

Barcelona

Research Topic

Analysis of recent instruments introduced by Barcelona Municipality to increase the social and affordable public housing stock in the context of the COVID crisis and prospects.

The HUT Program (Homes for Tourist Use) is a program designed by Barcelona City Council to give temporary use to accommodation that has a tourist license but that due to the impact of the pandemic caused by the coronavirus have been left without any activity and they have been empty for months.

On the one hand, the program gives an economic outlet to these accommodations that are currently furnished and empty, and with no plans to have a tourist use again in the near future. On the other hand, the City Council can thus give an immediate and more appropriate way out to families and people who are being cared for by the city's social services because they are in a situation of economic precariousness and at a time of stalemate for having suffered the loss of their home.

The accommodation provided has between 1 and 4 rooms, and meets all the necessary living requirements to ensure the needs of the families served.

The Program is attached to the Department of Dignified Use of the Private Park Directorate of the Municipal Institute of Housing and Rehabilitation (IMHAB).

Methodology

- Analysis of norms and official documents.
- Interview with technicians from IMHAB and urbanism department from Barcelona Municipality

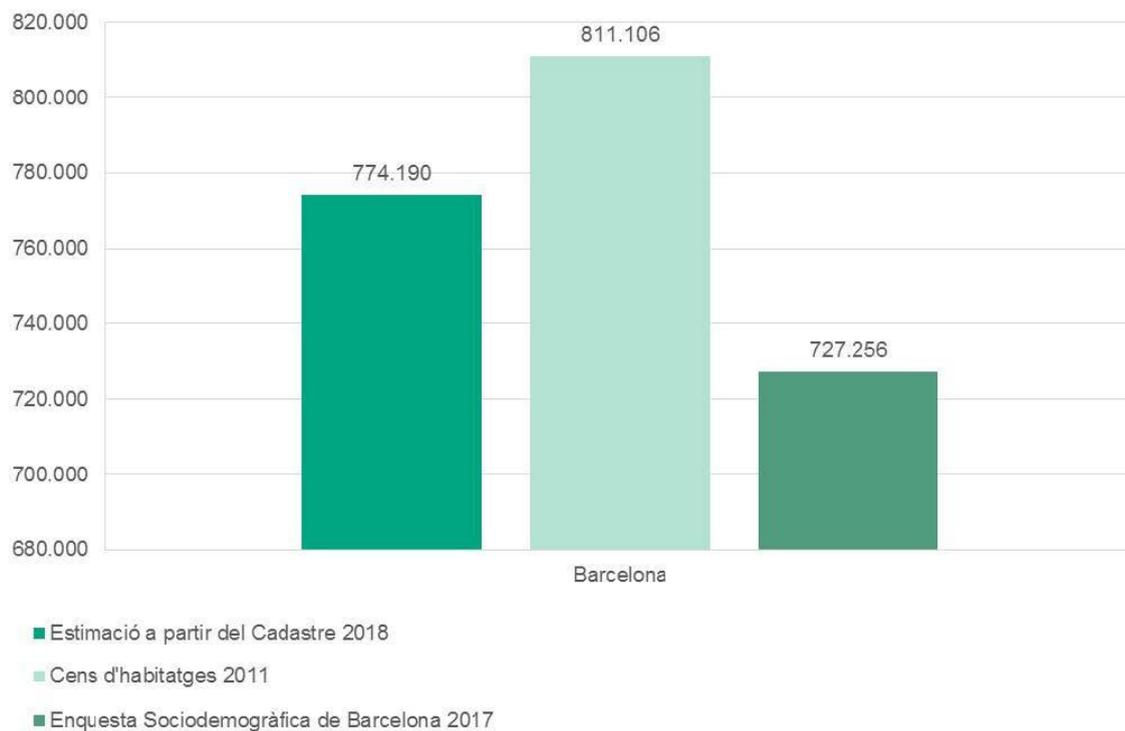
1. Housing context and policy background

In recent years, the economic activity of the city of Barcelona has been recovering from the crisis of 2008. This recovery has been accompanied of a change in the downward trend in the housing market as of 2013, the year in which both purchase and rental prices started to rise again

The information about the characteristics of the housing stock, its evolution and territorial details are essential aspects to carry out a diagnosis and to deploy and evaluate instruments and actions from the institutions. To do this, the Metropolitan

Housing Observatory (OM-H) has worked with three main sources of information, each one with different limitations and constraints.

The first one is the Housing Census which is the more complete, but it provides the info every ten years and the last edition belongs to 2011. The second source is the Cadaster, which data has required certain depuration but is more updated and the Sociodemographic Survey, which provides an estimation. Comparing these three sources it was clear that the Housing Census overestimated the number of dwellings and that the number is quite lower. Below the sources of data.



Source: OM-H

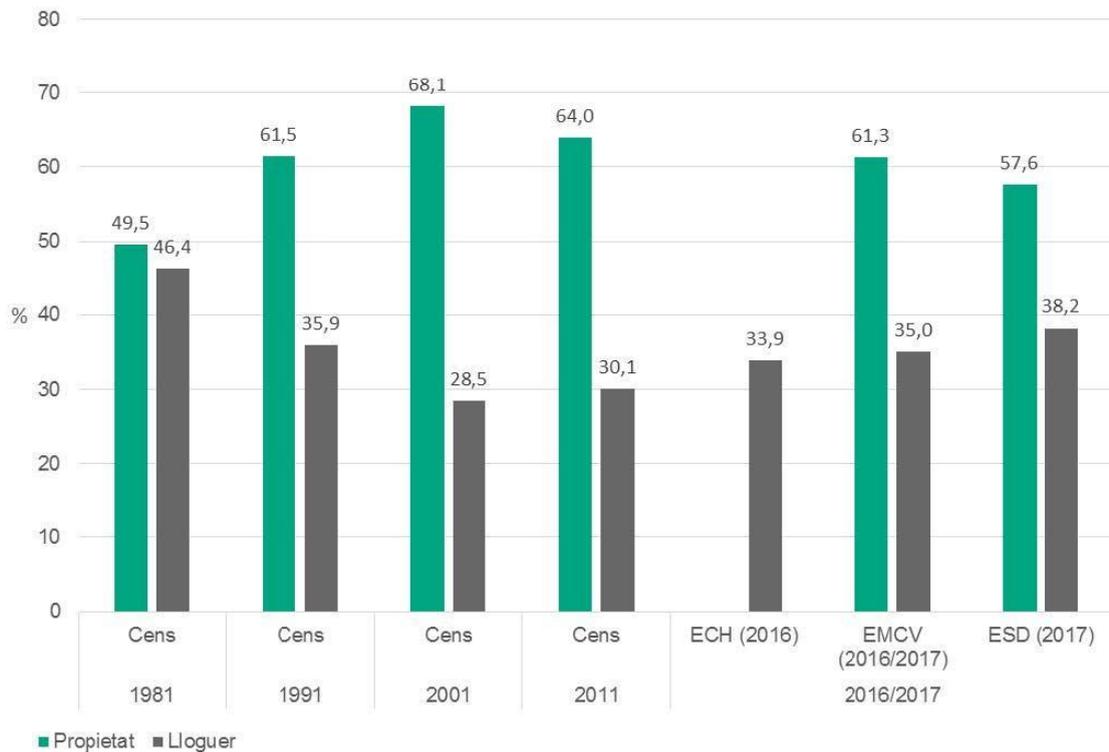
These different sources to calculate the housing stock have an important impact in the calculation of the vacant housing stock as well. The study being carried out by the City of Barcelona in 17 neighborhoods (237,657 homes) identified 3,609 empty homes, 1.52% of the park studied. While the 2011 Census estimated the empty dwellings of the city as a whole at 88,259, 10.88% of the total number of the park. These sharp different is quite remarkable, but the 1,52% of vacant dwellings seems more consistent in the context of a tense housing market.

The study carried by the City of Barcelona was elaborated through in person checks based on the previous analysis of potential vacant houses identified by the combination of three indicators; people registered, low water consumption and those owned by financial entities.

Another important dimension in the analysis of the housing stock is related with the housing tenure that traditionally has been classified in rental, ownership, and

others. In this regard, Barcelona city since 2001 a clear growing trend of people living on rental.

Households according to the housing tenure regime. Barcelona. 1981-2017 (in%)



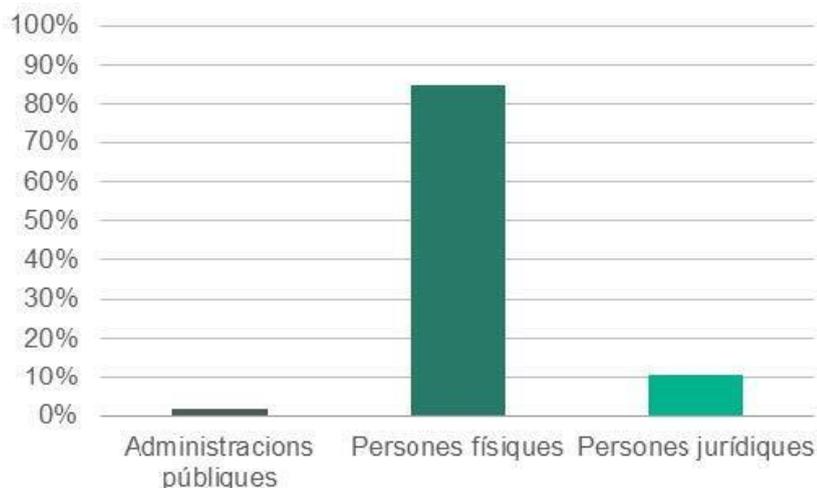
Source: OM-H, data from Idescat, Cens de població i habitatges 1981,1991, 2001, 2011; INE, Encuesta Continua de Hogares, 2016; IERMB, Estadístiques metropolitanas sobre condicions de vida, 2016/2017; Ajuntament de Barcelona, Enquesta Sociodemogràfica 2017.

In 2018 the Metropolitan Housing Observatory elaborated a report on "The structure and concentration of the property to the city of Barcelona", with a database exploited anonymized to preserve the data protection, that combines the information of the cadaster of Barcelona with that of the taxpayers of the Property Tax. The main results and conclusions were as follows; in 2018 in the city of Barcelona, 512,178 taxpayers own the 774,190 homes. On average, the taxpayers of the city have 1.5 homes.

Disaggregated by type taxpayer the data shows:

- a) A first strong idea that can be drawn is that the vast majority of owners are natural persons. In effect, 97.1% of taxpayers are people (497,345 taxpayers), which are owners of 84.6% of the park (655,300 homes). From these numbers it follows that taxpayers who are physical persons of the city of Barcelona they have an average of 1.3 homes.
- b) The second group, at a great distance from the first, are legal persons, who represent 2.6% of total taxpayers (13,507) and are owners of 10.7% of homes (82,838). On average, legal persons are owners of 6.1 homes.
- c) A third group is formed by administrations public, which have a very small weight as number of contributors but, on the other hand, they become owners of 1.6% of the park (12,018 homes), of such way that on average they have 138.1 homes.
- d) And, the rest of grouped taxpayers (entities without profit-making, religious institutions, communities of goods and owners and others), represent 0.2% of the total and they own 1% of the park.

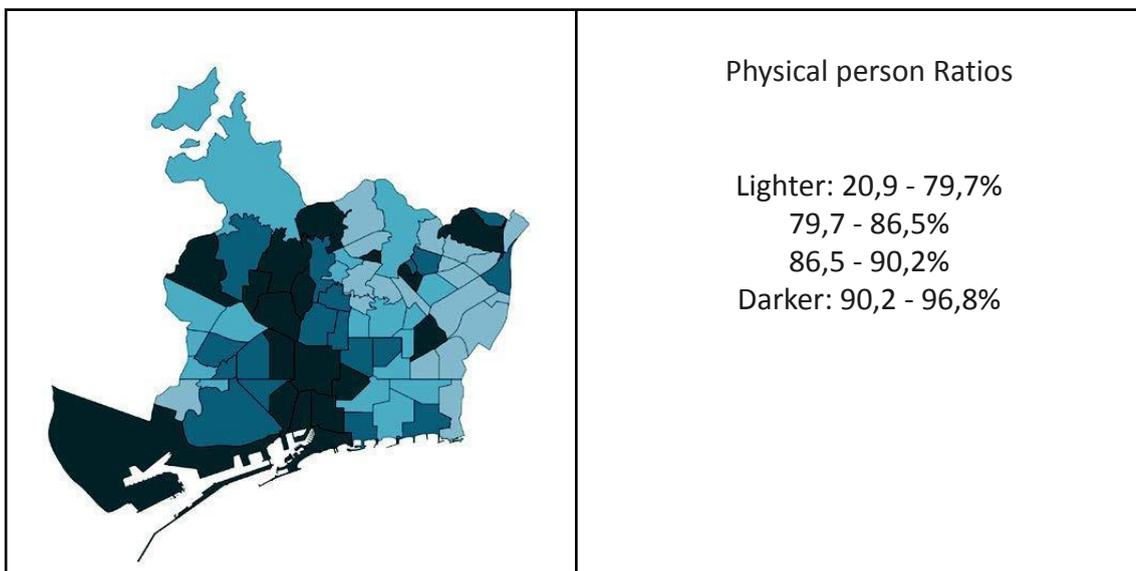
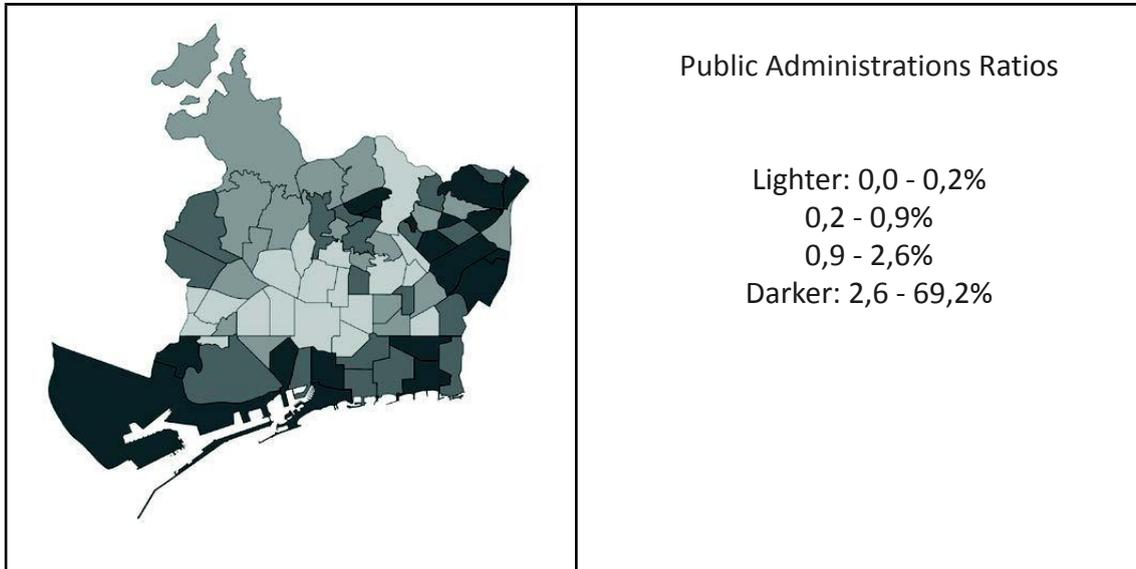
This shows a structure of the housing park property of Barcelona atomized with predominance of individuals. Below a graphic with the three first categories: public administration, natural and legal persons.

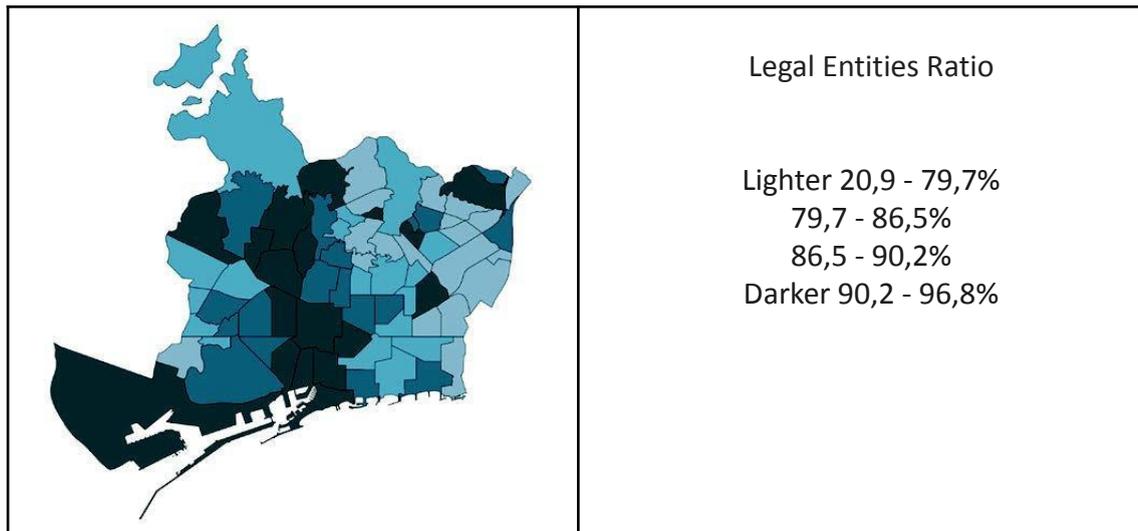


Source: O-MH 2018, based on data from Barcelona City and Cadaster

The work done by the Housing Metropolitan Observatory also analyzed the territorial distribution of each of these groups of taxpayers in the neighborhoods of the city. This allows us to see that, while public administrations have, in general, greater

presence in the nearest neighborhoods, Besòs and the coastal front, legal entities are most represented in the central strip of the city, on the axis that goes from the neighborhoods of Ciutat Vella to those of district of Sarrià-Sant Gervasi, passing through the Eixample.



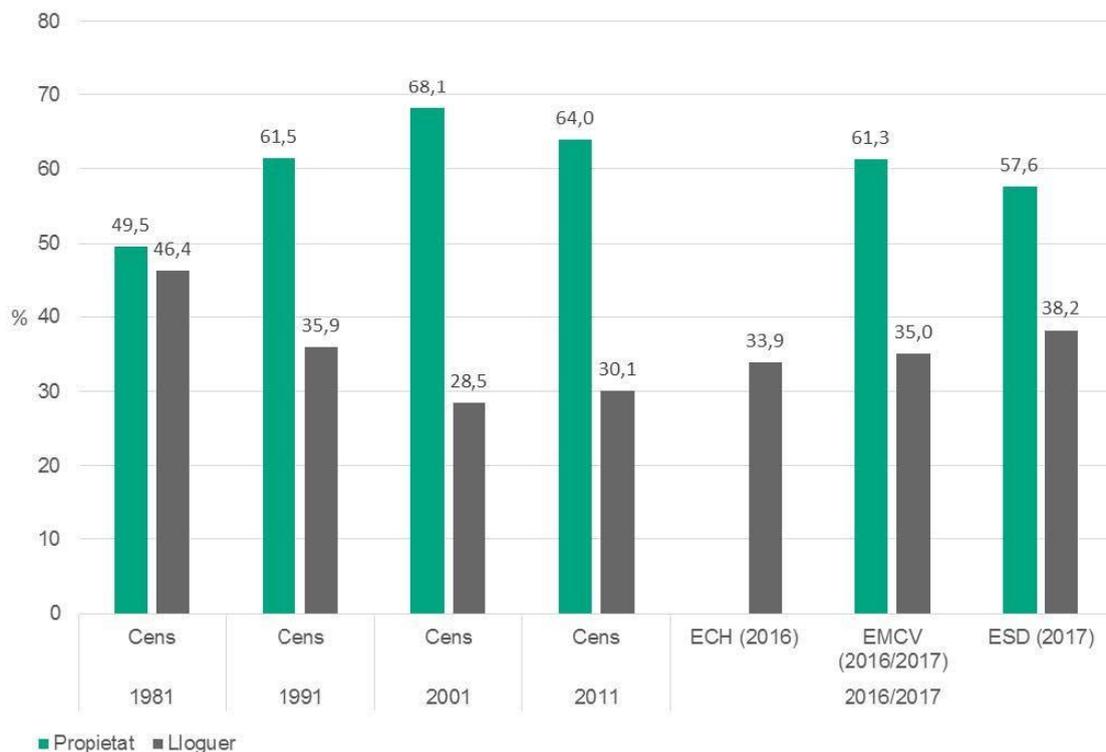


Source: O-MH, based on data from Barcelona City and Cadaster

In relation with the type of housing tenure, ownership continues as the majority tenancy regime, although it weighs less than the city of Barcelona than the rest of the metropolitan area: 61.3% and 76.8% respectively. However, the households that are owners without a mortgage are majority, in 2017 the percentage of households that are paying it is very relevant and reaches 17.7% in Barcelona and 28.4% in the rest of the metropolitan area.

As for rent, 27.8% of households in the metropolitan area live in this regime, although, again, a notable difference can be seen between the city of Barcelona, with a weight of 35%, and the other municipalities in the metropolitan area, with 20% of households that live of rent. Finally, it should be noted that most of the households that rent in 2017 do so at the market price, while there are many fewer that do so at low market prices, mainly due to the exhaustion of old rental contracts by the mortality of tenants.

As for the municipality of Barcelona, the results obtained from the Metropolitan Surveys on living conditions are quite coincident with those of the Sociodemographic Survey conducted in 2017 by the city alone, which place the percentage of households that live on rent in a 38,2%. On the other hand, the exploitation by the city of Barcelona of the Household Survey estimated this percentage in 33.9%. The three sources indicated that the number of households living in rental tenure had increased with respect to the 30.1% recorded in the 2011 census. In the 2001-2011 period, the change in the housing tenure evolution broke a trend of at least half a century. (Green = ownership / black= rental)



Source: OM-H, data from Idescat, Population and Housing Census 1981,1991, 2001, 2011; INE, Continuous Household Survey, 2016; IERMB, Metropolitan statistics on living conditions, 2016/2017; City Council of Barcelona, Sociodemographic Survey 2017.

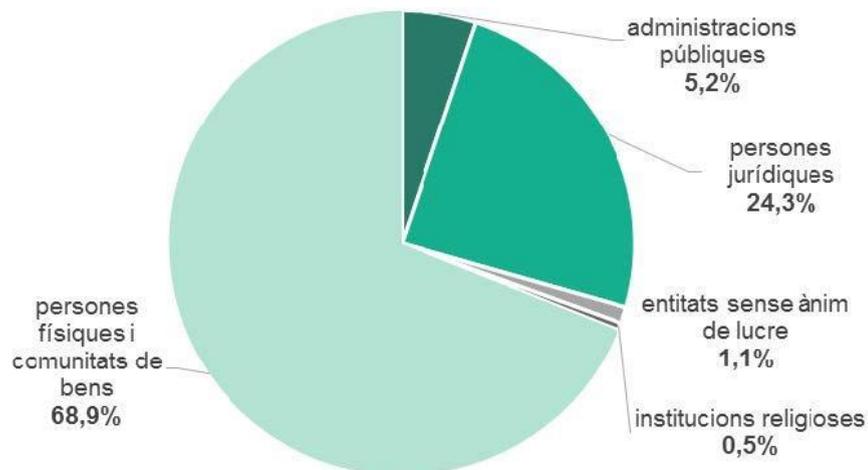
Rental dwellings:

- 1981: 268,881 (46.4%)
- 1991: 207,199 (35.9%)
- 2001: 169,137 (28.5%)
- 2011: 205,912 (30.1%) In the period 2001-2016 / 17, all the sources indicate that the number of households living for rent has increased.
- 2016: according to the different sources they range from 236.981 (35%) to 277.787 (38.2%)

The main dwellings dedicated to rent in the city are 233,291, a figure that represents 33.5% of the total park.

- 68.9% of the rental park is in the hands of private owners, individuals and communities of property
- 24.3% is in the hands of legal entities,
- And 5.2% is in the hands of public administrations

The next important question is who is renting?

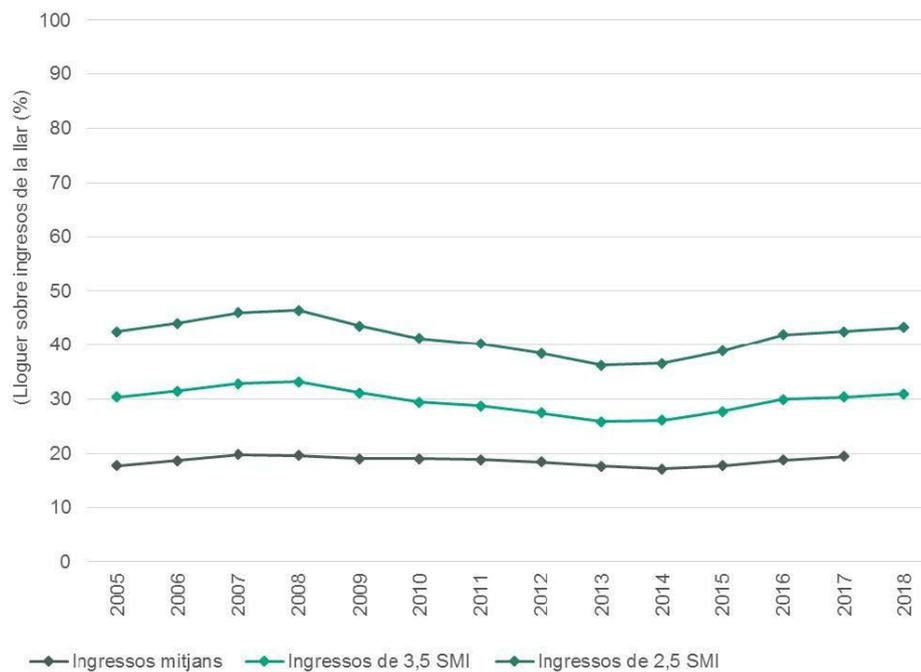


Source: OHB, The data for the main housing stock and the main rental housing are provisional and have been prepared using data from the 2017 Sociodemographic Survey of the city of Barcelona

- Legal persons = 68.9%
- Religious institutions= 0.5%
- NGOs= 1.1%
- Natural persons= 24.3%
- Public Institutions= 5.2%

Currently, 42% of the Barcelona population allocates more than 40% of its income to rent, a very high according to European standards according to FEANTSA. This increase in the effort of the families to pay the rent has increased the number of evictions for non-payment of rent in a worrying way. In effect, the data show that rents have experienced strong growth in recent years, especially 2017 and 2018.

Effort of access to rental housing according to household income. Monthly rent.
Barcelona. 2005-2018



Source: Prepared by the Ministry of Habitat Urbà and Territory, monthly rental prices from deposits deposited with the Incasòl; Barcelona's town hall. Technical Programming Office, estimate Gross Family Available

In Barcelona, while the average change in rents between 2013 and 2018 was 36.4%, some neighborhoods experienced increases up to 48% (Ensanche), 39% (Sant Marti) and 37% (Gracia). This shows a deterioration of access to affordable housing, especially in lower income neighborhoods.

In parallel, in recent decades, urban tourism has experienced a strong growth. Out of the 132 most popular cities in the world, the number of visitors has grown by 45% between 2009 and 2015. Part of the increase in the demand for tourist accommodation has been covered by tourist rental platforms, such as Airbnb. Barcelona is a paradigmatic case with more than 17,000 listings on Airbnb, representing 2% of the stock of dwellings and 7% of the number of rental dwellings in the city.

In the case of Barcelona, the article by García-López et al. (2020) shows that the expansion of Airbnb in 2012 contributed to the increase in rents, as well as purchase prices. Specifically, rents rose on average 1.9%, while purchase prices rose 4.6%.

This article also shows that Barcelona city center, which concentrates the most high Airbnb activity is further affected, with an increase in 7% and 17% in rents and prices, respectively.

Another important aspect has been the growing professionalization of the guests, meaning that in many cases private legal bodies that operate in the touristic platform business renting out apartments as intermediaries or with their own housing

stock. Although the original idea at first of these platforms was to allow individuals to rent their primary residence, the truth is that nowadays most of the platform's users are professionals.

It is difficult to accurately identify the typology of the owners, several academic studies show that the fraction that represents commercial activity it is remarkably high. As for Barcelona, the study by García-López (2020) considers that an advertisement corresponds to the professional activity if a) the ad host has other properties advertised on the platform and b) the Ads have a minimum of 5 comments. Despite being a conservative definition of professional activity, the authors find that more than 75% of the Advertisements for the city of Barcelona are from professional users.

With the arrival of the COVID-19 pandemic and health measures imposed by governments, the activity of digital rental platforms tourism has fallen sharply. Indeed, tourism has been one of the sectors more impacted by the strong restrictions imposed on the movement of people.

According to the study by Vukšić and Zeugner (2020), in the province of Barcelona, the number of Airbnb stays (measured by the number of comments received) in August 2020 was 60% lower than the same already a figure from the previous year. The study also highlights that the pandemic has impacted more heavily tourist cities of southern Europe.

Finally, a study by the touristic platform Servihabitat, shows that the volume of housing in the residential rental market in September 2020 was a 52% higher than the previous year (2.9 homes per 1000 inhabitants, against 1.9 in 2019). What remains unknown is whether this increase in the supply of apartments for rent will be permanent or only transient.

In any case, this situation is an opportunity ideal for public administrations to try to reintroduce flats in the residential housing market.

2. Program analysis

Objectives

1. Relocate families who are currently in pensions and accommodations for one improvement of living conditions in the current situation of confinement, housing them in a adequate housing and with all services. Preferably for those units of cohabitation that are pending the award of a public park home or a public program through the housing award board.
2. Give temporary use to accommodation with a tourist or seasonal rental license given the crisis situation in the tourist accommodation sector and facilitate the maintenance of workplaces.

3. Program preferably aimed at buildings intended for these uses, but also valuable combination of uses in the building.

Duration

Minimum 12 months and maximum 3 years

Contractual relations

- Legal form Owner-Manager-Administration: Lease agreement for use other than seasonal housing (with the periodicity agreed upon and linked to the exceptional situation) with the express permission (also of the owner) of subletting of the property.
- Legal form Administration-Beneficiary: Sublease contract for use other than housing to carry out a care activity.
- Legal form Administration - Social entity of the third sector: Contract of services for social monitoring and incidents in the property.

Roles

- Manager: manages material aspects of the HUT at the request of the Administration or as a result of an incident (maintenance, repairs, etc.). It also manages the agreed auxiliary services (cleaning common areas,)
- Administration: determines the beneficiaries (in accordance with Social Services), pays the rent agreed to the property manager, a reference for communication with the manager and the third sector entity.
- Third sector entity: manages the support of the user during the stay. Non-tenant social aspects (coexistence...). Report incidents to the contact person of the Administration and / or manager.

General Considerations

a. Price

- The rental price of homes based on the number of rooms and the duration of the agreement between the owner / manager and the Administration (contained in the certificate habitability).
- The price of the sublease may not exceed the price of the original lease.

- In the analysis phase, the possibility of subsidizing IBI (local housing tax) or possible bonus based on temporary social rent (Tax Ordinance 95% bonus)

b. Duration of the Contract.

- The duration of the lease may be agreed between the parties.
- We would establish a minimum of 12 months and a maximum of 3 years.
- The duration of the sublease would also be delivery agreed between Administration and beneficiary, with the only condition that in no case the final date of sublease may be longer than the end date of the original lease.

c. Management and incidents.

- The person in charge of the management in the social aspects will correspond to the entity of the third party contracted sector.
- The person in charge of the management of the lease regarding the maintenance of the house and provision of ancillary services, will be of the manager in accordance with what has been established in the lease agreement with the Administration.

d. Home damages and warranties.

- Administration is responsible for the payment of rent, coverage of damage that may occur to the home.
- Before signing the contract, a photographic report will be made with one inventory of the entire interior of the house by technicians from the Administration and another in the termination of the contract, which will be decisive to consider a possible financial compensation for damage caused by the use of the home.
- Administration is obliged to return the home in the same conditions as at the beginning of the contract, so a maximum intervention is foreseen, if necessary of up to € 2,000 per home, understanding that what exceeds this amount would go to insurance charge.
- Periodic inspections will be carried out by the third sector entity throughout the contract life to confirm that the assigned users are those living in the flat and which make good use of it.

e. Home insurance.

- The Administration, directly or indirectly, will have home insurance for cover certain claims, unless otherwise provided under the property agreement another thing. In case the manager already has one to cover sufficient risks, the lease agreement between the manager and the Administration may include a proportionate share of this expense.

f. Termination of the contract.

- The Administration must ensure that at the end of the sublease contract the beneficiary family will deliver the house and that within a certain period of time the home will be in the same condition as at the beginning of the contract. The weather

that it takes to fix the house (paint, clean and replace furniture and damage if where applicable) the agreed monthly payment will also be paid to the owner.

g. Legal defense included.

- IMHAB will be in charge of legal defense, in case actions need to be initiated courts to evict the lessee. If necessary, the time to regain possession from the end of the lease agreed with the Administration, the agreed monthly payment will be paid to the owner multiplied by 1.5.

h. Prohibition of making copies of the keys.

- If electronic access systems are not available, a lock change must be provided before returning the property to the property or, if preferred, adding to the initial agreement an overall amount that includes this expense for each home ceded.

Economic Conditions

Term Lease Agreement	Rent 1 Apartment	Rent 2 Apartments	Rent 3 or + Apartments	Supplies and Services **	Other Services ***
From 12 to 18 monthsv *	700	900	1000	270	150
From 18 months onwards *	800	1000	1200	270	150

* if applicable, add IBI subsidy (pending Tax Council report)

** Water, gas, electricity, internet, ...

*** Other services: cleaning of common areas

Prospects:

- An average incidence of € 500 / home is expected.

- A possible maximum final intervention of 2,000 euros per home is expected.

- Payment of the agreed fee will be made monthly.

- Possible maintenance costs, agreed between the parties prior to the intervention (except for emergencies), and provided that they are due to the use of the property, will be borne by the administration with a maximum of 1,000 euros / year and will be paid against presentation of invoices from the operator accrediting the expense.

3. Social Impact

The homes included in the program are awarded to families currently living in emergency temporary accommodation (pensions) pending the award of a permanent home in the public park. This program, therefore, aims to immediately improve the conditions in which cohabitation units and people in a vulnerable situation live.

Award Criteria

1. Urgent temporary accommodation: cohabitation units that are currently housed in pensions with social services. Exceptionally, at the proposal of the Social Services DDTTs and the management of the HUT Program, other situations could be considered (cohabitation units awaiting the allocation of emergency flats that remain in rooms paid for by social services, living in substandard housing, etc.).
2. Temporary criterion: cohabitation units in which they are expected to remain on a waiting list to access an emergency floor for an estimated time similar to the period of assignment of the HUTS by the operator. An estimated waiting time of a couple of months has been estimated at the end of the transfer period.
3. Coexistence: the cohabitation units must not have generated any conflict during the time spent in the social resource.
4. Care from Social Services: the coexistence units must maintain an active follow-up with the social services and comply with the work plan.
5. Maximum occupancy: the allocation of cohabitation units to accommodation in the HUT Program is based on the occupancy of the accommodation (maximum occupancy).

Functions of social services

- Proposal for cohabitation units with the assessment of a favorable Emergency Board awaiting the allocation of housing that is housed in pensions from social services.
- Communication to the coexistence units of the inclusion in the HUT Program.
- Communication that the family will contact the HUT Program.
- Continuity of the social care of the cohabitation units during the period of stay in the Program.
- Withdrawal of the pension at the time of access to the Program.

Frequently asked questions from users

- Can I decide whether or not I want to go to a HUT? No, HUTS is a temporary resource that is allocated from social services and replaces the allocated pension.
- Can I choose which HUT to go to, in which neighborhood? No, the Program is assigned based on the characteristics of the family unit and the availability of HUTs. Care is always taken to ensure that the assigned HUT is tailored to the needs of the

cohabitation unit. In exceptional cases others may be taken into account conditions (children with special needs, single-parent families of high complexity without a support network, etc.). Proposals would always be channeled through social services.

- Does the house have a cost? Yes, a co-payment is the same as in the emergency room. The calculation is based on family income and can be 10%, 12% or 18% of income.
- What is the cost of supplies? The cost of general supplies and services (common services, Wi-Fi, etc.) is borne by the Program.
- Is the home furnished? Yes, HUTs have furniture and household items.

Social support

The IMHAB is also responsible for accompanying the cohabitation units throughout the period of stay in the accommodation of the HUT Program. A social team guarantees follow-up to provide personalized support that facilitates the family's stay at the resort.

This service is offered through a contract with HABITAT 3, a social entity with which the City Council is already working on other housing transfer programs.

Management tasks and social support for residents

- Delivery of keys and reception of the person / s derived by the IMHAB / Social Services in the awarded house. At the reception, the rights and duties of the person / cohabitation unit in relation to the home will be set out and the rental or transfer of use contract prepared by the IMHAB will be signed.
- Regular home visits to verify the condition of the home and the social needs of residents. In this sense, it will liaise with the municipal social services and with the incident managers designated for each home or building, and where appropriate, with the reference of the IMHAB program.
- Support in the good coexistence of the building and the community. In the event that any type of conflict is detected, mediation actions will be carried out to resolve the situation.
- Educational support in the consumption of supplies.
- Accompaniment and support at the exit of the home to move to the home awarded by the Social Emergency Board, includes checking the condition of the home after the transfer.

Management of incidents

The person in charge of the management in the social aspects will correspond to HABITAT 3.

The person in charge of the management of the lease in terms of the maintenance of the home and the provision of auxiliary services will be the manager in accordance with what has been established in the lease agreement with the Administration.

Copayment

Families affiliated to the HUT Program can make a co-payment for accommodation based on their income level and according to the social rent scale according to regulations (10%, 12% or 18% depending on income) .

The costs of supplies and general services (cleaning, wifi service, etc.) are covered by the City Council.

4. Policy development until April 2021.

Barcelona City Council has signed the first contracts with owners of touristic apartments at the end of 2020. In April 2021 the number amount a total of 127 that would be available for social use in the coming years.

Most of the leased homes have two bedrooms (a total of 55 homes). There are also 3 or more bedrooms (49 homes) and one bedroom (23 homes). The City Council is working to sign new contracts with other tour operators who have also shown interest in the program.

In relation with the contract duration

Contract length	12m	13m	14m	18m	21m	24m	36m
Units	25	10	5	44	7	13	23

Finally, in terms of affordability, the units are rented out at the same rate as social housing (the gap is covered by the municipality). In terms of the ability to negotiate, it has evolved overtime as the pandemic evolved and more and more people and companies have seen it as an opportunity as tourism was not allowed. The cost for the city depends on specific agreements, which also take into account the time span. Longer contracts usually involve higher rates, while short-term agreements can be cheaper for the City. The average cost for the municipality has decreased overtime as people realized the covid crisis would take longer than expected.