

# **State Housing Policy Concept to 2015**

**Approved by the Slovak Government Resolution No. 96 of 3 February 2010**

## **Introduction**

The State Housing Policy Concept to 2015 is a fundamental document prepared by the state with respect to the housing to 2015 which should be used as a tool to achieve the basic goal - creation of market environment for the provision of housing, enabling households members to live according to their incomes, facilitating mobility of labour force and satisfying the housing demand with the use of existing housing stock without putting excessive pressure on the new housing construction.

The prepared material is principally based on the root UN program documents concerning the housing (Vancouver Declaration of 1976, Global Housing Strategy of 1988, Istanbul Habitat Agenda of 1996, Ministerial Declaration of the Social and Economic Challenges in Urban Areas of the ECC UN Region Affected by Difficulties of 2006), strategic objectives formulated within the European Union (Lisbon Strategy of 2000 and Leipzig Charter of 2007) and documents prepared by the Slovak Republic including but not limited to previously adopted concept materials regarding the issues of the state housing policy and energy efficiency of buildings. The state housing objectives for the future period take into account national principles of housing development and international development experience and mostly follow the principles accepted by the European Union (hereinafter only the "EU").

The preparation and updating of the housing policy concept on the level of the state belongs to the competences of the Ministry of Construction and Regional Development of the SR which being the central body of the state administration, sets the direction for the state housing policy by creating a concept in the general context of social and economic, institutional and technical development of the country. From this point of view, the material details and updates the tasks adopted on the basis of the previous concepts and, at the same time, takes into consideration the existing state of society and economy development.

The aim of the state housing policy is to gradually increase the overall standard of housing, making the housing available to the population and enabling each household to get adequate housing. In this sense, it is necessary to create a framework to involve all housing development process subjects in the process of solving partial tasks, create space for the participation of all decision-making levels and strengthen the partnership between the public, private and non-governmental sector on the horizontal and vertical level while adhering to the principles of sustainable development, energy and economic efficiency and social solidarity.

Dignified housing is a basic life need but, at the same time, an expensive issue which often exceeds the possibilities of citizens. It is therefore necessary to create conditions mainly for the housing of income and socially weak classes of population.

In the area of housing quality, the task of uttermost importance is to improve the technical conditions of existing housing stock and, with the use of appropriate renewal tools, contribute to the lengthening of its lifespan and decrease of its energy demands. As far as the housing quantity is concerned, the main task will be to achieve the gradual increase of the availability of housing for the population.

## **1. Competencies in the area of housing development**

The State Housing Policy to 2015 derives from the previously elaborated concept materials concerning the housing issue and creatively details them with respect to the competencies in the area of housing development.

The citizen, state, self-government and private sector as subjects are interconnected in their pursuance to create conditions for the housing development; however, each of them has specific competencies. In a market economy, the primary responsibility for the provision of one's own housing lies with the citizen. In this sense, the citizen must, as part of providing for his own housing, ensure all activities connected with the preparation and realization of investment (e.g. financing, land, buried services, negotiations with the constructor etc.) and, at the same time, solve to the full extent all problems connected with the use of his flat (provision of financial resources, management and operation, technical inspections, repairs etc.).

The competencies of the state must be mainly focused on the creation of necessary legislative framework for individual subjects active in the housing sector, creation of necessary economic tools of subsidy, credit and tax policies as well as on the necessary methodology activities in this area.

The state's responsibility is mainly to:

- treat the housing development in relation to economic, social and environmental policies of the state as one of the priorities included in the state strategies and concepts;
- prepare the state housing policy concept;
- create a system of economic tools in the area of subsidy, credit and tax policies, enabling the achievement of objectives of the state housing policy concept;
- earmark a volume of financial resources for the housing development in individual years (participate mainly in the financing of housing construction in the public rental sector, revitalization of city districts and renewal of housing stock);
- create legal environment stimulating the housing development and provide for the amendment of such legal regulations which go against the system and create barriers in the process of housing development;
- create suitable conditions for the participation of private sector and banking in all activities connected with the housing development as well as for the functioning of the capital market;
- maintain the database on the situation in housing and monitor the housing needs on the state and regional levels;
- create conditions for the increase of economy performance, decrease of unemployment and growth of real incomes of households as basic preconditions for the improvement of housing standard, increase of housing availability for the population and shortening of a time period necessary for the provision of one's own housing.

Subject to the above facts and responsibilities of the state in the area of housing, the successful achievement necessitates the strengthening of the administrative capacities of the state housing policy gestor and, owing to the interconnected character of tasks, the reinforcement of its competency and administrative position. In addition, it is necessary to consider the establishment of a specialist institute within the sector competency of the Ministry of Construction and Regional Development of the SR as the state housing policy gestor which would provide for a housing information system, research and development in

terms of housing needs and quality, research of changed housing requirements and connected economic, energy, environmental, technical and hygienic problems.

The competencies of self-governing regions are constituted by their concept, legislative and executive activities arising out of their responsibilities associated with the process of managing general development of their territories and meeting the needs of their citizens in accordance with the Act of the National Council of the SR No. 302/2001 Coll. on the Self-Government of Higher Territorial Units as amended. The main tasks connected with the process of completing the mission of a self-governing region include the housing development, to which adequate attention must be paid also by determining, in terms of legislation, the relevant competencies and responsibilities. The competencies of municipalities are mainly focused on the creation of spatial conditions for the housing development within the territorial development of settlements.

The municipalities should mainly:

- ensure provision, approval and updating of zoning documentation for municipalities and zones;
- process, in accordance with applicable zoning documentation, municipality housing development programs including housing stock renewal programs which can form part of economic and social development of municipality and create suitable conditions for their implementation;
- coordinate, together with parties involved in the housing development process, the provision of lands and building of technical infrastructure for the housing construction;
- create conditions for the housing stock renewal and residential environment renewal and actively participate in increasing the population's awareness of the responsibility for the condition and appearance of the housing stock and residential environment;
- keep a database of housing and housing stock condition as well as of housing needs of municipalities;
- take into account, as part of the housing development, the specific needs of population identified on the basis of surveys of real housing demand in municipalities;
- improve the management and use of the municipality housing stock;
- establish, at municipal (city) offices of larger cities, specialist units with competencies to manage the housing development and provide information and methodology assistance with respect to the use of the housing stock.

The private sector has a dominant position in ensuring the activities connected with the housing development and housing stock renewal. The competencies of the private sector are mainly associated with the provision of services connected with the housing and its development as well as with the provision of financial resources for the housing development activities.

On the level of the private sector and non-governmental sector, i.e., all parties involved in the process of housing development (e.g. financial market institutions, investors, developers, engineering and project organizations, construction companies, population and other entities such as foundations, non-profit organization etc.), it is important to mainly participate in:

- financing of housing development;
- preparing of lands and investing in lands by providing technical infrastructure;
- housing construction and managing the housing stock;
- providing other services connected with the housing and its development;

- correct usage, quality maintenance and necessary renewal of the housing stock because the private sector - population – is also the ultimate user of flats constituting the housing stock of the Slovak Republic.

From the point of view of the activities conducted by the private sector, it is necessary to gradually remove the barriers preventing the private sector from being widely useful in the area of housing development.

One of the institutional forms successfully applied to the housing development in foreign countries, is the creation of public private partnerships. Fostering the establishment of such partnerships focused, for example, on the housing construction could result in savings of public finances. However, when implementing projects involving private partnership, it is necessary to comply with the rules of the EU internal market, follow the public interest protection objective and comply with the state assistance rules.

## **2. Housing development**

According to the findings of the Statistical Office of the SR, as of 31 December 2008 the Slovak Republic had 5,412,254 citizens. According to the citizen, house and flat census conducted as of 26 May 2001 and on the basis of specialist recalculations made as of 31 December 2008, the housing stock of the SR was constituted by approx. 1,988,000 flats, of which approx. 1,768,000 flats were permanently occupied. After recalculation, as of 31 December 2008 approx. 367 flats of all flats or approx. 327 permanently occupied flats fell on one thousand citizens in Slovakia (according to the census of 2001, it was approx. 350 of all flats or approx. 310 of permanently occupied flats).

Even though the Slovak Republic is catching up with advanced countries of the Western Europe with its quantity indicators, it still has not reached their level. From this point of view, it is necessary to maintain and further develop the existing system of tools for the fostering of housing development and adopt measures stimulating the use of unoccupied flats. As far as the housing construction intensity is concerned, it should reach the number of about four flats completed per one thousand citizens per year. However, this goal can be somewhat negatively affected by the current economic crisis.

In terms of the housing availability and preparing the entire set of measures increasing the quality of housing, it is necessary to motivate local self-governments to create comprehensive territory development plans and increase the availability of rental housing as part of such plans. These activities should contribute to the achievement of objectives which will help to integrate marginalized groups of population, limit social exclusion and eliminate the creation of so-called “city ghettos” thanks to an adequate social mixture of population.

The aim of the state housing policy is to improve and extend the existing housing stock not only by providing new flats and houses but also by reconstructing and extending existing buildings included in the housing stock. Such activities shall enable to eliminate some technical defects of existing buildings (e.g. roof leakages, use of obsolete lifts, insufficient thermal and insulating properties of perimeter structures).

As the volume of funds earmarked from the state budget for the housing is continuously decreasing in relation to the growth of economic performance, it is necessary to take into consideration multiplication effects of activities in the area of housing and its development when deciding about the amount of allocated public funds. Owing to the current financial and economic crisis, it would be good to, at least partially, cover certain gaps in the financing of housing development by resources of the bank sector or private investors by increasing the support rendered by means of public funds for the public rental sector and housing stock renewal.

To ensure the availability and affordability of housing included in the public rental housing stock, the decision-making regarding the size categories of flats should be based on the current state of demography development and existing structure of the housing stock, whereby from this point of view, there proves to be a need for smaller flats which are low in number on the housing market. The resolution of this problem is mainly within the competency of municipalities which provide for the construction of new rental flats while taking into account specific needs of their citizens. The substantial decrease of the rental sector caused by massive privatization of flats is partially balanced by fostering the rental segment development with the use of public budgets.

The standard of housing is not affected only by new construction. It is also substantially affected by the state of the existing housing stock. A great number of flats situated in blocks of flats shows defects which are caused by exceeded lifespan and wearing of building structures and installation distribution systems which decreases their use value and increases operating costs and could result in the occurrence of malfunctions which can have negative impacts on the population health and safety of building use.

The necessary precondition for keeping the quality standard of housing is constituted not only by ensuring regular maintenance and cyclic repairs of the housing stock but also by performing renewal in the necessary extent in case of residential buildings older than 20 years. Special attention must be paid to residential buildings constructed by means of mass building technologies, in particular, panel technologies, in case of which there are the highest energy and ecology demands. The renewal of residential buildings should be conducted together with the revitalization of surrounding environment which necessitates increased initiative of municipal self-government in planning and coordinating the collaboration of involved subjects. The efforts should result in the comprehensive renewal of residential environment by means of settlement regeneration programs being within the competency of self-governments. For this purpose, it is possible to use, in addition to national funds, also the European Regional Development Fund resources as specified in Chapter 7.

The potential source for the extension of the housing stock is also represented by the reconstruction of unused non-residential premises and use of flats removed, for different reasons, from the housing stock. It is a cheaper way of providing flats compared to new construction which is mainly connected with the use of existing infrastructure. The main responsibility lies with the local self-governments which must initiate such processes in connection with their transferred competencies of the Building Office and property tax administrator.

The construction sector has recently experienced some decreased demand and also faces important challenges connected with the transfer to ecological economy. The answer to short-term financial and economic needs combined with long-term challenges is the European Economic Renewal Plan adopted by the European Commission in November 2008. The Plan recommends focusing on the initiative of “Energy-Effective Buildings” to support ecological technologies and development of energy-effective materials in new and renovated buildings to radically decrease their energy consumption and CO<sub>2</sub> emissions.

To ensure the achievement of targets in accordance with the EU initiatives, it shall be necessary, within research and development, to solve the following areas with respect of energy effectiveness of buildings:

- designing of new structures and construction technologies for the housing having low energy demands based on domestic raw materials and quality comparable to EU countries,
- decreasing energy demands when implementing and using building and engineering constructions,

- developing smart building construction,
- using renewable energy resources in the area of housing.

### **3. Ownership housing**

The ownership housing in Slovakia is the most popular form of housing. The citizen, house and flat census of 2001 showed that, from the total number of flats in the Slovak Republic, 75.9% of flats were owned by citizens (approx. 50% were situated in family houses and 26% were situated in residential buildings), 14.9% of flats were owned by housing associations and approx. 9.2% of flats were owned by other subjects. According to the supporting materials retrieved from a housing stock ownership statistical survey as of 31 December 2008 and based on specialist estimation, the ownership housing in Slovakia is represented by the number of approx. 94.5% of permanently occupied flats as of the above date. The ownership housing is usually intended for the housing of middle and higher groups of population in terms of income.

The basic legal regulation governing the ownership housing is the Act No. 182/1993 Coll. on the Ownership of Flats and Non-Residential Premises as amended. The stated Act has been often amended since its adoption; however, it still includes provisions focused on the change of ownership to municipal rental flats which were adopted at the early 90-ties of the past century. Currently, the provisions concerning the obligatory transfer of ownership to such flats performed under statutory conditions are not well-founded in terms of price and other aspects, causing problems in real life in increasing the availability of rental housing. The provisions concerning the change of ownership to cooperative flats should remain valid in the wording as contained in the existing Act No. 182/1993 Coll. on the Ownership of Flats and Non-Residential Premises as amended. Taking into consideration these facts, it is necessary to include in the Act on the Ownership of Flats and Non-Residential Premises the conditions and date for the completion of transfer of ownership to rental flats by an original tenant. This proposal fully complies with the recommendations listed in the OECD material of February 2009 "Economic Surveys - Slovak Republic", according to which such legislation should be gradually cancelled or selling prices should be put on the level of market values. It is also necessary to amend the legislation to increase the owners' responsibility for the technical state of residential buildings and impose the statutory obligation to establish an association of owners of residential and non-residential premises situated in residential buildings, whereby the performance of some activities shall be ensured by means of an authorized person on the basis of a contract.

Another precondition for the provision of effective management of residential buildings is to impose, under legislation, an obligation for the association of owners of residential and non-residential premises or management company to prepare long-term plans for the renewal of residential buildings including a financial plan and to discuss such plans with the relevant owners. In connection with the management of flats and non-residential premises, it is necessary, on the basis of legislation, to clearly set for the natural persons (Trade Law) and legal entities the conditions and specialist requirements for the conduct of such activities.

It is suggested that the above mentioned legislation should be prepared by amending the existing wording of the Act on the Ownership of Flats and Non-Residential Premises as well as by preparing a new law on the management of flats.

As the existing development proves that the representatives of associations lack professional experience in ensuring the management of residential buildings, it shall be necessary to organize for them, in collaboration with interest groups, training sessions and continuous education including the provision of methodology assistance.

#### **4. Rental housing**

The rental housing in Slovakia is one of the key problems which must be solved in terms of availability and affordability. According to specialist estimations, the municipalities and state currently own approx. 2.7% of flats. In EU countries, the percentage share of rental flats achieves about 19% to 62%, whereby the public rental sector represents in average 18% of the housing stock. These facts show that the problem-solving approach to the rental housing in Slovakia is very limited and the state should thus pay special attention to the development of such housing both in the public and private rental sectors.

The public rental sector should mainly serve for the provision of social housing and should be used by such citizens who cannot get housing on a free market. For this reason, this sector should operate on non-profit basis to ensure that its use is not loss-making and that, at the same time, the housing is affordable. The rent in this sector should cover all costs connected with the purchase and operation of residential buildings and the principle of the lowest purchase price should be followed. The adherence to such principle necessitates that the housing is offered by municipalities and non-profit organizations and that the state directly or indirectly provides funds for its construction.

The private rental sector is not sufficiently developed mainly as a consequence of the past price regulation of the amount of the rent and excessive protection of tenants, arising from the applicable civil regulation governing the tenancy of flats. This sector should offer housing in terms of working mobility and flexibility to citizens who look for a short-term housing solution. The rent in this sector should not be regulated in the future and the state should foster the construction of new housing units by means of indirect economic tools.

In this connection, it is necessary to resolve the issue of relations between private owners and tenants of flats where a regulated rent is applied in accordance with the principles included in the material "Draft Concept of the Method of Settling the Relations between Private Owners of residential buildings and Tenants of Flats Affected by the Deregulation of Rent of Flats" discussed by the Slovak Government and approved by the Government Resolution No. 640/2009.

As far as the issue of the rent is concerned, the form of the regulation of the rent as well as the group of flats and tenants to be affected thereby must be determined in the future. When creating the legislative framework, it is necessary to follow the above principles mentioned in connection with the characterization of public and private rental sectors, whereby benefits resulting from the housing in a sector regulated in terms of price should be used only by such tenants who meet the criteria relating to the amount of their income or property.

An important role in developing the rental sector is played by legal regulations governing the relations between owners and tenants. From this point of view, it is necessary, as part of the Civil Code recodification, to maintain the protected-tenancy-of-flat institute while ensuring the mutually balanced position of owners and tenants. The changes made in accordance with the Civil Code's legislative purpose approved by the Government should be aimed at flexible functioning of the flat market, the legal basis of which is constituted by the temporary provision of a flat to other person for use for remuneration. The changes made within the Civil Code's legislative purpose approved by the Government should mainly concern the passage of tenancy in case of tenant's death, exchange of flats, housing compensation and termination of tenancy by a landlord by notice. Mainly, there are such factors involved which limit an owner in disposing with his property and give rise to the

continuous existence of negative consequences resulting from the previously applied and unfocused, in social terms, regulation of tenancy.

The above principles which are to be followed when amending the legislative framework for the area of rental housing in the upcoming period fully comply with the OECD recommendations concerning this issue, included in the material "Economic Surveys - Slovak Republic" of February 2009.

## **5. Management of housing stock**

The flats situated in residential buildings are managed in accordance with the Act No. 182/1993 Coll. on the Ownership of Flats and Non-Residential Premises as amended. For this purpose, associations of owners of residential and non-residential premises are established or contracts on the performance of management are concluded. In both cases, problems occur when ensuring the management services and using this part of the housing stock, in particular, when determining the relevant obligations of individual involved parties and in connection with qualification of natural persons or legal entities ensuring the management. Further improvement of the processes connected with the operation and maintenance of the housing stock can be achieved by changing the legislative framework for the provision of services and management of flats, i.e., by preparing a new law on the management of flats.

The available administrative resources do not enable to identify in detail the extent of the housing stock and its basic indicators which is true also for the rental sector. It should be thus good to solve this problem with the use of tax policy and Land Registry, create a functional and regularly updated Register including basic indicators concerning the existing housing stock and, in this way, create conditions for the higher collection of taxes on income from the tenancy of real estates. In case of unused flats, it is necessary to take measures to facilitate better use of such flats for the purposes of housing.

Whereas there still exists problems in managing (operating and maintaining) residential buildings resulting from insufficient qualification of subjects involved in the management of residential buildings, it is necessary to impose on such subjects a qualification obligation under legislation. In this connection, the management of the rental housing stock built with the use of public financial resources should be ensured on non-profit basis in the future.

In the area of legislative amendments concerning the delivery of energy, such measures should be adopted to motivate producers and suppliers to produce and distribute energy as effectively as possible without losses caused, for example, by obsolete technical devices, to prevent the ultimate consumer from paying for uneconomic production. Such measures, the main objective of which is to protect the consumer, are very important because the population is supplied mainly by monopolies.

To maintain the functionality of the existing housing stock, it shall be necessary to pay special attention to the supplementation of the legislative framework to create suitable conditions for the maintenance and renewal of the housing stock. In addition, it is vital to perform activities, the aim of which is to make more attractive the existing public premises by renewing the residential environment.

## **6. Lands and infrastructure**

The legal provisions setting the obligation to pay taxes on the taking-over of the farm land were cancelled in the past. Legislative and economic barriers which stimulated investors and municipalities to place new construction within a territory limited by borders of a

municipality built-up zone were thus eliminated and problems connected with the acquisition of land by extending the boarders of a municipality built-up zone were reduced due to the strict protection of the agricultural land. However, the legal provisions have been recently readopted in an amended and more free form, i.e., through the Act No. 220/2004 Coll. on the Protection and Use of the Agricultural Land and on Amendment of Act No. 245/2003 Coll. on the Integrated Prevention and Regulation of Environmental Pollution and on Amendment and Supplementation of Other Acts as amended which can negatively affect the resulting price of new housing constructions in case of more extensive taking-over of the land by institutional private developers. If there prove to be negative impacts, it shall be necessary to reconsider the applicable legislative framework.

Owing to the fact that the lands suitable for the construction are mainly in the ownership of natural persons or legal entities, municipalities have limited powers to influence the effective use of such lands. One of the tools used to manage the use of territory includes the property tax which, pursuant to the Act No. 582/2004 Coll. on the Local Taxes and Local Charges for the Municipal and Minor Construction Waste as amended, can be increased by the municipality on the basis of generally binding order or decreased according to the local conditions in the territory. In this connection, it would be advisable to amend the existing legislation so that the property tax is based on actual market values of real estates in accordance with the OECD recommendations of February 2009 included in the material "Economic Surveys – Slovak Republic".

To ensure the rational use of lands during the process of construction, self-governments should carefully apply the provisions of the Building Act relating to the zoning. As approx. 47% of all municipalities do not have up-to-date territorial plans, it is necessary to determine requirements for the economical use of lands and effectiveness of construction within the boarders of municipality built-up zones as soon the zoning documentation is ordered to be prepared or updated.

In accordance with the Act No. 369/1990 Coll. on Municipalities as amended, municipalities are responsible for their territorial development. In the connection, one of the tasks which are given priority is the provision and approval of territorial plans of municipalities and zones in accordance with the Act 50/1976 Coll., On Land-use Planning and Building Order (The Building Act) as amended. It is the territorial plan of municipality which enables to determine the principles and regulations for the spatial arrangement and functional use of the municipality's territory in relation to the surrounding territory and tolerable, limited and forbidden functional use of areas and thus prepare suitable territories for the construction in accordance with the principles of sustainable development by using natural resources in an economical way and maintaining natural, civilization and cultural values.

The importance of the zoning preparation increased also after the adoption of the Act No. 539/2008 Coll. on the Support of Regional Development, under which the provision of financial contribution from the state budget and EU supplementary resources for the regional development is conditional upon the approval of zoning documentation of municipalities provided that such approval is required under the Act 50/1976 Coll., On Land-use Planning and Building Order (The Building Act) as amended. From 2005, the municipalities can be granted a subsidy by the Ministry of Construction and Regional Development of the SR to prepare such documents.

At present, a new building law is available for the following period which is drafted as a consistent and comprehensive legal regulation relating to the area of zoning and public building law, introducing new solutions to rationalize and improve the effectiveness of preventive supervision conducted by the state in the area of construction and, in particular, to decrease the administrative demands of permission proceedings with the use of new differentiation of constructions and in relation to new permission procedures and to strengthen

the state's tools for supervision, the aim of which is to supervise the construction implementation and eliminate identified defects.

One of the forms of more effective use of lands is constituted by preferring progressive forms of housing development for planned construction of houses which shall result in the decreased costs of technical infrastructure, reduced costs of construction and heating of flats as well as in the increased availability of housing for the population.

The use of completed flats depends on the building of and connecting to the technical infrastructure facilities including but not limited to water delivery system, sewerage system, sewage water treatment plant, and electric power or gas distribution systems as well as on the building of local roads and public lighting. After the privatization of power supply companies, the state, as part of the housing development support, participates, by granting subsidies, in the co-financing of the development of some public water delivery systems, public sewerage systems including sewage water treatment plants and local roads including public lightning. This form of support substantially contributes to the housing development and must be thus preserved. However, the target solution to be achieved in this area is the provision of public technical infrastructure development by means of owners or operators of distribution systems in accordance with the approved zoning documentation of municipalities.

## **7. Sustainable development and energy efficiency**

Among the long-term strategic priorities of the Ministry of Construction and Regional Development of the SR is the renewal of buildings to achieve gradual decrease of energy consumption of buildings subject to the provisions of the Act No. 555/2005 Coll. on the Energy Efficiency of Buildings and on Amendment and Supplementation of Other Acts as amended. The Act stipulates the competence of public administration bodies as well as procedures and measures focused on the improvement of energy efficiency of buildings, aiming to optimize the internal environment in buildings and decrease the carbon dioxide emissions resulting from the operation of buildings.

It is also necessary to deal with the energy safety of Slovakia and, at the same time, to achieve the EU targets arising from the set of climate and energy precautions to 2020 in accordance with the Kyoto Protocol, i.e., to decrease the greenhouse gas emissions by 20%, increase the level of energy effectiveness by 20% and achieve that renewable energy resources form 20% of the final consumption of the EU as a whole.

Thanks to the current potential of existing residential and non-residential buildings for energy savings, it is possible to achieve the required targets and energy savings in buildings provided that different forms of financing in the area of residential buildings shall be adequately supplemented by supporting programs designed for other categories of buildings.

The growing energy prices are putting pressure on the decrease of energy demands of buildings and, consequently, on the implementation of energy-effective new construction and aimed renewal of residential buildings.

The energy consumption in the area of housing stock which, from the main part, was built not later than in 1989, does not comply with the public interest focused on sustainable development and its energy demands considerably exceed the energy consumption reported, in this sector, by advanced EU countries. This creates a potential for substantial energy consumption savings and decrease of consumer energy costs as well as for the decrease of CO<sub>2</sub> emission production which is in compliance with the sustainable development. Any income from the sale of allocated CO<sub>2</sub> emission quotas should be always used to stimulate the implementation of measures intended to decrease the energy consumption and, in particular, to provide buildings with thermal insulation and increase the efficiency of heating systems

and hot service water delivery systems, whereby the individual programs should be interconnected.

From this point of view, it shall be necessary to far more intensively adopt and implement measures focused on the increase of thermal insulation properties of structures of residential buildings, increase the effectiveness of heating systems and, at the same time, increase the use of non-traditional and renewable resources which the Slovak Republic is obliged to do as part of its international commitments.

When renewing the residential environment, it shall be vital to prefer the implementation of integrated development strategies bringing about important multiplication effects in terms of sustainable development of human settlements. In this aspect, the use of available tools for the financing of such activities by means of EU Structural Funds can substantially contribute to the renewal.

The fostering of the relevant activities connected with the housing renewal financed by the European Regional Development Fund can be conducted, in the program period of 2007-2013, on the basis of the Regional Operational Programme and Operational Programme Bratislava Region which are both under the competency of the Ministry of Construction and Regional Development of the SR, forming of integrated urban area development strategies. The supporting of the activities performed within the Operational Programme Bratislava Region can be conducted by supporting of partial projects within integrated urban area development strategies relating to the housing renewal in selected areas of the city of Bratislava. Pursuant to the relevant regulations of the European Commission, it is currently possible to support the renewal of common parts of buildings and decrease the energy demands of buildings.

The future housing development must, in accordance with the sustainable development requirements, comply with principles such as minimization of energy consumption and negative environmental impacts, reduction of taking-over of agricultural and forest lands, use of domestic raw materials, decrease of technical infrastructure costs, provision of social mixture and increase of the quality of residential environment. The countryside housing must be used in a more extensive way in economically weaker or underdeveloped regions and barriers preventing the population from migrating to the countryside must be eliminated or, at least, conditions must be created to retard the departing of population for cities. The use of existing housing stock in the countryside represents a key precondition for ensuring sustainable development of rural settlements.

## **8. Social policy**

The role of the state in the area of social policy is to create economic and legislative conditions to make the housing available also to households with low incomes and socially endangered and marginalized groups of population. Higher income groups of population shall provide for their housing with the use of their own financial means and financial market resources.

The household income structure development shows that it is still necessary to use public resources to provide support to increase the availability of housing, whereby such support should be focused on the demand (supporting of housing construction) as well as on the consumption (support in the form of housing allowance). Due to the fact that a part of the population does not dispose of such amount of income which would enable it to repay credits taken to get own housing, such households are dependent on the assistance from the public sector. The municipalities, in particular, shall continue to provide for the construction of

rental flats for the public rental sector subject to adequate standard and regulated prices. However, it is necessary to create conditions to enable also non-profit organizations to participate in this process in more extensive way to ensure the construction of rental flats under the observance of the public private partnership principles.

The housing allowance as a social policy tool focused on the support of demand plays an important role in maintaining the availability of housing for socially weaker households. Changes made in this area by adopting the Act No. 599/2003 Coll. on the Assistance in Material Need and on Amendment and Supplementation of Other Acts as amended worsened the situation with respect to the demand. It is therefore necessary to reconsider the existing system to enable also those individuals who are working but are poor to be granted the housing allowance. In addition, the amount of the housing allowance should reflect the local housing costs. Such recommendation is also included in the OECD material "Economic Surveys - Slovak Republic" of February 2009.

In spite of adopted supporting economic tools for the housing development focused on the support of offer, a certain part of population suffers from problems when trying to solve its housing situation. Such part is mainly constituted by social categories of citizens which are beginning to be in the position of groups endangered by the social exclusion such as citizens who, as result of low level of their education and qualification, are executing only occasional auxiliary works or unemployed individuals, physically or mentally disabled people, youth having completed institutional or corrective education, old people, single parents with children and families with many children. Marginalized groups of population which are characterized by the complete social exclusion caused by, for example, loss of residence, long-term unemployment, drug addiction, insufficient social adaptability etc. are also included in this area.

It is crucial to create conditions to ensure the housing for such groups of population and focus mainly on the social housing of adequate standard. The social housing must be defined in legislative terms in the future on the basis of certain technical, economic and social criteria to be clearly identifiable.

The social housing category includes:

- rental flats in the public rental housing sector including small-area flats intended, for example, for young families as their very first housing, whereby households not exceeding the set amount of income shall be entitled thereto;
- flats and other forms of housing for households with low income and groups with specific needs such as flats for citizens in material need, citizens with severe disability, single parents taking care of minor children, families with many children, citizens having completed institutional or corrective education, citizens having problems with social integration and homeless citizens;
- flats of basic standard for marginalized groups of population;
- flats for the housing of older people, the construction of which shall be coordinated by higher territorial units, whereby the method of financing and selection of future users shall depend on the property conditions of future users.

The housing for very narrowly specified socially endangered or excluded groups of population is ensured in the form of social service facilities. Among such facilities are old people's homes, social service homes, shelters etc. For the following period, it is necessary to determine for such facilities minimum or maximum limiting technical and economic parameters, under which the state would contribute to the construction thereof. The social service facilities do not primarily serve to provide the housing. Their priority is to provide social services. Pursuant to the Act No. 448/2008 Coll. on the Social Services and on Amendment and Supplementation of the Act No. 455/1991 Coll. on the Trading as amended, the social service facilities are established and operated by municipalities, higher territorial

units or non-profit organizations. Owing to the fact that establishing of such facilities of different types in each small municipality would not be effective, the construction of such facilities and the construction of flats for socially endangered and marginalized groups of population should be coordinated and managed on mutual basis by the municipalities and higher territorial units. In this sense, it is essential to change the competencies of the self-government region included in the Act No. 302/2001 Coll. on the Self-Government of Higher Territorial Units as amended.

The creation of basic conditions for the housing development in case of citizens from socially excluded communities is a part of comprehensive approach of the state, necessitating the cooperation of involved resorts, in particular, the Ministry of Education, the Ministry of Culture, the Ministry of Labour, Social Affairs and Family, involved bodies of the self-government and non-governmental organizations under the auspices of the Vice-Chairman of the Slovak Government for Knowledge-Based Society, European Affairs, Human Rights and Minorities.

In localities where population lives in socially excluded communities, it is necessary to continuously and persistently conduct education activities, provide social assistance and create conditions for the establishment of community centres or social clubs while actively involving the citizens in target communities.

## **9. Housing development support**

The experience of advanced EU countries proves that ensuring the availability of housing for the population is not possible without the state intervening in this area.

The system of economic tools focused on the housing support is mainly aimed to create legislative and institutional conditions for all groups of citizens, enabling such groups to get adequate housing. In this connection, it is substantial to determine, on objective and rational basis, the requirements for the support covered by the state budget to stabilize the allocation of state budget expenses to the area of housing development support by determining a percentage of the gross domestic product, similarly, as in advanced European countries. Furthermore, it is necessary to create conditions which would provide motivation for investing private resources in the area of housing development.

Legislative amendments should ensure that financial means are earmarked from the state budget for:

- subsidies for the provision of rental flats and other forms of permanent housing defined as the social housing with a limited area, price and facilities standard designed for the housing of citizens with low income including groups of population endangered by the social exclusion and marginalized groups of population;
- subsidies for the provision of technical infrastructure, on which the construction and use of new flats depends (it is assumed that the granting of such subsidies will be gradually cancelled);
- subsidies for the renewal of residential buildings, in particular, for the elimination of the so-called structural (system) failures of multifamily residential buildings and increase of energy efficiency of residential buildings etc.
- transfer to the State Housing Development Fund, the resources of which shall cover the support rendered for the provision of rental houses and renewal of blocks of flats;
- state premium intended for building savings;

- state contribution for the payment of a part of interest resulting from mortgages for selected groups of population;

The State Housing Development Fund should be predominately used to foster the provision of rental flats and renewal of residential buildings, whereby it is necessary to focus on the thermal protection of residential buildings and houses, renewal or modernization of common parts and facilities of residential buildings, elimination of static defects of residential buildings and provision of thermal insulation for buildings with flats.

Due to the fact that state budget funds are involved, it shall be vital to continue to grant grants only to households with lower income including groups of population endangered by the social exclusion (individuals coming from children's homes and social service facilities) and limit the floor space standard for a flat situated in a residential building.

The financing of the construction of ownership flats and houses shall be covered, in addition to own funds, by building savings, mortgages and other products of commercial banks as supplementary resources. To increase the availability of housing for young families, it is necessary to continue to provide a state contribution for the payment of a part of interest resulting from mortgages.

The renewal of the existing housing stock should be mainly financed by the resources pertaining to the flats' owners. The direct participation of the state in the form of subsidies should be focused on activities intended to increase the quality of housing and achieve energy consumption savings and, in particular, eliminate construction defects of residential buildings which were not caused by their users. Some activities connected with the renewal of the housing stock can be covered by the EU Structural Funds and, above all, Regional Operational Programme, Operational Programme Bratislava Region and Country Development Program resources.

To stimulate investors to finance the development of the private rental sector, it would be advisable to start to create new economic tools. The most frequent form of economic stimulation in advanced countries is represented by tax tools which are much more motivating for the population and business entities and more favourable for the state in comparison with the provision of subsidies. It involves the decrease of a tax base by a determined part of investments or interest paid to a bank for a granted credit.

## **10. Housing and European Union**

In the area of housing, the European Union and its institutions do not have direct competencies with respect to national policies of individual member countries. The principle of subsidiarity is applied there. It means that the EU deals with the issue of housing only if the set targets can be better reached by EU bodies rather than individual member countries. In spite of the fact that the housing does not fall within an area jointly governed by the EU legislation, it is largely affected by the EU legal framework applied to other issues which are directly associated with the area of housing in member countries.

After the Slovak Republic joined the EU, regulations, directives and decisions started to increasingly affect the area of housing in jointly managed areas. Some direct impacts of the EU law on the housing policy of member countries directly result from the creation of legislation such as rules for the public procurement, rules for the provision of state assistance, regulations concerning building products and materials, energy policy, professional qualification and recognition of architects' and designers' licences, guarantees with properties of products and services etc.

As part of law approximation and due to the EU economic environment, the competition of companies is more frequent in the building industry which brings about the increase of competitiveness among companies, labour force movement, new forms of industrial cooperation and standards and other technical specifications of building products. Directives on building projects, method of harmonization of standards and “compliance attestation” became gradually a part of the Slovak laws.

Indirect EU impacts on the area of housing are more extensive. They mainly involve the social area relating to the strategy of combating the social exclusion and taking care of disabled persons, regional policy, immigration, policy in the area of environment and sustainable development, and last but not least, economic policy of the state.

The importance of EU legislation, directives and decisions for the state housing policy is apparent, affecting the legal framework, strategies and programmes of Slovakia. In accordance with the law approximation and existing and future legislation, it is necessary to carefully proceed when amending the legal framework because the housing as one of the basic human needs is influenced by numerous aspects.

The existing foreign collaboration in the area of housing has been developed and conducted on several institutional levels.

From 2002, Slovakia has participated in informal meetings of the Ministers of the EU countries in charge of the housing. In the context of common discussions, such meetings are suitable for identifying joint measures which could be applied to the solving of problems connected with the housing policies of individual member countries, e.g., social housing.

As part of the negotiating process held with the European Commission, the Slovak Republic has emphasised the need to be able to use the Structural Funds even for the housing. Adequate attention must be paid to the comprehensive renewal of the residential environment which is closely connected with the decrease of energy efficiency of buildings, ensuring of ecological and energy effectiveness of buildings as well as with commitments of Slovakia relating to the decrease of CO<sub>2</sub> emissions.

Since the SR joined the Organization for Economic Co-operation and Development (OECD), it has participated in the OECD activities. It has been involved in the housing policy from 2000. As part of collaboration with the UN-HABITAT, the SR has become one of the members of the Governing Council of this UN organization. The collaboration with the UN Economic Commission for Europe and, in particular, participation in the activities of the Committee on Housing and Land Management starting from 1994 has been of utmost importance.

The Slovak Republic develops the collaboration in the area of housing and housing policy conducted on the level of countries pertaining to the Visegrád zone by regularly exchanging experience and information during working meetings held with representatives of partner Ministries.

Subject to the existing results achieved in the area of foreign collaboration, it is substantial to continue the existing housing policy activities of Slovakia in the future and extend the collaboration by other forms of activities on the basis of previous meetings and experience.

## **Conclusion**

In the above Chapters, some main problems which must be solved in the general context of housing policy under the auspices of individual gestors and central state administration bodies are identified. Consequently, a legislative, institutional and economic framework enabling further increase of the availability of housing for the citizens of the

Slovak Republic should be created. When ensuring financial coverage for activities connected with the housing development, it shall be necessary to adhere to the approved limits of the public administration budget for the relevant budget year without submitting special requests for the increase of expenditures. For convenience, what follows is a list of activities of top priority to be implemented in accordance with the principles of the State Housing Policy Concept to 2015:

1. Apply the housing and urban development priorities when preparing the calls for projects financed by the EU funds in this program period and take such priorities into account when preparing the National Strategic Reference Framework for the program period following 2013.

Deadline: 31 December 2013  
Liability: Ministry of Construction and Regional Development

2. Prepare a new law on the conditions of administration of residential buildings.

Deadline: 31 December 2012  
Liability: Ministry of Construction and Regional Development

3. Prepare an amendment of the existing Act on the Ownership of Flats and Non-Residential Premises.

Deadline: 31 December 2012  
Liability: Ministry of Finance

4. Prepare a law governing the regulation of the prices charged for tenancy in the public rental sector.

Deadline: 31 December 2010  
Liability: Ministry of Finance

5. Prepare a law determining the extent, conditions and method of financing the provision of substitute rental flats including their characterization to contribute to the solving of the issue of relations between private owners and tenants.

Deadline: 31 December 2010  
Liability: Ministry of Construction and Regional Development

6. Prepare a draft law on the termination of some rental relations and on the method of their settlement.

Deadline: 31 December 2010  
Liability: Ministry of Construction and Regional Development

7. Prepare, within the approved legislative purpose of the Civil Code, a proposal for the amendment of the existing legal framework governing the relations between owners and tenants to make the flat market more flexible.

Deadline: Deadline for the preparation of the wording of Articles of the Civil Code  
Liability: Ministry of Justice

8. Prepare a project to create a functional and regularly updated Register including basic indicators concerning the housing stock.

Deadline: 31 December 2013  
Liability: Ministry of Construction and Regional Development, Geodesy, Cartography and Cadastre Authority

9. Amend, in legal terms, the existing framework for the conditions of energy delivery for households.

Deadline: 31 December 2011  
Liability: Ministry of Economy, Regulatory Office for Network Industries

10. Adopt and take measures in the area structures of buildings, heating systems and preparation of hot service water to decrease the energy consumption and increase the use of non-traditional and renewable energy sources.

Deadline: continuously, up to 2015  
Liability: Ministry of Construction and Regional Development, Ministry of Economy

11. Prepare a new legal regulation governing the housing allowance, exclude the allowance from the assistance in material need and determine its amount to create conditions for the maintenance of adequate housing.

Deadline: 31 December 2010  
Liability: Ministry of Labour, Social Affairs and Family

12. Clearly define the term “social housing” within the legal framework.

Deadline: 31 December 2010  
Liability: Ministry of Construction and Regional Development

13. Prepare a law governing the granting, by the state, of subsidies for the housing development.

Deadline: 31 December 2010  
Liability: Ministry of Construction  
and Regional Development

14. Prepare a draft legal framework to apply new economic tools of the state to stimulate investors in connection with the development of the private rental sector.

Deadline: 31 December 2012  
Liability: Ministry of Construction  
and Regional Development

15. Adopt measures to increase the support of activities conducted by individual involved parties and to motivate such parties in connection with the renewal of the housing stock and residential environment.

Deadline: continuously, up to 2015  
Liability: Ministry of Construction  
and Regional Development