

World Tenants Day Brussels, 5 October 2009 –
Slovak Statement
by Juraj Kliment

Ladies and Gentlemen,

Speaking of housing and its social and economic impacts I still have in mind the words of the IUT SG Magnus Hammar expressed during his visit in Slovakia in January this year namely that housing the basic necessity for everyone. It is not simple goods like a washing-machine or a car. Due to the importance of housing special attention should be paid to this topic. In particular in difficult times like we have now it is necessary to protect housing as maybe the most important social benefit for everyone.

If we speak about housing in Slovakia, and there are similarities with other Central and Eastern European countries, there are some particularities in comparison to other EU countries.

(First) the vast majority of the Slovak population owns their homes. Houses and flats in the ownership of their inhabitants make up more than 95% of the overall housing stock in Slovakia. This situation was possible by artificial interventions of the state into the housing system. During the communist regime as well as in the 1990ies the state supported individual houses construction with generous direct financial subsidies. In 1993 a special law was adopted enabling tenants in state owned flats to buy their homes at symbolical prices. Thus people often without much financial resources became home owners and home ownership became generally taken for granted in the general public opinion. As outcome of this general adopted model of living in owned housing units only is i.a. a situation when especially young people who want to create a new home have the only choice to muster up a flat or house by purchase in most cases financing such purchase with a bank credit. Within the housing reforms of the 1990ies the protection of tenants in the Slovak legislation was reduced. Inheritability of tenure was abolished as well as other safeguards for tenants like obligatory length of the contract, protection against voluntarily cancellation of the contracts etc. All this reform steps lead to a situation in which rental housing became a marginal segment of the housing scheme de facto designed only as a temporary solution for a specific group of social weak persons.

A special group of citizens hit by the reform measures in the field of housing in the early 1990ies have been sitting tenants – people who live in houses handed over by the state to private owners within the process of restitution of nationalized property or in few cases of privatization that were carried out between 1991 – 1993. These people (unlike their fellow citizens) were excluded from the right to purchase their homes at a symbolical price. At the same time their rights as tenants were gradually reduced (the right to sign up their relatives as co-tenants was abolished as well as the inheritability of tenure, the guaranty of stabile rent was replaced by fear for a total deregulation etc). Due to the fact that all others citizens got house owners sitting tenants became actually “people of the second category” without basic social safeguard – stabile housing.

All the abovementioned special characteristics emanating de facto from liberal attitude to housing that prevailed in Slovakia more than 15 years are containing risk factors which are notably conclusive in crisis times like we have now. The pure owners of flats or houses have never been able to provide sufficient sources to maintain their homes properly. This gradually

resulted in many cases to disrepair of whole apartment buildings. The Slovak government took some measures (mostly in forms of favorable loans with low rates and long time limits for repayment, direct financial interventions are under consideration, probably many will depend on the condition of the state budget) focused on assistance to home owners to remove essential defects on panel apartment buildings build during the communist era. Whether those measures are adequate or not this will be proven in the course of time. Another problem connected with the ownership oriented concept of housing becomes more and more significant namely problems of people who decided to solve their housing situation by financing the purchase of their homes from bank loans. Since standard rental housing is hardly accessible the purchase of a housing unit has been the only solution for many people to muster up a home. Now during the economic crisis experiences made by banks have proven that some applicants have overestimated their capacity to pay their loans in the long time perspective. Although the figures have not been alarming the numbers of people who are not able to pay regularly credits for their homes is rising and the predictions in this sense are not encouraging. Therefore the government decided to take protective measures for people who lost their job and for that reason are not capable to pay their credit rates. All protective measures based on state aid for home owners seem to be unsystematic and not in line with the principles of “pure” market economy. But they are necessary since as I said at the beginning housing is a very special value and it can not be seen with a “pure market economy” optic. However it is questionable whether such measures like subsidies to private owners of flats can be marked as sustainable for a long period of time.

As far as housing is concerned a specific group in Slovakia are sitting tenants (tenants living in restituted houses) and this are exactly those people our association represents. Those people (who are actually the only real tenants in Slovakia, since the vast majority of people became ex lege home owners) have been excluded from the housing reform after the breakdown of communism. Without any objective reason they were deprived the right other citizens were granted, namely to become home owners under the same condition like their fellow citizens i.e. to buy their rented flat at a price stated by law and de facto rank among other citizens within the housing reform - become owners of their homes. It is necessary to mention that sitting tenants are not to blame since the process of restitution did not redeem mistakes made by the tenants (who hired their flats legally, in bona fide under the same conditions as all other people) the restitutions of property after breakdown of communism were motivated by the necessity of remedy of injustices commit by the state on its citizens and their property. The state is responsible for remedy for the remedy of the complicated situation. In this sense the attitude of the current government to this topic can be - in comparison to the attitude of former governments – qualified as progress for us. After years of general reluctance do deal with this topic the current government approved just two weeks ago a concept aiming to solve the sitting tenants problem. The concept is based on subsidiary flats for sitting tenants. It is too early for a final evaluation substantial will be the respective laws that must be adopted. The communication with the government gives as well as outcomes of the governmental discussion at the moment give us reason to optimism. Now it is up to us to intensify our aims to be “in” in the process of preparation of the respective decision and actively have effect in favor of a just solution. Maybe this topic does not seem to be connected with the crisis but it is. It is right that this problem exists for almost twenty years regardless crisis or not. However to solve it now may have three positive effects:

First the sooner a fair and just solution comes the less damage will happen to the state for failing to repair its own mistakes made by disregarding the sitting tenants problem (I speak about possible damage caused by possible judicial complaints against the state from both the

tenants and the owners I am not sure but maybe the decision of the state administrative to move on with the topic was also partially driven by the collective complaint of Feantsa against Slovenia).

Second the building of substitute flats (once decided) will be an economic impetus for the construction industry bringing new possibilities for the employment so needed exactly now in the hard times of crisis.

And third – if it will be possible to move sitting tenants into new flats build by the state the old ones will become free, this will have a positive impact on the supply of rental flats – this may be the first impetus to start a real and functioning market with rental housing. However also changes in the respective legislation will be needed in order to protect more the rights of the tenants and set legislative safeguards like legally guaranteed durability of the contracts, protective clauses preventing unduly increasing of rents, legal clauses protecting all qualified interests of the tenants but also legally set obligations for house owners to be active in looking for filling of empty flats in order to overcome speculative purchases of flats not for the purpose of housing but as an investment.. Such legal safeguards are from our point of view the necessary precondition to start up the development of rental housing as a durable and collective solution of the housing needs in Slovakia. A functioning, legally well backed rental housing (i.e. rental housing designed for a broad mass of the population and not as a solution for social cases) could be in the future the way how to tackle many problems by providing durable and sustainable housing solutions for people who in reality are not in the capacity or even do not want to become home owners. And at the same time it could prevent building houses and flats for other purposes than housing especially to prevent development projects focused on profit only, which many times end in empty houses built only for speculative reasons which are a serious burden also for the environment in our cities.