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# Evaluation of the Government's Role in Providing Housing for Low-Income Groups from the Perspective of Development Laws (Case Study: Mehr Housing Policy)

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## ABSTRACT

In recent decades, due to rapid urban population growth and profound transformations in the structure of Iranian cities, the country has widely faced a housing shortage. The insufficiency of housing supply and the inadequate quality of existing residential units have consistently been regarded as a major socio-economic challenge in Iran, and the provision of adequate housing—particularly for low-income urban groups—has remained a significant and complex issue. The designers and proponents of the Mehr Housing initiative, as one of the principal economic programs of the Ninth and Tenth Administrations, argued that by eliminating land costs from construction expenses and strengthening the role of the government in this process, the problem of insufficient housing supply could be resolved, the growing housing demand in the coming years could be met, and housing prices could consequently be reduced. The findings indicate that high inflation and instability in key macroeconomic variables have constituted the most significant obstacles to effective policymaking in this domain. Accordingly, large-scale housing construction projects implemented without consideration of sustainable financial resources have led to the exacerbation of government budget deficits and increased inflation, thereby making access to adequate housing more difficult for households—particularly for low-income groups. Furthermore, restricting housing support programs solely to construction activities has been among the main reasons for the unsatisfactory performance observed in this sector.

**Keywords:** *Mehr Housing; Development Program Laws; Right to Housing; Adequate Housing.*

## Introduction

The provision of adequate housing, as one of the fundamental needs of households, has consistently been among the primary concerns of governments. Although meeting this need has historically faced obstacles, in recent decades access to adequate housing has become a critical challenge in many countries—particularly in developing nations—due to demographic transformations (including population growth, declining household size, and migration) and rapid urban expansion. Statistics from 2020 indicate that among urban residents, one in four individuals (approximately 1 billion people) experiences marginalization or lives in informal settlements (1).



Developed countries also face significant challenges in providing adequate housing. For example, out of approximately 40 million renter households in the United States, nearly 10.8 million are categorized as extremely low-income, while only 7.4 million affordable housing units are available for this group. When homeless individuals and other low-income groups are taken into account, the shortage of affordable housing for extremely low-income populations in the United States is estimated at approximately 3.8 million units (2). For several decades, governments have undertaken measures to address this need through both supply-side and demand-side interventions in the housing market to facilitate household access to adequate housing (3). Low-income and vulnerable groups are typically unable to afford adequate housing costs, which has contributed to the emergence of phenomena such as slum formation and the expansion of informal settlements in urban areas (4). The growth of urban migration—particularly toward metropolitan areas—and macroeconomic developments such as inflation, economic recession, and declining national income have further exacerbated these problems (5). These conditions have prompted policymakers to design and implement supportive policies and programs aimed at reducing housing deprivation among disadvantaged groups (6).

Following the Islamic Revolution of Iran in 1979, several decades of deprivation alleviation activities in rural areas resulted in significant progress in reducing rural deprivation, particularly in the housing sector (7). However, insufficient attention to providing adequate housing for low-income groups in urban areas, combined with macroeconomic transformations in recent years—especially inflation, declining per capita income, and multiple price shocks in the housing market—has severely affected their welfare conditions (8).

Currently, based on available statistics and data, low-income groups do not have adequate access to housing, and this lack of access is more severe in urban areas. Calculations based on the 2021 Household Income and Expenditure Survey indicate that more than half of low-income households reside in urban areas, with the share of renter households among them nationwide estimated at 24 percent (over one million households), and in major cities such as Isfahan, Tabriz, Tehran, and Mashhad estimated at 22, 23, 30, and 33 percent, respectively (9).

In economic studies, housing affordability is defined as a measure of the proportion of household housing expenditures relative to total household expenditures. Accordingly, a household is considered to have access to affordable housing if housing costs account for less than 30 percent of its total expenditures (1). Table 1 presents selected indicators of housing conditions across expenditure deciles in urban areas. Using this indicator, it is observed that in urban regions, more than half of households in each decile lack access to affordable housing. This indicator, alongside measures such as the percentage of renter households in each decile residing in units with per capita floor space of less than 15 square meters, can partly reflect the welfare status of society—particularly low-income deciles (10).

**Table 1. Selected Indicators of Housing Adeacy across Expenditure Deciles in Urban Areas (2021)**

<b>All Urban Areas</b>										
Indicator	1	2	3	4	5	6	7	8	9	10
Average % of housing expenditure from total household expenditure	27	40	37	36	34	35	35	36	36	36
Percentage of renter households	20	24	24	28	24	24	24	22	21	20
% of renters with per capita floor space < 15 m <sup>2</sup>	10	14	11	12	11	10	8	11	6	6
% of households lacking access to affordable housing	78	70	62	58	52	55	55	56	56	55
<b>City of Tehran</b>										
Indicator	1	2	3	4	5	6	7	8	9	10
Average % of housing expenditure from total household expenditure	56	42	38	40	39	43	42	46	45	45
Percentage of renter households	27	29	32	34	26	32	28	23	24	23
% of renters with per capita floor space < 15 m <sup>2</sup>	18	15	13	15	19	19	14	16	6	7
% of households lacking access to affordable housing	85	69	63	71	62	67	71	77	75	75

Since the Islamic Revolution, facilitating access to adequate housing for low-income groups has been emphasized. The Housing Foundation of the Islamic Revolution was established on April 10, 1979, by decree of Imam Khomeini, with the objective of providing housing for the underprivileged—particularly rural residents—within the framework of government policies and programs (7). In practice, however, the Foundation's primary focus has been on rural housing. A review of governmental housing policies indicates that the Mehr Housing Program constituted the largest direct government intervention in this sector, and one of its target groups was low-income urban households (11). Evidence suggests that at least a portion of low-income households were unable to obtain adequate housing through this program, and alternative programs modeled after successful international experiences—such as social rental housing schemes—were never seriously pursued (12).

Throughout the post-revolutionary period, the implementation of most housing programs for disadvantaged groups has been delegated to the Housing Foundation of the Islamic Revolution. According to its statute, the Foundation's principal mission is to provide housing for the underprivileged in both urban and rural areas, to develop low-cost housing, and to facilitate its implementation through public participation, cooperation, and self-help mechanisms (6). Major activities of the Foundation for low-income groups have included rural housing improvement, construction of housing for the underprivileged, reconstruction and construction in disaster-affected areas, participation in completing the Mehr Housing Program, and allocation of rural land plots (7).

An evaluation of the effectiveness of policies and programs aimed at providing housing for disadvantaged populations indicates that, although significant measures have been undertaken to reduce rural housing deprivation, policymaking efforts to facilitate access to housing for urban households have largely been limited in impact or ineffective (13).

## **Theoretical Foundations of the Research**

### *Housing for Low-Income Groups*

The housing problem in developing countries is generally rooted in the experience of rapid and continuous urbanization; consequently, cities in developing countries face greater demand for adequate housing for low-income urban groups than other urban regions and are often arenas of competition and conflict over urban infrastructure and housing-related services (2). Such conditions have frequently resulted in the limited effectiveness of government policies aimed at resolving the problems of target groups; therefore, contemporary global perspectives on low-income housing have undergone significant transformation, emphasizing not only access to low-cost housing but also broader dimensions of housing provision (14).

With the simultaneous emergence of sustainable development and social justice theories, approaches to sustainable housing for low-income groups have evolved, and in academic discourse, this type of housing is no longer confined solely to its economic dimension (3). Currently, affordable housing is assessed across four dimensions: economic, socio-cultural, ecological, and physical (15). Accordingly, housing for low-income groups must also satisfy sustainability criteria.

### *Economic Dimensions of Housing*

In general, individuals without adequate housing can be categorized among low-income groups. Within these groups, low levels of education and literacy often result in low wages and income. In many cases, the socio-

economic vulnerability of low-income household heads leads to intergenerational poverty, such that their children also experience lives marked by deprivation. Creating opportunities for such households to benefit from adequate housing may constitute one of the pathways out of poverty and contribute to improved educational, health, cultural, and social conditions (11).

### *Housing Indicators (Human and Human Development Dimensions)*

The quantitative and qualitative analysis of housing issues is conducted through instruments conceptualized as variables known as housing indicators, which represent the various economic, social, cultural, and physical dimensions of housing. Housing indicators serve, on the one hand, as tools for understanding the housing situation across these dimensions, and on the other hand, as key instruments for outlining future housing prospects and planning. In principle, the objectives of examining housing indicators may be categorized as follows: providing the necessary framework for housing policy-making, planning, and monitoring; identifying and explaining the relationships governing various housing dimensions and evaluating policy outcomes; establishing appropriate interrelations among housing dimensions for policy formulation; and providing suitable analytical tools for policymakers and planners to gain comprehensive knowledge of transformations and changes (16).

Housing indicators not only function descriptively to depict the current housing situation from multiple perspectives but also serve as instruments for measuring criteria and standards in the trajectory of housing transformation. These indicators assist macro-level housing policymakers in obtaining a clearer understanding of past, present, and future housing conditions and in adopting appropriate policies and strategies. Thus, they are both diagnostic tools for assessing housing status and key mechanisms for future housing planning (10). Through these indicators, it becomes possible to evaluate the prevailing housing system and objectively assess the scale of realities and events in this field (17).

In Iran, housing indicators have been influenced by both external and internal factors. External factors affecting housing—such as demographic, economic, and social variables—have shaped housing booms and recessions, while housing programs themselves have had limited impact on overall housing conditions and the improvement of indicators. Internal housing factors, largely influenced by the nature and process of housing planning, have also shaped housing conditions in specific dimensions. The significance of housing policy indicators has long been recognized, and a relatively extensive body of literature has emerged in this domain. However, most contributions have addressed specific components of housing policy—such as housing needs or neighborhood quality—rather than the housing sector as an integrated whole (10).

The issue of housing indicators has long occupied the attention of specialists. It can be asserted that housing indicators constitute the most essential and pivotal tools in housing planning. Among these indicators, qualitative housing indicators have attracted considerable attention from planners, underscoring their importance. Generally, several factors define housing quality at the neighborhood scale: desirable housing form; structural durability; security; safety, comfort, and access to neighborhood facilities and services; access to nature and open green spaces; provision of necessary infrastructure and utilities; and compatibility of adjacent land uses. These seven factors are among the most important criteria and indicators for defining and explaining adequate housing quality. Attention to these factors in construction and urban development facilitates the efficient performance of residents' daily activities and contributes to achieving sustainable urban life and appropriate urban form (18).

### *Security of Life*

Security derives from the Latin term *secure*, meaning freedom from fear and anxiety. From a positive perspective, it entails the provision of conditions that foster tranquility, while from a negative perspective, it signifies the absence of threats. As one of the fundamental human needs and a determinant of healthy living, security plays a crucial role in individual and social well-being (19).

The level of security individuals perceive in their surrounding environment significantly influences their inclination to be present in a given space. When confronted with an environment perceived as dangerous, individuals naturally experience fear for their safety. Human behavior may serve as a key indicator of fear; however, behaviors that reflect fear are not always easily identifiable. Conversely, the more a space functions as a destination and accommodates diverse surrounding uses, the greater its perceived security; spaces used merely as transitional areas tend to exhibit lower security. For instance, in residential settings, if the living room is located at the end of a movement sequence within the home, it is typically quieter and more tranquil. Its placement within the spatial hierarchy significantly influences its sense of calmness and security. The hierarchical organization of spaces—moving from entrance to intermediate spaces and finally to the main living area—creates nested centers that enhance privacy and security. The best condition arises when a room is situated at the farthest end of the spatial sequence, providing a peaceful place reached after passing through the home. Greater ease of wayfinding increases environmental legibility and reduces fear and anxiety. Alongside legibility, social cohesion, physical form, and economic conditions are key elements influencing security. Increased density can have both positive and negative effects: while concentration of visitors may create potential disturbances, it can also enhance surveillance and social control over deviant behavior (20).

### *Quality of Life*

Today, improving quality of life constitutes the primary objective of all planning efforts. The concept of quality of life emerged in the literature of social development planning and modern economic debates and gained prominence in European countries during the 1960s. In advanced societies, it is often associated with or synonymous with concepts such as general welfare, social welfare, and social security. Over the past three decades, quality of life as a central development objective has shaped policymaking in many countries. Improving quality of life in specific places or for particular groups has consistently been a central concern of planners, and it remains one of the most important objectives of public policy (17).

Over the past fifty years, Iran has demonstrated considerable effort in addressing and emphasizing various quality-of-life indicators. Since the establishment of the development planning system within the framework of the Plan and Budget Organization, expanding social welfare and promoting human development have constituted the core mission of national development programs. Enhancing living standards and ensuring social justice have been central to post-revolutionary development policies. For every individual, housing represents the third fundamental need after food and clothing. Housing not only fulfills a vital necessity but also constitutes a major economic activity with extensive repercussions for other dimensions of social life (10).

Quality of life is a broad and multifaceted concept with diverse meanings. Some define it as the livability of a region; others view it as a measure of attractiveness, public welfare, social well-being, happiness, and satisfaction.

It is inherently subjective and multidimensional, reflecting individuals' perceptions of their position in life within their cultural and value systems and in relation to their goals, expectations, and standards (17).

Today, quality of life cannot be reduced solely to material well-being; a distinction must be drawn between a desirable life and a prosperous life. A desirable life is grounded in human and social values, whereas a prosperous life primarily emphasizes indicators such as economic income growth (19).

Understanding the domains of quality of life remains a central issue in quality-of-life discourse, and scholars have proposed various dimensions in this regard. Housing indicators constitute among the most important and key tools in housing planning, as their examination provides insight into housing characteristics and facilitates the identification of influential parameters, thereby enabling sound decision-making and planning in the housing sector (21).

### *Different Perspectives on the Extent of Government Intervention in Housing Provision*

The broad scope of housing has led various academic disciplines to examine it in different ways, and scholars in each field have articulated distinct theories about it. In this section, different scientific viewpoints concerning the significance of, and the problem of, housing provision are reviewed.

### The Planned-Economy Approach to Housing

Under this policy orientation, profit is set aside as the main driver and objective of activities in the housing sector. The housing sector becomes an inseparable component of the general system of economic planning and management and follows overarching socio-economic development goals. The government intervenes in economic activities through various forms and instruments, both in the construction of new housing units and in the management of the existing housing stock. Under this approach, the administration of urban land is placed under government authority, because individuals are assumed to pursue their own interests more than social justice. Therefore, a careful examination of the housing production situation and the allocation mechanisms in these societies depends on their socio-economic conditions as well as their goals and plans. In countries with planned economies, governments tend to emphasize quantity rather than the qualitative dimensions of housing units. The economy in centrally administered systems is guided through state-led planning, and the government plays the roles of planner, designer, contractor, and investor (17). In these countries, housing provision without government support is not feasible; state intervention reduces quantitative and qualitative inequalities in housing and supportive urban services. In such societies, the consumer may have financial willingness and demand, but lacks sufficient credit to purchase housing. Moreover, in these (socialist) systems, housing units are typically state-owned and rented to households. In developing countries, urban population growth driven by migration increases housing demand in a manner that the private sector alone cannot resolve, requiring government intervention and the stimulation of other private and cooperative sectors. The government can provide the legal and administrative prerequisites for private-sector participation in the market (8).

### The Credit-Policy Approach

In the housing sector, because the cost of producing a housing unit or purchasing one is relatively high, the provision of government credit can contribute to expanding activity in the sector; in other words, housing supply

and/or the stimulation of demand requires government “shocks” to this sector. Such shocks can be delivered through economic policies, among which government credit policies are particularly relevant (22).

The most important credit-policy instruments used across countries include housing finance policies, incentives to encourage household saving for housing, the issuance of bonds, policies to attract private-sector credit, and tax incentive policies (10).

### *Housing Finance Policy*

Housing finance policies have been implemented in nearly all countries to prevent downturns in the housing sector; however, in some countries they have been applied as a continuous process, whereas in others they have been implemented as short-term, targeted measures. Mortgage savings-and-loan institutions represent important financing sources for housing provision in many countries. The first mortgage savings-and-loan institution in England began as a cooperative entity known as a building society. Using members’ savings—and, in some cases, external financial support—it provided housing for its members. These institutions are credit organizations that also engage in construction operations and are considered among the major sources of housing finance (6).

### Incentivizing the Mobilization of Household Savings for Housing

One measure used by governments to expand the credit available for housing loans is to pay incentive interest to depositors in banks and specialized housing institutions in order to increase savings volumes and, consequently, lending capacity. By paying additional interest from public budgets, governments can reduce the effective cost of funds and expand mobilized financial resources for mortgage lending. One country that has used this policy is France, which paid incentive interest to holders of housing savings accounts and requested that banks commit to allocating all mobilized deposits—after netting relevant items—to housing loans and the purchase of housing bonds (13).

### Issuance of Bonds

Another method used by some countries to mobilize private-sector credit has been the issuance of housing bonds. France began issuing housing bonds in 1877 (7).

#### 2.7.3. Policies to Attract Private-Sector Credit

Another credit-related policy is the attraction of private-sector credit, which has been applied in certain countries. In Germany, credit institutions have been required to allocate a share of their funds to the construction of housing units at an interest rate not exceeding 6 percent (12).

### Tax Incentive Policies

The use of tax incentives is another tool that can reduce housing costs and has been applied in some countries. In Germany, tax advantages for those who purchase or construct housing units have been provided in the form of income tax relief. In addition, special tax exemptions are considered for future homebuyers, implemented through savings contracts with private financial institutions (4).

## Findings

### *The Launch of the Mehr Housing Plan in the Context of the Fifth Development Period: The Fourth Development Plan (2005–2010)*

#### Housing-Related Provisions in the Fourth Development Plan Law

Article (30) of the Fourth Development Plan Law includes several points related to the housing sector. Provisions relevant to housing provision are as follows:

(c) The Ministry of Housing and Urban Development is obliged, taking into account the reciprocal effects of the housing sector and the national economy and its balancing role in enhancing quality of life and reducing inequalities, to prepare the Comprehensive Housing Plan no later than the end of the first year of the Fourth Plan and submit it for approval by the Council of Ministers. This plan shall include the following axes with an approach grounded in sustainable development, social justice, and the empowerment of low-income groups:

1. Strengthening housing production cooperatives and charitable and non-governmental organizations active in the housing sector,
2. Integrated and coherent land management for housing provision and urban and rural development within the framework of development and urban planning schemes,
3. Establishing a secondary mortgage market based on legal provisions approved by the Islamic Consultative Assembly,
4. Increasing the share of mass construction to three times the performance achieved under the Third Plan,
5. Expanding the housing capital market and adopting the necessary measures to secure capital for the sector.

(d) In implementation of Principle (31) of the Constitution of the Islamic Republic of Iran, the government is obliged to undertake the following measures:

1. Supporting the creation and use of participatory formations, associations, and charitable housing-builder groups for vulnerable groups,
2. Encouraging and promoting foreign investment in the housing sector,
3. Providing subsidies for the service fees of housing facilities to builders (private, cooperative, and public sectors) of low-cost and rental housing units, within approved rules and standards, in small and medium-sized cities and all villages nationwide for low-income groups, workers, employees, and female-headed households,
4. Increasing the rural housing improvement index to twice the performance of this index in the Third Plan,
5. Introducing stepwise repayment for bank loan installments in the housing sector,
6. Providing credit and technical assistance for the retrofitting and renovation of rural housing, and supporting the establishment of workshops for the production and supply of construction materials and technical service providers.

(e) The Ministry of Housing and Urban Development is permitted, for the purpose of implementing the rental law, compensated transfers up to the ownership threshold, and other development projects, to purchase suitable properties needed in deteriorated and inadequate urban fabrics at the current expert-assessed price.

(f) The Ministry of Housing and Urban Development is permitted, to finance part of the required credits for implementing the law on “Encouraging the Supply and Construction of Rental Housing Units” approved on June 13,

1998, to sell urban lands under its ownership at current prices through auction, not below the current expert-assessed price.

For the first time in the post-revolutionary period, the Fourth Plan and the Comprehensive Housing Plan—one of its most important initiatives—treated housing as an integrated system, in spatial and coherent terms, and in relation to other sectors—an approach that has remained largely exceptional in subsequent plans as well. This plan was prepared by the end of the first year of the Fourth Plan to promote balance in the national economy, enhance quality of life, and reduce inequalities. The distinguishing feature of the Fourth Plan lies in its emphasis on planning through the preparation of a comprehensive plan and the specification of its main axes—an approach that may be understood as a transition from ad hoc policies toward future-oriented and long-term comprehensive planning in the housing sector.

In the Comprehensive Housing Plan, strategic orientations emphasize a more active role for the government in the market. The plan calls on the state to impose a tax on land-holding gains in Iran. At the same time, it proposes policies such as leasing state lands, properly identifying low-income target groups and allocating land to them through a systematic mechanism, and creating a land bank. In addition, regarding subsidy reforms, it proposes establishing a financial fund alongside micro-mortgage funds, or allocating taxes through a systematic social security mechanism that covers all low-income groups. In 2007, the government decided to act to contain the growing housing price crisis, and for the first time in annual budgets, a special note was devoted to “housing and its organization.”

Under Note “6” of the 2007 Budget Law, low-income groups were supported through a 99-year usufruct arrangement and a five-year rental model under the Mehr Housing scheme to enable homeownership. The most important feature of the 99-year leasehold land scheme was the elimination of land price from the final cost. This policy, known as the “zero-land policy,” sought to create purchasing power for low-income groups by reducing a major component of housing prices. However, it should be noted that zero-priced land produced two different effects that conflicted with the initial objectives of the Mehr Housing policy:

First, for lands located within the urban boundary with access to urban infrastructure, it reduced total housing costs and generated significant gains for Mehr Housing registrants. This gain incentivized initial beneficiaries to sell their units at market prices and, by purchasing or renting in lower-status neighborhoods, benefit from the resulting profit.

Second, for lands located outside the urban boundary, whose low value stemmed from the inability to obtain construction permits and the lack of infrastructure access, the government was compelled to separately bear the costs of extending infrastructure (roads, water, electricity, gas, and telecommunications) to these lands. These costs later manifested as part of the government’s budget deficit. Moreover, the lack of infrastructure sharply reduced residents’ willingness to occupy these units.

Overall, the most important feature of the Fourth Development Plan can be described as its logical order and continuity, which distinguished it from prior plans. The housing-sector approach in this plan sought to create balance in access to adequate housing among social groups and across different regions of the country. Among its main objectives were providing housing for low-income households, housing for youth and female-headed households, upgrading construction technology, industrializing construction, and standardizing building materials. The preparation of the Comprehensive Housing Plan in nine axes and 55 operational programs, the adoption of the law on organizing and supporting housing production and supply, and the large-scale implementation of a long-term

99-year leasehold land allocation program (Mehr Housing) were among the key policies implemented during the Fourth Plan. This period may be considered the most continuous phase of planning efforts to organize the housing market through the Comprehensive Housing Plan and the law supporting housing supply and production. Social justice, sustainable development, efficiency enhancement, empowerment, improved market performance, inflation control, and housing production aligned with household purchasing capacity were among the housing policymaking objectives of the Fourth Plan. The Mehr Housing plan was regarded as a step toward land-related social justice in Iran, aiming—through the elimination of land price from construction costs and the allocation of free land to applicants—to enable this social stratum to obtain housing and to generate hope for homeownership among low-income groups.

In its first phase, Mehr Housing projects were largely implemented through cooperative companies under the supervision of the Ministry of Cooperatives, and the Ministry of Roads and Urban Development (formerly the Ministry of Housing and Urban Development) did not play a substantial role. However, some cooperatives generated problems that caused many projects to stall midway. First, the lack of expertise among some cooperatives in housing; second, financial misconduct by some cooperative managers; and third, the absence of adequate technical and financial government oversight led the government to pursue implementation subsequently through the Ministry of Roads and Urban Development.

In the second phase, Mehr Housing projects were defined and implemented through tripartite memoranda of understanding as well as self-funded ownership projects. In tripartite MOUs, land was provided by the government, and contracts were concluded among the provincial General Directorate of Roads and Urban Development, the operating bank, and the contractor (government/bank/contractor). The advantage of these MOUs was full governmental oversight of the contractor's construction process, but their main weakness was the lack of flexibility in the face of construction-material inflation and rising construction costs. In other words, inflation during 2011–2013 caused many of these projects to halt, because the contractor no longer had the financial capacity to complete construction and the government could not collect additional funds from registrants. Accordingly, the outcomes of tripartite MOUs can be divided into two categories:

1. Successful government-led Mehr Housing projects: projects completed in a short period (approximately two years) and not affected by inflationary pressures;
2. Unsuccessful government-led Mehr Housing projects: projects that became prolonged and failed to pass through the 2011–2013 inflationary period. The completion of these projects continued under the Eleventh and Twelfth administrations as well, albeit at higher cost and lower quality.

On the other hand, due to the shortage of state-owned lands, the government provided facilities to the private sector so that privately owned land could also be used to advance the Mehr Housing policy. Self-funded ownership projects were the result of this governmental approach. Accordingly, the private sector (either as an investor or as a cooperative) provided land for Mehr Housing, obtained construction permits more easily from the government, and also utilized banking facilities. These projects had greater flexibility against price fluctuations, because the investor or cooperative could request additional funds from registrants when construction costs increased. These projects also generally exhibited acceptable construction quality, and unlike experiences in some new towns (which resulted in vacant units for sale or rent), a substantial share of these units were used for owner-occupancy. This segment played an important role in moderating housing prices and rents.

*Review of the Sixth Period: The Fifth Development Plan (2011–2016)*

Housing-Related Provisions in the Fifth Development Plan Law

Articles (171) and (176) of the Fifth Development Plan Law include provisions concerning the housing sector. The provisions relevant to housing provision are as follows.

Article (171) — The Ministry of Housing and Urban Development and municipalities are required, by adopting incentive policies and within the framework of the law supporting the revitalization of deteriorated urban fabrics, to support non-governmental sector actions aimed at the rehabilitation and reconstruction of deteriorated fabrics, within the approved budget.

The Ministry of Housing and Urban Development and municipalities are required, each year throughout the Plan, to rehabilitate and reconstruct at least ten percent (10%) of deteriorated urban fabrics. The required facilities and budget shall be provided annually in the general budget upon the proposal of the Ministry of Housing and Urban Development and shall be made available to the Ministry and municipalities or to the executors of renovation projects upon municipal introduction.

Note — The government is required to allocate at least fifty percent (50%) of the resources, credits, and facilities granted to the housing sector—including Mehr Housing, youth housing, housing for the needy, and similar schemes—to the implementation of the aforementioned projects within the boundaries of deteriorated urban fabrics.

Article (176) — The Ministry of Housing and Urban Development (National Land and Housing Organization) is required, in order to secure the financial resources needed for paying compensations for ownership quotas (whether barren land or otherwise) and for purchasing lands required for implementing housing projects—especially housing for young couples and low-income groups—to sell the urban lands under its control through auction and deposit the proceeds into the account of the National Treasury as earmarked revenue, so that they may be used, within annual budgets, to achieve the aforementioned purposes.

During the Fifth Development Plan, with a change of government, a policy shift from a supply-oriented approach to a demand-oriented approach can be observed. In the early years of this Plan, the most important executive approach to low-income housing was the Mehr Housing project; however, following the change of government, this project was set aside in the provision of housing for low-income groups for various reasons. Nevertheless, no replacement program was introduced for low-income housing; instead, policy action was limited to revising the Comprehensive Housing Plan and adding five new programs to it. Over the period of the Fifth Development Plan, housing inflation increased, and ultimately the housing market entered a recession. The approaches adopted in the housing market did not, in practice, succeed in supporting the financing needs of low-income urban groups (11).

One notable aspect of this Plan is its strong emphasis on the revitalization of deteriorated urban fabrics. The Fifth National Development Plan—presented as the Plan of “Progress and Justice”—commenced with a one-year delay and was implemented at a time when many of the Fourth Development Plan’s housing objectives remained incomplete and were carried forward into the Fifth Plan. The Fifth Plan, inspired by the national Vision document and overarching system policies—particularly the Comprehensive Housing Plan—was prepared such that the macro-objectives of the Comprehensive Housing Plan, namely providing housing for low-income groups, constructing safe and durable housing, regulating the market, ensuring coordination between housing policies and spatial planning and development policies, and reducing regional inequalities in access to adequate housing, were incorporated as the Plan’s objectives. Although the Plan was not formally communicated as a unified document, for

the realization of these objectives a considerable number of strategies, executive policies, and programs were developed and implemented on an ad hoc basis (8).

Within the Fifth Development Plan, objectives, strategies, and policies related to the provision of housing for low-income urban groups were articulated. Under the first policy objective, emphasis was placed on providing safe, healthy, and affordable housing for households—especially low-income groups—through rental housing (social housing). However, prevailing national economic conditions—particularly housing inflation and its higher rate relative to general inflation—caused demand, from an economic standpoint, to shift toward owner-occupied housing. To critically assess housing provision policies for low-income urban groups in the Fifth Development Plan, three indicators were used: (1) the share of housing costs in the household expenditure basket; (2) the housing access cost indicator; and (3) the household density (crowding) indicator within housing units (10).

In examining the indicator of housing costs within the household expenditure basket, the trend for all urban regions exhibited both upward and downward movements, but ultimately showed an increase in 2015. This indicator is also influenced by the inflation rate in the housing market. Reviewing the housing-cost share for the lowest four deciles of society during 2009–2013 indicates a declining trend compared to the preceding period, attributed in the text to the implementation of the Mehr Housing plan; however, this share increased again in 2014 and 2015. It appears that fluctuations in land prices, rather than the implementation of the Mehr Housing plan itself, constituted a major factor in this trend. Notably, with a decline in the average value of one square meter of residential land in 2014, the rising trend in the housing-cost share became less steep. Accordingly, the most important factor behind the increase in housing costs within the household expenditure basket was the rise in land prices, which—through municipal density-selling practices and the relaxation of land policies by the government—reduced the real yield of housing loans and increased the final cost of housing. The outcome was an increase in the housing-cost share among low-income groups. By income-decile disaggregation, the greatest reduction in the housing-cost share during 2011–2015 occurred in the first decile, with an approximate 5 percent decrease.

With the formation of the Eleventh Administration and during the final two years of the Fifth Plan, it became evident that the implemented housing policies were associated with a reduced share of housing costs for low-income groups in the market; however, recessionary conditions in the housing market may also have contributed to this outcome.

Regarding the housing access cost indicator, official statistics suggest that the waiting time for homeownership in the country decreased relative to 2013; under the influence of nominal apartment price stability in 2013 and 2014, the housing access indicator declined from 12.2 years to 11.8 years. This can be attributed to the deflation of the housing price bubble in 2014 and the relative stability of nominal prices in that year. Household economic capacity increased due to higher ceilings for purchase loans, resulting in a four-month reduction in housing access cost. In 2015, this reduction amounted to five months. Consequently, the waiting-period indicator also exhibited a downward trend. Overall, the national average housing access indicator was 8 years in 2005 and reached 10.3 years in 2015, whereas the globally ideal benchmark for the housing access indicator is, on average, five years. Therefore, in 2015, if an individual saved one-third of their income, they would need to wait 31 years to purchase housing. However, this situation is markedly different for low-income groups (the lowest four deciles). For these groups, the housing access indicator—assuming a person saves their entire income—was 32 years, which becomes 96 years under the usual assumption of saving one-third of income. In 2014, the housing access indicator for the lowest four deciles was 96 years, indicating a critical condition for this indicator.

Another indicator examined to assess the Fifth Development Plan is the indicator of household crowding in housing units. The household crowding rate in housing units—which indicates apartment shortage in the country—declined from 1.05 in 2013 to 1.04 in 2015; this indicator was 1.06 in 2011. Accordingly, the housing-unit deficit relative to households decreased by 4 percent. Moreover, the indicator of persons per housing unit has shown an improving trend across different census periods. In 2011, the persons-per-unit density was 3.8, and by 2016 it decreased by 0.3 to 3.5. This reduction is expected given declines in household size and population growth.

### *Review of the Seventh Period: The Sixth Development Plan (2017–2021)*

In the Sixth Development Plan Law, greater attention was paid to housing provision in urban areas. Under subparagraph “(c)” of Article (80), the government was required to draft a social housing provision program alongside the supportive program. Subparagraph “(b)” of Article (59) also introduced quantitative targeting intended to facilitate the construction or purchase of housing for low-income groups in both rural and urban areas. Given that drafting the Seventh Development Plan Law is forthcoming, it is necessary to evaluate and diagnose the performance of relevant provisions in previous development-plan laws. Accordingly, this section presents an assessment of the performance of supportive housing policies for low-income groups under the Sixth Development Plan Law.

#### Performance of Subparagraph “(b)” of Article (59) of the Sixth Development Plan Law

##### Subparagraph “(b)” of Article (59) of the Sixth Development Plan Law

In order to reduce the vulnerability of rural settlements (with the aim of improving and renovating rural housing) and also to provide housing for low-income urban groups (in small towns), the government is required—through annual budgets during the implementation of the Plan—to provide financial resources, low-cost facilities, and the necessary land, and to undertake the following measures through the Housing Foundation of the Islamic Revolution:

1. Annual improvement and renovation of at least 200,000 rural housing units by providing low-cost facilities with a five percent (5%) service fee and financing the interest-rate differential for the civil partnership period and the installment-sale period.
2. Provision of financial resources, low-cost facilities, and the land required to support the annual construction or purchase of at least 150,000 housing units for low-income groups in cities (with priority given to cities with a population under 100,000).

The Rural Housing Improvement Plan was initiated in 1995 by the Housing Foundation of the Islamic Revolution to improve the quality of rural housing and rural fabric and to raise levels of safety, hygiene, welfare, and comfort in rural housing. Strengthening place attachment, maintaining household population density, improving the visual appearance and landscape of villages, retrofitting housing, and, consequently, improving rural living conditions have been cited as the main objectives of this plan.

Under this plan, the Housing Foundation bears the primary responsibility for financing approximately 50 to 60 percent of construction costs for applicants. Until 2021, the full repayment period for these facilities was 15 years; from 2021 onward, a 20-year repayment period has been applied. Repayment is structured such that 24 months of the total repayment period is treated as the civil partnership phase, and the remainder is the installment-sale phase. If an applicant requires an extension of the partnership phase to complete the housing unit, this period may be extended up to 36 months; however, the installment-sale phase becomes shorter so that the overall repayment period is completed within the approved term (for example, 20 years).

Clause “1” of Subparagraph “(b)” of Article (59) of the Sixth Development Plan Law again emphasized the quantitative target of constructing at least 200,000 rural housing units annually. Accordingly, the Housing Foundation was required each year—by calculating the average cost of constructing a rural housing unit—to estimate the required volume of facilities and submit a proposal (as a draft Cabinet resolution) to the Plan and Budget Organization.

To prevent the diversion of resources under this plan, facilities are disbursed in several installments and conditional on construction progress, and the Housing Foundation provides the first tranche after confirming the project’s “pīkanī” (as stated in the source text). In addition to co-financing construction, preparation of design drawings, supervision, and the provision of technical services are among the other actions undertaken by the Housing Foundation under this plan.

### *The Housing Sector in the Sixth National Development Plan (2017–2021)*

Because less than one year had elapsed from the start of the Sixth National Development Plan, evaluating and critically assessing its performance was considered difficult and unproductive; however, the Plan’s policy orientation remains open to critique and evaluation. Under this Plan, the government’s approach in the housing sector shifted from the supply-oriented policy of the previous administration to a demand-oriented policy. In other words, during the Sixth Plan, the government set demand-side priorities in housing across four axes:

- Residents of deteriorated fabrics;
- Residents of informal/self-built settlements;
- First-time homebuyers;
- Low-income groups.

The government’s approach toward residents of deteriorated fabrics is framed as neighborhood-scale urban regeneration. Accordingly, providing bank facilities with an 8 percent interest rate to residents of deteriorated fabrics and establishing an “Urban Regeneration Headquarters” in the capital, provincial centers, and counties were placed on the agenda. The government’s approach to first-time homebuyer housing was the “First Home Savings Fund” scheme. In 2017, according to the plan’s statistics, more than 220,000 households used this scheme and saved through it. However, the central question is the extent to which this fund can improve the housing situation of the lower deciles of society. This fund has primarily targeted the middle deciles, and ultimately may provide suitable facilities to salaried employees.

With respect to low-income groups, the text argues that the Plan repeated an incorrect policy from the past. Under Article 73 of the Sixth Plan Law, the provision of financial resources, low-cost facilities, and land for low-income groups repeats outcomes observed in earlier land-allocation experiences in large cities—especially metropolises—which reportedly did not yield results other than increasing housing problems and failing to resolve low-income housing provision. Moreover, this approach is characterized as contrary to the government’s demand-oriented approach and neighborhood-scale urban regeneration; accordingly, the failed land-allocation experience should not be repeated. The text further states that such an approach contradicts the successful global approach (the empowerment approach) in addressing the lower deciles of society.

Under Article 78 of the Sixth Plan Law, emphasis was placed—toward achieving social justice and supporting vulnerable groups—on creating housing for those in need (social and supportive housing). The quantitative target of this clause at the end of 2016 was around 77,000 units, which was supposed to reach about 96,000 units by the

2021 horizon. Given the lack of a clear policy by the Twelfth Administration in this area, it is unclear whether the social/supportive housing plan could achieve its quantitative targets. The text notes that, alongside opposition to Mehr Housing due to social issues (such as treating humans as commodities and building warehouse-like houses for human storage) and economic issues, the Twelfth Administration introduced a new “Omid Housing” scheme for insured workers under the Social Security system; however, to date no clear and transparent program has been presented regarding the framework, conditions, rules, and target groups of the Omid Housing scheme.

The objectives, policies, and strategies defined in the Sixth Development Plan are described in the text as more extensive than in other prepared plans. In the housing and settlement sector, five general objectives, 11 strategies, and 15 policies were defined. However, under national economic conditions, one of the key problems is the financing of these programs. The text identifies major challenges that create serious financing constraints, including low oil revenues, weakness of the primary capital market for mobilizing investment resources by the private and public sectors, insufficient capital and the involvement of many banks in enterprise holding activities, economic recession, housing-sector recession, and reduced aggregate demand in the domestic market. The combination of these factors is described as creating a major challenge for achieving the Plan’s quantitative targets. The adoption of a top-down plan labeled “resistance economy” is also noted as having taken shape in this context, which may in some respects lead to parallelism in policy and implementation.

**Table 2. Programs and Policy Objectives of the Sixth Development Plan in the Housing Sector (2017–2021)**

Policy Objectives	Programs
Annual revitalization, improvement, renovation, strengthening, and urban regeneration of at least 270 neighborhoods within the framework of approved studies by the National Urban Regeneration Headquarters (including inefficient, historical, informal, and marginal settlements), and enhancement of access to services and infrastructure with a neighborhood-based approach	Organization and support of housing production and supply
Annual improvement and renovation of at least 200,000 rural housing units through the provision of low-interest facilities with a 5% interest rate	Strengthening of buildings and reform of consumption patterns, particularly energy consumption, in the building and housing sector
Provision of financial resources, low-interest facilities, and required land to assist in the annual construction or purchase of at least 150,000 housing units for low-income groups in urban areas (with priority given to cities with populations under 100,000)	Identification of priority areas in need of renovation within deteriorated urban fabrics and classification of projects located in these areas
Provision of required resources for the completion of Mehr Housing projects without commitment to constructing new units	Improvement of sustainable environmental conditions for residents of informal settlements and prevention of the formation of new unauthorized settlements

## Conclusion

Although the performance of executive agencies in achieving the objectives of development plans is open to evaluation, in recent years high inflation and instability in key macroeconomic variables have been the most significant obstacles to policymaking in this area. The price per square meter of housing in Tehran in December 2022 increased by more than 844% compared with the same month five years earlier (December 2017). Likewise, for urban households overall, the housing price index in December 2022 rose by about 247% relative to December 2017, while over the same period the overall price index for urban households increased by 403%. Therefore, one necessary condition for the effectiveness of housing-sector policies is inflation control. Accordingly, large-scale housing construction projects that do not account for sustainable financing sources will intensify the government’s

budget deficit and fuel inflation, thereby making households' access—especially that of low-income groups—to adequate housing even more difficult.

Moreover, limiting supportive housing programs solely to housing construction is among the reasons for weak performance in this domain. The high costs of land and constructing a housing unit—particularly in urban areas—mean that related credits and subsidies reach only a small segment of the target population. In addition, constructing housing and transferring full ownership to the end user increases incentives for resale and speculative activity, and may allow individuals outside the intended target groups—driven by profit motives—to enter the queue for receiving these facilities. By contrast, other global experiences in financing housing for disadvantaged groups—beyond direct construction—exist, such as rent-deposit assistance and social rental housing, which warrant study and assessment.

Finally, the substantial gap between the achieved performance of legal provisions and their quantitative targets indicates that the quantitative target-setting has been unrealistic. Therefore, the relevant provisions should be drafted in a way that, while taking into account the government's financial resource constraints, leverages existing construction capacity and preserves diversity in supportive housing programs, so that a significant share of low-income groups can benefit from the associated facilities. Clearly, successful policymaking in this field requires, as a first step, controlling inflation and stabilizing the economy.

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### **Authors' Contributions**

All authors equally contributed to this study.

### **Declaration of Interest**

The authors of this article declared no conflict of interest.

### **Ethical Considerations**

All ethical principles were adhered in conducting and writing this article.

### **Transparency of Data**

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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