

Habitat for People – Not for Profit!

international working group
for the promotion of market regulation
and market alternatives at Habitat III

OPEN LETTER

To:

Habitat III Secretary General and Preparatory Committee
UN Habitat Executive Director
Responsible national ministers

31st January 2016

Make social regulation of real estate markets a commitment at Habitat III !

Dear Sir/Madam,

Our organisations have been involved in the Habitat process for a long time and/or are representing people who have been affected by financial crashes and harmful pro-market policies. Together, we are fighting for socially grounded regulations of markets that stop the speculation and treat housing, land and mortgage as goods for people and not for profit. We are very concerned about fundamental deficits in the current path of the Habitat III preparations.

Everybody knows about the 2007–08 crashes resulting from housing bubbles and their context of globalized financial markets. Hundreds of millions of people in diverse economies have been impoverished, many millions have lost their homes. In Spain alone, 436,235 evictions took place since 2008. Governments, municipalities, communities, social organizations and socially orientated housing providers around the world are still struggling with the consequences.

The private-homeowner and commercial mortgage-based model of housing provision has totally failed. Nevertheless, governments continue those policies. In East Asia, the explosive growth of mortgage lending in real estate sectors and infrastructural financing may lead to the next collapse. In India, the government promotes the building of 100 “smart cities,” financed by transnational capital at the expense of other social priorities. In London, council housing will be “redeveloped” in favour of the financial business. Market-driven megaprojects, land grabbing and urban renewal projects displace people and destroy communities worldwide. That’s because private financial capital only invests in the interest of high returns for its financial stakeholders.

Small homeowners, as well as renters and the inhabitants of unauthorized housing zones, are left to pay the price. It is estimated that, today, 330 million households worldwide are financially overburdened by housing costs. In Italy, more than 250,000 families are threatened by evictions because of rent arrears. Globally, at least one billion new homes are needed by 2025. (1) Will they be built through financial markets? After decades of privatization and deregulations, municipalities today lack the capacities and non-profit partners to provide adequate housing for all and regulate the relevant markets (land, rents, mortgage...) in favour of those in need.

We believe that property must be fairly distributed and socially regulated to be protected against its perversion through financialization and that possessing property includes a duty toward society. We also believe that alternatives to private property, which exist in many societies (community land trusts and housing, public housing, self-managed community housing et al), play an important role in meeting habitat needs. Their development and global strengthening are among the keys to resolving the housing, land and urbanization crises.

We had expected that Habitat III would provide a space for reflections on the grave lessons learned from the crisis. Thus, we took a look into the policy paper frameworks (PPFs) which should prepare the Habitat III UN conference and its outcome. However, the PPFs are quite silent on those issues, although the Habitat II Agenda promised that States and their various spheres of government would pursue just macroeconomic policies toward its faithful implementation. (2)

We cannot understand that facts about the financial and housing crisis—with few exceptions (3)—have hardly been mentioned. We are also disappointed that the local consequences of growing global inequality; e.g., the extreme redistribution of global wealth into the hands of very few (4), as well as the consequences of free trade agreements (such as TISA, CETA, TPP), transnational austerity measurements and structural-adjustment programs (through international financial institutions or the European crisis programmes) have not been discussed.

We also miss any systematic debate about the responsibility of politicians, corporations and banks in these economic developments. We find nothing on the necessity of remedial policy measures toward the legal regulation of the financial real estate business and for the creation of alternatives to markets. Instead, we find a lot of problematic pro-market approaches in the papers. (5)

We are very worried about the consequences of these fundamental deficits for the Habitat III outcomes. The exclusion of these international issues would be an extreme regression in efforts toward global equality and equity promised in the Habitat II Agenda (1996) and, more recently, in the 2030 Sustainable Development Agenda. Habitat III could end in a total betrayal of the principles and commitments already standing in the Habitat Agenda, as it is replaced by a narrower and inferior “new urban agenda.” This, we fear, will produce another pretext for economic attacks on our commons, our livelihoods, our neighbourhoods, our human rights.

Nevertheless, we acknowledge the huge work and resources already put into the preparations, as well as the ambitious processes. However, the value of their outputs fall far short of the investment.

The PPFs list numerous objectives and instruments for national and local regulations of housing and land markets (6), which we would like to see seriously discussed. However, just as we do not find a reflection on the global challenges of financialization, we also do not find a systematic concept that relates to the necessary implementation of transnational regulations of related markets. Without a clear commitment of the global community to human rights—as pledged throughout the Habitat II Agenda—and to a just and sustainable organization of human spaces and local practices, the Agenda for the next twenty years cannot overcome the existing, unjust global frame.

Being aware of the complexity of the debates, we very much hope that the ensuing Habitat III processes can overcome these alarming defects and deficits. In order to achieve a positive and credible result, we believe that Habitat III immediately should set up an additional policy unit (or a similar group) that focusses on the global financialization of real estate (7) as a challenge, providing recommendations toward adequate social and political regulation of the related markets and actors and on alternatives to “free” housing, land, mortgage markets and to private property (8).

If such a policy unit were to be established, we would be willing to share our experiences, proposals and demands with the conference.

We hope that you will understand our concerns and that you will facilitate the proper deliberation and input on the mentioned issues into the further Habitat III process.

Looking forward to your prompt reply,

Sincerely

Habitat International Coalition (HIC), General Secretariat, 12 Tiba Street, 2nd Floor. Muhandisin, Giza. Egypt Mobile: Tel: +20 (0)120 647-0369, Email gs@hic-net.org; Contact: Alvaro Puertas, General Secretary, email: hic.general.secretary@hic-net.org

Housing and Land Rights Network – Habitat International Coalition, Geneva, Switzerland / Giza Egypt
Contact: Joseph Schechla, Tel: +20 (0)122 347-5230 Email: jschechla@hlrn.org

International Alliance of Inhabitants c/o Unione Inquilini, via Bettella, 2/ter 35133 Padova – Italy,
Contact: Cesare Ottolini, Global Coordinator, Email: info@habitants.org, www.habitants.org

AK Kritische Geografie Frankfurt, Germany

Association des Comités de Défense des Locataires (ACDL), Paris, France; ACDL, Centre Social CERISE, 46 rue Montorgueil , 75002 Paris, France ; Contact: Benoit Filippi , +33686002840, Email: ben.filippi@wanadoo.fr

Dublin Tenants Association, Patrick Bresnihan, 195C North Circular Rd, Dublin 7, Email: bresnip@tcd.ie

Forum Umwelt und Entwicklung, Marienstr. 19-20, 10117 Berlin, Tel 0049.30678177588, Contact: Jürgen Maier, Email: chef@forumue.de

HABITA – Associação pelo Direito à Habitação e à Cidade, Lisbon, Portugal, Contact: Rita Silva, Email: habita.colectivo@gmail.com

Habitat Netz. e.V. c/o MieterInnenverein Witten, Schillerstr, 13, D.58452 Witten, Tel 0049.2302-51793 / Fax - 27320; Contact: Knut Unger, Email: knut.unger@habitat-netz.de

Montfort Social Institute, India, Montfort Nagar,Uppal Hyderabad – 500 039, Email: msihyd2009@gmail.com

Plataforma de Afectados por la Hipoteca (PAH), Spain; Contact person: Carlos Macias, Email: lapahdebarcelona@gmail.com

TAIWAN Alliance of Anti-Forced Eviction, Add: No. 22, Lane 61, Tianxiang Rd, Zhongshan District, Taipei City, Taiwan 104, Tel: +886 2-2596 9525, Contact: Hui-yu Huang, Email: rightstohousing@gmail.com

USA Canada Alliance of Inhabitants, Robert Robinson-Coordinator PO Box 762, New York NY 10272, Email: rob.robinson423@gmail.com, phone: +01 212-252-1710

Observatori DESC, C. Casp, 43, baixos, 08010 Barcelona, Spain, <http://observatoridesc.org>

Mieterforum Ruhr (Ruhr Tenants Forum), Bochum, Germany, <http://www.mieterforum-ruhr.de>

Toronto City Women's Alliance (TWCA) c/o NYWC, 2446 Dufferin St., Toronto, ON M6E 3T1 <http://www.twca.ca>

Unione Inquilini, Via Cavour, 101. 00184 Roma Tel. +39 06 4745711 - Contact: Massimo Pasquini, National Secretary, E-mail: unioneinquilini@libero.it, www.unioneinquilini.it

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Footnotes:

(1) Policy Paper Framework (PPF) 10, 1.3.
<https://www.habitat3.org/the-new-urban-agenda/policy>.

(2) Habitat II Agenda, paras. 40(a), 62, 65, 67(b), 115, 186(d), 189(b) and 201(b).

(3) PPF 10 “Housing Policies” under point 1.3. summarizes some of the consequences, but without discussing political measurements. PPF 5 mentions “macroeconomic policies” without precision. PPF 6.1 mentions “financialization” as part of a controversial “scenario.”

The long version of the draft of the UNECE report for Habitat III includes an important and useful collection of facts related to the financial crisis and housing, which has not been reflected in the PUs:
http://www.unece.org/housing/committee76thsession.html#.

Independently from Habitat III, since 2008, the UN special rapporteurs on the right to housing made important reports on the consequences of financialisation and its crisis on housing rights. We hope these reports to the General Assembly will not be neglected in Habitat III:

<http://www.ohchr.org/EN/Issues/Housing/Pages/AnnualReports.aspx>.

(4) e.g. PPF 2.1 mentions “increasing disparities between rich and poor” as a challenge.

(5) e.g. PPF 5 demands better access of municipalities to private capital markets, combined with a “robust” framework for managing the resulting debt. PPF 7, .2 focuses on the “enabling” of markets and private investments through “balanced liberalization.” PPF 8 proposes market oriented solutions for environment problems.

(6) Many important proposals for local and national market regulation are listed in PPF 1 “right to the city”; for our purpose see especially 1.3. However, rental housing, rent control, etc. is also missing here. PPF 2 .2 mentions regulations of multinationals, but does not explain any detail. PPF 3 addresses the need of “National Urban Policies,” but does not mention the financial investors as a factor. PPF 4 on “governance” does not speak about transnational governance of markets. PPF 7 sees regulation as an “enabling market” approach, but also supports public infrastructure (which does not include housing).

(7) By financialization of real estate, we understand the domination of the production, letting, trading, financing, maintenance and management of housing and other buildings, built infrastructure, mortgage and land ownership according to the logic of financial product creation (bonds, etc.) for institutional and rich private customers in transnational markets. Through financialization commons and basic goods transform into financial assets for global trade.

(8) While alternatives to freehold land titling are mentioned in a couple of papers (PPF 6, PPF 10), it is astonishing that the important role of rental housing is only mentioned in PPF 10: 1.2 billion people are renting worldwide.