



European Construction Sector Observatory

Policy measure fact sheet

Spain

Building Renovation & Urban Regeneration
Grant Programmes (ARRU)

Thematic Objectives 1 & 3

February 2018



In a nutshell

Implementing body:	Ministry of Development (Ministerio de Fomento)
Key features & objectives:	Financial support programme providing grants to co-finance the renovation of buildings and households, the urbanisation or redevelopment of public spaces and, where appropriate, new building construction to replace demolished buildings.
Implementation date:	2013-2016 (extended to 2017)
Targeted beneficiaries:	Public administrations, homeowners, sole proprietors of residential buildings, communities of owners, groupings of communities of owners, consortia and associative management bodies.
Targeted sub-sectors:	Residential and non-residential sectors.
Budget (EUR):	418 million

The Spanish construction sector was severely affected by the economic crisis. The new building construction rate fell sharply from 850,000 new houses per year in 2007 to just 35,000 in 2013-2014. By 2017 however, the construction rate for new buildings had risen to 81,500, indicating that the sector is now recovering¹, although there has not been a similar upturn in renovation work to improve the existing housing stock. 54% of the housing stock (approximately 25.2 million) were constructed before 1980 and, of those older buildings, 16.21%, (about 2.2 million houses) are in poor condition². Many of these older buildings have not been properly maintained over decades and are in need of general maintenance and repairs (e.g. roofs, facades, bathrooms, toilets, technical building systems). Many have accessibility issues (e.g. no lift of lifts in need of repair). Many are also energy inefficient, having been built before the introduction of energy efficiency regulations, and are in need

of improvements such as building insulation (roofs, walls, windows), and heating and thermal control systems.

The National Plan for Rental Housing, Building Renovations and Urban Regeneration and Renovation 2013-2016³ was developed by the Ministry of Development to address the renovation challenge. The Plan provided the policy framework for the launch of seven financial support programmes to improve social and territorial cohesion, economic competitiveness and sustainability. Four of the seven programmes are specifically designed to provide an incentive for the renovation of the existing housing stock, the regeneration of urban areas and public spaces, and the replacement of demolished buildings⁴:

- Programme 4: Building Renovations;
- Programme 5: Urban Regeneration and Renovation;
- Programme 6: Support for the Implementation of Building Assessment Reports;
- Programme 7: Development of Sustainable and Competitive Cities.

Programmes 4 and 5 were launched by the Ministry of Development in 2013. ARRU (Urban Regeneration and Renovation Grants / Ayudas a la Regeneración y Renovación Urbana) is the acronym given to describe the financial support instruments provided by both programmes, and is the commonly used acronym for the programmes themselves. ARRU provides grant funding to support the renovation of buildings and households, the urbanisation or redevelopment of public spaces and, where appropriate, new building construction to replace demolished buildings⁵. The purpose of ARRU grant funding is to boost sustainability in the construction labour market, and deliver much needed resources to improve housing, security, health, biodiversity, mobility, economy, culture, social inclusion, energy efficiency and accessibility⁶.

Data on the results of the programmes shows that ARRU funding for building renovations and urban regeneration/renewal has helped to improve the quality of life of citizens and has created over 36,000 new jobs between 2013 and 2016. By the end of 2016, approximately EUR 280 million in ARRU funding (through Programmes 4 & 5) had been awarded to support over 117,000 renovation projects⁹. Roughly one third (EUR 138 million) of the total budget available (EUR 418 million) was unspent by the end of 2016, according to the latest data from the Ministry of Development, and was therefore allocated to the extension period (up to the end of 2017).

ARRU provides grant funding to support the renovation of buildings and households, the urbanisation or redevelopment of public spaces and, where appropriate, new building construction to replace demolished buildings⁷. The purpose of ARRU grant funding is to boost sustainability in the construction labour market, and deliver much needed resources to improve housing, security, health, biodiversity, mobility, economy, culture, social inclusion, energy efficiency and accessibility.

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1

General description

The Ministry of Development launched 'Programme 4: Building Renovation' and 'Programme 5: Urban Regeneration and Renovation' (ARRU) in accordance with the legal framework (Royal Decree 233/2013 of 5th April) and the National Plan for Rental Housing, Building Renovations and Urban Regeneration and Renovation 2013-2016¹⁰.

The purpose of Programmes 4 and 5 was to help to improve residential buildings and regenerate historic sites, urban centres and degraded neighbourhoods. A budget of EUR 418 million was allocated to support building renovations and urban regeneration¹¹.

ARRU is open to a broad range of potential beneficiaries, which include: public administrations; homeowners; apartment building owners; communities of proprietors, groupings of communities of proprietors, management consortiums and associations.

To be eligible for ARRU grant funding, applicants must demonstrate compliance with certain prerequisite criteria. To apply for a **building renovation grant**, a building owner must demonstrate that the building was constructed before 1981, and that at least 60% of the surface area of the building is above ground and is intended for residential use. Single and multi-household buildings are eligible for funding⁷.

To apply for a partial **demolition and construction grant**, applicants must show that the new building will be in compliance with the requirements of the Technical Building Code and will achieve a minimum energy rating B (on the energy rating scale that goes from F to A, where F is the least efficient and A is the most efficient). This type of grant covers work to demolish a residential building and the construction of a new building or houses, as a replacement¹².

As a first step for applying for ARRU funding, the Ministry of Development requires the Autonomous Communities and the cities of Ceuta and Melilla to submit renovation and regeneration proposals for buildings and urban areas that they intend to finance with ARRU support. More specifically, prior to signing an agreement with the bilateral monitoring commission, the following documentation must be submitted¹³:

- The scope and summary of the action, which will contain the cartographic scope of the regeneration and urban or rural

renewal area, both on paper and, if possible, in a geo-referenced shape file and the summary of the main parameters of the action.

- A full proposal that will contain, as a minimum:
 - A detailed assessment of the social, economic and environmental situation of the target area;
 - An Action Plan that includes a description of the eligible actions that will be undertaken, their technical suitability, and implementation and management method and plan, including an implementation timetable;
 - A Technical Feasibility Report that proves its compatibility with urban planning;
 - An Economic Viability Report that provides a cost/benefit analysis of the proposed actions, the benefits they will deliver and the impact of each action on the owners.
 - A Temporary Relocation and Return Plan – where relevant, this is a legal requirement – with an indication of the terms and costs of temporarily relocating residents during work implementation and any complementary social measures provided for the affected people/population.

In the event that the number of applications exceeds the number of actions foreseen in the Agreement of the Bilateral Commission, the proposals received are subject to a selection procedure, which is based on a set of evaluation criteria and a points-scoring system, an example of which is presented in Table 1.

Table 1: Evaluation criteria and scoring

Conservation actions: (maximum score: 7 points)	
Points	Action
4	Conservation actions to address problems with the foundations, structure, facades, medians or cover, which require urgent intervention, according to the Building Assessment Report;
2	Other conservation actions to address problems with foundation elements, structure, facades, medians or roofs, requiring medium-term intervention;
1	Actions that affect common installations of electricity, plumbing, gas, sanitation, collection / separation of waste and telecommunications, in order to adapt them to current regulations or those of maintenance and renovation of interior spaces;

Sustainability actions: (maximum score: 5 points)	
Points	Action
3 0.5	Actions to improve the thermal envelope of buildings: Energy savings >20%; Energy savings <20%;
2 0.5	Installation of common systems or equipment that reduce consumption or that use renewable energies: Energy savings >20%; Energy savings <20%;
Accessibility actions: (maximum score 8 points)	
Points	Action
5	Installation of lifts in buildings;
2	Renovation of existing lifts, installation of lifts or stair lifts, or creation of an accessible itinerary;
1	Actions that affect common installations of electricity, plumbing, gas, sanitation, collection / separation of waste and telecommunications, in order to adapt them to current regulations or those of maintenance and renovation of interior spaces;

Source: Iberley, ARRU Funding Regulations¹⁴

In accordance with Article 13 of the Regulations of the General Subsidies Law, ARRU funding for Autonomous Communities requires approval by Order of the Minister of Development and must be sent to the Secretary of State for Budgets and Expenses and to the General Courts¹⁵.

ARRU grant funding is administered by 17 Autonomous Communities. Building and homeowners, whether individually or as a group, can apply for funding through their respective regional government.

The amount of grant funding an applicant can request is dependent on the type of renovation work:

- Grant funding up to a maximum of 35% of the total cost of eligible renovation work;
- Maximum funding by category of work:
 - EUR 11,000 for renovation work to a building/household;
 - EUR 30,000 for the replacement of a demolished building/household;
 - EUR 2,000 per renovated building/household or replacement building/household to improve the quality and sustainability of the urban environment;
 - Additional funding of EUR 4,000 per year per household, where appropriate, to assist with the cost of relocation for the duration of approved renovation work and up to a maximum of 3 years.
 - Additional funding of up to EUR 500 per household to go towards the cost of using equipment and offices for planning, information, management and social support¹⁶.

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Achieved or expected results

Data published by the Ministry of Development in the 2017 update to the Long-Term National Strategy for Energy Efficient Building Renovations shows that ARRU (Programmes 4 and 5) has awarded just under EUR 280 million in grant funding between 2014 and 2016 to support renovation work in over 117,000 households. Government data shows that there was a relatively slow start to funding scheme in 2014, with just under 10,000 renovation proposals being awarded funding. However, the number of proposals awarded funding then jumped to over 50,000 per year in 2015 and 2016.

Table 2: Results of Programmes 4 and 5 (2014-2016)

	Number of households	Grant funding awarded (EUR)	Average per household (EUR)
2014	9,973	35,044,329	3,514
2015	51,664	121,224,797	2,346
2016	55,973	123,551,215	2,207
TOTAL	117,610	279,820,340	2,379

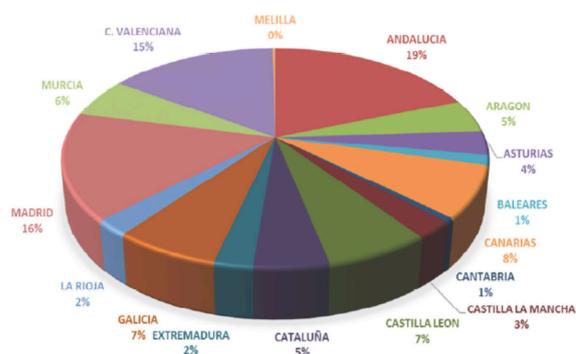
Source: Ministry of Development, ERESEE 2017¹⁷

Data published by the Ministry of Development in the 2017 update to the Long-Term National Strategy for Energy Efficient Building Renovations shows that ARRU (Programmes 4 and 5) has awarded just under EUR 280 million in grant funding between 2014 and 2016 to support renovation work in over 117,000 households.

The total funding awarded by the end of 2016 amounted to approximately two thirds of the available budget for Programmes 4 and 5 (EUR 418 million), leaving one third (EUR 138 million) unspent.

Figure 1 shows the distribution of investment across Spain's autonomous regions under the ARRU scheme. Broadly speaking, there is wide distribution across all regions, with a particular concentration in Andalusia, Madrid and the Valencian Community.

Figure 1: Volume of investment by autonomous region



Source: Ministry of Development, ERESEE 2017¹⁸

These positive results led the Government to extend Programmes 4 and 5 through to the end of 2017¹⁹, as part of an overall one-year extension to the National Plan for Rental Housing, Building Renovations and Urban Regeneration and Renovation 2013-2016. The Government allocated an additional overall budget of EUR 321.61 million to support the extended National Plan and its constituent programmes.

However, there is no indication what portion was allocated to Programmes 4 and 5. However, when announcing the extension, the Government stated that on top of the additional funding for the National Plan, the Ministry of Development would also be providing a budget of about EUR 140 million to support grant funding for building renovations during 2017. This figure roughly equates to the unspent budget for the 2013/14-2016 period. The Government stated that it expected Programmes 4 and 5 to support the renovation of approximately 35,000 buildings in 2017, which was expected to benefit about 140,000 households²⁰.

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Perspectives and lessons learned

From a **government perspective**, the Ministry of Development is broadly satisfied with the results of Programmes 4 and 5, which has supported renovation works to over 117,000 households by the end of 2016.

As a mark of its approval, the Ministry announced the extension of both programmes to the end of 2017, including the provision of its unspent budget. Since they were first launched, the programmes have been adapted to better meet the needs of the housing sector. Modifications have been made to extend the validity period of programme regulations, to expand the type of works or real estate that can benefit from them, and to increase the maximum grant levels in certain cases. Modifications have also been made to make grant funding more accessible to all types of buildings. Some limitations have been removed, such as the building's age or the percentage that had to be dedicated to residential use. The requirements for a building to have been built before 1981 and for at least 70% of its surface area to be for residential use were removed for the 2017 extension of the programme and are no longer part of the eligibility criteria¹⁴.

From an **industry perspective**, there are some very positive examples of good practices in local areas, which confirm the value of the ARRUs support measure.

One example is the Tamaraceite ARRUs programme in the Canary Islands, which has helped to create new jobs, by contracting two local construction companies:

- Constructora San Jose S.A. is responsible for demolishing 87 buildings and constructing 60 new buildings, for which it has received EUR 4.8 million in grant funding;
- "Constructia Obras de Ingenieria S.L. is responsible for building 23 new buildings for a total cost of EUR 1.8 million.

This project has not only helped to develop the local construction sector, it has also delivered improvements to the urban area, such as improvements in accessibility²¹. It is the intention of the Government of the Canary Islands to continue with these kinds of projects and improvements which, although very complex, are absolutely necessary to improve the local infrastructure and urban facilities, and to contribute to the development of the local construction sector²².

According to the Global Building Council Spain (GBCe), from a **building transformation and sustainability perspective**, the ARRUs scheme is working well at local community level, because it is delivering projects that meet the needs of local people, and that are tangible, relevant and valuable to local communities.

When the work is done in close collaboration with the local town hall and with residents, the end result is positive.

To achieve the objective of annually renovating and constructing housing units for 200,000 households, more financing, social action and communication is required. Although municipalities have shown interest in the ARRUs scheme and are increasingly participating in it, there is a need to create and agree upon a common national vision and approach to maximise the scheme's potential.

From the **perspective of building owners**, the Public Works and Housing Counsellor of Cantabria argues that ARRUs encompasses a set of very complex programmes which make deadlines hard to meet.

In the particular case of the locality of Cabildo, building owners were not able to meet the time limits imposed by the scheme. Until 2017, there was a deadline to complete the works before the end of the following year, from the date of application/award of grant. The one-year extension to the ARRUs scheme (2017) has extended the deadline for completion, which they find much more convenient. The ARRUs scheme is considered to be an important commitment which results in improvements to the quality of life of local communities and which is contributing to the revitalization of urban centres.

The general consensus is that the ARRUs scheme is an important initiative that is helping to reactivate the construction sector and is boosting employment. The benefits of ARRUs are being felt not just across the construction sector, but also by SMEs in the energy efficiency sector, as a consequence of the extra workload that ARRUs is creating for these types of companies.

Endnotes

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