Key players in the Social and Affordable Housing provision in Italy
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ABSTRACT

The question discussed in this paper is to what extent the so-called Third sector (not-for profit and limited profit) and the private operators can become effective partners for addressing the issue of housing needs. Housing demand in Italy has transformed over time, becoming more complex and diversified and is currently characterized by the presence of “atypical” housing demand (strong increase in singles, single-parent families, immigrants, temporary workers, off-campus students and others) and the extension of the housing emergencies into intermediate segments of the population who until recently were untouched by such difficulties. It is a condition stressing the need of a multidimensional approach and asking for convergent public, social and private resources.

The Cooperatives of householders’ contribute in providing housing and services has become essential in the past 50 years, since the Italian legislation offered relevant tools for the development of affordable housing (mainly for sale with limitations) and limited public social housing. The initiatives of some Bank Foundations have grown in the past 5 years in order to promote ethical investment (not free grants), and in particular, real estate funds dedicated to social housing. In both cases, the main mission is to produce and manage affordable, and, as far as possible, social housing, but in few cases, worth studying, the challenge relies in a process of community building, able to address issues of integrated accommodation needs, such as inclusion, social mix, functional mix, sense of identity and membership, playing an important role in greenfield as well as in brownfield areas.

On the other side, the private sector is being captured through negotiations and bonus incentives or by inclusionary obligations, rooted in planning tools, but its involvement arises more shadows than lights. In most recent urban practices, which will be illustrated along the paper, the overall result of public-private partnership consists mainly in the construction of housing buildings rather than in the creation of a public domain of land and properties.

The housing problem and new demand

In spite of being neglected for a great deal of time, the housing problem in Italy has come to the fore as a result of both the striking increase in the cost of residential units, especially in the large metropolitan areas, and the shortages found in rental markets, especially for low income groups, which are seriously affected by the dramatic cut backs in public funds. The current 2008 emergency in housing provision is not due to a lack of residential units. In 2001 the total amount of housing stock was over 27 million units but less than 22 million of these were occupied (almost as many as there are families). This is essentially the outcome of:

- Extremely high real estate prices that skyrocketed during the previous decade especially in metropolitan areas. A national inquiry by the Nomisma Research Centre compared average residential prices in 13 large cities and their trends in the 1994 - 2004 period. The official increase reached 150% with high peaks in Milan (3,300 Euro/square meter) Florence (2,800), Rome (2,700), Venice (3,500) – a value that is significantly underestimated since the undeclared proportion is generally 30%. Prices continued to rise...
from 2004 to 2007 with no mitigation of the impact of this on improving access to the real estate market for a larger proportion of the population;

b. Ownership largely prevails in the housing supply. Only 18% of the stock is let to tenants, a quarter of which (approximately one million units) is social housing, unevenly distributed across Italy. Compared to other European countries, the Italian anomaly is the result of fifty years of the very policies encouraging homeownership and lacking permanent support for rental and affordable houses. At local level too, urban policies overlook the issue of income distribution: 25% of families in rented accommodation earn less than 10,000 Euro/year and the rent is more than 33% of their income; while 40% of families in rented accommodation earn from 10,000 to 20,000 Euro/year and the rent takes more than 25% of their income. In recent years the rental prices have also significantly increased by 50% on average nationally, 85% in large cities, and even 200% in Rome and Milan, while salaries have remained stable.

c. Neither the central government nor the Municipalities have invested anything at all in the provision of public housing during the last 30 years. In fact, two different approaches have emerged in dealing with the housing problem since post war times. Initially the central national government financed housing policies directly (Fanfani plan; Ina Casa plan); whereas during the economic miracle (the 60’s and 70’s), the actors changed and so too did their strategies. Municipalities, supported by co-operative associations and by the Institute for Social Housing, now called Ater¹ (founded as Iacp at the beginning of the century, and primarily operating in the construction of public housing), specifically planned for social housing through Peep (Piani per Edilizia Economico Popolare), introduced by a new law in 1962 (L.167/62). The law structured 3 categories of social housing: convenzionata (with agreement), agevolata (with reduction) and sovvenzionata (subsidized). The first concerns standard shaped houses to be sold at an agreed price that covers the sole costs. The second is aimed at first time buyers who enjoy smaller loans (the difference being paid by the Administration), and are exempt from the costs of urbanization, which the Municipality pays for. The third (subsidized) involves public social housing for rent which the national government pays for through the Regions and Municipalities. Tenants are selected from a list in which economic conditions, family size, and type of employment are priority items, and there are also some cases in which a five-year residence certificate in the area is required.

d. The main aim of traditional Italian public housing policies is to deliver affordable houses for homeownership (convenzionata and agevolata i.e. with agreement and with reduction) to social groups who, though economically unable to acquire a free market residential unit, are able to repay long term mortgages because of their fixed incomes. On the other hand, not enough public housing for rent (sovvenzionata) has been provided, and with the exception of some positive experiences in Emilia – Romagna, it has produced modest neighborhoods (on the outskirts of towns and cities, hardly ever provided with an adequate public transport service, and a poor quality of life), usually obtained by expropriating the land followed by the construction and poor maintenance of buildings, largely financed by national or regional government funds. Here perceived demand for

¹ ATER Azienda Territoriale per l’Edilizia Residenziale (Territorial Agency for Residential Housing)
urban redesign is strong and recent Urban projects (subsidized by national and European funds) are moving in the direction of creating a multicentred asset.

e. In addition to the costs of both purchasing land and constructing buildings, the national budget deficit and the strong decline in public funds from regional to municipal level in recent years means the increasing cost of managing and maintaining the existing social housing has barely been met. A serious consequence has been that public property has been sold off, disregarding any welfare policies.

f. The weaker and more needy strata of the population such as the unemployed, recent immigrants, and the elderly continue to suffer the problems of living in uncomfortable and inconvenient built-up zones. Recent surveys reveal that approximately 1 million social housing units need to be built. A strong and unusual demand for a rental market also comes from metropolitan social groups composed of university students living away from home (approximately 43,000 in Milan), atypical workers with temporary contracts (officially estimated at over 10,000 in Milan in one year alone), young people between 25 and 35 years of age, and young couples with small children, categories often characterized by a precarious employment situation and a great deal of mobility within the national territory.

Undoubtedly, the need for a normative framework enacted at national level to support different targeted housing policies is a positive issue arising out of this housing situation.

Traditional operators and new actors

Traditional Key players in Social and Affording Housing provision are:
- State (expropriation for land, financing construction, managing buildings)
- Housing Cooperatives (acquisition of land, financing and building and managing) – mostly ownership (shared and not), few rental houses
- Bank Foundations (financing and managing affordable h.)
- Private sector (Inclusionary housing projects: negotiations, bonus incentives, IH obligations)

From direct interviews H. Cooperatives point out:
- their role as an anti-cyclic actor (less costs, money cash, low grants – reliable actors for banks)
- their expectations in matters like: a. land at low prices and long lease; b. incentives in order to construct and manage rent; housing – both in cash (subsides and urbanization cost; reduction) and in building rights; c. a proportion of 60% affordable houses for sale (at “sustainable” prices, below market ones) and 40% affordable houses for rent (at “sustainable” prices, below market ones); d. social houses for rent (at fixed prices) only if public investment is assured.

A new housing policy must appeal to and reorient traditional operators to innovate and produce a property from which the initial investment is repaid by rental income and other public contributions. Proposals suggested by emerging new operators are interesting but yet to be explored. They consist of promoting partnerships between:
- Municipality, Ater, banking and insurance Institutions, and *Cooperative a proprietà indivisa*\(^2\) in order to develop low rent housing units constructed at a contained cost.
- Municipalities, Universities, entrepreneurial Associations, banking Institutions, and *Cooperative a proprietà indivisa* to develop rental housing units for specific categories such as students or company temporary employees in the short to medium term, etc.

The potential strength of new emerging operators in Italy such as Real Estate Investment Companies known as SIQs, introduced in the Finance Law of 2006, and the investment opportunities offered by new instruments, such as the ethical Funds, are yet to be explored. The ethical funds are property funds aimed at social housing promoted by operators in the not-for-profit sector that were set up in Milan and Bologna a few years ago. They advance the idea of increasing the availability of residential accommodation for socially weak groups and their financial objective is a below market value return (variable 2% to 4%). Ethical funds involve three groups of operators. Firstly, the Municipalities who grant development zones to the fund, containing the cost of the land. Secondly, the investors who make resources available, and thirdly, other parties (social housing managers or Savings Institutions) which guarantee an efficient assembly process.

**New answers from recent experiences in Italian cities**

The problem of affordable housing needs new answers because enduring social housing policies demand a constant stream of public funding: the 500 million Euro included in the most recent Financial Law approved is considered to be insufficient to meet the demand, estimated at 1.2 – 1.5 billion Euro.

For many years social housing meant “public housing” but more recent laws at regional and national level address the different meaning of “affordable housing”, including private stock to be rented at varying levels of social, fixed, or reduced rates. This is the reason why during recent years the Regions and Municipalities have been experimenting with new housing policies that differ from each other in the degree to which they protect the long-term collective interest. Three approaches taken in Milan, Florence, Bologna and Rome are now explored in order to illustrate several issues currently being focussed on in the national debate.

The public response to the housing problem in Milan is composed of 60,000 public housing units while approximately 32,000 are still on the waiting list. Only 470 new public housing units were added between 1995 and 2001. The Municipality has in recent years activated a program to make a great many public zones available to private investors in order to produce houses both for sale at fixed prices and as accommodation at moderate or social rents. In order to involve private operators, the State Property Office puts these zones, which were planned to legally require social services, out to tender but no rules are introduced so that the private transformations provide for a quota of rented social housing. For example, two of the main projects underway in the city center do not contain any public provision for social housing, which is provided by private operators, all to their advantage. On the other side, in 2011, after the municipal elections, won by left wing parties, a new planning policy is being

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\(^2\) *Cooperative a proprietà indivisa*: Literally “Co-operative Associations of “unshared property”. This is a type of not-for-profit co-operative housing association for the purpose of building and buying housing units for the members. The housing units are assigned to members only in enjoyment and cannot be sold by the members since the housing units remain the property of the co-operative.
The experience of the two cities in central Italy (Bologna and Florence) is very different. A quota (around 20%) of building surface in each private transformation is permanently set aside for fixed price letting. Alternatively, the operators are allowed to transfer to the Municipality the land required for the rented accommodation and pay the corresponding cost of construction to the Municipality, who then builds the social housing itself.
While individual agreements are used in Milan, regulation applicable to all has been introduced in Florence and Bologna, and a mixture of these procedures is practiced in Rome. The Municipality in the Italian capital has acted in three different ways. Firstly, it has purchased property to meet the emergency. Secondly, it has imposed regulated agreements in all transformations so that a quota of housing is reserved for rent on the free market. Thirdly, a quota of building surface in new transformations is reserved for the Municipality and private constructors are obliged to provide a quota of their building surface (15%) in social rented accommodation or deferred sales. In some cases the private sector is obliged to agree the rent for 8 years (at a lower than market rate), with the tenants paying the social rent while the municipality is responsible for paying the remainder out of its rent funds.

These and other experiences outline new strategies, each one carried out despite the scarcity of resources, and above all, in spite of lacking a national legal framework.

The contribution of urban planning

A new housing policy is being developed in Italy that exploits various urban planning regulations and tools, such as equalization in TDR, planning gain and negotiations, linkage policies, which have recently been introduced in several municipal experiments. The diffusion of equalization programs in planning enables the Municipalities to obtain land and building rights by agreement within the private planned transformations, without recourse to expensive expropriation. This results in two basic objectives being fulfilled: a) an increase in the municipal State property, which is the main instrument of long-term planning, with the provision of free compulsory transfer of 50% – 75% of the land to be transformed; b) integration of the social housing into socially and functionally mixed new settlements in order to reinforce the twin objectives of public welfare and social cohesion.

Planning negotiations provide for the public gain of a portion of new residential units in each development or re-development in order to increase the local supply of rental housing without public funds being used. Consequently, public-private negotiation reduce the likelihood of contentious issues occurring in the future and even eliminate this possibility altogether so that a mixité³ in the variety of buildings available for social housing at affordable rents or for sale on free market results. A balanced mix of residential units for sale and for medium to long term rent is necessary not only to guarantee private investment but also to create the social complexity often missing in traditional 60’s and 70’s public housing neighborhoods.

The flexibility required to activate the various forms of social housing, involving various types of public and private operators, cannot rely on too rigid a legal framework that could negate the benefits brought about by the innovation. However, the negotiation process does require a regulatory framework in order to involve the various operators with transparency and equity (in the construction programs as well as in the management of social housing) and to solve any legal problems that may arise. Although there has been a great deal of success in practice, legal opposition from several operators has seriously affected the innovation process. This is why urban planning and legal experts prudently suggest that administrators should consider including public building rights in addition to the private ones already set out in the plans, and advise the allotment of well balanced public and private building rights in any private development.

An interesting proposal formulated in some regional laws and now enforced by a national law approved in 2007, considers social housing to be a “territorial endowment” in the public

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³ mixité - urban renewal focused on social diversity and mixed use
interest, that is, a planning tool. Social housing is de facto assimilated in urban planning standards, a compulsory provision of public areas and facilities - such as green spaces, schools, parking, health facilities, etc - expressed numerically as a ratio of 18 m² per inhabitant as established by a national Decree 4 in 1968. All urban planning instruments and related operations in Italy must comply with the ratios in these standards.

A “territorial endowment” for social housing slightly differs from an urban standard area as it is primarily located on private land or supported by private investment, whereas the mandatory standard is only applied in public owned areas. Furthermore, a “territorial endowment” is supposed to be in addition to and not a substitute for public standard areas because the new social housing itself generates a need for public spaces and services.

More caution is expected with regard to both the compulsory nature of the endowment and the ability of the municipality to sell public property in land or building rights. The proposed reservation under the national law of an additional quota of territorial endowment for social housing must be evaluated by the Regional government and locally distributed according to the intensity of the specific demand (in metropolitan areas, in university cities, and in rapidly developing zones attracting immigrants).

Since current legislation limits the opportunity to sell in zones acquired for public services, the involvement of private parties in the construction of rental accommodation must be subject to public calls for tender and these tenders must be competitive in order to ensure impartiality and guarantee the public interest.

These efforts may be found wanting if there is no suitable coherent national legislative framework to provide economic and fiscal instruments. First of all, a regulatory scheme introducing a new specific urban planning fee for all private development is required (for residential, manufacturing, tertiary, and commercial use) so that the Municipality can fund the exclusive public social housing for rent (ERS5).

More useful fiscal measures need to be approved, such as:
- partial exemption from the ICI (Municipal property tax) to encourage owners to let residential units at agreed fixed-price rents, with any sale of the property deferred for at least a decade;
- a campaign to eradicate illegal ‘under the table’ or ‘black economy’ rental contracts in the big cities that affect several categories (commuters, students, immigrants) as this is a widespread phenomenon with high social costs.

In conclusion, in order to develop varied communities, the ongoing urban regeneration process in major Italian cities must not ignore the need to improve housing conditions for which in all cases affordable housing is an effective solution.

**Italian references**


4 Decreto Ministeriale = Ministerial Decree

5 ERS = Edilizia Residenziale Sociale (affordable social housing)


International references

Calavita N., Mallach A., (2010), Inclusionary Housing in International Perspective Lincoln Institute of Land Policy

