

**STATE HOUSING POLICY CONCEPT
TO 2020**

Introduction

The State Housing Policy Concept to 2020 (hereinafter “the Concept”) as a framework document of the State for housing contains comprehensive objectives of the State for the housing policy, defines means of achievement and lays down the responsibilities of citizens, the State, municipalities, regional municipal units and the private sector for housing provision.

The Concept is direct follow-up of the documents adopted in the area of the state housing policy and energy performance of buildings and takes into account the current level of society development and reflects the current conditions of housing development. The document is also based on fundamental international documents in the area of housing (e. g. manifestos of the United Nations Organisation such as Vancouver Declaration 1976, Global Housing Strategy 1988, Istanbul Habitat Agenda 1996, Ministerial Declaration on Social and Economic Challenges in Distressed Urban Areas (2006) of the United Nations Economic Commission for Europe (hereinafter “UNECE”), Strategy for Sustainable Housing and Land Management in the ECE region for the period 2014-2020), as well as strategic aims formulated at the level of the European Union (hereinafter “EU”). Although the area of housing is not one of the areas harmonised by the EU legislation, regulations in different areas directly influence the formation of housing policy and the fulfilment of their objectives, thus it was necessary to take them into consideration in the preparation of this document. The authors took into account among others the rules for public procurement, provision of state aid, regulations on construction products and materials, energy policy, as well as various strategies, guidelines and recommendations in the social area and many other areas.

The preparation and updates of the state housing policy concept falls within the authority of the Ministry of Transport, Construction and Regional Development of the Slovak Republic (hereinafter “MTCRD SR”), which as the central body of state administration by this Concept outlines basic directions of the state housing policy, taking into account the general terms of socio-economic, institutional and technical development in the country with the aim to ensure the achievement of the respective objectives in this area.

Housing is one of the basic human needs which shall be satisfied at a level corresponding to the overall level of socio-economic development of society. The housing quality and affordability are often perceived as the living standard evaluation indicators of society.

In market economy the responsibility for acquiring of one’s housing is passed on to the individual citizen. The housing accessibility is thus directly proportional to the individual’s economic. The State’s essential role is to create stable market environment allowing the households to procure a dwelling adequate to their income and supporting the labour force mobility with the use of existing housing stock without excessive pressure on housing construction.

In every society there are groups of population, unable to procure an adequate housing themselves due to the commercial character of a dwelling. Therefore it is necessary to create suitable conditions particularly for housing of disadvantaged groups of population in . The housing needs of these groups cannot be satisfied without interventions of the State and other actors in the housing market.

The Concept does not consider housing separately but rather as the basic element of sustainable development. Such comprehensive approach is expressed by the concept of sustainable housing which uses an integrated approach to the housing policy. Such approach

comprises a wide range of activities leading to the achievement of sustainable housing development and is based on the implementation of three basic pillars of sustainability: environmental, economic and social. The objectives and priorities of the housing policy are defined along these lines.

The global objective of state housing policy is the gradual increase of the overall housing standard to make housing affordable for population and allow each household to procure adequate housing. In this respect it is necessary to create a framework for involvement of all housing development process entities in resolving partial issues to create preconditions for the participation of all decision-making level and strengthening the partnership among the public, private and non-governmental sectors at both horizontal and vertical level while respecting sustainable development principles: energy and economic efficiency and social solidarity.

From the qualitative perspective the primary task of all affected actors remains to improve the technical condition and architectural design of existing housing stock and with use of existing instruments to contribute to its lifespan extension, increasing its safety and usability and decreasing its energy consumption. From the quantitative perspective the main objective is to increase the accessibility of housing taking into account its affordability.

1. Background of the Housing Policy Concept

1.1 International context

The right to housing is embodied in many documents with international importance, of which the Slovak Republic (hereinafter “SR”) is a signatory. It is classified as a basic social right with special character. It is not perceived as a claimable right of an individual towards society but rather based on the joint responsibility of society to the citizen.

The worldwide experience proves that the market environment does not allow to satisfy the housing needs of all population groups with a sufficient level of flexibility. For this reason countries apply different supporting instruments, which are part of the housing policy, with the aim to increase the housing accessibility for selected groups of population. Through the housing policy the State creates the environment required for the housing accessibility enhancement for the largest groups of population.

The housing accessibility is one of the topical subjects, not only at the European level, but also at global level. The sustainability of housing and improvement of its quality are the main aims, not only of the EU, but also of organisations which participate in the processes to enhance the housing accessibility by their policies and activities.

International cooperation developed at several institutional levels is an important element in the suitable lawmaking, and formation of institutional and economic environment for housing development. In the scope of international cooperation in the housing area SR participates in the activities of UNECE, OECD and UN – HABITAT. SR established the cooperation with OECD by joining this organisation and in the area of housing policy in 2000. Mutual contacts in the area of housing development within bilateral and regional cooperation are maintained, particularly with the Visegrad countries, but not excluding other EU member countries as well.

1.1.1 The European Union

Autonomous position of the housing policy in the system of the EU is given due to the absence of direct competences of the EU institutions in this area. The principle of subsidiarity

is therefore upheld meaning that the EU engages into the housing issues only when the defined objectives can be better achieved through the EU bodies than through individual member countries. Therefore the ministers of the member countries responsible for housing do not meet at the Council of Ministers but rather at so-called informal meetings with the primary focus on experience exchange and the search for common procedures that can be used to solve housing policies issues of individual member countries, e.g. in the social housing support area . SR has been participating at these meetings since 2002. However, it does not mean that the development in the EU does not influence the area of housing. The EU legal framework for other issues concerning the housing area directly or even intervene into this area, is significantly influenced also by member states' national housing policies.

Some EU law direct effects on the housing policy of the member countries stem directly from the law-making activity, e.g. public procurement rules, state aid provision rules , construction products and materials regulations, energy policy, professional qualification and recognition of architects' and designers' licences, etc. Due to the EU economic environment growth of competition in the construction sector exerts pressure on increasing enterprise competitiveness, labour force mobility, new forms of industrial cooperation, on technical standards and other technical specifications of construction products. Construction products regulations, harmonised technical standards and attestation of conformity systems and verifications of parameters have been gradually adopted into the Slovak law.

The indirect effects of the EU in the housing area are even more extensive. This is particularly the social area, bearing in mind combating poverty and social exclusion, demographic changes, care for disabled persons, regional policy, immigration, environment and sustainable development policy and, of course, the state economic policy .

At the EU level a common definition of social housing is absent. The individual states have different definitions that are related to a different level of public interventions in this sector. The common feature is the fact that the purpose of social housing is the general interest, the increase of affordable housing supply and that concrete social housing objectives are based on the socio-economic status and risk factors presence. However, as for the state aid, the European Commission adheres to a restrictive definition of social housing, according to which this type of housing is reserved for disadvantaged groups of population.

Another important matter is the possibility of drawing the European Structural and Investment Funds (hereinafter "ESIF") for certain housing-related activities. Long-term emphasis of SR is on the need to allow drawing ESIF for housing. Adequate attention shall be paid to refurbishment of the residential environment, which is closely related to improvement of energy performance of buildings and to the SR obligations resulting from the strategy Europe 2020.

1.1.2 The United Nations

Addressing the issues of housing and human settlements by the United Nations (hereinafter "UN") is associated with understanding of the term *housing* in the widest interpretation, i. e. in relation to the living conditions of an individual. In this sense the right to housing undoubtedly falls within the scope of basic human rights. Also the basic UN document (Universal Declaration of Human Rights) declares the right of each individual to adequate housing. Moreover, the right to housing and similar social rights are expressed in some international treaties (e.g. International Pact on Economic, Social and Cultural Rights). These and other documents determine the responsibility of the states for housing. However, in

most countries the right to housing is not directly enforceable and individual states apply different approaches to safeguarding of this right.

For this reason the UN and its specialised and professional organisations have long applied a systematic approach to the housing matter. General principles and rules have been adopted and shall be implemented into individual housing policies with the aim to achieve the accessibility of housing.

For its activities UNECE's work in the housing area is important. It is a regional commission comprised of 56 members covering the territory of North America, Europe and the former Soviet Union. UNECE Committee for Housing and Land Management bears progressive ideas in the housing area, represents an intergovernmental forum for professional discussion, information and experience exchange and searches for common concepts in the area of housing, urban development, territorial and spatial planning and land management policies. SR has actively participated in the activity of the Committee since 2000.

An integral part of work of the UNECE Committee for Housing and Land Management is the implementation of analytical studies, so-called "profiles of countries in the housing sector", which allow the UNECE member countries to analyse their own housing policies and strategies, institutional and financial frameworks in the area of housing, and to compare them with progress achieved on the international scale. These profiles are worked up by international experts. Stress is put on the interconnectivity of housing, territorial planning and land management, including the cadastral register matters. An integral part of the studies are conclusions and recommendations which shall allow the identification and solution of problems in the area of housing development. The profile of SR in the area of housing was drafted and published in 1999. It contained several fundamental recommendations that helped to formulate the housing policy. The study's conclusions remain suitable inspiration for adoption of particular measures for improvement of the housing development conditions at all levels of state public administration.

In the area of sustainable development of settlements and housing several documents were adopted at the UN level, e. g. Global Housing Strategy UN-HABITAT (1988), Istanbul Habitat Agenda (1996), ECE Strategy for Sustainable Quality of Life of Human Settlements in the 21st Century (2000), the final document of the UN Conference on Sustainable Development Rio+20 "The Future We Want" (2012) and the Strategy pre Sustainable Housing and Land Management in the ECE Region for the years 2014-2020.

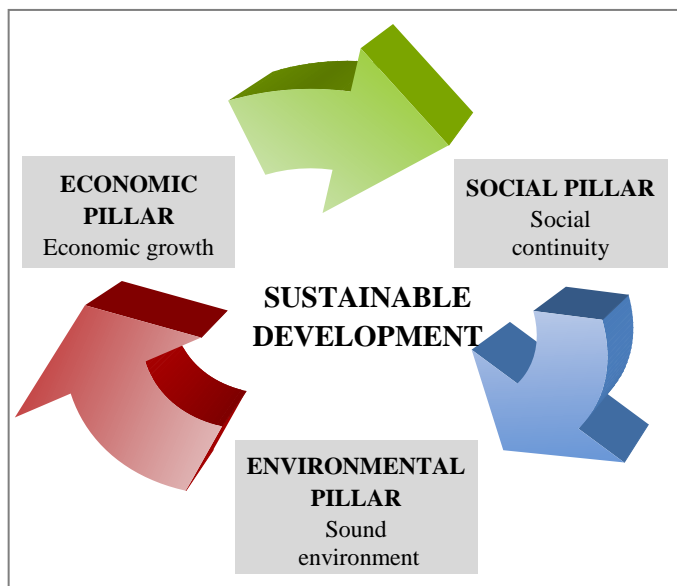
The most recent document of major significance is the Geneva UN Charter on Sustainable Housing, text of which was approved by the UNECE Committee for Housing and Land Management in October 2014. The Charter refers to the specific situation in the individual states of the UNECE region, but also formulates the fundamental principles that are applicable to the formation of housing policies for the whole region. It points out the importance of suitably elaborated national policies and programmes supporting improvement of the living conditions, in particular of disadvantaged and vulnerable groups of population in the implementation of the concept of sustainable housing. It represents a regional contribution to the worldwide discussion on housing and urban development before the global UN conference HABITAT III in 2016.

1.2 The Sustainable Housing Concept

In view of experience of the individual countries throughout the world in the area of housing, the holistic principle has been increasingly applied when addressing this issue. This principle is expressed in the Sustainable Housing Concept. Such a concept of ideas is regarded as an extension of the concept of sustainable development recognised as the general

principle of development of society. This idea has been furthered in the UN documents since the 1980s. The Brundtland Report 1987 and the Declaration of Environment and Development 1992 define the sustainable development as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”. The Declaration of Environment and Development contains as many as 27 principles of sustainable development. The concept is now understood as a multidimensional process, which represents an intersection of the environmental, economic and social aspects at different levels of the development of society (local, regional and global).

Figure No. 1: Pillars of sustainable housing development



The Sustainable Housing Concept enables countries to exercise wide range of possibilities how to support the economic development, protection of environment, quality of life and social equality. Moreover, it mitigates problems related to the growth of population, urbanisation, existence of slums and ghettos, poverty, climatic change, lack of access to sustainable energy sources, energy security and economic uncertainty. This can only be achieved by the application of an integrated approach comprising environmental, economic and social dimensions (figure No. 1).

On the one hand environmental sustainability of housing is based on the effects of housing on the environment and climatic changes, and on the effects of the environment on housing, on the other hand. Basically, we can distinguish three basic relations between the environment and housing:

- Housing construction and related activities require various types of natural resources (construction materials, water, land, energy, etc.);
- Activities of people living in different settlements have direct environmental impact on the local territory (air and water pollution, damage to natural ecosystems);
- Buildings and occupants are also exposed to many natural or manmade disasters.

From the viewpoint of strengthening of the environmental sustainability an adequate state policy shall comprise the following principles:

- Reduction of energy consumption in the housing sector
- Safeguarding of sound housing and surrounding environment
- Mitigation of negative impact of the housing sector on the environment
- Improvement of building endurance to natural and manmade disasters.

The economic aspect of sustainability is based on the assessment of the basic economic relation profit vs. consumption. In theory we distinguish two basic assumptions for economic sustainability of housing. Firstly, advantages for housing providers and investors are at least equal to the costs at given level of demand for housing. Secondly, production and consumption activities do not damage the environment. The first assumption results from the

housing market operation and refers to projects' financial viability. The second assumption mainly concerns the influence of the whole housing process (production of construction materials, construction process, consumption) on the sustainability of the environment. In this regard, the development of technologies, construction materials and structures mitigating the negative impact of housing on the environment is important. In this case the change of behaviour of the consumer (environmentally friendly consumption) is important as well.

From the viewpoint of economic sustainability of housing, the state policy shall comprise the following principles:

- Support and stimulation of private investments in the housing sector and development of public-private partnerships
- Support of functional non-profit housing sector
- Effective housing stock management
- Creation of conditions for well-functioning, effective, fair and transparent housing and land market that react to different types of demand for housing
- Employment stimulation through investments in green economy and innovations in housing technologies .

The basic objective of social sustainability of housing is to ensure a decent quality of life for all. It means the establishment of a system of affordable and high-quality, inclusive, varied (mixed ownership and mixed income groups), safe and healthy housing, residential areas, as well as communities that are well integrated into wider socio-spatial systems, of which housing is being part – both, urban and national.

From the viewpoint of social sustainability, the state housing policy shall comprise the following principles:

- Improvement of overall access to adequate, affordable, high-quality, healthy and safe housing for all
- Provision of financing for socially accessible and affordable housing
- Improvement of access to water and basic infrastructure, improvement of access to barrier-free housing for persons with special needs
- Acceptance of cultural identity of specific environment and inhabitants.

1.3 National context

The political changes after 1989 brought fundamental changes in the area of institutional organisation of public administration, as well as legislative changes. SR is one of few post-socialist countries that witnessed a rational, continuous and stable development in the area of housing policy in the previous twenty years. The conceptions of state housing policy adopted since 1995 in five-year cycles have created the required framework for gradual formulation of legislative and economic instruments for the housing development support. The stability and gradual improvement of supporting instruments for housing development is highly appreciated at the international level and often serve as inspiration for other countries. The government has undertaken to further develop the existing supporting mechanisms in its manifesto.

As the housing policy significantly influences the life of large population groups of SR, including disadvantaged groups, the conception of state housing policy is based on principles of the social policy. It also takes into account the objectives of basic documents adopted by the State for the purpose of given matter which comprise the area of housing (Strategy of SR for Integration of Roma up to 2020, Integration Policy of SR, National programme of development of the living conditions of disabled persons 2014-2020, National

programme of active ageing 2014-2020 etc.). The priorities of the state housing policy for the following period also take into account the objectives adopted in strategic documents in the area of energy efficiency (e.g. Strategy of reconstruction of residential and non-residential buildings in SR, Energy Efficiency Action Plan for the period 2014 - 2016 with Outlook to 2020).

The State Housing Policy Concept is actively coordinated with the prepared state concept of urban development, which will be the first document of the central government in the area of systematic urban development support. The drafted document adequately addresses the housing matter, in particular by referring to the necessary connection between provision of housing and the creation, building, improvement and care of the urban environment.

1.3.1 The State Housing Policy Concept to 2015

The presented conception is directly based on the State Housing Policy Concept to 2015 that was approved by the Resolution of the Government of SR No. 96 of 3 February 2010. The main priority of the state housing policy conceptions since the mid-1990s has been gradual improvement of general access to housing. From the qualitative aspect the State Housing Policy Concept to 2015 set the objective to improve the technical condition of existing housing stock, to contribute to extension of its lifespan and to decrease its energy performance.

Specific plans concerning the legal framework of housing and supporting economic instruments were formulated in this conception. The resolution of the government of SR contained 16 tasks for the ministers of finance, justice, economy, labour, social affairs and family, construction and regional development that should have been gradually fulfilled before end of year 2014. From the viewpoint of a positive change in the area of housing, the most important measures were taken in the following areas:

Addressing the relations between private owners and tenants of dwellings with regulated rent: In this context MTCRD SR prepared a draft solution in the years 2010 – 2011, which was adopted in 2011 by two acts passed in the National Council of the Slovak Republic: Act No. 260/2011 Coll. on termination of some rental relations to dwellings and amending the Act of the National Council of the Slovak Republic No. 18/1996 Coll. on prices, as amended, and Act No. 261/2011 Coll. on provision of subsidies for acquisition of substitute rented dwellings. The Act No. 260/2011 Coll. regulates the legal relations in case of rental termination of dwellings, in particular those situated in buildings that were returned to their original owners in the restitution process, in which the rent regulation will be terminated, as well as conditions of provision of substitute dwellings. The Act No. 261/2011 Coll. objectively and procedurally addresses the acquisition of substitute rented dwellings through special-purpose subsidies for this area, as well as basic characteristics and standards of these dwellings. The applicants, that are municipalities, may obtain subsidies not only for acquisition of substitute rented dwellings, but also for acquisition of corresponding technical facilities and land under buildings with rented dwellings. The act determines the amounts of subsidies, conditions for their provision, procedures and requirements for submission of application for subsidy and conclusion of the contract on provision of subsidy. According to applicable legislation the municipalities are obliged to provide substitute rented dwellings by the end of year 2016, at the latest.

More significant support of the development of the private rented housing sector: In this area a positive change was achieved by adoption of two acts: Act No. 150/2013 Coll. on the State Housing Development Fund (hereinafter “SHDF”) valid from 1 January 2014 and Act No.

98/2014 Coll. on short-term rental of dwellings valid from 1 May 2014. The new Act on SHDF created conditions for provision of low-interest loans for purchase of rented dwellings also to other legal persons if these dwellings are situated in a city, community directly adjacent to a city or community, in the cadastral area of which industrial parks are built. Such legal person may obtain a loan for purchase of rented dwelling up to 80% of its price with annual interest rate of 1% and maturity of 30 years. The purpose of the Act on short-term rental is to ensure a more balanced position of the landlord towards the tenant, with real protection of all components of property right to the dwelling and ultimately the increase of the dwellings share in housing market, also with the aim to provide housing as part of employment promotion (so-called labour market mobility). The objective is to increase the housing market flexibility and thus help the development of private rented housing.

Support of the public rented housing sector: The conditions for the public rented housing sector support are created through provision of direct subsidies from the state budget as well as low-interest loans through SHDF. Subsidies for purchase of rented dwellings are provided according to the Act No. 443/2010 Coll. on subsidies for housing development and on social housing, as amended by the Act No. 134/2013 Coll. The act defines the scope, conditions and method of subsidies provision which can be provided for purchase of a rented dwelling and related technical infrastructure. The Act also defines the term *social housing* and lays down the conditions and scope of social housing provision.

Adoption of measures to increase the support of individual participants' activities and their motivation for the renewal of the residential buildings and residential environment: With the aim to motivate the dwelling owners to the renewal of the housing stock the conditions for subsidies provision for removal of the residential buildings system faults were determined by law. The Act No. 443/2010 Coll. lays down the conditions for subsidies provision for removal of the residential buildings system faults that represent an imminent threat to the life and health of inhabitants (e.g. faults of balconies and loggias, etc.). The new Act on SHDF created conditions that motivate the individual applicants to the comprehensive renewal of the housing stock and residential environment. New priority areas were created and provide low-interest loans for:

- Thermal insulation of the residential buildings and family houses,
- System faults removal and the residential buildings renewal,
- Replacement or modernisation of lifts in the residential buildings,
- Replacement of existing gas, electricity, sewerage, water and heat lines in residential buildings,
- Provision of barrier-free access to dwellings in the residential buildings.

The effort of SR to enable the use of support for housing from the EU Structural Funds in the programme period 2007 - 2013 was reflected in the implementation of the initiative JESSICA (Joint European Support for Sustainable Investment in City Areas) through SHDF. The objective of this initiative in SR is improvement of energy performance of existing residential buildings in city areas. The support is provided in the form of low-interest loans.

In conclusion, the majority of specific tasks of the State Housing Policy Concept to 2015 was fulfilled. They were reflected to the existing legal framework and thus contributed to the creation of more transparent legislative environment for housing development and more suitable conditions for more intensive housing construction and renewal of the housing stock. A comprehensive evaluation of the fulfilment of objectives of the Concept is available at www.mindop.sk

2. Present situation in the area of housing in Slovakia

The present situation of housing in Slovakia is the result of complex historical development in different economic and political conditions. Before 1989 the whole system of financing of housing construction was developed from the system of planned management of national economy. The housing construction as part of the system of comprehensive housing construction was fully financed by the State, so the care of housing was also the matter of the State. The change of social conditions in 1989 led to fundamental changes in the area of housing policy and the overall responsibility for acquisition of own housing was devolved to the citizen.

From the nature of polycentric settlement of SR follows that the territory is relatively evenly settled and divided between urban and rural areas. Within almost entire territory, a valuable rural environment is situated within accessible distance from the cities offering job opportunities, which is an important asset for the future. It is necessary to prevent massive regrouping of settlements, rural depopulation and excessive development of suburbs in the most developed areas. The overall economic development of countries and the increase of public transport operation and accessibility between rural and urban areas, achieved in particular by the implementation and improvement of transport infrastructure, including provision of public transport services, play the key role in this context.

In line with the principles of sustainable development the housing sector must react to demographic changes, try to maintain the social mix to avoid social classes segregation, to minimise negative environmental impacts, including agricultural and forest land take, to decrease energy consumption, to take into account the economic aspects, including costs of technical infrastructure, and to pay attention to the overall quality of residential environment. The implementation of the state policy creating sufficient opportunities for the provision of housing to the widest possible groups of population must meet these requirements.

2.1 Housing stock

On the basis of data from the Population and housing census (hereinafter “PHC”), in 2011 SR had population of 5,397,036 and 1,994,897 dwellings, of which 1,776,698 were occupied and represent 89.1% of the total number of dwellings (table No. 1).

Table No. 1: Housing stock by occupancy in regions

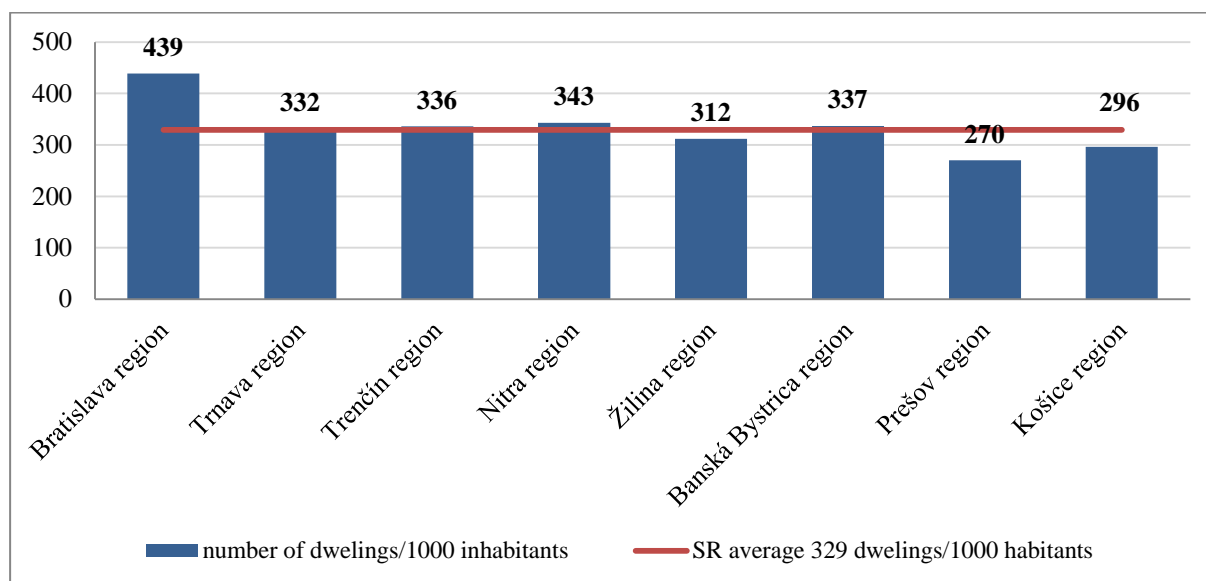
Region	Dwellings by occupancy			
	Occupied	Unoccupied	Unknown occupancy	Total
Bratislava region	264 629	14 202	353	279 184
Trnava region	184 059	21 263	1 665	206 987
Trenčín region	199 546	27 691	1 870	229 107
Nitra region	236 923	32 376	1 654	270 953
Žilina region	214 934	29 497	1 615	246 046
Banská Bystrica region	222 606	34 175	1 707	258 488
Prešov region	219 651	22 810	1 654	244 115
Košice region	234 350	23 715	1 952	260 017
SR total	1 776 698	205 729	12 470	1 994 897

Source: Statistical Office SR, Population and housing census 2011

In comparison with PHC in 2001, when SR had the total number of 1,884,846 dwellings, it represents an increase of 110,051 dwellings. In 2011 the number of occupied dwellings increased by 111,162 units. The number of unoccupied dwellings decreased to 205,729 dwellings in 2011 compared to 219,310 dwellings in the year 2001, . The Bratislava region with its 264,629 dwellings represents the largest stock of occupied dwellings, while the Trnava region with its 184,059 dwellings represents the smallest stock of occupied dwellings. The largest number of unoccupied dwellings (34,175) is situated in the Banská Bystrica region and the smallest number of unoccupied dwellings (14,202) can be found in the Bratislava region.

At European level One of measurable indicators of the development of countries in the housing segment is the number dwellings per thousand inhabitants. Based on PHC data, in 2011 Slovakia had 370 dwellings per thousand inhabitants or 329 occupied dwellings per thousand inhabitants (according to the census conducted in 2001, it had 350 dwellings per thousand inhabitants or 310 occupied dwellings per thousand inhabitants). In Slovakia the value of this indicator is influenced by significant regional differences. The largest number of dwellings per thousand inhabitants is in the Bratislava region (nearly 440 occupied dwellings), while in the Prešov region the value of this indicator is 270 occupied dwellings (Graph No. 1). Beside of the Prešov region, the below-average number of dwellings per thousand inhabitants is in the Košice and Žilina regions.

Graph No. 1: Number of occupied dwellings in regions and SR



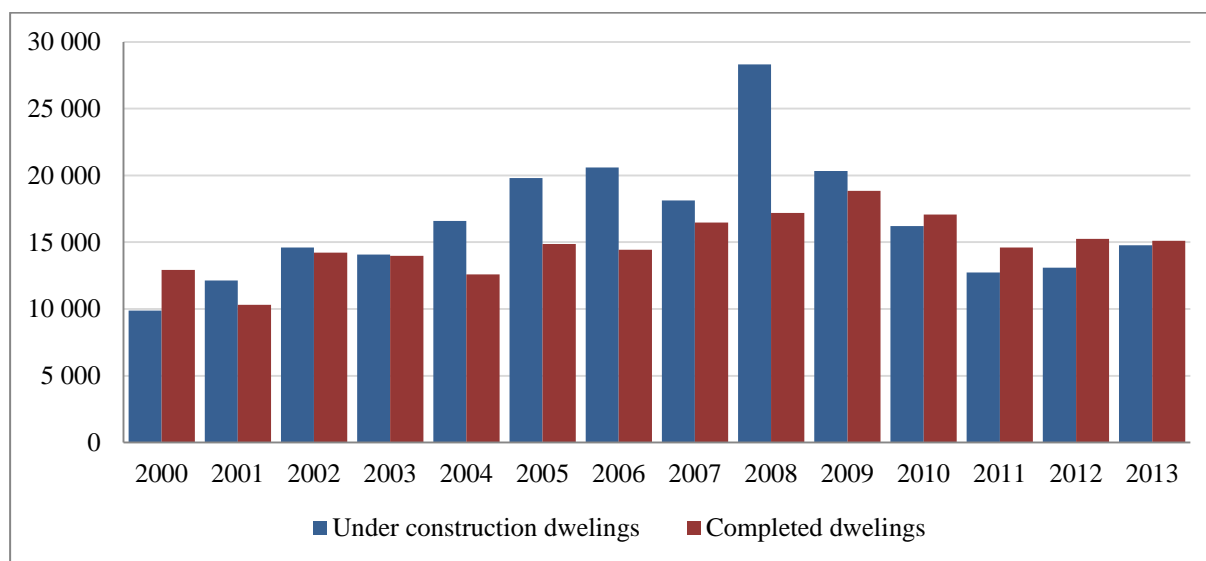
Source: Statistical Office of SR, Population and housing census 2011

As regards the ownership structure, a vast majority (90.5%) of occupied dwellings is owned by private persons. Rented dwellings account for less than 6% of all dwellings, of which 3% are owned by the public sector (cities and municipalities) and, based on expert estimate, further 3% of dwellings owned by private persons are rented in the free market. The rest of dwellings representing approximately 3.5% of all dwellings are owned by housing cooperatives. In spite of this, available administrative sources do not allow determining the actual and detailed scope of the housing stock and its basic indicators of technical, legal or economic character, therefore MTCRD SR plans to implement a functional and regularly updated electronic register with basic indicators relating to the housing stock.

2.2 Housing construction

After 1989, the housing construction in Slovakia significantly declined. While 33,437 new dwellings were constructed in 1989, only 6,709 dwellings were constructed in 1994 and 6,157 dwellings in 1995. The housing construction started to grow since 1997; it noticed a significant increase after 2000 and culminated in 2009 with more than 18,000 completed dwellings, which represents nearly 3.48 completed dwellings per thousand inhabitants. The following period was influenced by consequences of the economic and financial crisis. Until 2011, the rate of housing construction slowed down, which was reflected in the declining number of completed dwellings. In 2012, the situation slightly improved and in 2013, it stabilised at the level of nearly 2.8 completed dwellings per thousand inhabitants, with identifiable slight growth of housing construction. Like for the number of completed dwellings, the upward trend was registered in the number of dwellings under construction. Investors and developers responded to this steady growth in demand for dwellings, which was manifested especially in 2008, when the number of dwellings under construction exceeded the number of 28,000. This growing trend was stopped by the crisis causing that the number of dwellings under construction dropped below 13,000 in 2011. In 2012 the number of dwellings under construction started to grow to achieve the number of nearly 15,000 dwellings in 2013, which indicates a slow revival of housing construction (Graph No. 2).

Graph No. 2: Development of the number of dwellings under construction and completed dwellings in SR, 2000 - 2013



Source: Statistical Office of SR

From the viewpoint of the competitiveness of industrial production, the housing construction is an important component stimulating its development, in particular in the area of construction materials production but also plastics, engineering products and metal structures and products. Investments in housing construction have a high multiplication potential, which contributes to the growth of construction production in its whole scope. In view of these facts it is very important to point out the need of revival of housing construction, which will positively influence all sectors of national economy and, last but not least, increase the employment. The actors in the area of housing development have to react to the persistent housing need of the population of SR and ensure the accessibility, but in particular the affordability of housing. As regards the housing construction intensity in the

following period, this indicator should at least achieve the level of three completed dwellings per thousand inhabitants per year.

The scope of housing need is determined in the first place by the demographic development, but also by social changes that determine the population climate and in many ways influence the character of household. Beside of the birth rate, the housing need is significantly influenced by demographic characteristics such as the marriage rate and the divorce rate. In the recent years, the growth of housing need has been caused among others by the change of the way of life with a growing number of single-member households. The housing need intensity in certain period is the result of these demographic characteristics. Based on available data, in 2011 the group of young people aged 15 to 29, for which the housing issue is very important, represented 1,188,950 inhabitants, i. e. 22% of the total population of SR. Based on data collected by the European Statistical Office in 2011, as much as 56.4% of population of SR aged of 25 to 34 still live with their parents. It is caused by a combination of several factors such as the high unemployment rate, growing prices of residential property, as well as costs of housing, slow growth of wages, etc. Although the tradition of strong togetherness of multi-generation families still exists in Slovakia, especially in rural areas, the number of inhabitants, whose housing need is not satisfied by the market, is high and puts pressure on the accessibility of housing. It provides to investors and developers an opportunity to react to the housing need by supply of dwellings, which meet not only the requirements of suitable layout, appealing location and quality of workmanship, but also that of affordability.

2.3 Development of prices of dwellings

The price of dwelling plays an important role and is one of main criteria in the decision-making process related to the purchase of a dwelling. In Slovakia the average price of floor area of dwelling increased from EUR 592/m² in 2002 to EUR 1,511/m² in 2008. The table No.2 shows that each region has registered an increase of dwellings prices since 2002. The prices of dwellings in the Bratislava region noticed the largest increase, where the average price amounted to EUR 1,972/m² in 2008. The limit price of EUR 1,000/m² was also exceeded by the average prices in the Košice, Trnava and Prešov regions. The lowest average prices of property were noticed in the Nitra region (EUR 744/m²), followed by the Trenčín and Banská Bystrica regions.

Table No. 2: Development of prices of dwellings in the period 2002 - 2013 in SR, by regions (EUR/m²)

Year	SR total	BA	TT	NR	TN	ZA	BB	KE	PO
2002	592	779	370	361	457	404	356	462	359
2003	827	1 180	400	405	437	504	472	490	465
2004	954	1 285	659	573	630	439	505	779	505
2005	856	1 148	648	365	345	452	422	522	592
2006	1 000	1 376	712	387	473	507	512	581	612
2007	1 238	1 666	799	517	612	709	686	812	747
2008	1 511	1 972	1 006	744	830	945	851	1 137	1 051
2009	1 344	1 749	937	709	759	864	789	922	899
2010	1 291	1 726	850	620	685	790	791	941	826
2011	1 251	1 677	834	624	695	757	769	975	822
2012	1 237	1 661	824	612	657	760	764	971	803

2013	1 226	1 660	826	585	642	776	737	928	787
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Source: National Bank of Slovakia

The more favourable income situation of households and the positive expectations of population in combination with higher accessibility of loans caused a higher demand on dwellings, which was reflected in the growth of dwellings prices. With growing number of developers and investors in the housing market increased the number of speculators, whose main ambition was to make fast and high profits. However, the financial crisis affected the construction sector which led to setting back of the implementation and revision of several prepared projects. The developers had to satisfy themselves with lower profits and the banks started to be more careful about project financing. The prices of dwellings started to decline in 2009 and in 2013 the average price achieved EUR 1,226/m² of floor area, which corresponds to the price level of year 2007. In 2013 the highest prices of dwellings were further noticed in the Bratislava region (EUR 1,660/m²) and in the Košice region (EUR 928/m²). The lowest prices of dwellings were traditionally noticed in the Nitra region (EUR 585/m²) and in the Trenčín region (EUR 642/m²).

The present development of the Slovak economy and the high unemployment rate force people, in particular the young ones, to postpone important investments such as purchase of dwelling. Housing is one of the basic human needs and especially “living in own” is still the preferred option in Slovakia, in spite of the fact that the buyers often get into debts for 20 to 30 years.

2.4 Refurbishment of buildings and energy performance of residential buildings

The present condition of the housing stock is largely the result of construction of residential buildings and family houses before 1990 (nearly three thirds of the housing stock). A major part of dwellings in the residential buildings built in the form of mass construction using the prefabricated technology have shortcomings and their postponed removal may lead to faults threatening life and health of their occupants. The main causes of this situation are the exceeding of initially envisaged lifespan, long neglected maintenance, significant wear of carrying elements of buildings and their shall and the unsatisfactory condition of internal wirings of technical systems and lifts. Therefore in the following period it is necessary to considerably accelerate the processes of comprehensive reconstruction of buildings, because conservation of this situation may lead even to the use prohibition of such buildings or to order for their demolition.

One of the long-term strategic priorities is the refurbishment of buildings with the aim to gradually decrease the energy requirement in buildings according to the application of the provisions of the Act No. 555/2005 Coll. on energy performance of buildings, as amended. The energy performance of buildings is a topical issue but not new one. The trend in this undoubtedly heads towards the reduction of energy requirement in buildings and construction of nearly-zero energy buildings. At present residential and non-residential buildings in Slovakia are completed especially at the energy-efficient level of construction.

The refurbishment of residential buildings should take into account the need of using the full cost-effective potential of energy savings for given building, with regard to the long cycle of building refurbishment (30 and more years), i. e. it is necessary to carry out the most global refurbishment at the time when it is necessary. Such comprehensive refurbishment should also take into account the effective use of renewable energy resources. With maintenance and refurbishment it is also necessary to implement activities aimed to revitalisation of adjacent area which will contribute to the overall increase of the quality of

housing. We cannot forget to refurbish family houses which according to the census in 2011 contained 856,147 dwellings, i. e. almost 50% of the total number of occupied dwellings. These represent an independent sector with a high potential of energy savings and reduction of emissions which has been rather neglected so far.

More targeted refurbishment of the housing stock older than 20 years, in particular by thermal insulation of buildings and system faults removal, has been implemented since 1992. According to data from the Strategy of refurbishment of residential and non-residential buildings stock, more than a half of the residential buildings and one-third of family houses in SR underwent (at least partial) refurbishment by the end of year 2013. Based on experience and sufficient forms of support provided for refurbishment of residential buildings, the refurbishment of residential buildings is expected to continue at the annual pace of 29,000 dwellings in the residential buildings and 22,000 dwellings in family houses. It is desirable to further speed up their refurbishment in the future.

Regarding new construction, it is important consider the need of gradual transition to the construction of nearly zero-energy demanding buildings, including the effective use of renewable energy resources. The basic strategic documents for the defined vision are “Updated conception of energy performance of buildings to 2020” and “National plan for increasing the number of nearly zero-energy buildings”. The potential to provide energy-efficient housing with quality internal environment and minimum environmental impact will be ensured by the application of the principles of green/sustainable buildings. These are also applied in refurbished buildings, where it is technically, functionally and economically feasible.

In the following period it is necessary to more intensively take and implement measures aimed to improvement of thermal-insulation properties of residential buildings, efficiency of heating systems and share of the use of non-traditional and renewable resources, to which SR undertook within its international commitments. In terms of funding it will be necessary to increase the use of ESIF, in particular through innovative financial instruments that allow a larger use of private capital with the aim to achieve the highest multiplication effect of resources earmarked for refurbishment financing. The implementation of measures aimed to energy efficiency increasing will directly contribute to achieve one of the main objectives of the strategy Europe 2020.

2.5 Support of housing development

The main objective of the economic instruments system is to provide suitable conditions for all citizens to allow them to purchase adequate housing depending on their possibilities. The objective of the state housing policy is to improve and extend the existing housing stock not only by construction of new residential buildings and family houses, but also by reconstruction and extension of the existing buildings stock. These activities can also remove some technical faults of existing buildings, which are necessary for maintenance of their functionality and lifespan.

The existing system of instruments for the support of housing is implemented in the form of direct and indirect support.

Direct state support is implemented in the form of provision of:

- Subsidies provided by MTCRD SR for purchase of rental dwellings, technical equipment and removal of system faults of the residential buildings according to the Act

No. 443/2010 Coll. on subsidies for housing development and on social housing, as amended by the Act No. 134/2013 Coll.,

- Low interest loans provided through SHDF; this support is provided especially for construction of rental dwellings and refurbishment of the housing stock. The operation of SHDF is governed by the Act No. 150/2013 Coll. on the State Housing Development Fund.

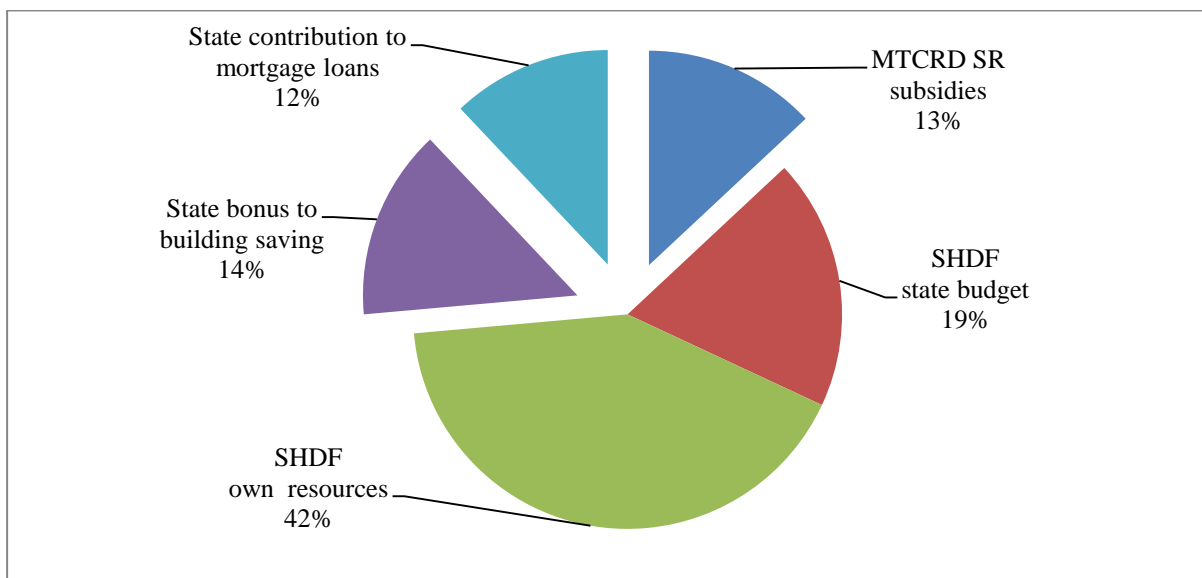
Indirect state support is implemented through:

- Programme of state support for refurbishment of the housing stock in the form of provision of bank guarantees for loans, which was approved by the Government of SR for resumption of housing construction and creation of conditions for refurbishment of the housing stock,
- Mortgage financing, where the state support is provided only to natural persons in the form of state contribution to mortgage loans and state contribution for young people to mortgage loans according to the Act No. 483/2001 Coll. on banks and on amendment of certain acts, as amended. The state contribution for young people is provided to natural persons who achieved the age of 18 and did not exceed the age of 35 on the day of submission of the application for mortgage loan. In this form the state facilitates the access of young families with limited income to mortgage loans for purchase, construction, reconstruction and refurbishment of their housing;
- Building savings scheme with state support in the form of state bonus to building savings for natural persons and associations of residential and non-residential premises according to the Act of the Slovak National Council No. 310/1992 Coll. on building savings, as amended.

There are further resources of the state budget in the form of subsidies provided by other public authorities under generally binding regulations (in accordance with Act No. 523/2004 Coll. on budgetary rules of public administration and on amendment of certain acts) for activities related to the support of housing development in specific areas.

The development of income structure of households shows that it is necessary to support increasing of the number of affordable dwellings from public funds. As the amount of resources earmarked in the state budget for housing continuously decreases compared to the growth of economy performance, it is necessary to acknowledge the recent negative development tendencies and to take into account the multiplication effects of activities in the area of housing development when deciding on the amount of allocated public funds. It is necessary to objectively and rationally determine the requirements for support from the state budget in order to stabilise the allocation of expenditures from the state budget for the support of housing development (direct state support) by determination of certain percentage of the gross domestic product, as is customary in developed European countries.

Graph No. 3: Estimated expenditures on housing in SR for the year 2014



Source: MTCRD SR

In spite of the limited state budget resources it can be stated that supporting instruments of the state housing policy for housing development significantly contribute to the extension and improvement of the housing stock. The information about progress of expenditures from the state budget for housing development and the amounts of support provided is available at www.mindop.sk

3. State Housing Policy Concept to 2020

The State Housing Policy Concept to 2020 is a framework document that formulates the priorities and strategic objectives of the State in the area of housing development. It defines the responsibilities of the State, local self-government, private sector and citizens for provision of housing, describes the individual segments of the housing market and their key challenges, defines instruments for the support of housing development and determines specific tasks that will contribute to achieving the strategic objectives.

3.1 Responsibility in the area of housing development

The responsibility in the area of housing development is traditionally divided among the citizen, the State, the self-government and the private sector. The individual actors interact in the creation of conditions for housing development but each of them has specific responsibility.

A citizen in the conditions of market economy is a bearer of primary responsibility for acquisition of his or her own housing. In an adequate manner he participates in performance of all activities related to the preparation and implementation of investments, such as obtaining of financial resources, acquisition of suitable land with required technical infrastructure and engineering networks, selection of suitable project documentation and contractor, as well as observance of the law in the area of approval of buildings and their later use. Moreover, he is fully responsible for solution of all problems linked to later use of the dwelling or house (provision of funds for coverage operation costs, management, dwelling maintenance etc.).

3.1.1 Responsibility of the State

The responsibility of the State is determined among others by the creation of favourable economic and legislative conditions for individual actors in the area of housing. The State creates conditions for increasing the performance of economy, growth of employment and real income for households as the basic conditions of improvement housing standard, housing accessibility for population and reduction of the period required for own housing acquisition.

The main tasks of the State are:

- Preparation, implementation and evaluation of the state housing policy concept;
- Support of housing development in relation to its contributions to the economic, social and environmental policy of the State as one of the priorities defined in state strategies and conceptions;
- Creation of legal environment stimulating the housing development and amendment of legal regulations that are non-systematic and may create obstacles to housing development;
- Establishment of the economic instruments system in the area of housing stimulating investments in housing construction and refurbishment of the housing stock within the objectives of the state housing policy concept;
- Earmarking of adequate amount of funds for housing development in the state budget in individual years;
- Keeping of updated available information about the situation in the area of housing and monitoring of housing needs at national and regional level.

The priority areas of housing are addressed by many legal regulations lying in the authority of different central bodies of state administration, which contributes to the creation of obstacles to housing development. In the following period it will be necessary to address this area at the level of state authorities with the aim to increase the transparency and improve the conditions for higher involvement of responsible bodies in the area of housing. It is recommended to MTCRD SR as responsible body of the housing policy in the participation of other responsible state and public authorities and partners from the expert community to analyse the needs of the consistent legal framework and propose an acceptable solution. Moreover, in the following period MTCRD SR will initiate the establishment of a professional platform for housing that will create conditions for permanent expert discussion of partners from state and public authorities, representatives of professional and academic communities and partners from the non-governmental sector.

3.1.2 Responsibility of self-government

The competences of regional municipal units (hereinafter “RMU”) consist of conceptual, standard-setting and executive activities, which result from their task to take care of general development of territory and needs of inhabitants within the meaning of the Act No. 302/2001 Coll. on self-government of regional municipal units, as amended. The competences of RMU in the area of housing provision are focused on the cooperation with municipalities and cities and other actors in their cadastral area. RMU should play more significant role in coordination of the territory development and different interests that exist there. From the conceptual aspect the comprehensive approach to addressing of environmental, economic, social challenges in the territory must become an integral part of the self-governing region activity. It is necessary to take into account the natural demographic development in the territory of RMU, to be prepared for trends related to the economic and regional development of the territory and, last but not least, to strive at efficient linkage of the individual settlements needs in the territory of RMU. It can be assumed that delegation of

competences in school, health and social infrastructure and services, including the housing development, will require certain changes.

A municipality as a local self-government body is nearest to the citizen, therefore its competences should be aimed especially on the creation of suitable conditions for housing development as a part of the settlements territorial development. In this context it is required that close cooperation with the State in the using economic instruments of housing development becomes part of these activities.

From the viewpoint of their competences, primary tasks of municipalities are:

- Procurement, approval and updating of planning documentation of the community and zone with special regard to the care of the environment, effective and economically acceptable use of land and effective construction, especially in the built-up area of the community;
- Keeping of the database of information on the state of housing, housing stock and dwellings requirement in the community for the purpose of improvement of the housing stock and residential environment with regard to estimated needs of the community resulting from the economic, social and demographic development in the community;
- Preparation, approval and updating of the housing development programme of the community, including reconstruction programmes of the housing stock in accordance with valid planning documentation, individually or as part of comprehensive conceptual documents of the community, e.g. programme of economic and social development of the community;
- Establishment of specialised units within local or municipal authorities, in particular in larger cities, that will be responsible for housing development and provision of information and methodical guidance for land and housing stock management in the community;
- Active guidance and coordination of the participants of the housing development process in the area of land provision and implementation of technical infrastructure for dwellings construction;
- Improvement of management and use of the housing stock of the community.

An important instrument of the rational use of landscape and creation of conditions for permanent compliance of all activities in the territory is territorial planning. The instruments of territorial planning in accordance with the Act No. 50/1976 Coll. on territorial planning and building order, as amended (hereinafter “Building Act”) lay down the optimal layout and functional use of the territory. In accordance with provisions of the Building Act the cities and municipalities with more than 2,000 inhabitants are obliged to have the land-use plan, the other municipalities are obliged to have this planning documentation under determined conditions. MTCRD SR according to the Act No. 226/2011 Coll. on provision of subsidies for the preparation of planning documentation of municipalities provides subsidies for the preparation of the land-use planning documentation of municipalities. In accordance with the preparation of new building act it will be desirable to impose the obligation of preparation of adequate and updated land-use plan to all municipalities in SR. It will also be necessary to ensure closer cooperation of municipalities on the preparation of the territory and achieving balanced development of municipalities for the purpose of the effective territory using . This shall take into account the priorities of municipalities as regards the use of the territory potential and the need of sustainable housing development and accessibility of housing-related services. Instruments that can ensure a solid preparation of construction of the

residential and urban environment also include urban designer's and architect's competitions, the use of which has been very limited so far.

Land suitable for construction is usually owned by private persons and thus the municipalities cannot influence their effective use. In accordance with provisions of the Act No. 582/2004 Coll. on local taxes and local charges for municipal waste and minor construction waste, as amended, the municipalities as property tax administrators can use this institute as an efficient instrument for land-use management, in particular through progressive taxation of land and dwellings situated in the built-up area of the community, which are not used for long-term housing. This instrument would ensure more effective use of land in the community and avoid the need of brisk agricultural land take that we witnessed in the previous years and hence the excessive and undesirable expansion of municipalities beyond their built-up and urban area. An efficient instrument is the Act No. 220/2004 Coll. on protection and use of agricultural land and amending the Act No. 245/2003 Coll. on integrated prevention and control of environmental pollution and on amendment of certain acts, as amended, which should contribute to higher protection of agricultural land and regulate the transformation of quality agricultural land to building land.

3.1.3 Responsibility of the private sector

The private sector holds an important position in implementation of activities in housing development and the housing stock refurbishment. It provides services related to housing and its development and ensures the allocation of funds for development activities in housing.

The basic conditions for the high quality usage of completed dwellings are technical infrastructure accessibility and availability. These are in particular public water supply lines, sewerage with connection to wastewater treatment plant, electricity or gas supply lines. An important element of this infrastructure is road accessibility and public street lighting contributing to higher comfort and safety level of inhabitants. Such a technical infrastructure significantly determines the quality of residential environment and is prerequisite for new construction. Supply networks owners, mostly from the business sector, shall participate in the housing development by allowing the connection to networks owned and operated by them. One possibility how to ensure such investments is their adjustment and provision directly in the construction territory preparation process, respectively even earlier, during the technical approval procedure of the planned construction. In these processes distribution networks owners are usually directly involved and are expected to submit their opinions on the proposed regulations. In this context it would be more appropriate that their consent with land-use plan (of community or zone) shall oblige them to participate in the development of these networks during the process of investment in given territory. It cannot be forgotten that technical infrastructure is partially financed using public resources, especially in the scope of housing development support provision in the form of subsidies for co-financing of public water supply lines and public sewerage, including wastewater treatment plants and local roads, including public lighting. This form of support significantly contributes to housing development, therefore its continuation shall be ensured. The objective is to ensure the development of public technical infrastructure through distribution systems owners or operators in accordance with approved land-use planning documentation of municipalities.

The private sector and non-governmental sector, i. e. all participants of the housing development process outside the public sector (e.g. financial market institutions, investors, developers, engineering and design organisations, construction companies, population and

other entities such as foundations, non-profit organisations etc.), shall participate among others on the following activities:

- Financing and high-quality construction of dwellings;
- Preparation of land and technical infrastructure provision in accordance with land-use planning documentation of municipalities;
- Management of the housing stock and its proper use, quality maintenance and required refurbishment;
- Provision of other services related to housing and its development.

Regarding the activities of the private sector, it is necessary to gradually reduce or remove the barriers that prevent wider participation in housing development. One of the possibilities that shall be analysed in the near future is the partnership of the private and public sector in housing accessibility provision. Inspiration for such may be found in the models from other countries characterised by interest harmonisation of both private investors and the public sector in housing development. Such models suitably combine private investor's and public partner's funds and thus increase the effectiveness of the process of rental housing sector financing. The non-profit sector has also a high potential in provision of affordable rental housing. After creation of suitable conditions for the development of non-profit organisations these organisations can gradually assume the role of municipalities that presently provide social rental housing.

3.2 Owner-occupied housing

Owner-occupied housing is dominant housing form in Slovakia. More than 90% dwellings are owned by private persons, which is one of the highest rates within the EU. Owner-occupied housing shall be usually reserved for middle and upper-income groups of population, which is not the case in the conditions of SR. After 1990, when massive privatisation of the housing stock started, low-income groups of population became owners of dwellings as well. The analysis of owner-occupied housing shall take into account the housing stock structure, where nearly 50% dwellings are situated in family houses and the rest is situated in residential buildings.

The basic legislation governing the relations, decision-making and management of residential buildings is the Act No. 182/1993 Coll. on ownership of residential and non-residential premises, as amended. This act was repeatedly amended since its adoption, but it retained the provisions focused on the ownership transformation of municipal, state and cooperative dwellings adopted in early 1990s, which enables the tenant (occupant) to demand the transfer of the ownership from the municipality or housing cooperative for a price stipulated in law, which is several times lower than the market price of comparable dwelling. However, the provisions on mandatory ownership transfer of these dwellings under such conditions are not justified anymore and cause problems in the process of increment of the rental housing accessibility. The law shall therefore set out the conditions and deadline for such transfers. It is also necessary to implement a detailed analysis of the efficiency and enforceability of Act No. 182/1993 Coll. provisions on transformation process due to the fact that they were adopted in different socio-economic conditions and require substantial changes as a result of the development in the last twenty years. Many problems arise increasingly from the application practice of the Act No. 182/1993 Coll., in particular in the area of ownership rights performance, pledges and other issues related to dwelling ownership on the one hand, as well as the liability of owners for the dwellings condition and for the residential buildings themselves on the other hand.

One of such problematic areas is the residential buildings management. The owners in the residential buildings must responsibly perform activities that are necessary for the operation, maintenance, safety, energy efficiency and usability of the building itself. The draft of the act on conditions of management of the residential buildings is being prepared for the following period, which shall contribute to the improvement of management and establish more transparent and precise legal relationships in the area of residential building management and stipulate the professional qualifications of the manager as one of basic prerequisites to achieve more professional performance of such undertaking.

As far as long-term perspective goes, owner-occupied housing is the most preferred housing type in Slovakia, which is caused, among other things, by the low supply of affordable rental dwellings. Another factor favouring the owner-occupied housing are the current, historically lowest, interest rates for mortgage loans, which however are still one of the highest in EU. Similar favourable conditions are also provided by building savings products and other housing specialized loans offered by commercial banks. By dwelling purchase the owner acquires not only rights, but also obligations that are related to the dwelling usage. The dwelling owners are often not aware of their obligations or do not attach importance to them. There is also a risk and high probability that the dwelling ownership may be forfeited due to failure to fulfil obligations stemming from the dwelling ownership.

In the owner-occupied housing segment SR has a system of indirect state's support instruments which form conditions for housing investments for those groups of population, who prefer this option and want to purchase their own housing. In spite of this, in the following period we face challenge concerning the refurbishment of the existing housing stock in private ownership. The State shall search for mechanisms to multiply public expenditures on the housing stock refurbishment, with regard to the need of more significant usage of private capital.

3.3 Social housing

The public (non-profit) sector also called the social housing plays an important role for maintenance of social cohesion. It is also an area where state interventions in the housing market are most visible. Through the support of social housing the state tries to increase the housing accessibility for those who are unable to acquire adequate housing on their own. The task of the state housing policy is to determine the groups of population who shall be recipients of social housing.

The social housing sector is usually reserved for individuals and households, who lack the funds required for the acquisition or preservation of adequate housing in the standard housing market, i. e. for socially disadvantaged groups of population. This disadvantaged position in society may be temporary and related among other things to certain live cycle phase or be caused by a handicap. On the other hand, it may be of permanent nature as well as resulting from the socio-economic situation itself.

Disadvantaged groups in the housing market are in particular:

- low-income groups of population
- young families
- large families
- disabled persons
- seniors

- single-parent families
- women threatened by violence and violence victims
- individuals after termination of foster care or protective care
- foreigners and migrants
- homeless people
- members of marginalised Roma communities and
- other groups of persons who are disadvantaged for various reasons in a way that prevents them from satisfying their housing need by common means (e.g. long-term unemployment, drug addiction, etc.).

The demands of these groups for housing may differ in many regards, so the primary task of the State is to create the same basic conditions for the access to the housing market for all. The support provided by the State is of supplementary nature only and shall suitably complement and stimulate their own effort to resolve their housing situation. Besides its main objective – provision of adequate housing, such support also fulfils the preventive function – it prevents social exclusion.

In SR according to the Act No. 443/2010 Coll. on subsidies for housing development and on social housing, as amended by the Act No. 134/2013 Coll., social housing means a housing acquired with use of public funds and intended for adequate and dignified housing of natural persons who are unable to acquire housing on their own. the general identifier of the social status of dwelling occupants – income. Slovakia thus ranks among European countries where social housing is widely perceived as housing provided with the support of public funds and reserved for households up to certain amount of income. Regarding the scope, social housing is identical with the public rental housing sector.

However, the existing legislation does not take into account the specific situation of members of the disadvantaged groups (different income situation, need of provision of social services etc.). The determination of the housing standard shall be based on the social situation of the household. From this perspective, a suitable solution is the establishment of a vertical, two-way transitional housing system of varied standard, so-called “transitional housing”. The system comprises of many other types of transitory accommodation (hostels, flophouses, shelters etc.) and finally rental dwellings reserved for social housing. This system is motivating because it enables the recipient to gain a higher housing standard. The integral part and maybe absolutely critical prerequisite for provision of transitional housing is systematic social work with affected clients. Moreover, the establishment of this system may avoid the occurrence of socio-pathologic phenomena such as homelessness. This solution is also in accordance with the European approach to this issue and will enable the use of ESIF in this area.

For specified disadvantaged groups the housing issue is resolved by facilities providing social services, e.g. supported housing facilities, shelters, half-way houses, emergency housing facilities or facilities providing socio-legal protection of children and social care. The primary task of social care facilities is the provision of social services. In the following period it will be necessary to determine the minimum and if appropriate also the maximum limits for technical and economic parameters of these facilities, the fulfilment of which shall be the precondition for provision of the state contribution for their construction.

In the provision of social services the Slovak Republic joined the global trend of transition from the institutional care and other segregation facilities towards the support of independent life of a citizen in his natural community with access to social services. In this case housing is separated from the support services, meaning that the person in need of support does not have to move closer to its source, but can live wherever he or she wants. It

may create conditions for synergy of state's social and housing policy measures. In the following period it will be necessary to focus on the implementation of this model, also with regard to the estimated demographic development of society. Moreover, this area represents a big challenge for municipalities which are responsible for provision of such services to their citizens, and which shall more intensively use the possibilities they already have for acquisition of rental dwellings, not only for young families, but also for seniors.

The possibilities and conditions of provision of housing for a majority of citizens belonging to disadvantaged groups are currently addressed, within the limits of public finance, in existing support instruments of housing development and related legislation. Potential weaknesses in this area may be addressed by partial amendment of the respective regulations or by adoption of new legislative and/or economic support instruments.

In view of society's needs it shall be necessary to increase the overall accessibility of social housing, not only in terms of resources earmarked in the state budget for this purpose, but also in regard to the group of providers of this housing type. It is also necessary to focus on innovative solutions increasing the accessibility and quality of housing in the particular socio-economic situation.

An important instrument of social policy for housing preservation by socially disadvantaged groups of population is the housing allowance.

3.4 Private rental housing

Based on expert estimates, the private rental housing sector represents nearly 3% of all occupied dwellings, which is insufficient and therefore it is necessary to search for suitable solutions how to increase the number of rental dwellings and their affordability. There are several identifiable reasons that caused the insufficient development of the private rental housing sector. The main reason is the historical development of the dwellings ownership. The first actual (i.e. full) ownership of dwellings became possible after the socio-economic changes in 1989 and the adoption of restitution acts and, furthermore the Act No. 182/1993 Coll. on ownership of residential and non-residential premises, as amended, allowed the acquisition of housing stock in the residential buildings by private persons. Further reasons are the application of rent price regulation, excessive protection of tenants resulting from the civil law on the dwellings rental and, last but not least, the households income situation.

The barrier in form of tenants' excessive protection has been partially disposed by the Act No. 98/2014 Coll. on short-term rental of dwellings, which increases the protection of landlords and addresses those aspects of rental that were perceived by the dwelling owner as problematic and disadvantageous. Moreover, it shall help the development of private rental housing, while maintaining sheltered rental housing and social rental housing supported by the State. Act's objective is to ensure more balanced position of the landlord in relation to the tenant while preserving all elements of dwelling ownership (the Act introduced, among other things, the obligation to agree on a shorter notice period or to withhold movable property of the tenant by the landlord in case that the tenant does not move out from the building voluntarily and timely and has not paid all amounts due to the landlord) and can contribute to the increase of the rental dwellings share in the housing market with regard to provision of housing for the employment support (in form of labour market mobility). By this legislation the State adopted the platform where dwelling owner gains legal certainty that he or she can effectively and in real time defend all elements of dwelling ownership, particularly in case of flagrant breach of the contract or the law by the tenant or third party. However, only landlords who properly fulfil their registration obligation towards the financial administration bodies

are able to benefit from provision set out in this Act. Future amendment of the Civil Code shall ensure mutual balance of the position of dwellings owners and their tenants also in long-term rental, which would positively influence the rental housing market development.

The private rental housing sector provides housing supply and thus contributes to labour force mobility and flexibility of population in regard of short-term solution of their housing situation. Attention must also be paid to expected changes in preferences of population, in particular the upcoming generation. The preference of owner-occupied housing over rental housing puts excessive pressure on new construction; moreover financial liabilities born by individuals stemming from acquiring of new housing must not be forgotten. . If number of available rental dwellings with adequate rental price is increased having regard to income situation of population, one can assume quick change of preferences among certain groups of population.

The private rental dwellings category also comprises cooperative dwellings. According to data from PHC in 2011 their number amounted to 62 873, which represents 3.5% of all occupied dwellings. As compared to the year 2001, when dwellings owned by housing cooperatives accounted for 14.9% of all occupied dwellings, their number significantly decreased in the last years. It is caused not only by the sale of cooperative dwellings to private persons, but also by the fact that the cooperative housing societies do not draw up new projects of construction of such dwellings. (During the period of 2001 - 2008 only 784 cooperative dwellings were completed and no single cooperative dwelling has been completed since 2009. On the basis of these data we can state that development of this form of housing is stagnating in Slovakia. In the following years it will be necessary to pay adequate attention to this form of housing acquisition and in case of interest shown by population to search for a suitable promotion model for construction of new dwellings by cooperative form, also with regard to the need of adoption of new legal framework for business operation of cooperative housing companies. The boom of cooperative housing represents a high potential for possible increase in number of rental dwellings in SR.

A specific and relatively small segment, where dwellings are owned by individuals but are subject to price regulation, are dwellings in buildings returned to respective owners in the restitution process, including the forced rental contracts. The relation between private owners and tenants of dwellings, where regulated rent is applied, are governed by the Act No. 260/2011 Coll. on termination of certain arrangements of rental relations to dwellings and amending the Act No. 18/1996 Coll. on prices, as amended by the Act No. 355/2012 Coll. The obligation to provide a substitute dwelling was delegated to respective municipalities and ultimately to the State as provided by the Act No. 261/2011 Coll. on provision of subsidies for acquisition of substitute rented dwellings, as amended by the Act No. 134/2013 Coll. These acts govern the legal relations upon termination of rent and conditions for providing substitute dwellings. From the application practice it will be necessary to adjust more precisely the conditions for provision of subsidies for acquisition of substitute rental dwellings.

In this context it must be noted that in connection with the ruling of the European Court of Human Rights (hereinafter "ECHR") in Strasbourg, which upheld the claim of owners of property returned in the restitution process and pledged SR to introduce a remedy to allow these owners to claim damages for the violation of their property rights due to the application of the regulated rent system, the government in cooperation with MF SR, MJ SR and MTCRD SR will have to take measures for solution of this situation in the following period.

With the aim to ensure the accessibility and affordability of private rental housing, the decision on size categories of dwellings shall be based on the demographic development and

existing structure of the housing stock. From this perspective appears the immediate need for construction of small “starter” dwellings, which are missing in the housing market. The significant decline in the rental housing sector caused by massive privatisation of dwellings is partially balanced by the support provided for the development of the rental housing segment from public budgets. The state intervention through the introduction of effective instruments is also necessary in the private rental housing sector with the ambition to achieve 5% to 10% share of private rental dwellings out of the total number of occupied dwellings. The purpose of these instruments will be to increase the private sector’s motivation to invest into rental dwellings, because this segment is currently not very attractive to investors.

3.5 New instruments to increase the accessibility of housing

The objective of the state housing policy is not only to maintain the existing system of economic instruments, but also to stimulate housing development and to increase the accessibility of housing through new measures and instruments. Those two should be aimed in particular to maintain the volume of resources earmarked in the state budget for housing development and the dynamics of housing stock refurbishment, to further stimulate the development of the private rental housing sector through the introduction of new financial instruments, to introduce special housing allowance and to promote the development of the non-profit sector.

The state support/aid must be provided for the development of the private rental housing sector through the introduction of effective instruments, preferably in the tax area, that are used in developed European countries. On the basis of expert estimates, after the introduction of such measures in this area and necessary changes in the legislation, the estimated share of private rental housing on the total number of dwellings may achieve 5% to 10%. These measures would not only increase the pressure on rent reduction, but they would also create more attractive perception of rental housing in comparison to owner-occupied housing, which would furthermore increase the pressure on the quality and standard of provided services in relation to the dwellings rental.

From the perspective of occupants with lower income, the social housing sector shall work on the non-profit principle or principle of strictly regulated profit, which will ensure its affordability. The rent in this sector shall therefore cover only necessary costs related to acquisition, management and operation of such dwellings, while respecting the principle of the lowest acquisition cost. The benefits of regulated rent shall be enjoyed only by individuals meeting the criteria for provision of this type of housing. In the following period it is necessary to define more flexible model of rent prices determination for dwellings in the social housing sector, i. e. in rental dwellings built with public resources usage. The model shall not only take into account the income situation of individual households, but also allow the annual increase in the maximum prices of the rent for dwellings by the inflation rate. The objective of this regulation is to permit the use of advantages of social housing only by individuals whose income situation does not allow them to acquire their own adequate housing. An exemption from such a proposed regulation can be granted with the aim to allow the comprehensive development of the respective municipality; the municipality may also provide applicants performing the required activity in their territory (doctor, teacher, social worker, etc.) with this type of housing.

The construction of social rental dwellings with adequate standard and regulated rent will be further implemented particularly by the municipalities. However, it is necessary to create conditions for wider participation, not only of the private sector, but also Churches and the tertiary sector. Churches and non-profit organisations are important as potential providers

of social housing, therefore it is necessary to analyse and create conditions for their full involvement in the system, while respecting the principle of public-private partnership.

From the perspective of management of rental dwellings and new construction of social rental dwellings it is desirable to gradually delegate the tasks fulfilled by municipalities and cities to other entities. It is possible to use a model, where present tasks of self-government units will be taken over by non-profit organisations founded for this purpose. This form will enable the municipalities to get rid of burdensome activities related to acquisition, management and maintenance of social rental dwellings with financing separated from the budget of such self-government unit. These organisations shall work on the non-profit principle or principle of limited profit (the legal regulation shall unambiguously define the adequate amount of profit and its use). However, for effective operation of such non-profit housing organisations in SR it will be necessary to revise the existing legal and financial framework and to create effective institutional and legislative conditions for the foundation of these non-profit housing organisations and thus ensure their viability.

Another important social policy instrument that supports the sustainability of housing for socially disadvantaged/less-favoured groups of population is the housing allowance. In SR this allowance is a part of state aid for those in material hardship according to the Act No. 417/2013 Coll. on assistance in material need and on amendment of certain acts. In connection with preserving financial sustainability of housing and in accordance with possibilities of public finance and principles of fulfilment of social functions by the State it is necessary to prepare a new legal regulation on the provision of housing allowance in order to permit the determination of conditions for such an aid, in particular depending on the number of household members , payments spent on housing and the income situation of the household members. .

In view of the needs of SR it is necessary to maintain and further develop the existing system of economic instruments for the support of housing development and to create suitable legislative and institutional conditions for all groups of citizens by acquiring adequate housing. From the viewpoint of increasing the affordability and accessibility of rental housing it is necessary to concentrate on the development of non-profit housing organisations as well as to find suitable motivating instruments to support private investments in housing development.

3.6 Priority tasks

If we might want to achieve a sustainable housing development in SR in the following period the problems identified above have to be addressed. With the aim to remove the barriers n of housing development it is necessary to take gradual steps in the competence of individual responsible bodies, in particular the central bodies of state administration. Most measures are aimed to the elaboration or amendment of legislation and shall create stable legislative, institutional and economic conditions that increase the housing accessibility for the SR population. In the process of fulfilling the objectives of the State Housing Policy Concept to 2020 it is necessary to implement the following priority tasks:

1. Draft legislation on the determination of regulated price of rent for dwellings acquired with public funds usage

In the following period it is necessary to draw up a draft legislation that shall adjust the maximum amount of the regulated rent to the level of rental cost in the public rented housing sector area. Such adjustment of the maximum regulated rent shall also be applied in legal regulation of housing policy in the social housing sector, i. e. it shall also take into

consideration the tenants whose income does not enable them to procure adequate housing on their own and who shall be permitted to benefit housing in dwellings with regulated rent.

Responsible authority: Ministry of Finance of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 31. 12. 2017

2. Elaborate an amendment of the Act No. 182/1993 Coll. on ownership of residential and non-residential premises, as amended, with the aim to determine the deadline for transfer of dwellings ownership from the State and municipalities to the tenants under advantageous conditions

After the socio-economic changes, by adoption of the Act No. 182/1993 Coll. on ownership residential and non-residential premises, as amended, the government of SR created conditions for the transfer of dwellings ownership from the State, municipalities and housing cooperatives to their occupants. More than twenty years have passed since the adoption of the Act in 1993 and the recent available data show that the number of dwellings affected by the potential transfer of ownership is low (15,000 dwellings owned by cities and municipalities). The purpose of the proposed measure is the determination of conditions and deadline of the dwellings ownership transfer from the State or municipalities to their occupants under advantageous conditions.

Responsible authority: Ministry of Finance of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 31. 12. 2016

3. Analyse tax instruments aimed to the support of rented housing development

In accordance with the state's objectives to increase the accessibility of housing, with regard to the development in the housing construction area and demographic development it is necessary to increase the private resources usage for financing housing construction, not only in the area of owner-occupied housing, but especially in the area of rental housing. The precondition of the use of private capital is the suitable legislative adjustment and economic conditions. Therefore in the following period it will be necessary to address this area in several consecutive steps, of which the first necessary step is a thorough analysis of tax instruments aimed to the rental housing development support.

Responsible authority: Ministry of Finance of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 30. 03. 2018

4. Prepare a new legal regulation on the housing allowance by separating this allowance from assistance in material need and determining its amount in order to create conditions for sustainability of adequate housing

The housing allowance represents an important instrument of social measures implemented by the State to achieve the sustainability of adequate housing for households. In view of the statistical distribution of income groups of households and growing costs of housing it is necessary to adopt the model of housing allowance provision and determine its amount so as to create conditions for achievement of sustainability of adequate housing. With

the aim to maintain the affordability and in accordance with possibilities of public finance and principles of fulfilment of the social tasks by the State it is necessary to prepare new legislation on the provision of housing allowance that shall enable the determination of conditions for provision of allowance depending on the household size, housing form, payments directly related to housing and income situation of the household.

Responsible authority: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic
Deadline: 31. 12. 2018

5. Create the multistage transitional housing system with usage of existing forms of provided housing

Based on available knowledge, there are groups of population that live in very non-standard, often unsuitable dwellings. The housing standard should be adapted to the social situation of household. One of possible solutions how to help these groups of population is the establishment of vertical, two-way housing system of different standard, so-called “transitional housing” system. This system will comprise various types of transitory accommodation (hostels, flophouses, shelters etc.) up to rented dwellings for social housing. This system will create conditions for gradual increasing of the housing standard and its affordability for disadvantaged groups of population and motivate them to the increased responsibility of the respective groups of population, because it will allow movement in both directions.

Responsible authority: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 31. 12. 2018

6. Analyse the legal framework of legal persons operation in non-profit regime in the area of rental housing development

In view of the need of the rental housing sector development it is necessary to analyse law in force for operation of legal persons, who will assume the responsibility for sustainable and long-term development of rental housing. Although fundamental obstacles to the effective operation of legal persons in given area of the application practice are not expected, the purpose of the analysis is to evaluate operation of legal persons on a non-profit basis, with emphasis on enforcement of its specific legal regulation. For example, non-profit housing organisations in many countries are a very efficient instrument of housing policy. The creation of similar economic sector in Slovakia would have positive quantitative and qualitative influence on housing economy, construction, employment and finally on the financial-economic situation of the state budget. These organisations should perform their activity in special (legal) regime and in accordance with the principle of zero or limited profit (for example the legal regulation shall unambiguously define the adequate amount of profit and its use).

Responsible authority: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Cooperation: Ministry of Justice of the Slovak Republic

Deadline: 31. 12. 2015

7. Adopt required legislation to ensure an effective and transparent adjustment of the non-profit regime of rental housing development on the basis of results of the analysis of the legal framework of functioning of legal persons in a non-profit regime in the area of rental housing development

Provision of rental housing through legal persons in a non-profit regime, focused, among other things, on provision of comprehensive care of tenants, housing stock and surrounding environment, represents innovation in the approach of the State to provision of affordable housing for population. Activities of such organisations in this particular support regime have the potential to influence the access to rental housing for growing number of applicants. For this purpose it is necessary to define by the law the specific status of non-profit regime organizations and to take measures ensuring transparency as well as strict and objective control mechanism of operation of legal persons in this regime. Therefore, in the following period the entities of local self-government in close cooperation with the private sector shall intensify their activity aimed to achievement of housing affordability, also with use of experience from abroad.

Responsible authority: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Cooperation: Ministry of Justice of the Slovak Republic

Deadline: 30. 06. 2017

8. Provide suitable tools for the support of effective operation of rental housing development segment on the basis of results of legal framework analysis on legal persons operation in a non-profit regime in this area

In connection with tasks 6 and 7 it is necessary to ensure the possibility to obtain the basic financial coverage for acquisition of rental dwellings. It is necessary to search for various sources of financing, not only at the state level through introduced financial instruments, but also through other entities of financial or other nature. In this context it is necessary to revise the present conditions and provide suitable tools for the effective operation support of these organisations undertaking their activity in non-profit legal regime.

Responsible authority: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 30. 06. 2017

9. Take measures for reduction of energy consumption in buildings, in particular in the area of construction of buildings, heating systems, hot domestic water production, and for increasing the percentage of renewable energy sources usage

In accordance with the state's and the EU's objectives one of the long-term state's strategic priorities is the buildings refurbishment with the aim to achieve gradual reduction of energy consumption in buildings in conjunction with the application of provisions of the Act No. 555/2005 Coll. on energy performance of buildings, as amended. The trend in this area is to reduce energy consumption in buildings and to construct nearly zero-energy demanding buildings. An important potential source for energy savings is the housing sector, both in residential buildings and family houses. In the following period it will also be necessary to take measures to support reconstruction of family houses in order to achieve the maximum possible energy savings.

Responsible authority: Ministry of Economy of the Slovak Republic, Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: currently to 2020

10. Elaborate analysis of the legal framework change in housing

The priority areas of housing are covered by many legal regulations which fall within authority of various central bodies of state administration. The given situation contributes to low transparency of the legislative framework and indirectly to the creation of barriers to housing development. In the following period it will be necessary to address this area at the level of state authorities with the aim to increase the transparency and improve the conditions for increased involvement of responsible entities in the housing area. The purpose of the analysis is to assess the need for a consistent legal framework in the area of housing and to recommend acceptable legislative solution. The analysis will respect the ongoing progress on elaboration of the new Slovak Civil Code and in civil-law matters abide to the framework set out by government approved in 2009 on Legislative objective of Civil Code.

Responsible authority: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Cooperation: Ministry of Justice of the Slovak Republic, Ministry of Labour, Social Affairs and Family of the Slovak Republic

Deadline: 31. 12. 2019

11. Increase the multiplication effect of financial resources invested in the housing sector through SHDF

Investments in housing have a high multiplication potential, which significantly contributes to the growth of construction production in its whole spectrum. Taking into consideration limited resources of the state budget in the following period it will be necessary to concentrate on increased involvement of the private sector in financing overall refurbishment of the housing stock as one of the state's priorities. The objective of the measure is to achieve a higher multiplication effect of public finance in this area. The leveraged resources can be used to support higher energy savings goal.

Responsible authority: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: 31. 12. 2018

12. According to the Legislative objective of Civil Code to prepare a proposal for changes in the existing legal framework of relations between owners and tenants with the aim to achieve mutually balanced legal position in the rental of dwellings by incorporation Act No. 98/2014 Coll. on short-term rental of dwellings provisions

When analysing the present situation in housing we can state that the existing regulation of rental relations in the Civil Code creates a barrier to more significant development of the rental housing sector. It is therefore necessary to the date of elaboration of the provisions of the Civil Code to incorporate in the drafted new Slovak Civil Code the provisions of the Act No. 98/2014 Coll. on short-term rental of dwellings, which adequately addressed the need to balance the rights of the landlord and the tenant in Slovak law in 2014.

Responsible authority: Ministry of Justice of the Slovak Republic

Cooperation: Ministry of Transport, Construction and Regional Development of the Slovak Republic

Deadline: the date of preparation of the provisions of the Civil Code