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A Igor Sebastian Costarelli devono essere attribuiti i paragrafi:

- Introduction
- Conceptualising trust in institutional policy-making process
- The private rented sector in Italy
- The circuit of trust

A Silvia Mugnano devono essere attribuiti i paragrafi:

- Introduction
- The private rented sector in Italy
- Conclusion

Ad Aurora Cortazzo devono essere attribuiti i paragrafi

- Research context and data

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Maurizio Bergamaschi

The multidimensional housing deprivation

Local dynamics
of inequality, policies
and challenges for the future



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Edited by
Maurizio Bergamaschi

The multidimensional housing deprivation

Local dynamics
of inequality, policies
and challenges for the future



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SOCIOLOGIA DEL TERRITORIO

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Assessing assisted tenancy as a tool to promote affordability in the Italian private rental market

by Igor Costarelli, Silvia Mugnano, Aurora Cortazzo¹

Introduction

Policy attempts to assign a social function to the private rental sector (PRS) are common to countries with a relatively low availability of social rent, such as Belgium, Spain, Czech Republic and, as we will see in this paper, Italy (Čada, 2018; Pareja-Eastaway, Sánchez-Martínez, 2017; Winters, Van den Broeck, 2020). In these attempts, policy-makers must deal with a number of issues, including persuading socially motivated landlords to allocate dwellings at social criteria while facing higher risks of rent arrears, and balancing the asymmetrical power relationship between tenants and landlords (Byrne, McArdle, 2020). On tenants' side, challenges include households' unfamiliarity with institutions, their mistrust in state officials, lack of assertiveness, language barriers and low self-confidence (Archer *et al.*, 2019; Green *et al.*, 2016; Hegedüs *et al.*, 2014; Pareja-Eastaway, Sánchez-Martínez, 2017; Verstraete, Moris, 2019).

Trust is widely acknowledged as an element that can improve interaction and cooperation between people and institutions. As such, it may help to overcome complex societal challenges, especially in times of uncertainty, absence of stable conditions and growing risk (Allen, 2003; Fukuyama, 1995; Healey, 1997, 1998; Lawson, 2001; Putnam, 1993). In this paper we focus on trust as an element of institutional housing policy aimed at assigning a social function to the private rental market in Italy, a typical homeownership society where a growing number of low-income tenants are being accommodated in the private rental sector (Poggio, Boreiko, 2018).

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In 2013 regional housing policy in Lombardy introduced a set of institutional arrangements incentivizing landlords and tenants at risk of eviction to adopt a system of rent control (assisted tenancy) to improve housing affordability and security of tenure. The lack of financial resources exposes low-income renters to discrimination and exclusion in the private rental market. Against this backdrop, institutional trust is thought to improve accessibility to the private rental market for those who would otherwise have limited chances. In our case study town, Cinisello Balsamo, institutional arrangements are implemented by the local social rental agencies. The aim of this paper is to assess the potential of assisted tenancy as a viable solution to promote housing affordability for low-income renters while examining the role of the social rental agency in reshaping trust relationship as to enhance the cooperation between institutions, tenants and landlords. After providing a conceptual framework of trust in policy-making, we continue by describing the features of the Italian private rental sector and the context of our research. In the last two sections we present our findings and draw some conclusions.

1. Conceptualising trust in institutional policy-making process

Trust is a complex, multidimensional and multilevel concept, involving individuals, groups, firms, and institutions (Rousseau *et al.*, 1998). The nature of trust is essentially relational: A (the trustor) trusts B (the trustee) with regard to B's actions that significantly affect A. Trust is A's subjective assessment of the probability that B will act as agreed, regardless from A's capacity to monitor B's actions. Trust is about reliance, willingness to act as agreed (Laurian, 2009) as well as willingness to be vulnerable based on positive expectations of the intentions and actions of the other (Rousseau *et al.*, 1998). Risk and interdependence are two necessary conditions for trust, which constitutes a way to deal with uncertainty and is an essential enabler of effective collective actions, cooperation, and conflict reduction (Giddens, 1990; Laurian, 2009; Putnam, 1993; Rousseau *et al.*, 1998). Trust tends to be reciprocal and strongly influenced by negative past events more than positive past experiences. Especially in contexts of high distrust, people tend to respond more strongly to information that confirms their prior beliefs than to information that contradicts them (Laurian, 2009).

Drawing on Rousseau *et al.* (1998), different forms of trust exist:

- 1) deterrence-based trust: one party will be trustworthy because existing sanctions exceed any potential benefits from opportunistic behaviour;

- 2) calculus-based trust: the trustor perceives positive intentions in the trustee thanks to credible information (e.g. reputation or certification);
- 3) relational trust: is based on repeated, face-to-face interactions over time between the trustor and the trustee and is often shaped by emotions;
- 4) institution-based trust: stressing the institutional environment in which a relationship is placed, institutional-based trust distinguishes trust *in* institutions, i.e. the law as the object of trust, from trust developed by individuals or collective actors and their relationships *in the face of* specific institutional arrangements (e.g. contract) (Bachmann, Inkpen, 2011). Institutional-based trust can ease the way to formulating both calculus-based and relational trust (Rousseau *et al.*, 1998).

Institutional-based trust is involved in policy implementation. The government has a role in facilitating social trust and cooperation by providing information about agents and social systems as well as by increasing transparency. This usually occurs through face-to-face interactions, or facework, between experts, i.e. professionals or civil servants, and non-expert, i.e. citizens. Because citizens lack of knowledge of the system, the experts represent access points to government who are in a position to build public trust through such facework. Facework facilitates person-dependent trust but, as it relies on interpersonal trust, can be broken when a person leaves (Laurian, 2009). Trust is indeed susceptible to changes over time following a three-phases flow: (1) *building*, when trust is formed or reformed; (2) *stability*, when trust already exists; and (3) *dissolution*, where trust declines (Rousseau *et al.*, 1998).

Within institutional-based trust, institutions can act as a third-party guarantor between two parties, i.e. the trustor and the trustee. As Bachmann and Inkpen noted:

in these circumstances, an individual or collective actor finds good reasons to trust another actor, individual or collective, because institutional arrangements are, like a personal third party guarantor, capable of reducing - which is not the same as eliminating! - the risk that a trustee will behave untrustworthily, allowing the trustor to actually make a leap of faith and invest trust in a relationship. (2011, p. 285)

Institutional structures are a constitutive element of institutional trust-based relationships. These structures can reduce the risk of misplaced trust through legal regulations, professional codes of conduct, and other formal or informal behavioural norms. In institutional trust-based relationships, institutions creeps into a relationship shaping the behaviours of both parties along the lines of institutionally provided templates and channelling the patterns of

their interaction. As such, institutions can play a significant role in producing the conditions for trust building in situations where otherwise there would be none, including in cases of trust crisis and repair (Bachmann, Inkpen, 2011). In the following section, we outline the main features of the private rented sector in Italy.

2. The private rented sector in Italy

A growing share of low-income groups lives in the private rental sector which accounts for 14.8% of total housing stock. In 2014, 34.4% of low-income households were private renters. More than 70% of low-income tenants in the PRS spent more than 20% of their income in housing costs. For many private renters affordability became an issue after a rent law reform in 1998 which had liberalised the PRS (Poggio, Boreiko 2018). Such reform put an end to a ‘fair rent’ regime (*equo canone*) whereby rents could not exceed a threshold established by law and introduced two types of rental regimes. The ordinary regime (*locazione a canone libero*) allows landlords to rent out properties at full market prices for 8 years (4+4 years) while the assisted regime (*locazione a canone concordato*) caps rent price for contracts lasting at least 5 years (3+2 years). Rent calculation in assisted tenancy takes into account dwellings characteristics, i.e. size and typology, market and land values as established by specific local agreements (*accordi territoriali*) which are jointly signed by social parties, i.e. owners and tenants unions. Territorial agreements, which are binding for signing assisted tenancies, usually apply only to capitals of provinces and municipalities facing high housing pressure (*comuni ad alta tensione abitativa*), as defined by law.

The 1998 rental reform laid the foundation for the establishment of social rental agencies (SRAs) (*agenzie sociali per la locazione* in Italian). SRAs aim to promote a wider use of assisted tenancy as a tool to boost the supply of affordable housing in the PRS. In Italy SRAs operate at municipal- or province-based level and are promoted by public authority alone or in partnership with non-state actors, such as non-profit organisations that can be appointed as manager of this service. To pursue their goals, SRAs offer trustworthy information about assisted tenancy and provide counselling and advice before and during the signature of contracts. This mission is shared by all agencies in the country albeit some local variations may exist since housing policy in Italy is regional based.

By opting for assisted tenancy, both landlords and tenants can enjoy several benefits. Landlords are entitled to lower tax rate on annual rent-income,

i.e. 10% versus 21%, along with a 75% reduction on property-based taxes², while tenants are offered rent at below-market rate. Nevertheless, the ordinary regime is still the predominant tenancy. About 55% of new rental contracts in 2018 were signed at ordinary regime compared to 25% at assisted regime. In addition, the diffusion of assisted tenancy is uneven across the country, as tab. 1 shows.

Tab. 1 - Assisted tenancy as a share of total rental contracts in 2018 (Osservatorio del Mercato Immobiliare 2017, 2019)

<i>Macro-regions (2018)</i>	<i>(%)</i>
North-West	22.5
North-East	25.5
Centre	32.3
South	12.4
Islands	7.3
<i>Largest cities (2016)</i>	<i>(%)</i>
Genoa	59.29
Rome	39.61
Bologna	42.80
Turin	34.54
Naples	18.92
Florence	27.97
Milan	4.23

The uneven distribution results from both institutional and territorial dynamics. From an institutional perspective, Regions and Municipalities are responsible for local housing policies albeit they operate within a common national framework. This means that each local administrations can develop different housing agenda based on specific priorities and needs. From a territorial perspective, urban dynamics shape different conditions for housing affordability. The latter is most problematic in the largest and densely populated cities where housing markets are tighter, such as Milan, Rome or Turin.

However, to explain the diffusion of assisted tenancy other factors must be considered, including landlords' motivations, market values of rental properties, and degree of municipal commitment towards assisted tenancy. The interplay of all these factors explains how difficult it can be to successfully implement this policy tool. For example, owners may refrain from choosing the assisted regime if the gap between market (ordinary tenancy) and

² Property owners in Italy are entitled to two types of taxation (known as IMU and TASI in Italian) regardless if such properties are rented or vacant.

controlled rent (assisted tenancy) is too high. Implementing assisted tenancy may fail when owners are not guaranteed fiscal benefits on the long-term.

Political commitment is a critical factor. The share of assisted tenancy contracts has increased over the last years because of sharper fiscal policy (*cedolare secca*) which contributed to lower taxation on rental properties at assisted regime (Bargelli, Bianchi, 2018). Another reason is that a rising number of municipalities have renewed or signed territorial agreements which helped to reduce the rent gap between assisted and market regimes (Gaeta *et al.*, 2018; Virgilio, 2012).

Another way public actor can promote assisted tenancy is to encourage a shift from ordinary to assisted regime while providing financial incentives to guarantee or compensate landlords from any risks associated to this shift (Gaeta *et al.*, 2018). This strategy involves social rental agencies whose staff members are in charge of providing verified and trustworthy information to landlords and tenants. SRAs offer accompaniment and engage in deep face-work activity to contrast mistrust and landlords' scepticism. For example, SRAs staff offers simulation of existing benefits and incentives tailored to each owner and tenant (Cerea, 2019). Social rental agencies operate on behalf of local authority to assign a social function to the PRS. The next section presents our research context.

3. Research context and data

The research context is the town of Cinisello Balsamo, 75,659 inhabitants in 2017 (census data), in the north of Lombardy's capital, Milan. To address the growing risk of tenure insecurity and housing vulnerability, in 2014 the municipality established a social rental agency which main task is to better connect housing and welfare services at city and regional scales. The agency is based at the Department of Social Services and Education within the city council. Staff members have different professional background combining technical, administrative, and social expertise to address citizens' needs: they provide counselling and orienteering services to apply for housing benefits schemes and accompaniment for assisted tenancy, such as simulation of tax relief and other advantages tailored to each applicant and signature of the contracts.

In the framework of two policy measures issued by the Region Lombardy, i.e., Delibera Giunta Regionale 1032/2013 and Delibera Giunta Regionale 2207/2014, the social rental agency in Cinisello Balsamo launched two types of institutional arrangements aimed to incentivise the supply of rental dwellings at assisted tenancy. The first type of institutional arrangement, or action,

involves tenants who are under eviction notice due to rent arrears. It provides a financial contribution for landlords to cover the amount of non-payment on the condition that the tenancy changes from ordinary to assisted regime. This shift temporarily stops the eviction process. The second typology of institutional arrangement provides a financial contribution, *una tantum*, for landlords who are willing to rent out their empty dwellings adopting an assisted regime and establishes a guarantee fund to prevent future rent arrears for up to 12 months during the first two years of contract. Through both arrangements, between 2015 and mid-2017, totally 66 assisted tenancy contracts were signed. 46 contracts were signed as part of the first action and 20 contracts as part of the second action. Our study focuses on the first action as it represents the proper setting to examine institutional processes that involve interactions and cooperation between different actors, i.e., the SRA, tenants and landlords, in a context of power asymmetry, competing interests, risk and uncertainty.

Between April and June 2017, we collected three explorative interviews with civil servants aimed at collecting general information about the local housing market and the activities undertaken by the social rental agency. In addition, we conducted 18 semi-structured interviews with tenants (8) and landlords (10) who joined the institutional arrangements. Respondents were selected from the municipal database and reached thanks to the involvement of social rental agency staff. Interviews lasted on average 30 minutes and were audio-recorded and transcribed for content analysis. Interview track included questions covering topics such as tenants/landlords' situation prior to signing the assisted tenancy contract, their experiences after signing assisted tenancy, and the role of the housing agency in promoting assisted tenancy.

4. The circuit of trust

To better understand how trust is involved and evolves over the entire institutional-led process of promoting assisted tenancy, we developed two diagrams drawing on Rousseau and colleagues' (1998) classification of trust. The first diagram (Fig. 1) considers the types of trust characterizing the relationships between involved parties in each tenancy typology, ordinary and assisted. In the ordinary tenancy the relationship is established between two actors, landlord and tenant, which are connected by a relational form of trust. In assisted tenancy the relationship includes a third institutional party, the municipality or housing agency, which enters the tenant-landlord relationship providing institutional-based trust through institutional arrangements.

The second diagram (Fig. 2) describes the evolution of trust throughout three temporal phases: stability, dissolution, repair and re-building. The first two phases relate to ordinary tenancy while the latter refers to assisted tenancy and is enabled by institutional arrangements. Such evolution is presented as a circuit of trust and is outlined in the next sub-sections.

Fig. 1 - Trust relationships between involved parties

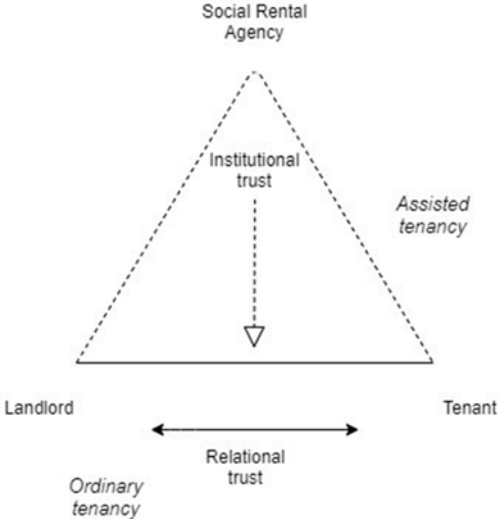
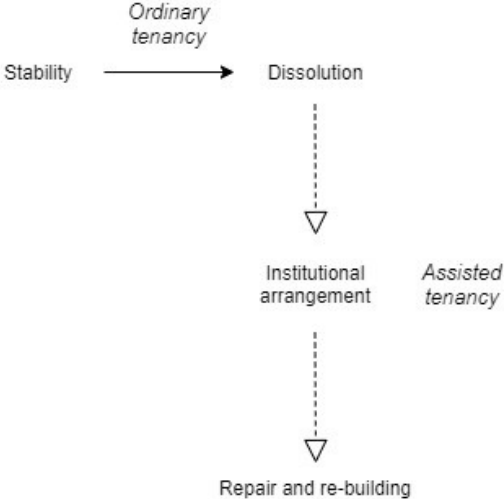


Fig. 2 - The evolution of trust. Authors' elaboration based on Rousseau et al. (1998)



4.1 *From stability to trust dissolution*

In ordinary tenancy, the two parties can be envisaged as having the following roles and relationship. The landlord (trustor) trusts the tenant (trustee) about the regular payment of rent. This situation (stability) changed in light of contingencies and life events, e.g. divorce or loss of job, that undermined tenants' capacity to continue paying rent at market rate regularly. Tenants' difficulty in sustaining their tenancy undermines trust relationship with the landlord, leading to a phase of trust dissolution in the landlord-tenant relationship (fig. 2). As our evidence suggests, the shift from stability to dissolution is strongly permeated by emotional elements which feature relational form of trust (Rousseau *et al.*, 1998) typical of tenant-landlord interaction (Byrne, McArdle, 2020; Green *et al.*, 2016; McKee *et al.*, 2020). As one respondent commented:

The tenant has lived in my apartment for more than 20 years. Because I was afraid about proceeding with eviction, I searched for an alternative solution even though I lost lots of money because of my generosity (...) He is not a bad person. He had to help his family out, but I was affected by this situation. He is not bad, he just suffers from the consequences of the crisis as the whole country. (Respondent n. 4, landlord)

The stages after trust dissolution involve the social rental agency and the institutional arrangements introduced to repair and rebuild trust between parties. Through such institutional arrangements, the public actor creeps into landlord-tenant relationship by offering a win-win situation for both parties allowing them to continue the tenancy agreement at new conditions, i.e. shorter length, lower prices, funding to cover tenants' debt, short-term (one year) guarantee fund. The municipality becomes a third-party within an existing - but deteriorated - tenant-landlord relationship in which tenants are threatened of eviction. The introduction of institutional arrangement marks a turning point in the tenant-landlord trust relationship wherein the social rental agency staff plays a key role in paving the way for a new phase of trust repair and re-building, as we will see in next sub-section.

4.2 *Towards trust repair: the functioning of institutional arrangements*

Our findings highlighted a crucial role of the social rental agency in offering help, counselling and support to both landlords and tenants. Most respondents were unfamiliar with assisted tenancy and did not know about the

range of benefits they could benefit from. When landlords were asked about how they came to know about assisted tenancy, it emerged that valuable information was acquired either through personal social networks (colleagues, friends, relatives etc.) or personal contacts with municipal offices and civil servants.

Both landlords and tenants are generally satisfied with their experiences and trustworthy with institutions regarding the chances to get their problems solved. Such experiences were characterized by deep face-to-face interaction between civil servants and citizens, confirming that frequent personal contact provided by experts, in this case the housing agency, is an essential element in the building process of institutional trust. Our evidence also suggests a strong person-dependent face-to-face interaction. Indeed, the majority of respondents mentioned the same contact person as the main access point to institutional information about assisted tenancy.

Institutional arrangements incorporate specific rules, routines, practices and behavioural patterns that are able to create common orientations and channel interactions between two or more actors (Bachmann, Inkpen, 2011), aiming to repair a negative behavioural antecedent, i.e. rent arrears, and promote institutional trust for the continuation of the tenancy. Proposed institutional arrangements include compensation from economic loss for landlords on the condition that they refrain from eviction, if any procedure had started before, and a new, affordable contract for tenants who can avoid eviction. In the next sub-section, we assess the effectiveness of institutional-based trust in creating the conditions for a new, longer-term phase of stability. We focus on institutional arrangements capacity to tackle the problem of housing affordability and security for low-income groups who joined this program.

4.3 All about trust? On the (uncertain) efficacy of institutional arrangements

Institutional arrangements had an overall positive impact on the short-term. By joining the offered scheme, tenants and landlords re-formulated their rental agreement at more advantageous conditions. However, in the longer-term the capacity to improve trust relationship and to provide a more structural response to the crisis of affordability and tenure security is weak. This relates to the difficulties in eradicating distrust and the persistence of economic vulnerability. Institutional arrangements resulted most effective in the very first stages of implementation when the housing agency exercised a higher degree of involvement. As one respondent argued:

We changed from ordinary to assisted tenancy because the tenant was insolvent. The tenant has not paid me the rent basically for 2 and a half or 3 years, so, following the advance of [anonymised name] we shifted to this contract, which allowed to reduce the rent and benefit from the help of municipality. In the period when the municipality supervised the tenant, I did receive the rent, but after then, I did not receive the whole amount of rent, just a small part of it which is not even enough to pay condominium expenses. I can no longer bear this situation, maybe I will have to execute the eviction with all the problems that this arises. (Respondent n. 4, landlord)

As highlighted in this quote, institutional-based trust and material help are not sufficient to eliminate the risk of rent arrear and misplaced trust. A high degree of uncertainty remains when tenants are not able to afford rent autonomously. As Bachmann and Inkpen (2011) argued, institutions can act as third-party guarantor between two parties and are able to reduce - not eliminate - the risk of misplaced trust. As the quote showed, the intervention of institutions was crucial as it provided favourable conditions for the two conflicting parties to cooperate and trust each other. However, when the benefits associated to such conditions run out, mistrust becomes an issue once again. According to some landlords, the provision of public incentives, as part of institutional arrangements does not compensate a perceived lack of mutual obligation:

Tenant interpreted this situation like the municipality makes a gift (...). Municipality helped him, I helped him as well, but you have not paid me for a year and exploited this. The municipality helped you, that is fine, but now are you working to collect the money for my rent and expenses? (Respondent n. 5, landlord)

The difficult eradication of landlords' mistrust is clearly connected to a persistence of economic vulnerability which undermines the efficacy of institutional arrangements. Life events, such as divorce or loss of job, have disruptive effects on low-income people's housing situation, exacerbating the risk of poverty and social exclusion. The mechanisms and reasons underlying households' incapacity to keep pace with rent payment need further consideration. In addition, examined arrangements neglect the burden of housing-related costs other than rent, for example energy bills, which we found to heavily affect tenants' financial budgets, as the quote below shows.

I have to pay large amount of money in electricity and gas bills. This flat features high ceilings so it takes long time to heat the whole place, it is horrible. I paid up to 1,000 euro, usually the provider reduces the power supplied because I never manage to pay on time, and they impose a penalty payment. (Respondent n. 2, tenant)

The overall assumption that problems of housing affordability are mostly caused by the high cost of rent is certainly relevant but other costs, i.e., energy, should be included as potential sources of housing deprivation. Promoting affordable and secure housing is not just about designing strategies to reduce the rent burden but also providing the conditions for tenants to maintain a dwelling autonomously. These conditions go beyond rent regulation and lowering housing-related costs to include measures to secure income stability.

Conclusion

This paper examined a set of institutional arrangements implemented by the social rental agency in the town of Cinisello Balsamo to encourage landlords and low-income tenants at risk of eviction to change a full market price rent regime (ordinary tenancy) into a rent control regime (assisted tenancy). This shift combines incentives for landlords (tax deductions and subsidies) and for tenants (lower rent and suspension of eviction). We focused on the role of social rental agency in promoting this shift through institutional trust and showed how the involvement of institutions in the private rental agreement reshaped trust relationship between tenants and landlords.

We found that a change in the rental agreement encouraged by institutional trust could not *per se* tackle the lack of affordability and improve tenure security of low-income tenants due to the fact that proposed measures had short-term effects ultimately benefitting landlords more than tenants. Thanks to this scheme, property owners were able to recover from the financial loss derived from tenants' non-payment plus some guarantees for one year. Tenants were provided with new conditions to maintain the dwelling in the short term, without any realistic means to afford housing costs by themselves for longer period. When landlords accept to join this programme, they get compensation for tenants' debt while still being in the position to proceed with eviction at the end of this program if tenants will not pay rent. As such, examined policy neglected the asymmetric positions between landlords and tenants and overlooked the underlying reasons why tenants fall behind on rent payments, for example the lack of stable income.

To some extent, the role of institutional trust in improving accessibility and stability has been overestimated. The financial capacity of tenants continues to be the benchmark despite the key role of institutional trust. While assisted tenancy is inadequate to address the problem of insecure tenure conditions and affordability for low-income groups in the PRS, this tool could be better used to address housing issues of tenants with higher income

capacity. When it comes to address the housing needs of low-income groups, we argue for an overarching set of interventions addressing multiple factors of deprivation in both housing and welfare domain at large. Finally, it is paramount that housing policy interventions that seek to promote a social use of private rental stock act to *prevent* housing-related risks, such as arrears, rather than acting *curatively* (6, 1998) as examined arrangements did.

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