



# European Construction Sector Observatory

## Policy measure fact sheet

## Slovakia

### State Housing Policy 2015 & 2020

### Thematic Objectives 1, 3 & 4

March 2017

<b>Implementing body:</b>	Ministry of Transport, Construction and Regional Development (MTCRD) (sub-measures also implemented by other Ministries)
<b>Key features &amp; objectives:</b>	The State Housing Policy aims to improve the standard of housing, and to make housing more accessible and affordable.
<b>Implementation date:</b>	2010–2015 + 2015–2020
<b>Targeted beneficiaries:</b>	Actual and potential homeowners and tenants, construction companies and tradespeople, housing associations, financial service providers, investors and policy makers.
<b>Targeted sub-sectors:</b>	Construction, building, building design, renovation and energy sectors.
<b>Budget (EUR):</b>	Annual State Budget for Housing. Example: 299,384,982 (2014 budget) <sup>1</sup>

### In a nutshell

The socio-political changes that took place in Slovakia in 1989 led to fundamental changes in housing policy and the overall responsibility for the acquisition of housing was devolved to the citizen. The majority of the housing stock are prefabricated buildings that were constructed prior to 1990 and are in need of major repairs, due to poor quality construction and inadequate maintenance<sup>2</sup>.

First introduced in 1995, Slovakia's State Housing Policy (SHP) is implemented in five-year cycles. The broad aim of the housing policy is to gradually increase the overall quality of housing across the country, to make improved housing available to the population and to help each household to access adequate housing. To achieve these aims, the housing policy creates a framework that brings together all stakeholders and decision-makers with a vested interest in the housing development process. This is part of a concerted effort to strengthen the partnership between the public, private and non-governmental sectors while adhering to the

principles of sustainable development, energy and economic efficiency, and social solidarity<sup>3</sup>.

In qualitative terms, all affected housing policy stakeholders are responsible for improving the technical condition and architectural design of existing housing stock, and using existing instruments to help to extend the lifespan of existing housing stock. The intention is to increase housing safety and usability, and to decrease energy consumption. In quantitative terms, the SHP aims to make housing more accessible and affordable.

### General description

The State Housing Policy is intended to improve and extend the existing housing stock not only by providing new flats and houses but also by reconstructing and extending the lifespan of existing buildings that are included in the housing stock. Activities shall address the technical defects of existing buildings (e.g.: roof leakages, use of obsolete lifts, insufficient thermal and insulating properties of perimeter structures)<sup>4</sup>.

The **State Housing Policy 2015** identified **fifteen priority measures** and broad objectives for the period 2010 to 2015, against which this housing policy would be measured. Table 1 provides a summary of each measure and its expected results.

**Table 1: State Housing Policy 2015 measures/objectives**

#### State Housing Policy 2015 Measures<sup>5</sup>

- 1 Housing and urban development priorities to be central to all national calls for proposals and the National Strategic Reference Framework from 2013 onwards.
- 2 Prepare a new law on conditions of administration in residential buildings
- 3 Prepare an amendment to Act on Ownership of Flats and Non-Residential Premises
- 4 Prepare a law to regulate tenancy rates in the public rental sector
- 5 Prepare a law determining the extent, conditions and method of financing the provision of substitute rental flats, including their characterisation to help to differentiate

	between private owners and tenants.
6	Prepare a draft law on the termination of some rental relations and the method of their settlement.
7	Prepare, in compliance with the Civil Code, a proposal for an amendment of the existing legal framework governing relations between owners and tenants to make the flat market more flexible.
8	Prepare a project to create a functional and regularly updated Register including basic indicators concerning the housing stock.
9	Amend, in legal terms, the existing framework for the conditions of energy delivery for households.
10	Adopt and take measures in the area structures of buildings, heating systems and preparation of hot service water to decrease the energy consumption and increase the use of non-traditional and renewable energy sources.
11	Prepare a new legal regulation governing the housing allowance, exclude the allowance from the assistance in material need and determine its amount to create conditions for the maintenance of adequate housing.
12	Clearly define the term "social housing" within the legal framework.
13	Prepare a law governing the granting, by the state, of subsidies for housing development.
14	Prepare a draft legal framework to apply new economic tools of the state to incentivise investors in connection with the development of the private rental sector.
15	Adopt measures to increase support for activities conducted by individual involved parties and to motivate such parties in connection with the renewal of the housing stock and residential environment.

The main goals<sup>6</sup> of the **State Housing Policy 2020** include developing the non-profit sector and private rental market, introducing a new housing allowance, making housing more affordable, increasing public investment in housing and creating the financial support tools to encourage the building of new houses.

The **new policy also introduces the concept of 'sustainable housing'**, which aims to instil **three sets of principles** that will inform and guide all housing policy measures to 2020.

Environmental	<ul style="list-style-type: none"> <li>• Reduce energy consumption in the housing sector;</li> <li>• Safeguarding of sound housing and the surrounding environment;</li> <li>• Mitigate any negative impact of the housing sector on the environment;</li> <li>• Make buildings more resistant to natural and man-made disasters.</li> </ul>
	<ul style="list-style-type: none"> <li>• Support and stimulate public-private partnerships and private investments in the housing sector;</li> <li>• Effective support for the non-profit housing sector;</li> <li>• Effective housing stock management;</li> <li>• Make the housing and land market more efficient, effective, fairer and more transparent to support housing demands;</li> <li>• Stimulate employment by investing in the green economy and in innovative housing technologies.</li> </ul>

Social	<ul style="list-style-type: none"> <li>• Improve access to affordable, high-quality, healthy and safe housing for all;</li> <li>• Provide financing for socially accessible and affordable housing;</li> <li>• Improve access to water and basic infrastructure, and barrier-free housing for persons with disabilities;</li> <li>• Accept the cultural identity of specific environments and inhabitants.</li> </ul>
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## Achieved or expected results

### Implementation of the State Housing Policy 2015<sup>7</sup>

Two Acts were passed in 2011 to address the relations between private property owners and tenants with regulated rent. The first Act regulates legal relations in the case of rental terminations<sup>8</sup>. The second Act gives provision for subsidies for the acquisition of substitute rental housing<sup>9</sup>. These Acts address objectives 5 and 6 in Table 1.

Two Acts were passed in 2013 and 2014 to provide more significant support for the development of the private rental housing sector. The first Act ensures the provision of low interest loans via the State Housing Development Fund (SDHF)<sup>10</sup> to aid the purchase of rented properties situated in or next to urban or industrial locations. Under the terms of this Act, a legal person may obtain a loan of up to 80% of the purchase price of a rented property, with an annual interest rate of 1% and a maturity of 30 years<sup>11</sup>. The second Act targets short-term rentals and provides landlords and tenants with more balanced property rights protection. The aim is to help to develop the private rental market and make the housing market more flexible<sup>12</sup>. These Acts address objectives 1, 7 and 14 in Table 1.

**Support for public rental housing sector** is delivered through the provision of direct subsidies from the State Budget, as well as low interest loans through the SDHF scheme. Subsidies for the purchase of rental housing are provided in accordance with the 2010 SHDF Act on subsidies for housing development<sup>13</sup>, and for social housing, subsequent to a 2013 Amendment Act<sup>14</sup>. The Act defines the scope, conditions and method for the provision of subsidies to support the purchase of rental housing and related technical infrastructure. The Act also defines the term 'social housing' and lays down the scope and conditions for the provision of social housing. These Acts address objectives 2, 3, 4, 11, 12 and 13 in Table 1.

To **support the renewal of the existing housing stock**, the Government introduced a number of measures, in accordance with the 2010 SDHF Act on subsidies for housing development<sup>15</sup>. The Act has enabled the provision of subsidies to incentivise property owners to remove residential building system faults that represent an imminent threat to the life and health of inhabitants (e.g. faults with balconies and loggias, etc.). Measures have also been introduced to provide subsidies and low interest loans to support:

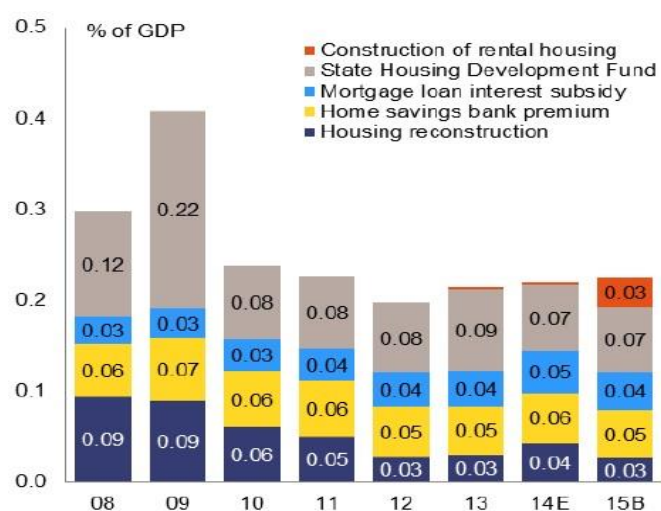
- Thermal insulation of residential buildings and family houses;
- Removal of system faults and renewal of residential buildings;
- Replacement or modernisation of lifts in residential buildings;
- Replacement of existing gas, electricity, sewerage, water and heat lines in residential buildings;
- Provision of barrier-free access to properties in residential buildings.

These Acts address objectives 9, 10, 13 and 15 in Table 1. Overall, measures have been implemented to address most of the housing policy objectives for 2015.

**Support for energy performance improvements in residential buildings** in city areas has been provided by the JESSICA initiative<sup>16</sup> (2007-2013) through the SDHF, with the use of EU Structural Funds.

When looking at the economic impact of these measures, figures provided by the Ministry of Finance<sup>17</sup> show a very gradual year-on-year increase in total subsidies (as % of GDP) since 2012, following a decline between 2010 and 2012, though they remain well below figures for 2009, particularly regarding the State Housing Development Fund. Since 2009, subsidies for housing renovation have gradually declined by two thirds. The most notable increase in subsidies has been in the construction of rental housing in 2015.

**Figure 2: Housing subsidies from the state budget (2008-2015)<sup>18</sup>**



Source: Commission Services, Ministry of Finance

### Implementation of the State Housing Policy 2020<sup>19</sup>

Looking forward, the **State Housing Policy 2020** identifies **twelve priority measures** and broad objectives for the coming years, against which the new housing policy will be measured. Table 2 provides a summary of each measure and its expected results.

**Table 2: State Housing Policy 2020 measures<sup>20</sup>**

	<b>State Housing Policy 2020 Measures</b>	<b>Timetable</b>
1	Draft legislation for rent price regulation of public rented housing sector.	31/12/17
2	Act amendment to determine conditions and deadline for transfer of ownership of State and municipality-owned dwellings to their tenants.	31/12/16
3	Analyse tax instruments to support rental housing development.	30/03/18
4	Prepare new housing allowance regulations.	31/12/18
5	Create a multistage transitional housing system to create the conditions for a gradual increase in housing quality.	31/12/18
6	Analyse the legal framework for legal persons engaged in non-profit rental housing development.	31/12/15
7	Adopt legislation to define the legal status of non-profit rental housing development organisations and measures to ensure transparency and effective control of legal persons operating in this regime.	30/06/17
8	Provide suitable tools to support organisations undertaking activities in the non-profit legal regime for rental housing development.	30/06/17
9	Take measures to reduce energy consumption in buildings, particularly with regards to building construction, heating systems, hot domestic water production, and increased use of renewable energy sources.	31/12/20
10	Analyse and make recommendations on required changes to the legal framework for housing.	31/12/19
11	Increase the multiplication effect of financial resources invested in the housing sector through SHDF <sup>21</sup> .	31/12/18
12	Prepare an amendment to change the existing legal framework on relations between owners and tenants to establish equal rights in the rental of dwellings by incorporation Act No. 98/2014 Coll. on short-term rental of dwellings provisions.	<i>tbc</i> <sup>22</sup>

The Government intends to carry out an interim assessment of the latest housing policy measures in 2018 and a final assessment in 2020.

### Perspectives and lessons learned

From a **central government perspective**, the Ministry of Transport, Construction and Regional Development<sup>23</sup> conveys the view that the rolling five-year housing policies are designed to create a stable housing market and legislative environment that allows individuals and households to procure a residential property that they can afford. They consider the stable five-year policy approach to housing and the continuity that it provides, in terms of strategy and objectives, to be key strengths. In contrast, they also identify the enforcement of the priority tasks in the housing

policies as the key weakness and an area for improvement in the current and future policy implementation.

From a **local government (municipality) perspective**, the District Office Košice, Department of Construction and Housing Policy<sup>24</sup> identifies a number of issues related to the implementation of the housing policy at local level. A lack of financial resources is hindering local housing development and municipalities face constant problems related to protracted construction processes and procedures. Municipalities lack staff with necessary technical knowledge and experience. Therefore, difficulties when selecting construction contractors, especially in view of limitations on the cost per m<sup>2</sup> for built-up areas arise.

The provision of state subsidies to support the construction of residential buildings is considered to be important but the lack of sufficient funds, and the lack of expertise within municipalities to make proper use of these investments, are key weaknesses that hinder the implementation of the housing policy at local level.

Strengths of the state housing policy concept is the possibility of credit state subsidies for the construction of residential buildings. Weaknesses seems to be a lack of funds and poor expertise in municipalities, related to the preparation of these investments.

Municipalities welcome and appreciate the help from the state to solve housing problems that young families are facing. However, technical problems related to construction processes, engineering and the selection of construction contractors persist. Municipalities would prefer to select construction contractors from their own region or surrounding regions, as this would generate references and goodwill in the area/region, and would also contribute to reduce unemployment in the region. The key goal of housing construction is to target poorer regions with higher unemployment rates and young families on lower average incomes. Municipalities would also welcome assistance to help homeowners to maintain and renew their properties.

From a **private sector / industry perspective**, the Construction Chamber of the Slovak Republic<sup>25</sup> express a number of views on the housing policies. Construction of housing is conditioned by the availability and the price of that land on which to build. Suitable land typically belongs to private individuals or legal entities. Repurchase of land by the state has not taken place and is not considered. The state should implement similar rules for the repurchase of land for housing construction (residential sector) as for foreign investors in the non-residential sector.

The availability and affordability of rental housing in Slovakia is a key problem that needs to be addressed. The Ministry of Transport, Construction and Regional Development is responsible for preparing a draft legal framework for the implementation of new government economic instruments to encourage investors to develop the public rental sector. The low and insufficient number of affordable rental housing is a serious obstacle to the mobility

of the labour force, and it is particularly a big problem for young families.

A recent brief written by the staff of the European Commission's Directorate-General for Economic and Financial Affairs on 'The Impact of Rapid Credit Growth on Slovakia's Housing Market'<sup>26</sup> argues that although rental market regulation is relatively flexible, it does seem to favour short-term rentals. This only provides a temporary fix to the housing shortage in Slovakia. The report argues that longer-term solutions are needed to provide greater regulatory reform to better balance the interests of landlords and tenants. Another recommendation is for a better and more simplified regulatory framework which the report argues might provide a boost to the rate of new housing construction. Protracted procedures, particularly in relation to construction permits, may be hindering construction activity.

## Endnotes

- <sup>1</sup> <https://www.employment.gov.sk/files/slovensky/ministerstvo/rada-vlady-sr-prava-seniorov/zasadnutie-26-6.2015/priloha-k-bodu-c-5-mdvarrsr.pdf>
- <sup>2</sup> Cooperative Housing International – Slovakia:  
<http://www.housinginternational.coop/co-ops/slovakia/>
- <sup>3</sup> State Housing Policy Concept to 2015:  
[https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state\\_housing\\_policy\\_concept\\_to\\_2015.pdf](https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state_housing_policy_concept_to_2015.pdf)  
State Housing Policy Concept to 2020:  
[https://www.employment.gov.sk/files/ksbp\\_en\\_final\\_version.pdf](https://www.employment.gov.sk/files/ksbp_en_final_version.pdf)
- <sup>4</sup> State Housing Policy Concept to 2015:  
[https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state\\_housing\\_policy\\_concept\\_to\\_2015.pdf](https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state_housing_policy_concept_to_2015.pdf)
- <sup>5</sup> State Housing Policy Concept to 2015:  
[https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state\\_housing\\_policy\\_concept\\_to\\_2015.pdf](https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/zivotne-situacie-cudzincov/state_housing_policy_concept_to_2015.pdf)
- <sup>6</sup> New Concept of State Housing Policy in Slovakia for 2015-2020  
[www.housingeurope.eu/file/244/download](http://www.housingeurope.eu/file/244/download)
- <sup>7</sup> [https://www.employment.gov.sk/files/ksbp\\_en\\_final\\_version.pdf](https://www.employment.gov.sk/files/ksbp_en_final_version.pdf)
- <sup>8</sup> Act No. 260/2011 Coll.
- <sup>9</sup> Act No. 261/2011 Coll.
- <sup>10</sup> <http://www.sfrb.sk/node/141>  
<http://www.sfrb.sk/node/139>
- <sup>11</sup> Act No. 150/2013 Coll., valid from 1 January 2014
- <sup>12</sup> Act No. 98/2014 Coll., valid from 1 May 2014
- <sup>13</sup> Act No. 443/2010 Coll.
- <sup>14</sup> Act No. 134/2013 Coll.
- <sup>15</sup> Act No. 443/2010 Coll.
- <sup>16</sup> [http://ec.europa.eu/regional\\_policy/en/funding/special-support-instruments/jessica/](http://ec.europa.eu/regional_policy/en/funding/special-support-instruments/jessica/)  
[http://ec.europa.eu/regional\\_policy/archive/funds/2007/jjj/doc/pdf/jessica/25-jessica\\_slovakia\\_en.pdf](http://ec.europa.eu/regional_policy/archive/funds/2007/jjj/doc/pdf/jessica/25-jessica_slovakia_en.pdf)
- <sup>17</sup> The Impact of Rapid Credit Growth on Slovakia's Housing Market  
[http://ec.europa.eu/economy\\_finance/publications/eeeb/pdf/eb006\\_en.pdf](http://ec.europa.eu/economy_finance/publications/eeeb/pdf/eb006_en.pdf)
- <sup>18</sup> The Impact of Rapid Credit Growth on Slovakia's Housing Market  
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- <sup>19</sup> [https://www.employment.gov.sk/files/ksbp\\_en\\_final\\_version.pdf](https://www.employment.gov.sk/files/ksbp_en_final_version.pdf)
- <sup>20</sup> State Housing Policy Concept to 2020:  
[https://www.employment.gov.sk/files/ksbp\\_en\\_final\\_version.pdf](https://www.employment.gov.sk/files/ksbp_en_final_version.pdf)
- <sup>21</sup> State Housing Development Fund (SHDF) / Štátny fond rozvoja bývania (SFRB)  
[www.sfrb.sk](http://www.sfrb.sk)  
[www.sfrb.sk/node/139](http://www.sfrb.sk/node/139)
- <sup>22</sup> tbc = to be confirmed  
The deadline is linked to the preparation of the provisions of the Civil Code which will be incorporated into the draft of the new Slovak Civil Code.
- <sup>23</sup> Information sourced from interview held with the Ministry of Transport, Construction and Regional Development
- <sup>24</sup> Information sourced from interview held with District Office Košice, Department of Construction and Housing Policy
- <sup>25</sup> Information sourced from interview held with the Construction Chamber of the Slovak Republic
- <sup>26</sup> The Impact of Rapid Credit Growth on Slovakia's Housing Market  
[http://ec.europa.eu/economy\\_finance/publications/eeeb/pdf/eb006\\_en.pdf](http://ec.europa.eu/economy_finance/publications/eeeb/pdf/eb006_en.pdf)