60 percent of FAR) and stairs (total 160 sqm) but announce it as 120 sqm	Real price per sqm accounting for the real surface of the apartment (120 sqm) while selling 160 sqm	Price per apartment if we exclude entrance but include stairs (150 sqm)	Real price per sqm if we announce it as only 120 sqm while selling 150 sqm	Price of apartment if we do not include stairs and entrance (120 sqm)
1	2,462.78	394,044	3,284	369,417	3,078	295,533
2	2,562.78	410,044	3,417	384,417	3,203	307,533
3	2,662.78	426,044	3,550	399,417	3,328	319,533
4	2,762.78	442,044	3,684	414,417	3,453	331,533
5	2,862.78	458,044	3,817	429,417	3,578	343,533
6	2,962.78	474,044	3,950	444,417	3,703	355,533
7	3,062.78	490,044	4,084	459,417	3,828	367,533
8	3,162.78	506,044	4,217	474,417	3,953	379,533
9	3,262.78	522,044	4,350	489,417	4,078	391,533
	Total revenues	8,244,800.00		7,729,500.00		6,183,600.00
	Profit	51.11%		41.67%		13.34%

Figure 5 potential revenues

Following that, we devise two options. The first option is where the issuance of building permit is upon the condition that the developer dedicates a floor where the apartments are sold at 60 percent of the market price, i.e. 40 percent is discounted from the price. The results show that under the three scenarios the developer would lose between 4 and 5 percentage points of profit.

9 floors, 120 sqm/apartment with balconies						
Floor	Sqm price	Price per apartment if we include entrance (60 percent of FAR) and stairs (total 160 sqm) but announce it as 120 sqm	Real price per sqm accounting for the real surface of the apartment (120 sqm) while selling 160 sqm	Price per apartment if we exclude entrance but include stairs (150 sqm)	Real price per sqm if we announce it as only 120 sqm while selling 150 sqm	Price of apartment if we do not include stairs and entrance (120 sqm)
1.00	1,477.67	236,426.67	1,970.22	221,650.00	1,847.08	177,320.00
2.00	2,562.78	410,044.44	3,417.04	384,416.67	3,203.47	307,533.33
3.00	2,662.78	426,044.44	3,550.37	399,416.67	3,328.47	319,533.33
4.00	2,762.78	442,044.44	3,683.70	414,416.67	3,453.47	331,533.33
5.00	2,862.78	458,044.44	3,817.04	429,416.67	3,578.47	343,533.33
6.00	2,962.78	474,044.44	3,950.37	444,416.67	3,703.47	355,533.33
7.00	3,062.78	490,044.44	4,083.70	459,416.67	3,828.47	367,533.33
8.00	3,162.78	506,044.44	4,217.04	474,416.67	3,953.47	379,533.33
9.00	3,262.78	522,044.44	4,350.37	489,416.67	4,078.47	391,533.33
	Total revenues	7,929,564.44		7,433,966.67		5,947,173.33
	Profit	45.34%		36.25%		9.00%

Figure 6 change in profit with affordable housing requirement

The other suggestion under this option would be that the developer is incentivized to sell the apartments on the first two floors for a price 40 percent less than the market price. In return, they would be able to build one extra floor through increasing their construction beyond the maximum permissible area. Thus, we would have 10 floors instead of 9. Nevertheless, the investment factor would increase, thus changing our original calculations of the price of virtual square meter, and the cost of construction as well as the purchase price.

Estimating the cost of the constructed building with an	
Lot Area, sqm	500.00
Permissible built up area, sqm	2,000.00
Floor to area ration (FAR)	300.00
Sqm price of land in the area	4,000.00
Investment factor	4.00
Investment factor+balcony+stairs	6.36
Total exploitation ratio (TER)	3,180.00
Sqm price of virtual sqm (USD)	628.93
Price of construction	1,200.00
TER/FAR	10.60
Price of constructed sqm (USD)	1,828.93
Cost of Construction (USD)	5,816,000.00
Price of constructed sqm for a profit of 30% (USD)	2,377.61

Figure 7 Cost of building with the new total exploitation ratio

Then, we did the same calculations under the different conditions, nevertheless the entrance are for the first scenario is now 9 square meter per apartment as opposed to 10 square meters. The results show that under this scheme, developers **would gain at least 1 percentage point** in profit under the three scenarios

10 floors, 120 sqm/apartment with balconies						
Floor	Sqm price	Price per apartment if we include entrance (60 percent of FAR) and stairs (total 159 sqm) but announce it as 120 sqm	Real price per sqm accounting for the real surface of the apartment (120 sqm) while selling 159 sqm	Price per apartment if we exclude entrance but include stairs (150 sqm)	Real price per sqm if we announce it as only 120 sqm while selling 150 sqm	Price of apartment if we do not include stairs and entrance (120 sqm)
1.00	1,426.57	226,824.00	1,890.20	213,984.91	1,783.21	171,187.92
2.00	1,486.57	236,364.00	1,969.70	222,984.91	1,858.21	178,387.92
3.00	2,577.61	409,840.00	3,415.33	386,641.51	3,222.01	309,313.21
4.00	2,677.61	425,740.00	3,547.83	401,641.51	3,347.01	321,313.21
5.00	2,777.61	441,640.00	3,680.33	416,641.51	3,472.01	333,313.21
6.00	2,877.61	457,540.00	3,812.83	431,641.51	3,597.01	345,313.21
7.00	2,977.61	473,440.00	3,945.33	446,641.51	3,722.01	357,313.21
8.00	3,077.61	489,340.00	4,077.83	461,641.51	3,847.01	369,313.21
9.00	3,177.61	505,240.00	4,210.33	476,641.51	3,972.01	381,313.21
10.00	3,277.61	521,140.00	4,342.83	491,641.51	4,097.01	393,313.21
	Total revenues	8,374,216.00		7,900,203.77		6,320,163.02
	Profit	53.49%		44.80%		15.84%

Figure 8 Revenues under an incentive scheme

Inclusive Housing Policies for Beirut: Mar Mikhael as an urban laboratory

Social Justice and the City
Issam Fares Institute, American University of Beirut

Community meeting report prepared by Jessika Khazrik and Isabela Serhan

Introduction

A community meeting was held on the 26th of November, 2017 with invited residents from the Mar Mikhael neighborhood as part of the focus groups of the *Inclusive Housing Policies for Beirut: Mar Mikhael as an Urban Laboratory* project. The meeting followed three months of on-the-ground interviews in which Jessika interviewed individual households and collected information from them. It had three broad objectives:

1. To verify the data collected by the project coordinator in relation to the background of the studies conducted and their characterization of the challenges to housing affordability in the area;
2. To share and assess the proposals developed by the Social Justice and the City's (hereof referred to as SJC) research teams, particularly discussing neighborhood dwellers' responses to the solutions proposed by the team, recommendations and changes that could improve positive reactions;
3. To bring together residents from different backgrounds within the same space and initiate a necessary conversation about ongoing gentrification process and the subsequent housing crisis in the area.

The participants of this focus group included a tenant still benefiting from the old rent control system and currently under the threat of eviction, a property owner who had legally grappled with keeping his property and dwelling space and who currently works on refurbishing houses in the area, and a former resident who left the neighborhood after being evicted five years ago. All participants were born in the neighborhood and lived most of their lives in it. The evicted participant still runs a grocery shop in Mar Mikhael.

Participants' Profiles

1. M.B.

- **Age:** 55
- **Occupation:** Secretary at insurance company with an income of 1,000 USD/month
- **Number of Household members:** 4
- **Housing situation:**

M.B. rents a housing unit in building 1011 in Rmeil. She shares her home with her 76 year old mother, and two siblings unemployed due to disabilities. The mother was born in said house whose lease has been inherited by the family through 2 generations. Nonetheless, one of the building heirs, who acts as a representative of the remaining co-owners without having their full consent, has threatened the family with eviction on two occasions (2011, and 2017) without offering them an eviction fee, unless they commit to pay a drastically higher rent in accordance to the new rent system. He has also declined several offers that M.B. has made to buy the unit they inhabit. However, under the current conditions, M.B. cannot afford to cover the initial down-payment needed to receive a housing loan.

2. R.A.

- **Age:** 61
- **Occupation:** Renovator and carpenter
- **Number of Household members:** 1
- **Housing situation:** R.A. owns shares in the 4-storey building that he inhabits.

A remote member in the family had bought shares from their house towards the end of the nineties and was planning to, according to the interviewee's testimony, force the other heirs to sell. Divergences in opinions had led to a series of court cases and legislative procedures. Eventually, the lot was parceled, and the family has decided to decline the purchase offers and instead renovate the building and build one additional housing unit. R.A. is in close contact with several property owners and brokers in the area.

3. C.M.

- **Age:** 63
- **Occupation:** Manager and owner of grocery store
- **Number of Household members:** 4
- **Housing situation:** He used to be a tenant and benefited from the "old rent control system", but the building where he lived and the ones on neighboring lots were demolished around 5 years ago. He was evicted by developers who paid him a compensation fee of \$US100,000. He currently lives in Broumana in an apartment he purchased through the eviction fee in addition to a housing loan. However, he and his children very much wished to remain in Beirut where he hopes to return one day. His daughter and son have left the country to continue their studies. He commutes to his grocery store daily.

Social Justice and the City Team:

4. Mona Fawaz, Professor of Urban Studies and Plannign (M.F.)
5. Désirée Feghali, Lawyer and legal advisor (D.F.)

6. Nabil Abdo, Economic Expert (N.A.)
7. Dounia Salamé, Urban researcher and project manager (D.S.)
8. Jessika Khazrik, Researcher (J.K.)
9. Ayman Nahlé, Videographer (A.N.)

Main findings (Synthesized with earlier neighborhood fieldwork conducted for this project):

- 1- Evicted residents have found it hard to move out of their neighborhoods since they have lived, worked, and built memories in the area throughout many years of residency. Participants recalled the stories of numerous individuals who had been forced to leave, detailing hardships including loss of employment, work, and/or social networks of support.
- 2- There are as many stories of “resisting eviction” and “negotiating one’s stay” as there are tenant households in the area, yet dwellers seem disempowered by the lack of option as well as by an ambiguous rent law that they don’t understand properly and know is implemented inconsistently. Furthermore, most residents point to the absence of “an authority” and/or reference they could go back to. Some reminisce about the time of the civil war, when militias were responsive to their needs. Most complain that if evicted and/or in threat, they have no one to go to. The Municipality is never mentioned among possible references. This situation creates heightened insecurities among them and reduces their ability to negotiate their presence.
- 3- Families threatened with eviction almost unanimously prefer to stay in their homes but are nonetheless willing to accept other options (moving out of Beirut, moving to another housing unit) if they are given adequate compensations. Those who have jobs in Beirut are however fearful of relocation outside the city, citing the examples of others who eventually lost their employment due to long commutes.
- 4- Residents are unanimously skeptical about the prospect of change in Beirut’s housing market: they believe there is a lack of political will and list openly the Municipality, the parliament, specific figures, the government as uninterested in the plight of the poor. Landlords blame public authorities for dragging with the old rent control and making them bear the costs of a failed housing policy. Tenants feel they were coerced in a situation where they paid rents for numerous years without reaching any entitlement to long-term housing. Most recognize that the “deal” is not fair to the landlord but are short of appropriate housing options. All of them speak of needed political change if they are to see a change in the current trends.
- 5- Residents are far from being a homogeneous group: the neighborhood is penetrated by developers and they are typically divided between those who are working with developers, helping them secure new purchases and those who conversely find these activities as destroying the neighborhood.

- 6- Residents unanimously believe it is the responsibility of governments and public agencies to interfere in issues concerning displacement and eviction by providing alternative solutions and housing options in the city.
- 7- Residents recognized a severe deterioration in the residential quality of their neighborhood particularly due to the booming nightlife and consequent presence of valet-parking drivers and loud music. Numerous complaints were recorded during the meeting about the lack of responsiveness from both local bar owners and the municipality.
- 8- About cooperatives: Tenants who are most vulnerable to getting evicted out of the city are the most open to the idea of a housing cooperative. The following circumstances appear to motivate this interest:
 - They don't have the down payment needed to obtain a loan;
 - In their 50s and 60s, they have few years left on the labor market, which lowers their ability to fulfill the conditions of a loan. Even if the PCH allows them to get a loan for 30 years like the current exception states, they are not sure they will be able to pay after retirement;
 - They cannot afford to leave Beirut. They live and work in Beirut and get by without a car. Leaving Beirut to buy something cheaper will add a car's expenses to their daily life. For those households that have one breadwinner who also takes care of elderly and disabled family members, the time it will take to commute is also something they cannot afford.

For these reasons, the more vulnerable a household is, the more they are interested to be part of a collective endeavor that would allow part of the weight of homeownership to be lifted from their individual shoulders, even at the cost of losing right to sell their apartment. On the top of the priority list of this profile is safety of tenure and staying in Beirut. However, despite enthusiasm, there remains a need to understand better the functioning of a housing coop and guidance regarding its foundation, and legal and economic aspects. The observed readiness to talk to neighbors and to commit time to working on this initiative needs to be supported by the right institutions.