Home ownership Programmes and Gentrification in Brussels

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Introduction
Many authors have remarked on the influence of State intervention on the shifts in the spatial allocation of investments in the urban environment. In Brussels, some inner-city neighbourhoods experience gentrification and are, at the same time, the target of an array of middle-class home ownership policies developed by the Brussels-Capital Region. The objectives pursued by these policies are unclear and somewhat questionable. Through an analysis of the socioeconomic profile of the beneficiaries and their geography, this article tries to measure the influence of these interventions on the housing market.

The context: Housing crisis and an impoverished city centre experiencing gentrification
With rising rents and prices on the housing market for the last twenty years and a big part of the housing stock being in bad condition, the housing crisis has become a major issue in Brussels. Many households now have to choose between spending more than half of their income to pay their monthly rent and living in an inadequate place, either too small or insalubrious.

About 40% of the budget of the Region's housing policy supports the maintenance of its stock of social housing. This stock (around 38,000 units) represents barely 8% of total housing in Brussels – one of the lowest rates of social housing in Europe. While there are 33,000 households on the waiting list for social housing, the development of new construction projects in this sector is very slow.
The rest of the housing-policy budget supports essentially home-ownership and urban renovation programmes (see Zimmer, 2006).

At the same time – like many other western cities – Brussels is experiencing a renewed interest in its inner-city neighbourhoods from middle- and upper-class households, financial and governmental institutions – after these neighbourhoods had been for years solely occupied by working class and immigrant populations, and had been lacking basic public investment.

One of the signs of this new infatuation is the gentrification of some parts of the central city – i.e. the progressive transformation of a depressed working class neighbourhood into a wealthy area, through housing renovations and population change. The process of urban renewal in Brussels has been widely documented, both from the standpoint of the various forms it may take (Van Criekingen and Decroly, 2003) and from the standpoint of its social impacts (Van Criekingen, 2006).

The influence of State intervention
With respect to what causes gentrification, some authors (Harvey, 1974; Smith, 1982), having observed the inadequacy of the traditional/neoclassical urban theory to account for and explain gentrification, emphasized the mechanisms by which urban space is produced through shifts in the location and the quantity of capital invested in the housing and construction sector, shifts that are linked to the cycles in the economy at large. For Smith (1982), these shifts lead to the rent gap, that is, « a situation where the ground rent capitalized under current land uses is substantially lower than the ground rent that could potentially be capitalized if the land use were changed ». When this gap is sufficiently large, then urban redevelopment becomes a profitable opportunity and capital can be ploughed back into the area. This explains why these new investment opportunities arise precisely in the central city, leading to gentrification, for this area has been previously depreciated by the suburbanization process.

Critics to the rent-gap theory have essentially advocated a more complex approach to the process of gentrification and the search for other causal factors – outside the mere production realm (see Wilson, 1989). Literature then generally points to an array of demographic, economic and lifestyle factors. The economic factors refer mostly to changes in the labour market.
Whatever the explanation, most authors stress the importance of State intervention in the process of gentrification. Vandermotten and Marissal (1998, p.179) explain how the revalorization of a neighbourhood can't be left to individual landlords or small developers for it requires either massive investments or State intervention. From the standpoint of the State, promoting the revalorization of an area means stimulating both the consumption and the production of gentrified housing, that is (1) supporting the activity of the “speculator-developers”, generally through planning or zoning control, provision of infrastructure, and convenient tax arrangements (see Harvey, 1974); and (2) promoting the influx of an affluent – and fiscally solvent – new population.

Wilson (1989) showed how, through an array of interventions, a city government can stimulate reinvestment and structure the spatial pattern of the gentrification process. State interventions vary and mostly include subsidies and the establishment of rules and ordinances.

Local state intervention in Brussels
In most western countries, housing policies have been directed more and more towards the promotion of home ownership, which is believed to have many virtues (see Harvey, 1974; Kesteloot, 1986). As the suburbanization process has shown, a massive access to home ownership can indeed facilitate economic growth and capitalist accumulation. By sustaining demand in the construction and housing sector, public housing policies can also act as a counter-cyclical tool and ensure more economic stability. Because home ownership polarizes consumption and sustains a popular need for stability (see Butler and Noisette, 1977), it is also reputed to defuse social discontent and enforce popular belief in the virtues of the market society. Alan Greenspan, whose action as Chairman of the U.S. Federal Reserve favoured the housing bubble, said in 2007 that, even if “the loosening of mortgage credit terms for subprime borrowers increased financial risk (...) the benefits of broadened home ownership are worth the risk. Protection of property rights, so critical to a market economy, requires a critical mass of owners to sustain political support”. Moreover, favouring home ownership should also permit, theoretically, the release of some pressure on the rental housing market by freeing housing units.

In practice, home ownership programmes consist usually of subsidies, tax abatements or convenient loans.

In Brussels, in addition to this propitious political climate, the promotion of home ownership has profited from the rising rents on the housing market. Interventions on the housing market by the Brussels-Capital Region include production of “middle-class” housing units, abatements on the tax due when buying a primary residence, below-market interest-rate mortgage loans and renovation grants.

The “middle-class” home ownership policies of the Region mostly operate in the inner-city, in an area clearly defined and called “Espace de Développement Renforcé du Logement et de la Rénovation”. This area includes the most impoverished neighbourhoods of the city (fig.1). Tax abatements, renovation grants and loans are also available outside this area, but with less advantageous conditions.
All the “middle-class” housing units produced by the Region in the last twenty years are located in this area. These housing units are produced through private-public partnerships: the Region puts the land or the building at the disposal of a private investor, who takes charge of the construction or renovation; the public subsidy guarantees both a sufficient rate of return for the private investor and below-market prices for the buyers of the housing units.

**Announced objectives of the home ownership policies**

These tools are clearly aimed at channelling the private investment into some of the inner-city neighbourhoods, and at the same time, promoting the influx of a middle- and upper-class population to that area. The new housing units produced through private-public partnerships, the tax abatements, mortgage loans and the renovation grants are more or less explicitly and exclusively aimed at young, middle-income small families. This spatial concentration of the tools promoting middle-class home ownership contrasts with the geography of the social housing projects, which are more scattered across the whole region, and often located at its fringes.

The fact that in Brussels, the promotion of home ownership is focusing on the young, middle-income households, is justified by a key objective for the Region, that is, making Brussels a more attractive place to live for the middle- and upper-class population to that area. The presence of middle- and upper-class households in the city is thought to be a necessity to achieve some kind of “social balance”, favour the renovation of the built environment and at the same time redress the tax revenues. The target is thus the young middle-income families wanting to buy a home, for this type of households usually settle in the suburbs – that is, given its (very) small size\(^2\), outside the Brussels Region. This regional strategy is thus part of a fiscal competition between the Belgian Regions.

Attracting an affluent population in Brussels is a necessity because the tax revenues depend very much upon the size and the income of the resident population. But this is a political choice – not as inevitable as it seems to be. Besides, the Brussels Region is not as “empty” as it used to be, the population is now growing rapidly (see Deboosere et al., 2009), thus these policies of

\(1\) Number one priority of the “Regional Development Plan”.

\(2\) 62 square miles.
“attractiveness” must reckon with an already-established population.

Another key issue for the regional government is the fostering of “social mix”. This justifies both the focussing of housing policies on the central city and on the middle-income households. The need for more “social mix” – in the working-class neighbourhoods, as it is always implicitly understood – is currently the subject of a striking political consensus. This consensus contrasts with the severe criticisms this concept is suffering in the academic literature. The concept of “social mix” is partly based on a theoretical model that is both ethically and scientifically doubtful, according to which the poor would “rouse” or “rise socially” thanks to spatial proximity with more affluent populations. Many studies (see e.g. Epstein & Kirszbaum, 2003; Walks & Maaranen, 2008) agree on the general failure of the social mix policies, having shown repeatedly that spatial proximity does not lead to social proximity, let alone an improvement of the living conditions of the poor.

These political objectives are partly interwoven: the wish to attract the middle- and the upper-classes to Brussels, for example, leads to the strong political consensus about the necessity of more “social mix” (Van Criekingen, 2008) and the fact that the Region never seeks to produce more “social mix” in the wealthy neighbourhoods – although these wealthy areas are the places where segregation is the strongest.

Who benefits from the home-ownership programmes?
The influence of the public intervention on the outcomes of the housing market depends upon the importance of the efforts supported by the government. In Brussels, the “market share” of the Region in the housing sector is rather small. The Region produces and sells, each year, around 140 housing units, that is, less than 1% of the total amount of the transactions on the residential market. The Brussels Region also grants about 600 mortgage loans and 600 renovation grants per year. At the scale of the entire city, these interventions are thus unlikely to have any effect on the housing crisis, and their influence should rather be considered as symbolic. Yet, it is clear that if they are spatially concentrated, this influence can be substantial.

As for the tax abatements, they concern about 7000 home-buyers each year, i.e. around half of the transactions. But this tool, that really puts a strain on the regional budget, has probably a very limited effect on the population’s access to the housing market, since the sellers very likely integrate – at least partly – the abatement in their selling prices.

According to the information received from the regional institutions, the beneficiaries of the renovation grants and the regional mortgage loans and the buyers of the housing units produced by the Region through the private-public partnerships are mostly 1- or 2-person households composed of adults or young adults (age 30-50), with a socioeconomic status a little above the Brussels average. Actually, most of the beneficiaries of the middle-class-oriented home-ownership policies also meet the conditions to access social housing. These policies thus compensate (in a very small measure) the permanent shortage in social housing. In the same time, some parts of the Brussels population, like the unemployed, the large or single-parent families, who have particular difficulties to access decent housing, are under-represented here.

Even if the beneficiaries of the middle-class housing policies have a socioeconomic level that is close to the average level of the Brussels population, the difference between these incoming groups and an already-established population can be important as they settle in deprived, impoverished neighbourhoods. As figures 2 and 3 show, the beneficiaries of the middle-class-oriented housing programmes can have substantially higher economic status than the already-established population when they settle in inner-city deprived neighbourhoods. On the contrary, when these beneficiaries settle outside or on the fringes of the most deprived areas, they usually have lower incomes than the already-established inhabitants.

3 Median taxable annual income – buyers of “middle-class” housing sold by the SDRB: between 19 000 and 30 000 EUR depending on the years and the sources; beneficiaries of the “Fonds du Logement” mortgage loans (2000-2006): 13 600 EUR; beneficiaries of the Renovation grants (2006): 25 600 EUR; Brussels population (2004): 16 000 EUR.
As shown on figure 4, the households who benefit from regional renovation grants generally have a higher or much higher income than the inhabitants of the neighbourhoods where they
settle; this tool has been, until now, mostly used by a wealthier population, for the procedures discourage poor households from applying: hard-to-decipher and (very) long procedures, obligation to call on a registered renovation firm and to pre-finance the work. This means that even when the public policies are directed towards the most decayed neighbourhoods, because of the procedures, they may not always benefit to the ones who need it most.

Impact on the targeted neighbourhoods – conclusion
The need to define a special area for middle-class housing policies (see figure 1) remains unclear. To target the people or buildings that need it most, using income criteria or quality criteria (for the buildings) should be enough. Moreover, this spatial concentration seems questionable for it leads in some neighbourhoods to the sudden arrival of a more affluent population, which can have a strong social impact. In the neighbourhoods that are experiencing gentrification (see Van Criekingen and Decroly, 2003), this could lead to an acceleration of this process, with rising rents, increase of social and/or ethnic discriminations, displacement of the poorest households.

The process of gentrification in the central city shows that even when “social mix” is achieved, in the conditions of a (almost) totally private housing market it is only the prelude to the displacement of low-income households.

Yet the impact of public interventions on that process is difficult to measure, and considering the small “market share” of the Region on the housing sector, this impact must be rather little. Moreover, this kind of policies is but one of the ways by which the Region interferes with neighbourhood changes. Through public space renovations, zoning decisions, rules in the retail sector⁴, marketing, e.g., the government sends “signs” to the investors and shapes the reinvestment patterns (see also Wilson, 1989).

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⁴ In Brussels, for example, after some boroughs have introduced very high taxes on “phone-shops” (which are essentially owned and used by immigrant populations), they have almost completely disappeared in some parts of the city.
Middle-class housing policies in Brussels, with their unclear and questionable objectives, channel housing reinvestment into some parts of the central city. These policies put a strain on the regional budget trying to foster a “back to the city” movement by the middle- and the upper-classes. From a political standpoint, a problem of priority arises as this objective of “attractiveness” leads to procedures that make the regional loans, subsidies, and tax abatements available for middle- and upper-class home buyers. This, with a regional budget under pressure which does not allow satisfying all the needs in the housing sector, leads to the exclusion of some of the people who most need help to access decent housing. While priority is more and more given to home ownership policies, in the social housing sector – where the demand is huge and really urgent – the Region does not manage to produce more than thirty housing units each year.

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