

2. Using vacant private property to produce affordable housing

This series of articles provides a summary of the discussions held with the *Yes, We Rent!* Advisory Council on how to consolidate and build on the projects' legacy in Mataró.

***Yes, We Rent!* seeks to address two connected problems: people without flats and flats without people.**

Many people in Mataró struggle to find affordable rental housing, while a significant number of flats lie long-term vacant. The project's hypothesis is that there are two principal reasons why property owners –and individual landlords in particular– leave their flats off the market: firstly, they cannot afford the necessary renovation works, and secondly, they are anxious about the reliability of tenants, and concerned about the risk of rental payment defaults.

With this in mind, *Yes, We Rent!* proposes an incentive package for property owners in the way of subsidies for renovation works, and the management of rental payments. In return landlords must cede their flats to the city's *Yes, We Rent!* affordable housing scheme for a period of 5 years. Owners receive a guaranteed rental income that is typically 20% below the rental index. This shortfall is compensated, however, through the subsidies and other services landlords receive.

Owner incentives provided by *Yes, We Rent!*

- subsidies for renovation of up to € 18,000
- a guaranteed rent income (20% below official rent index price) for the entire duration of the contract with the city hall
- a reduction of up to 70% on local property tax
- technical and legal advice on how to bring the flat up to the necessary standards
- practical support with the renovation project

In this way, *Yes, We Rent!* has mobilised 61 flats for the affordable housing scheme. The properties were initially managed and allocated by the municipality, and later transferred to the tenants' cooperative "Bloc Cooperatiu" once it had been created. "Bloc Cooperatiu" was formed, as part of the project, by citizens and with the support of the city council and the project partner, Fundació Unió de Cooperadors. The cooperative will continue to be responsible for the scheme's management and growth beyond *Yes, We Rent!*'s EU-funded pilot phase. In order for the scheme to be sustainable, a viability plan estimates that 18 new flats are required per year, to feed into the cooperative's own funds and compensate for the properties that landlords may withdraw from the scheme as their 5 year commitment period comes to its end.

Other initiatives exist in Mataró to mobilise private homes, namely the Rent intermediation scheme "Borsa de lloguer", managed by the city's public housing company to increase the social housing offers; and the Catalan programme "Reallotgem.cat" for emergency re-housing. The bet of the *Yes, We Rent!* initiative is, however, that the direct involvement of citizens in the mobilisation of housing for social purposes can be more efficient and more sustainable.

"I think that Yes, We Rent! is a very valuable project at two levels. First of all, we are in a city that has a housing stock that could be used better for people in need. The other aspect is that by mobilising vacant homes the project shows that there are more options than just the old rental scheme where if you cannot afford it you will become dependent on individual social assistance; and the classic home ownership model in which you run the risk of losing your home if you cannot afford the mortgage."

Michaela Kauer, City of Vienna

The potential of unused flats to create affordable rental housing

Using structurally vacant flats as a resource for affordable housing has been promoted, among others, by FEANTSA (FEANTSA & Fondation Abbé Pierre. 2016). The advantage of this model is that it demands less public investment and less time than building up new affordable housing stock.

The potential that structurally vacant housing represents for such purposes is notoriously difficult to estimate. It varies significantly between national and

local contexts and in particular between more peripheral and metropolitan areas (OECD 2020). In Barcelona, for instance, the National Statistics Institute had estimated, based on census data, a rate of almost 11% of unoccupied flats in 2011. A local survey conducted by the city some years later, however, led to an estimate that was about nine times lower, at 1.2% of the total stock.

In Mataró, *Yes, We Rent!* provided the City Council with resources to go from door to door to check the initial hypothesis about vacancies and the potential to transform vacant properties into affordable housing. As was the case in Barcelona, the field studies found that there were fewer vacant flats than initially expected, at around 2,700 units. What is more, many of these flats could not be used immediately to generate affordable housing. This was due firstly to the fact that some flats were vacant because of a lack of permits or a complicated ownership structure. Secondly, the number of structurally vacant flats owned by corporate owners (e.g. real estate companies or "bad banks" created after the financial crisis) played a much bigger role in Mataró's housing vacancies than initially suspected. These institutions could not be convinced to cooperate through the incentives conceived primarily to draw small private owners into the project. In this situation, the *Yes We Rent!* team introduced additional "negative incentives", reminding owners that sanctions could be applied by the municipality for flats that remain off the market for more than 2 years.

In addition to the door to door surveys, huge communication efforts were made locally, including advertising on municipal buses and in newspapers, signposting the project's website www.mataro.cat/sites/lloguem.

“The most common problem of initiatives like Yes, We Rent! is to identify landlords who are willing to rent homes through this system, especially in situations where the market is basically going up. And then it's difficult to secure the flats over a long period of time, because once there's a possibility on the market to increase the rents it is hard to convince people to stay in this system, which has maybe lower returns, although they are very secure over time.”

Alice Pittini, Housing Europe

The volatility challenge

Using structurally vacant flats to provide affordable housing has made the process of building the scheme relatively quick. However, owners are only obliged to cede their flat for five years. After this period, the scheme must operate based on a “floating” or revolving housing stock and may face problems with volatility. The scheme's long-term positive impact on housing affordability then depends largely on its capacity to convince owners to stay with the scheme and the cooperative Bloc Cooperatiu that is managing it, once the contractually fixed period of cession has come to an end. Given that the high monetary incentives provided during the EU-funded pilot phase probably cannot be maintained in the long term, the initiative has a particular interest in engaging with the sorts of property owners who prioritize objectives such as peace of mind in the management of their property or social values (such as making a contribution to the local community) over maximizing their financial gain.

“We especially have a lot of elderly people who had their flats empty for a long time and who are very happy to have put them in the project, especially about not having to worry. They want stability, tranquility, that the flat is well maintained and not destroyed. We believe that this is one of the services that should be central to what the cooperative can offer.”

**Laia Carbonell, Yes We Rent
Coordinator, Mataró City Council**

Indeed, the *Yes, We Rent!* initiative has found that “not having to worry” is a motive that appears to be widespread, in particular among older people. Furthermore, the project also came across owners for whom social motives played a key role, some even ceded their flat at below-market price to the scheme without asking for subsidies for renovation (IGOP interim evaluation report, 2021).

Public rent-intermediation schemes have been building for a long time on owner-profiles that do not prioritise maximising financial benefits. The Bizigune programme, run by the Basque government since 2003, is one such example. It has raised the affordable housing stock based on private flats to more than 6,000 units today. 85% of owners keep their flats in the scheme for longer than they are obliged to – although they only receive below-market rents–, thanks to their experiences with the programme (see box on the Bizigune programme). In the Basque city of Vitoria, for instance, 543 flats are in the scheme relative to a population size that is about twice that of Mataró.

It is important to also note that Bizigune did not take over renovation costs upfront, such as *Yes We Rent!*, but only provided an interest-free loan for such works. At the same time, Bizigune

subsidises each flat at a monthly basis to bridge the gap between the (below-market) rent that the owner receives and the social housing rent that tenants pay. This amounts to an average of 55% of the rent, or 4-5000 Euros per flat/year

• **EXAMPLE OF PUBLIC RENT-INTERMEDIATION SCHEME: BIZIGUNE**

In Bizigune, the Basque public housing company acquires the usage rights of vacant flats for 6 years for up to 650 Euros a month to rent it out to eligible tenants whose rent is capped at 30% of the household income. The owner incentives offered by Bizigune are very similar to those of Yes We Rent:

- guaranteed rent income during the period of cession
- energy certification, technical report on the flat to be ceded (renovation needs etc) and support with renovation plan
- interest-free loan for renovation costs, which can be paid back through rent income
- management of rent and utility bills
- multi-risk home insurance
- flat maintenance
- reduction of property tax of up to 50%

(Observatorio Vasco de la Vivienda 2020, Informe de Evaluación del Programa Bizigune).

Strategic focus on less profit-oriented owners

Some experiences with public rent-intermediation illustrate the potential risk of financially over-incentivising the temporary cession of flats and point to the need to get the balance right between monetary and non-monetary incentives. As the case of Brussels shows (see Box), a dramatic housing market situation may lead public authorities to subsidise the temporary provision of affordable housing by private agents at a price that would have allowed building up a public affordable housing stock in

the long-term, and without having the positive effect of *Yes, We Rent!* to build capacity within civil society to promote and manage affordable housing.

EXAMPLES OF SOCIAL RENTAL AGENCIES: THE BRUSSELS CASE

Brussels region was one of the first public authorities to set up a public policy framework for Social Rental Agencies in which owners receive subsidies and fiscal advantages for putting their flat into an affordable housing scheme. The policy became so popular that the government had to put a freeze on new flats entering the scheme (in 2019 24 Social Rental Agencies were managing 5,500 flats in BXL). In fact, profit-oriented companies developed real estate products based on the scheme that offered private investors the opportunity to put properties into rent intermediation –typically for a 15 year period– against a stable and guaranteed rental income (and tax advantages) which are only 20% below the return on investment on the normal market, but without risks such as the non-payment of rents that the latter would imply. As a study by a local right-to-housing coalition RBDH shows (Rassemblement pour le Droit à l'Habitat 2019), the problem of this subsidy system is that the public spending for creating (temporary) social housing via social renting agencies and rent intermediation are only slightly below those of the construction of permanent social housing (according to calculations made in the study €5280 vs €6435 per flat, per year), while only achieving a temporary control over the flats.

The experience with *Yes, We Rent!* so far suggests that there is still scope to develop further the non-economic incentives and to reach more owner who are not primarily profit-oriented.

Rassemblement pour le Droit à l'Habitat, Le privé à l'assaut du social. Du neuf pour les Agences Immobilières Sociales. Brussels 2019

“Motivating owners to participate in the initiative because of their ties to the social and solidarity economy can contribute to strengthening their commitment to the project and to the long-term sustainability of the initiative. Including the social and solidarity dimension more explicitly in the project’s communication would be a first step to consider.”

Nils Scheffler
UIA expert for *Yes, We Rent!*

“In order to fully tap into the potential of those owner-types, Bloc Cooperatiu needs to also ensure that it can provide the worry-free and professional management that for these groups is of particular importance.

The big equation of the project is: is the added value offered by the cooperative worth the reduction of the rent income?”

Albert Terrones, Housing Manager,
Mataró City Council

“I think that the key for owners to continue in the programme is the experience that they will have had in the first 5 years with Bloc Cooperatiu. If Bloc Cooperatiu can demonstrate that their management is good, fast and efficient, this will inspire confidence to owners to keep their flat within the programme, because they don’t have problems, they receive their income every month and they feel secure.”

Eduardo González de Molina Soler
Housing researcher, UPF Barcelona

Summary and outlook

- One of the main lessons to be learned from other initiatives mobilising privately owned homes for affordable housing is that **economic subsidies are not equally important for all owner types** and need to be carefully balanced out with other incentives. Subsidies run the risks of owners opting out immediately when the support ends and can run up public spending that comes close to the price of building new social housing. The financial support then could be continued but scaled down to a form of support in access to credit or reductions of housing taxes, as in the Bizigune programme.
- *Yes, We Rent!* has shown the potential of support that helps owners to overcome financial obstacles, but at the same time highlighted the attractiveness other benefits such as piece of mind, security, and a social purpose, which the cooperative together with the city hall can develop further in the management of the affordable housing scheme.
- It seems therefore plausible for the tenants cooperative not to try to convince the most profit-oriented owners on the local market with financial subsidies, but instead focus

cooperative should This on gaining the long-term loyalty of owners with a less developed profit-maximising logic. This means the cooperative should **focus its communication and outreach efforts on those owners who are most likely to remain loyal to the initiative** rather than trying to reach all owners of empty flats - one member of the project's advisory council called this "focusing on low-hanging fruits", and to highlight the cooperative's social objectives and community benefit in a real branding effort towards the local citizenry.

- At the same time, it has been stressed that the cooperative needs to continue to develop its **technical skills** to manage the affordable housing stock and the relationships between owners and tenants in a way that is appreciated by both sides. Efforts to mobilise further flats will remain futile if the cooperative cannot fulfill its main function towards landlords, which is to provide a professional management of their flats. But professionalisation is a long process that cannot be completed after three years, but needs ongoing support from the municipality or networks of social and cooperative housing providers. In further building up relationships with the relevant networks and federations of the social, affordable and cooperative housing sector, Bloc Cooperatiu will be able to tap deeper into knowledge exchange on the management of cooperative housing.

Yes, We Rent! Advisory Council

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