



Lo.C.A.Re.

Social Agency for Housing Rental

Torino 2013



CITTA' DI TORINO



Lo.C.A.Re. IDENTITY CARD

Lo.C.A.Re. IDENTITY CARD

What

Where

When

Why

Who



WHAT IS Lo.C.A.Re.?

Lo.C.A.Re. is the first experimental social agency for housing rental in Italy.



WHERE AND WHEN WAS IT CREATED?

It was created in **Torino**, in **2000** as a pivotal project.

It presents its actual organisational structure since 2003.



WHY WAS IT CREATED?

Turin is one of the towns with the highest rate of housing emergencies in Italy.

Lo.C.A.Re. deals with the **weakened middle class**: those cases which are rich compared to social housing standards, but weak if left alone in the free market.



WHO IS THE SERVICE FOR?

There are two types of targets:

LANDLORDS

They are private owners of unrented accommodations.

They can also be private companies, public institutions, co-operatives.

TENANTS

People and families who are eligible satisfy the following three pre-requisites:

1. Experiencing a *housing emergency*
2. Having a regular *job* (either employees or self-employed) or getting a *pension*
3. Being *resident* in Torino for at least one year





TENANTS REQUISITES FOR ELIGIBILITY

A. HOUSING EMERGENCY (1)

What do we mean with “housing emergency”?

Mainly people who have been evicted for:

- arrearage
- rent ending
- irregular occupancy (forcible eviction)



tenants –
requisites for eligibility 1/4

A. HOUSING EMERGENCY (2)

But also people living in unsuitable accommodations according to the law, for example:

- without heating
- overcrowded
- with architectural barriers
(e.g. an old person in a wheelchair stuck at the 7th floor without a lift)
- “unfit-for-use” as established by the Municipality
(e.g. a person who cannot access his/her flat because it is deemed unstable)

And many other cases:

- separation
(e.g. when the judge rules that the house goes to the wife and the husband has no more place to live in)
- social cases
- art. 18 women
(women saved from slave trade)
- under 35
(young people who still leave with their parents and want to become independent)



B. JOB AND INCOME

- An indicator, calculated by law and called **ISEE**, assesses the whole **family economic condition**. The ISEE takes different factors into account: type of job, children, tax allowances, etc.
- Therefore an ISEE of 26.000 € might indicate a quite high income (even 40.000 €, for example).

In order to access Lo.C.A.Re., the ISEE must be **up to 26.000 €**

As a consequence, the kind of people who are eligible for Lo.C.A.Re. may vary broadly : from the “spoiled brat” to the homeless, though the **ideal target** of Lo.C.A.Re. remains the **weakened middle class**



C. RESIDENCE

The tenant must have a legal permanent residence in Turin for at least **one year**

(with some particular exceptions defined by Lo.C.A.Re. rules)





Lo.C.A.Re. ACTIVITY

WHAT DOES LO.C.A.RE. DO?

Lo.C.A.Re. suggests a *match between tenants and landlords*, trying to balance both interests

Lo.C.A.Re. does not act in a pure free market scenario, but in the “social market” or “socially sensitive” one.

The means used is the so-called “*agreed contract*”.

An “agreed contract” is a market contract that costs less for the tenant compared to the standard contract, because it is inspired by social solidarity purposes defined by law



TYPE OF CONTRACT/TAXES

In order to fully understand how Lo.C.A.Re. works, we must briefly sketch how the structure “type of contract/taxes” is designed in Italy.

The Italian contract market is regulated by the law 431/1998.

It introduced the “**agreed contracts**”, distinguishing the contracts in two main categories:

FREE MARKET CONTRACTS

AGREED CONTRACTS



FREE MARKET CONTRACTS

- ✓ **LENGTH** - It typically applies for 4 years, renewable for other 4 (4+4)
- ✓ **PRICE** - The owner could ask for any price
- ✓ **TAXES** - S/he pays the highest taxes

AGREED CONTRACTS

- ✓ **LENGTH** - It applies for 3+2 years (In Turin, it may also apply for 4+2, or 5+2, or 6+2 years)
- ✓ **PRICE** - The owner could NOT ask for any price. A range of prices is established BY LAW (on average 30% less than the free market price)
- ✓ **TAXES** - S/he pays much less taxes (about 30% less)



IS THE AGREED CONTRACT **CONVENIENT** FOR **BOTH**?

- **Tenant – YES**
 - the rent is **lower**
 - moreover, Lo.C.A.Re. provides the tenant with **1600 €** against the contract s/he has signed
- **Landlord – IT DEPENDS** (*It often is with help by Lo.C.A.Re.*)
 - the taxes are **lower**, but not always compensate for the lower rent
 - moreover, Lo.C.A.Re. provides the landlord with some important **incentives**



INCENTIVES FOR THE LANDLORD

1. Free professional advice for drafting the contract
2. Economic incentive: Lo.C.A.Re. gives the landlord from 1500 up to 3000 €, depending on the length of the contract
3. **Warranty Fund**: corresponding to **18 times** the rent.

If the tenant indicated by Lo.C.A.Re. does not pay the rent, the landlord could evict him/her and show Lo.C.A.Re. the receipts of the expenses s/he had faced due to the missing rents, as ruled by the judge.

Lo.C.A.Re. will cover those expenses within the Fund's limits.



INCENTIVES FOR THE TENANT

- The rent is always lower than in the free market
- A contribution of 1600 € against the stipulation of the contract





Lo.C.A.Re. FOR TENANTS

ACTIONS

Lo.C.A.Re.:

- **Figures out** the problem described
- **Tells** the user, if necessary, which **city office** to address
- **Welcomes** him/her to Lo.C.A.Re., if eligible

In fact, Lo.C.A.Re. is not always the solution to somebody's housing problem , but could very often address that person where it is more appropriate, according to his/her problem



If Eligible...

...we scan him/her through the X-rays!

a) Preliminary Inquiry:

It requires a complete documentation on one's

- working and economic situation

ID, Social Security Number, Residence Visa, employers' contract, pay-rolls, tax record, income indicator. Enrolment at the Chamber of Commerce, tax record, accountant's record, etc.

- and housing emergency condition

Report from social services, documentation of eviction, judge's verdict, leasing contract, declaration from the property manager



... if Eligible...

b) Discussion with the C.E.A. - Emergency Housing Commission

Once the documentation is provided, Lo.C.A.Re. supervisor personally discusses the file with the C.E.A.

The C.E.A. is the municipal commission in charge of examining all house requests that citizens make and decides, every week, for or against the access to Social Housing or Lo.C.A.Re.



... if Eligible...

c) Certificate from Lo.C.A.Re. to the user

It is a document illustrating all the economic benefits that a landlord would enjoy if s/he signed an “agreed contract” with the user.

Such enrolment lasts for one year. If, after one year, the housing emergency still remains, it is possible to enrol again.



HOW DO WE HELP FAMILIES?

We cannot help all types of families with the same efficacy.

Users, in fact, must be separated in “**guaranteeable**” and “**non-guaranteeable**”.

The latter are those people who

- have been **evicted for arrears** and/or
- do not reach an income of **8.000 € /year**

All the others are, in principle, guaranteeable.

The income per year must derive from a **job activity**.



RELATIONSHIP INCOME/RENT

8.000,00 € a year is the minimum economic requirement in order for Lo.C.A.Re. to assess the “guaranteeability” of a user.

If an individual /family earns 8.000,00 € a year before tax, though, we cannot automatically guarantee him/her.

For a *specific* flat, Lo.C.A.Re. will guarantee him/her only if the annual rent of the accommodation s/he finds (or s/he is offered) does **not go beyond the 30% of his/her income.**



EXAMPLE

$$30\% \text{ of } 8.000 = 2.400 \text{ €}$$

- If the rent is up to 200 € a month (= 2.400 € per year), Lo.C.A.Re. will guarantee the user
- If the rent is higher, then Lo.C.A.Re. cannot guarantee the user

S/he will be not out from Lo.C.A.Re, nor from the possibility of being guaranteed in the future, but only for this accommodation that costs, for instance, 250 €



THE “GUARANTEEABLE”

The guaranteed user has **two** options:

1. S/he can **look for a house on the market** with his/her Certificate from Lo.C.A.Re.
2. And s/he can **also** directly benefit from the help that Lo.C.A.Re. could give him/her, by **recommending** him/her to several landlords on file.



THE “NON-GUARANTEABLE”

The non-guaranteed could be helped too, but **indirectly**

For example, if on the market s/he finds a landlord who is not convinced or not sure whether s/he can trust the project, etc., Lo.C.A.Re. could **try**, **inform** and **convince** him/her by focusing on the lowering taxes, on some economic incentives, etc.

For instance, Lo.C.A.Re. could suggest the 6+2 contract, by recommending that the tenant might give his/her 1600 € to the landlord (who is already given 3000 €): this money could be then intended as a substitute of the Warranty Fund





Lo.C.A.Re. FOR LANDLORDS



COUNSELLING (I)

The **owner** often comes to the office having no idea about the tax regulation regarding rentals

- ✓ Lo.C.A.Re. **explains** how the “**agreed contract**” works
- ✓ Lo.C.A.Re. makes a **comparison** between **free market** and **agreed market**, by calculating and clarifying how much s/he would have to pay in taxes
 - ✓ Lo.C.A.Re. makes the **comparison** with the “**agreed contract**” in the **market** and the “**agreed contract**” with **Lo.C.A.Re.** and also in this case it compares rent & taxes, showing him/her it could provide him/her with something more



COUNSELLING (2)

Two scenarios might display:

1) Either it is **clear**, by pure maths, that the “agreed” contract is more (or less) convenient for him/her

2) Or the situation is on stand-by, since the two scenarios are very **similar**

Lo.C.A.Re. is usually **crucial** in the **2nd scenario**: where there is basically balance, Lo.C.A.Re. makes the difference, by offering free counselling, economic incentives and above all, the Warranty Fund. It becomes clear how important the **Warranty Fund** becomes in this scenario:

better to earn a little bit less, but with a lower risk



PROFILING THE HOUSE

The **landlord** will fill in one of our forms, drawing a sketch of the **accommodation** (size, characteristics, location, etc.) and the **costs** in details (monthly rent, bills, heating costs, deposit, etc).

- Clearly, s/he is negotiating with **Lo.C.A.Re.**: in this phase there is no tenant yet. The negotiation of rent and all costs takes place between the landlord and Lo.C.A.Re. **only**.
- No negotiation occurs during the phase of the matching between the landlord and the tenant: the latter only sees the flat and says whether s/he is interested in it.



THE **TURIN** SCENARIO

- In 2006, in Turin, 74% of ceased legal recorded contracts was because of arrears
- In 2012, this percentage was 95%





THE MATCHING

HOW IS THE MATCHING DONE? (I)

Lo.C.A.Re. will:

- ✓ **Select** the potential “guaranteed” **users**
- ✓ From these guaranteed ones, **select** those **families** who are compatible with the size of the accommodation depending on the number of family members
- ✓ **Contact** them and **describe** the type of accommodation in details, including the agreed costs
- ✓ **Put** the families who are willing to see the apartment **in contact** with the owner



HOW IS THE MATCHING DONE? (2)

From now on, it all depends on them. None of them is forced to accept. The potential tenant goes there only to see the apartment, *not to negotiate the price* (already agreed with Lo.C.A.Re.)

If tenant and owner get to an agreement, Lo.C.A.Re. could provide them again with a **counselling service**, in order to:

- ✓ Draw the **contract**
- ✓ Show and **explain** all the **future steps**: the binding laws, the contractual clauses, etc.





THE AGREED CONTRACTS IN TURIN IN PRACTICE

CRITERIA TO CALCULATE THE RENT

The law that applies to the rental market in
Italy is

the law n. 431/98

that introduced the “**agreed contract**”



HOW IS THE RENT DETERMINED?

- While the law defines the general criteria for determining the rent, Lo.C.A.Re. uses the “**standard contract**” approved locally by the most representative owners and tenants organizations that have signed a **Territorial Agreement**, in order to specify the requirements
- A rent is agreed according to the **characteristics** of the accommodation, with **values per square metre** included into fixed maximum coverage **depending on different areas** (city centre, close to the centre, suburbs, countryside)
- For each area there is a **minimum** and a **maximum** fixed rent



CRITERIA

1) Type of contract (in years)

- ✓ 3 + 2
 - ✓ 4 + 2
 - ✓ 5 + 2
 - ✓ 6 + 2

2) Area of the town

- ✓ city centre
 - ✓ close to the centre
 - ✓ suburbs
 - ✓ countryside

3) Number of established elements of the property (see chart)



ELEMENTS OF THE PROPERTY TO BE CONSIDERED FOR CALCULATING THE RENT

- Garage
- Basement (or attic)
- Heating
- Lift for flats higher than the 2nd floor
- Green area
- Parking space
- Air conditioning
- Two bathrooms
- Gas
- Armoured door
- Double glasses
- Complete bathroom
- Refurbished kitchen with fridge and washing machine



These criteria will determine
a minimum
and
a maximum value
per square metre



3 + 2 CONTRACT

	Min. 6 Criteria	Min. 5 Criteria	0 to 4 Criteria
City Centre	6.20 - 3.70	5.40 - 3.10	4.40 - 2.50
Close to the Centre	5.60 - 3.70	5.00 - 3.10	4.30 - 2.50
Suburbs	5.20 - 3.70	4.50 - 3.10	3.80 - 2.50
Countryside	6.20 - 3.70	5.20 - 3.10	4.10 - 2.50



4 + 2 CONTRACT

	Min. 6 Criteria	Min. 5 Criteria	0 to 4 Criteria
City Centre	6.30 – 3.80	5.50 – 3.20	4.50 – 2.60
Close to the Centre	5.70 – 3.80	5.00 – 3.20	4.40 – 2.60
Suburbs	5.30 – 3.80	4.50 – 3.20	3.90 – 2.60
Countryside	6.30 – 3.80	5.20 – 3.20	4.20 – 2.60



5 + 2 CONTRACT

	Min. 6 Criteria	Min. 5 Criteria	0 to 4 Criteria
City Centre	6.40 - 3.80	5.60 - 3.20	4.60 - 2.60
Close to the Centre	5.80 - 3.80	5.20 - 3.20	4.50 - 2.60
Suburbs	5.40 - 3.80	4.70 - 3.20	4.00 - 2.60
Countryside	6.40 - 3.80	5.40 - 3.20	4.30 - 2.60



6 + 2 CONTRACT

	Min. 6 Criteria	Min. 5 Criteria	0 to 4 Criteria
City Centre	6.60 – 3.90	5.70 – 3.20	4.70 – 2.70
Close to the Centre	5.90 – 3.90	5.30 – 3.20	4.60 – 2.70
Suburbs	5.50 – 3.90	4.80 – 3.20	4.00 – 2.70
Countryside	6.60 – 3.90	5.50 – 3.20	4.40 – 2.70



FURTHER DETAILS

In order to calculate the **total surface of the property** we consider the square metres (**without the supporting walls**):

- 100% of the floor area
- 80% of the garage
- 25% of the basement, attic, balconies and terraces

The Territorial Agreement is renewed every 3 years and our Municipality acts as a facilitator between the parties. The forthcoming renewal is expected by September/October 2013



EXAMPLE

If you are the owner of a flat

- in the *city centre*
- with a floor area of *70 square metres*
- satisfying *6 pre-requisites*
- you would like a contract for *6 years + 2*



Then you **multiply** (see Table)

- 70 by 3.90 € (**MIN**)

Or

- 70 by 6.60 € (**MAX**)

	Min. 6 Criteria	Min. 5 Criteria	0 to 4 Criteria
City Centre	6.60 - 3.90	5.70 - 3.30	4.70 - 2.70
Close to the Centre	5.90 - 3.90	5.30 - 3.30	4.60 - 2.70
Suburbs	5.50 - 3.90	4.80 - 3.30	4.00 - 2.70
Countryside	6.60 - 3.90	5.50 - 3.30	4.40 - 2.70



And you will know

The **minimum** and the **maximum** rent per square metre you could claim for in an agreed contract

- $70 \times 3.90 = 273 \text{ €}$

- $70 \times 6.60 = 462 \text{ €}$

By law, the owner cannot ask for **more than 462** and **less than 273 €**

In the free market the range for the same apartment would vary from 550 and 850 €





OTHER ACTIVITIES of Lo.C.A.Re.

LO.C.A.RE. IN THE TURIN METROPOLITAN AREA

From 2006, the initiative has extended to 13 towns of the Turin metropolitan area. Turin is the head of the collective system composed of these cities. Each town created its own Lo.C.A.Re. office adopting the same regulations as Turin office.

Lo.C.A.Re. Turin played the role of

- tutor, by training the personnel of the involved towns
- head in networking with the Region

and planned the specific metropolitan software which standardises the procedures



RENEGOTIATIONS

If a tenant who had signed a free-market contract is **going to be evicted** by the owner of his/her flat –often for arrearage-, the risk is to create a homeless family.

In order to **avoid** this, Lo.C.A.Re. steps in and suggests to change the contract into an agreed 6+2 one.

If the landlord accepts:

- the social and welfare costs for a new homeless family are avoided
- the landlord receives 4.600 € (his/her 3.000 + 1.600 authorized by the tenant) for reducing the costs of the arrearage
- and the eviction is then stopped, while the new contract costs less to the tenant



EXTENSIONS

If a family requested and obtained a **council house allocation**, this does not mean the house is ready (e.g. the flat has to be renewed).

Most of these families come from evictions and risk to become homeless or to be accommodated, in the meantime, in a hotel paid by the Social Services.

In order to **avoid** this, Lo.C.A.Re. steps in and negotiates a contract extension offer with the lawyers of the landlord, proposing a certain amount of money in exchange.



TURIN ESTATE AND SOCIAL COUNCIL HOUSING

Special agreements regulate the use that Lo.C.A.Re. could do of some buildings owned by the council housing (A.T.C.) and by the Estate Direction of Turin.

These latter are inheritances of citizens, while the former are A.T.C. estate which could be destined to the market.

In these cases, Lo.C.A.Re. attempts to further lower the rents, in order to help the so-called “**weak non-guaranteeable**”: people without economic incentives, people helped by the Social Services, old people with a minimum pension, disabled, abused women, etc.

If they pay regularly, they could, in principle, live there for their whole life.



A.N.A.C.I. - CONDOMINIUM HELP DESK

Lo.C.A.Re. office hosts a condominium help desk, for helping with apartment block problems and run by the A.N.A.C.I. (National Association Apartment Block and Estate Administrators).

It is open on Thursday morning, from 8:30 to 12:30.

The help desk is open to the citizenship and offers **free information and counselling** concerning apartment block problems from a legal, technical and economic perspective.





Lo.C.A.Re. IN A NUTSHELL

HOW IS LO.C.A.RE. CONCRETELY ORGANISED?

Front office activity

- From Monday to Friday:
open in the morning
- Tuesday and Wednesday:
also open in the afternoon

In practice, basically **open every day from 8:30 a.m. to 6 p.m.**

Because of its constant users flow, it is organised in **shift work** (every day some colleagues start at 8:00 a.m. and leave at 4 p.m., while other colleagues start at 10:00 a.m. and leave at 6 p.m.)



HOW MANY CONTACTS PER DAY?

- About 100 contacts per day (personal accesses, phone calls, faxes and email)
- 90 % are potential tenants
- Enroled tenants:
 - Up to 2010: 60 % Foreigners; 40 % Italians
 - From 2010: 85 % Foreigners; 15 % Italians



HOW IS LO.C.A.RE. FUNDED?

- 2000 – 2007: *Municipal funds*
- 2007 to date: *Regional funds (70%) and municipal funds (30%)*

(due to the lowering of municipal funds allocation)

The regional funds come from a public competition by the Piedmont Region in order to finance **the best project** of implementation and strengthening on the territory of social agencies for renting, within a general programme of supporting housing policies.



WHAT IS THE **BUDGET** OF LO.C.A.RE.?

In order to carry on the normal activity of Lo.C.A.Re., which means the possibility of signing even 400 contracts per year, it is necessary to budget about

1.500.000,00 € per year

This means that Lo.C.A.Re. mostly relies on **regional funds** nowadays

This is caused by the budget cuts made by the city top management mainly due to the Stability Pact → **Political Choice**



RESULTS

- 12 years of activity
- About 3800 contracts signed, 400 contracts per year on average
- Out of the total amount of signed contracts, about 250 resulted in arrears (6,25%)

These results must be considered in the light of the facts that:

- The tenants are economically fragile
- Turin is one of the towns with the highest rate of housing emergencies in Italy
- Turin is one of the towns with the highest rate of arrearage in Italy: on the total amount of the early breaches of registered acts in Turin in 2012, 95% were arrears



HOW DOES LO.C.A.RE. PROMOTE ITSELF?

Lo.C.A.Re. **does not promote itself.**

Our Municipality has never implemented any marketing strategy in order to promote Lo.C.A.Re.

It relies on a constant **word-of-mouth** among landlords.



WHY DOES LO.C.A.RE. **WORK SO WELL?**

It is mainly due to two reasons:

1.Efficacy

The efficacy of our incentive system and warranties in favour of the owners, also due to the specific market scenario (which is less “wild” in Turin than in other Italian metropolis)

2.Trust

Our **very professional staff members** who conjugate administrative competence with strong negotiation skills





THANK YOU FOR YOUR ATTENTION!

CONTACT DETAILS

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