

SOCIAL HOUSING PROJECT – CHALLENGES IN THE DEVELOPMENT PROCESS

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1. Overview of Social Housing in Vietnam

Social housing is a type of accommodation for disadvantaged individuals and households. This term has been clearly defined in the Law on Housing 2014 as houses supported by the Government for use by entities benefiting from housing support programs under this Law.

The eligibilities for such entities are clearly listed in Article 49 of this Law, mostly are poor, low-income, or underprivileged individuals and households living in either rural or urban areas, students, employees working within or outside industrial zones, officials and civil servants, officers working in the agencies of People’s Police and People’s Army.

Most of the social housing projects are located in major cities and provinces namely Hanoi, Ho Chi Minh City, Bac Giang, Lam Dong, Thua Thien Hue. The location might or might not be at people’s convenience regarding accessibility to necessary facilities such as hospitals, schools, workplaces, etc. Typically, such projects were mainly carried out by domestic developers such as HUD Vietnam, BIC Vietnam, Him Lam in the northern region; Vicoland, Xuan Phu Hai, Saigon Investgroup in the central region; and Sacomreal, Nam Long, Hoang Quan in the southern regions.

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This type of accommodation emerged due to the mass influx of immigrants from rural areas to metropolitan cities seeking job opportunities and improvement in their quality of life; however, they are unlikely to afford a commercial condominium.

Currently, owing to the two opposing growing trends of Vietnam's speedy urbanization and the increase in a number of low-income people's demand for homeownership, the housing price is reported to be approximately 20 times the average annual per capita income according to Vietnam Social Housing 2023 report by Cushman & Wakefield. This has eventually resulted in a shortage of housing supply and put the house-seekers in a hard situation in which they are unable to rent or buy proper accommodation which meets their needs. Therefore, the government has taken balanced measures to promote social housing projects through regulations so as to ensure social security and sustainability in the real estate market.

Specifically, policies and regulations on incentives to promote social housing projects have been actively promulgated in recent years.

2. Issues in the Development Process

The fact reflects clearly that the implementation of some social housing projects is being prolonged and postponed due to the obstacles encountered in the administrative procedures for social housing project investment.

A current report stated that Vietnamese Government's target for the development of social housing in the period from 2016 – 2020 merely reached 41% of the plan; concurrently, from 2021 to 2023, Vietnam has just accomplished 72 social housing projects equivalent to 38,128 apartments which are only 8.5% of the 5-year plan of 2021-2025 (equal

to 446,000 apartments). Ho Chi Minh City has two finished projects with 623 apartments and 07 groundbreaking projects.

Such figures have illustrated the drawbacks of the current legal framework for the procedure of investing in constructing social housing projects including:

Firstly, the simultaneous procedure for the approval of investment policy and the approval of investor selection pursuant to Article 33.3(a) Law on Investment 2020 states that one of the contents of the examination on the approval of investment policy includes a suitable assessment for investment project with respect to national level planning, regional planning, provincial planning, urban planning and Article 31.7(c) Decree No. 31/2021/ND-CP which states that regarding urban planning, the examination shall have suitable assessment for the investment project with the detailed planning (if any) and zoning planning (if any).

From such regulations, the Department of Planning and Investment shall be the only contact point to collect all necessary documents and usually issues around 10 dossiers which are then sent to acquire opinions of other competent authorities.

Despite the aforementioned procedure being a single-window mechanism, it would take more time and even get stuck at the very first window which is the procedure of the concurrent approvals of investment policy and of investor. Compared to the former procedure applying the multi-window mechanism which allowed enterprises to work directly with the competent department, sector, district, and ward to get examination, thus, acquire a faster result since such procedure is merely the beginning of a project, not the immediate decision to approve the feasibility of the project.

Moreover, the unreasonable phrase “assessing the suitability with the urban planning” is also causing several troubles since it takes longer time and more expenses to comprehensively assess the suitability; if it is changed slightly to “general assessment in suitability with the urban planning”, the procedure would be simplified significantly.

Secondly, the regulation on approving detailed planning with the ratio 1/500 is a hindrance against the implementation of the regulation on incentive for social housing projects in Article 7.1(a) Decree No. 100/2015/ND-CP amended by Article 1.6 Decree No. 49/2021/ND-CP which allows the investors to increase the construction density or land use coefficient up to 1.5 times the regulated standard or construction standard promulgated by the competent authority in the planning with the ratio 1/2000. Such incentive is only applicable if the detailed 1/500 plan is approved in the 1/2000 plan by the competent authority; however, if the 1/2000 plan has not been established yet, the investors shall be required to wait for an undeterminable period of time until it is promulgated to get their detailed 1/500 plan approved and to carry out their project.

Another notable problem arising from the aforementioned regulation on incentives for social housing projects is that it is difficult to implement such regulation since most social housing projects are converted from commercial housing projects but those projects are not suitable with the 1/2000 plan. Thus, if investors want to apply such incentive policy, the detailed 1/500 plan and the 1/2000 plan shall be adjusted; however, this is extremely challenging to carry out.

A recent issue appearing in Ho Chi Minh City has demonstrated a typical conflict between two legal documents, specifically Resolution No. 98/2023/QH15 and Decree No. 31/2021/ND-CP. Resolution No.

98/2023/QH15 states that the government is obliged to adjust the 1/2000 plan and 1/500 plan to help social housing projects enjoy incentives that shall be suitable with the planning. Meanwhile, Decree No. 31/2021/ND-CP regulates that social housing projects shall be suitable with the detailed plan in order to acquire investment policy and the recognition of investors. However, the Department of Planning and Investment did not follow Resolution No. 98/2023/QH15, thus, there are yet to have any solutions for investors to overcome this. In contrast, if Resolution No. 98/2023/QH15 did not exist, the Department of Planning and Architecture would never approve the adjustment of the 1/500 plan for the investors.

For provinces which are not under purview of Resolution No. 98/2023/QH15 or does not have any similar legislations, the procedures for implementing social housing projects would be completely stuck from the very initial stage due to restrictions arising from Decree No. 31/2021/ND-CP.

Thirdly, the issues with the procedure are also present during the process to apply to enjoy land levy exemption. The calculation of land use levies have already been obstructed, even for commercial housing projects; this is due to the ongoing debate relating to the inconsistent methods of evaluation for land value. Hence, it can be seen that procedures for social housing projects are twice as hindbersome as that of other projects.

However, the most up-to-date Law on Housing 2023, which is expected to be effective as from August 01, 2024, has improved this regulation as Article 85.1 of such Law and Article 157.3 Land Law 2024 regulated that the investors of social housing projects using either public investment capital or union funding are eligible for exemption from land levy, land rent for the whole area of the projects; they are required to neither

determine land value, calculate land rent, land levy from which they have been exempted nor apply for exemption from land rent and land levy except for the commercial parts of the social housing building as regulated under Article 85.2(d) of Law on Housing 2023. Hence, it would be less of a financial burden for those investing in constructing social housing and thus, amend the weaknesses of the former law in the near future.