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Long term social impact of Franco's housing policy in Spain.

Abstract

Spanish cities and housing markets strongly bear the marks of the political choices made by Franco's dictatorship; first and foremost the choice of developing homeownership, rather than a rented sector. Franco thus made of Spain a country of homeowners (highest rate in Europe: 86%). This policy was connected to a strong building program, which widely contributed to the shaping of the cities. Francoist legislation defined a vast sector of subsidized housing (called "protected" housing), built by public as well as private developers with public support. The laws defined several categories of housing, according to the identity of the developer (private commercial, private charity, public) and the social profile of the targeted occupants. The different protection regimes affected the housing (and its market value) for twenty to fifty years. Francoist corporatist ideology projected onto housing led to a social categorization of lodgings and a social zoning of the city. Additionally, it had the declared intention of structuring the housing groups as basic social units, modeled on the form of the village, with their church and their community places and institutions.

The Spanish case thus offers the possibility to observe the middle term and long term effects of a social housing policy based on homeownership, and on subsidizing construction rather than people. This paper focuses on the public "protected" housing, and explores the social reality of the neighborhoods built in this framework through a few case studies in the city of Madrid. It highlights the middle and long term impact of this policy on the structuring of local housing markets.

Introduction:

Spain has developed a housing policy fostering home ownership since the 1940's. It was initially an ideological choice made by Franco's dictatorship. However, it was not questioned afterwards by the Democratic authorities until very recently, when the financial crisis gave evidence of the risk of such a system of generalised home ownership (86% of homeowners in Spain) based on mortgage.

The Spanish case thus offers the possibility to observe the middle term and long term effects of a social housing policy based on homeownership. Among the many aspects, in this paper I would like to address in particular the question of the housing market. This work uses two case studies: the San Blás and Moratalaz neighborhoods. They are based on the *Registro de la Propiedad* (RP), which records all real estate transactions, on the personal files of tenants from the Madrid public housing office archives (IVIMA), and on interviews with tenants, residents and neighborhood associations' members. Being still work in progress, the quantitative evidence is not yet finalized.

I will first give a quick overview of Francoist housing policy, then present the way it was put into practice, and finally show its middle and long term impact on local housing market.

I. Francoist legislation on housing

In 1939, at the end of the Civil War, cities had suffered massive destructions – around 250 000 dwelling units destroyed in Madrid (López 2007). Simultaneously, the cities were the destination of numerous people migrating from the surrounding countryside. Reconstruction was therefore an emergency, soon made even more politically urgent by the growing shantytowns (Sambricio 1999).

The Francoist State thus elaborated a legislation fostering construction and creating institutions to program it. A 1939 law created the National Housing Institute, within the Department of Labor, which would later become a separated Department, and defined the juridical category of “protected housing”. It created a system of financial, fiscal and land subsidies for developers who built limited rent housing within the plans of the National Housing Department. From the beginning, building support and building plans were organized together (Villar Ezcurra 1981). In this framework, any public institution, private company or individual could undertake housing development. The law permitted both owner-occupation and tenure, but already gave preference to homeownership, for ideological reasons.

Later the legislation was completed by additional laws creating complementary juridical categories, among which the “bonificable” housing (1948), which extended to private developers the benefit of non-profit loans, direct subsidies, construction bonus and compulsory purchase.

The 1954 law on Limited Rent Housing reinforced public interventionism in terms of construction: it divided the real estate market into two separated sectors, the subsidized sector (the “protected housing” in the Spanish terminology), and the “free” sector. The protected housing sector was divided into a great number of housing categories according to the identity of the developer (public institution, charity society, or private commercial company) and the social profile of the population to which the housing was targeted (from working-class to middle-class households). In fact, public subsidies were not limited to housing aimed at low-income households. With the vast sector of “protected housing”, the Francoist State directly regulated the volume and the features of housing supply. This strong interventionism on the programming, the land market, and the construction durably marked the real estate market

and the city. It combined elements of non-liberal planning, at the same time that it integrated private initiative.

Within the Francoist State, two political projects were originally in conflict (López 2003). The Phalangists' egalitarian ideology defended the production of interclassist neighborhoods (socially mixed neighborhoods as we would say now). On the other hand the Department of Housing had an opposed view, which eventually prevailed: it reflected Francoist corporative vision of society on the housing and aimed at separating the different social groups in the city. This led to the definition of a great number of housing categories according to the people it was supposed to lodge: for each social category (army officers, working-class, etc), corresponded a different apartment surface. The legislation also favored professional corporations to undertake housing development and manage housing access.

Besides the diversity of the housing categories, developers and housing stock managers were also diverse. Amongst the main developers, there were the town councils (Valenzuela 1978), the National Housing Institute (Department from 1957 on), the "Unionist Housing Charity Organisation" (*Obra Sindical del Hogar: OSH*, an institution within the national vertical union) (Tatjer 1995a&b), public agents and servicemen associations. Private developers were both charity organizations and commercial companies; the later varying from individuals building a single dwelling unit for their personal use to important companies, which prospered thanks to the opportunity created by this legal framework. For each housing category, access paths, occupation status and property rights differed. The first effect of this legislation was the segmentation of the housing market into several separated channels.

II. Francoist housing policy in practice

1. Large scale projects

Francoist interventionist legislation and the administration choices made possible the development of very large comprehensive housing projects, led by a unique developer, be it public or private. Consequently, among the first and very immediate effects of this policy are the very modalities of extension of the cities. From the late 1950's on, Spanish major cities grew by big new neighborhoods, morphologically and socially homogeneous urban units, whose location followed more the opportunities on the land market than any regulation plan (Leira and *al.* 1976).

Private developers were enabled to develop huge real estates, within this “protected housing” legal framework (García Cuesta 2000). In Madrid, West Moratalaz, built by URBIS SA around 1960 for middle and lower middle-class households, has around 20 000 dwelling units. Barrio del Pilar, built by José Banús SA between 1968 and 1978 for the lower middle-class households, is about the same size. In fact, Barrio del Pilar, with its standard forty squared meters flat sold at hire purchase or on mortgage, got to symbolize this new Spanish society of humble homeowners enjoying modern commodities. The importance of these private “protected housing” projects was such that their developers became figures of the Regime, and symbols of Spanish prosperity society in the 1960’. José Banús, developer of the Conception, the Conception’s Extension (scenery of Pedro Almodovar’s *What have I done to deserve this?*), and Barrio del Pilar in Madrid, and later of important touristic complexes in Costa del Sol, was considered the “builder of the regime”; he gained his way into the Francoist establishment and became a personal friend of the *Caudillo*.

As for public housing, 100 000 dwelling units were built in Madrid under Franco (Moya 1983, Sambricio 2003). Certain public housing projects, like East Moratalaz or Gran San Blás number around 10 000 dwelling units. Some of the projects were luxury complexes built for certain privileged social categories within the regime, such as military officers. Nevertheless, there were also social projects of public housing directed to lower-income households that were effectively allocated to humble families. Many of them are nowadays the poorest neighborhoods of the cities, objects of urban revitalization programs since the 1980’s. The following paragraphs will focus on this very sector: public housing directed to the lower income households.

2. Access paths to public housing.

Many public housing projects were directly built for a specified population, whether on a professional basis (servicemen, policemen, railway workers, etc.), whether following emergency needs of rehousing: “San Blás D” was built partly for the families of the children coming back from USSR, where they had been sent during the Civil War. The “Francisco Franco” project in San Blás was meant for rehousing the slums that were destroyed to build the Avenida de la Paz. Besides, the policy officially fostered the production of professionally and socially homogeneous neighborhoods. The examination of the administration practice in individual allocations shows that this criterion of professional homogeneity guided the official’s choice.

As a consequence, within the same neighborhood, population could differ from one project to another. Interviews with old residents show that they still feel (or pretend to feel) the differences between the projects. The Núcleo de San Blás, whose lodging were in great part attributed to policemen and servicemen, and whose population's life level and life style is in fact equivalent to their neighbors, is still seen as a much higher quality project than the others. Both the repetition of the same dwelling typology in each project and the relative professional homogeneity of their residents converge in making of each project a social unit within the neighborhood.

Officially, in order to apply for a public housing, people within the required income had to list themselves at their work place, or directly to the social landlord. According to the landlord, each application would be assigned a grade, and listed. Once listed, the allocation followed a queue. The OSH had a grading system valorizing numerous families, political commitment, the fact of being relatives of a war wounded, among different criteria.

Despite the procedural system, the close examination of the individual files, as well as the interviews, in the case of San Blás, show the importance of recommendation and direct personal interference in the allocation of dwellings, especially in the OSH projects. In fact, short notes from a high rank administration official to a comrade of his at the allocation office are numerous, as well as inhabitants' letters recording, for other matters, that they entered the dwelling supported by such or such important figure of the Francoist administration.

III. Middle and long term impact on the housing market

1. Low residential mobility

The public housing homeownership system was based on a delayed access to home ownership. The tenant paid a monthly amount, which repaid the mortgage granted by the social landlord himself. The term was generally fifty years, during which the residents were, on a juridical point of view, comparable to tenants. The legislation on lease contracts made the tenure hereditary if the heir (who had to be a unique person, and was restricted to descendants, ascendants, brothers and sisters) could prove to have lived at least the last two years with the tenant (Rubio 1956). A tenant could renounce to his tenure or move to another dwelling within the same social landlord housing stock. In these cases, the account was liquidated and the tenant lost both the tenure and the promise of a future ownership. The first

obvious effect of this policy is thus the almost inexistent turnover in the housing occupation on the one hand, and on the other hand the very low mobility of the households, their local deep-rootedness. This last fact could be one of the factors explaining the very high attachment of the residents to their neighborhoods. Indeed, the study of two public housing projects in San Blás (“Francisco Franco” and “Núcleo de San Blás”) show that the majority of the first tenants of the housing, who entered respectively in 1955-56 and 1959-60, as the building were freshly built, or their heirs finally got formally the property of their home between 1972 and now (IVIMA and RP).

2. Low property mobility

Housing was qualified as “protected” for a duration varying from twenty to fifty years according to the category. During this period, the asset property was subject to special rules, which restricted the right to sell and fixed its price, disconnecting it from the market value. Even if a tenant formally accessed the property of its housing with anticipatory repayment, he was still obliged to make a personal use of the dwelling, as long as the housing was submitted to the “protected housing” qualification, and was not authorized to sell the asset. Since the end of the Dictatorship, this system has been modernized, but the public housing legislation of Democratic Spain still relies on the principle of an asset subject to a special property regime for fifty years. The tenant, who formally becomes the owner of the asset, within certain conditions and in very rare occasions, may get a special permit to sell the dwelling before the extinction of the “protection” regime, but he has no interest in doing so, since the asset will have its value hugely increased as soon as the “protection” will finish. The second important consequence of this public social housing policy, based on supporting construction and not directly subsidizing households, is that it tends to lock this segment of the market.

3. A vast black market sector

Since tenants were interested in conserving their tenure until they were formally owners and until the asset was freed from its “protection qualification”, but were not authorized to rent the flat and, in fact, were legally obliged to live in it, a vast black market developed.

If the tenant didn’t actually live in the flat (which was illegal), he could secretly keep it vacant or clandestinely rent it. Besides, The valuable asset was not only this long term

promise of a full ownership, but also the very right to presently use the dwelling. Indeed, until around the late 1980's, the moment in which the tenant would properly become owner of a "free" housing was probably perceived as far away and uncertain for humble households who had lived through the Civil War. Consequently, the tenure contract and the dwelling's keys were also sold on the black market. The buyer bought an unsecured illicit right to live in the dwelling. He carried on paying, in place of the tenant, the monthly amortization amount, which, for him, was actually the equivalent of a rent, since the bill was still being addressed to the official tenant. Indeed, on the day when the mortgage was eventually repaid, he was not able to formalize the purchase, since the papers were not in his name. The official tenant renounced, on the other hand, with this early sale, not only to the use of the dwelling, but also to its future ownership.

The great number of occupation regularization procedures within the individual public housing files examined for San Blás and the interviews with residents converge in showing the importance of such non-regular occupation. A 1964 decree (D 2227/1964) proceeded to a massive regularization of irregular occupations. Under the Democracy, two more regularization decrees in 1995 and 2000 (D 25/1995 and L 18/2000) were issued, showing that this black market had not ceased. The development of this black market is an immediate side-effect of the existence of this locked segment of the housing market.

The San Blás case study shows that the black market worked within a network defined by the personal proximity of the tenants: basically the extended family and the neighborhood. Most irregular residents were relatives of the official tenants or of people from the immediate neighborhood.

4. Administration shift

The political shift from Dictatorship to Democracy and the administrative decentralization of the constitution of 1978 that created the Autonomous Communities supposed an important transfer of responsibility from a national to a regional level and from one organization system to the other. For public housing, the stock was transferred to the regions and its management passed to brand new housing offices within the regional administrations. This transfer offers an interesting observatory of the administrative practices regarding social housing.

The 1964 regularization decree was taken for the “25 años de Paz” celebration (celebrating the 25th birthday of the Regime). It was a reform granted by the central administration in the frame of a paternalist policy. Among the requirements for being regularized, the resident had to have been living in the dwelling for a certain amount of time. The resident was not asked to prove himself the date he entered in the flat, it was the project’s local administrator, an official of the social landlord, who was asked to corroborate the irregular resident’s assertion on the date of his entry. The local administrator did so adding details on the personal history of the official tenant and the irregular resident. This tends to prove that the local social landlord administration perfectly knew what was going on, it probably knew who were the actual residents and their stories. Between social control and personal proximity, Francoist administration embodied an administration based on personal relationships, rather than contractual.

On the contrary, 1995 and 2000 decrees were taken as a result of the discovery of the situation. When Madrid regional housing organization took up the Francoist heritage – the antiquated and damaged public housing stock, whose resident’s associations were claiming for restoration and modernization works – its policy was to urge anticipatory repayment by the tenants to get rid of these poor quality buildings, which would suppose important maintenance costs and/or political problems. It was precisely when the administration proposed early repayment programs to the tenants that they discovered the massive phenomenon of irregular residents. In the political and social impossibility of expelling thousands of irregular residents, the administration of Madrid conducted massive regularizations.

Conclusion

The francoist housing policy and social housing system was not really questioned by the Democracy. Democratic laws reorganized and redefined the legal regimes of the different “protected housing” categories, but maintained until 2007 and the present crisis both the choice of homeownership, and the choice to subsidize construction rather than households. The segmentation between the “free” and the “protected” housing stock and, within the latter, between public and private housing continued. This locked segment is an important explanatory factor of the singularly low residential mobility of the Spanish households, and the high local deep-rootedness of families from one generation to the other. This housing policy model also enables a family scale management of the housing as a patrimonial asset.

Lastly, this system also fosters vacancies and black market. Indeed, within the last ten years, the main paradox of a very strained housing market not weakened by a massive growth of the housing stock, is partly due, among many other factors (Vorms 2009), to the vacancies within this antiquated public stock. The owners of public housing often have no financial means to modernize it, and little incentive to do so. The weakness of the revitalization policies, partly due to the concentration of the subsidies on new construction, further worsens the situation.

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