

Unregulated privatisation of housing in Russia threatens to worsen the housing crisis – and Putin finally recognises the role of NGOs

by Magnus Hammar, IUT

Extract from the Global Tenant magazine, June 2007

“Our houses and flats are deteriorating, because of negligence and lack of plans for renovation, and 150,000 flats become uninhabitable every. We need to engage the residents, and we need to set up a tenant association in Russia. Can you possibly come over to assist? We are organising a seminar to create interest and to get things going”

This is basically the essence of Mrs Yelena Shominas’ message when she contacted the IUT Secretariat last year. Yelena is a professor at the State University Higher School of Economics in Moscow and she is herself, before as a tenant and now as an owner, experiencing the various results of the ongoing processes of housing privatisation in Russia.

Only two hours flying time from Stockholm to Moscow, but yet my first visit to this huge city of almost 11 million people.

From the Sheremetievo airport we enter through the outskirts of Moscow and I notice large and newly constructed tower blocks. They are big, very big, both in height and width! It’s like driving towards a wall of brick houses, 20-30 floors high. Such big residential houses have rarely been constructed in western Europe since the 1960’s and 70’s. But they look ok, much nicer than the concrete panel houses we built in the 1960’s. All are built by private entrepreneurs, explains Yelena.

Uninterested neighbours

Yelena herself lives in a typical 9-storey panel house from the mid 1960’s, of which there are many hundreds in Moscow, built under strict established norms.

We enter her house through a steady iron door which is there to keep out unwanted visitors. The lift takes us up to the 6th floor. I must admit that I find the staircase somewhat dark and untidy, with peeling paint and bare light bulbs. “Yes, this is exactly what it is all about” says Yelena, before we enter her 3-room flat and are greeted by her husband Slava.

- My neighbours, owners as well as the remaining tenants, says Yelena, do not care about the common parts of the building! I have tried to organise the residents to form an housing association, but without result. Some say that they are not interested and that it’s the responsibility of the City, some say that they have no money to contribute. The majority is only interested in renovating their own dwellings, if they have the means.

Privatisation – but no financial benefit to the residents

The privatisation policy in Russia makes it possible for residents to “privatise” their flats free of charge. Only a registration fee of four Euros is required. Yelena estimates that 75 percent of the households in her building have now registered their flats, and become owners. The big problem is that this “free of charge”-policy created groups of residents who are not willing, or not able, to contribute financially to the maintenance of the building; “poor owners” and the remaining tenants. Rents in Soviet times were nominal; they did not include capital repair costs and did not even cover maintenance costs. This has not changed, and rent in a Russian context hardly deserves its name. Pure rent, *nayem*, is about 0,1 rouble per m² – or 0,03 Euro.

Therefore privatisation does not bring any financial benefits to the residents. On the contrary, in most cases it increases financial responsibilities for the new owners, and the remaining tenants.

Consequently, interest in privatisation has somewhat waned among residents, while the City is still promoting it as they hope that privatisation will reduce their responsibilities with regard to the huge problems in the housing stock.

According to the UN ECE report, Country profile on the Housing Sector – Russia 2004, the financial challenges facing the present mixed tenure public housing system are considerable. The estimated heavy repair backlog amounted, to 550 million roubles, or twice the gross annual turnover of the housing sector. The situation is deteriorating.

Threatened gardens

Yelena’s house is still surrounded by green space, with gardens, trees and playgrounds. Some 30 years ago the state norm, when constructing a tenement house, was to designate 20 m² of green space for each flat. These green spaces are now being threatened by the ever increasing price of land, by

construction companies. Also, if this land remains with the residents, it might become an asset, or a burden. As land has become more valuable there are plans to individually tax these green plots, which will further increase the costs for the new owners. No wonder that some prefer to stay as tenants!

Limited floor space, and income

Yelena's flat is in well kept and Slava has renovated the flat bit by bit. The three rooms add up to 65 m², but furniture and bookshelves filled with academic literature take up much of the floor space. Flats in Russia are generally quite small, compared to western standards; Russians enjoy family life on an average of only 20 m² per person, while Swedes and French enjoy 43 m² per person, the British 35, and Americans over 65 m².

As mentioned *na yem*, rent, is negligible. Maintenance costs, including heating, are still reasonable cheap and the same amount for every Russian household, owner or tenant; 6 roubles (0,18 Euro) per month / m² for first flat and 15 roubles per month for any second flat. Yes, Yelena also owns a second flat in the same staircase. This is where her mother used to live and where her son Sergey now lives. This all adds up to some 1,000 roubles per month, approximately 30 Euros.

Long days necessary for most Muscovites

My new acquaintances in Moscow are highly educated and considered well-off by Russian standards as their monthly incomes exceeds 1,000 roubles. But with the background information that nurses' or teachers', state employees, monthly incomes are just 300-400 roubles – we well understand that it must be difficult to get ends meet for most citizens. A second job in the evening is often the solution. Maybe that's why rush hours in Moscow do not seem to reduce until very late. I noted that the beautiful underground in Moscow was filled with commuters on a weekday at 8.30 pm!

Homeowners' Associations

The management and maintenance of the thousands of tower blocks in Moscow are still carried out largely by the municipally owned management and maintenance companies – *zheks* – but without adequate funding and the residents complain about the low quality of repairs and cleaning of staircases. These companies are also being privatised, but the process is very slow.

As some flats in a building are privatised and others not it is almost impossible to form homeowners' associations, because the City, which formally owns the other flats, is reluctant to be part of the private owners' association.

Also, even though the federal legislation was passed in 1993, residents are reluctant to assume responsibility for a building that could require costly repairs. Once an association is formed, the financial losses resulting from poor households (owners, or tenants) that do not pay their utility bills become the responsibility of the association. The new owners are encouraged to form homeowners associations, which are – according to the Housing Code of March 1, 2006 - supposed to be responsible for choosing and signing an agreement with a managing company.

The end of privatisation?

The deadline for registering a flat, and become owner, is March 30, 2010. So, is this the end of housing privatisation in Russia? Yes, say some, the remaining flats will stay in the hands of the City, and stay as rental flats. No, say others, the city will probably extend the deadline as they want to get rid of most residential housing. Or maybe those who were registered in 1990, or another year, but have not yet obtained a flat will get one – and then stop the allocation.

How to obtain a flat in Moscow?

Before 1991, any Muscovite could register for a new flat –even though it could take up to ten years before a flat was allocated to you. Flats were allocated after professional status and size of family. This general housing queue was closed for the rich and middle classes in 2005, and is now only open for less well off Muscovites, and now the distribution is generally about very limited social housing.

Also, if you have chosen to become a medical doctor, a teacher or a military officer or other profession of which there is a shortage you can still obtain a flat from the City.

Buying a flat is no problem as there is plenty to choose from - if you can afford it. Average cost per m² reached 3,000 Euro October 2006. Prime housing overlooking the Moskva River goes for 30,000 Euro per m². These are in strictly gated communities, and even though we arrived with Mrs Snegizeva, a local deputy from the city's Housing Commission, we were not allowed in to pass the security.

Few Russian households can benefit from the services from the banks. Only 10 percent of the Russians say that they plan to take a loan for the purpose of buying a home. The other 90 percent are

“not welcome” as their registered salaries are too low. Also, banks in Moscow provide loans in hard currency, often in US\$ at fixed rates. However, the majority of the borrowers have earnings in roubles. And in the event of devaluation of the rouble there is a risk that the borrowers can not repay the loan.

Babies bring in m2

Another way of improving young couple’s chances to maybe obtain a flat is to have a baby. There is a special program that awards each new child with 10 m2, as a present from the State! And, more children bring in more square meters. If a family with two young children decides to move into a new flat, of say 50 m2, they can deduct the value of 20 m2 from the total cost of the flat. The remaining cost for 30 m2 can be paid off step by step.

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Lunch at a co-op with Natalija

Yelena takes me to visit one of her closest friends, Mrs Natalija Samosudova, who has great experience of housing as she used to chair their housing co-operative for many years.

Before we resume our talks about housing Natalija brings out lunch on beautiful china and puts several typical Russian dishes on the table. We enjoy fish in aspics, pickled herring and vegetables, and different kinds of meat dishes, fresh vegetables and assorted beverages.

Natalija lives in a 45 m2 two-room flat in Tykhachevskogo Street in central Moscow. It is an owner co-operative, in a five-storey panel house built in 1964. Today about 10 percent of the houses in Moscow are ownership co-operatives.

Colleagues became neighbours

Natalija was an employee, a professor, at the Moscow State University. As a state employee she could retire already at 55. Natalija’s co-operative house was built by her university institution, and all neighbours-to-be were colleagues and university employees, a group of workers considered well-off in the mid 60’s.

When Natalija was young she lived with her family of eight in central Moscow. Years passed, elderly family members died and younger moved out. In the mid 1960’s there was just Natalija, her mother and an elder brother left in flat. “My brother should have moved out before me as he was older than I, but I guess he was too lazy from being serviced by my mother”, Natalija says with a smile.

- So, I was working at the university when I heard that my university institution was going to build a co-operative, explains Natalija. I got very active and managed to convince the people who organised the housing queue that I really needed a flat.

From tenant to owner, without costs

When the co-operative stood ready in 1964 Natalija and the other tenants in the 159 flats had to pay 40 % of the construction costs. The remaining 60 % was a low interest loan for 20 years. In 1985 the house was fully paid for by the co-operative. Six years later, in 1991, it was possible for the residents to register themselves as full owners of their flats.

Through the years the members of the co-op managed to save a considerably amount of money on a joint bank account for future repairs and renovation. In 1998 Russia was hit by severe inflation, banks collapsed and the co-op lost most of its savings. Bills for heating and maintenance became terribly difficult to pay and the co-op was on the verge to have to sell their house. But Natalija and her neighbours had been through hardship before and managed to keep their house until the hard times were over in 1993.

A bigger flat, just a dream

Today Natalija lives comfortably in the house which has been her address for so many years, and with neighbours she knows well from struggling together. She estimates that housing costs end up somewhere around 200 roubles a month and that her flat is now worth 150,000 Euro. The floor space is somewhat limited as her rooms are furnished with large beautiful pieces of wooden furniture from her parents flat. A larger flat would be a dream, says Natalija. But in today’s Moscow this is not possible.

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Putin admits that there is a housing crises in Russia, and recognises the role of NGOs

“I think the Public Chamber and non-governmental organisations could assist in solving the whole range of housing problems”, President Putin said in a meeting with members of the Public Chamber Council on May 16, 2007.

New Eurasia Foundation

Acknowledgement: The IUT wishes to thank the New Eurasia Foundation for financially supporting my three days in Moscow. Particular I appreciated the company of Mr Konstantin Shiska, programme officer at the foundation, who made transportation possible and arranged for evening activities. The New Eurasia Foundation strives to facilitate stable social and economic development in Russia. For more info: www.neweurasia.ru