Abstract

The paper will describe the tenant-ownership tendencies in housing field in Russian, with stress on municipal housing stock and the role of municipalities as homeowners. The paper will be also illustrated by the examples of such large industrial municipality as Perm (near 1 mln. population) This paper is a preliminary result of the research project “Municipalities as homeowners”. This project was started in 2009 and its main goal – to describe the role of municipalities in housing field in the situation of housing, administrative and municipal reforms in Russia. The paper is written on the base of the latest official Russian housing statistics1 and interviews with Russian housing experts, heads of municipal departments of housing policy in Perm, Dzerzinsky, Tula, , as well as active included observation of the work of the group of housing experts for “Strategy 2020”

Introduction

As it was stated by Martti Lujanen – one of the most well-known housing expert, “Municipal housing, its volume, its quality, its importance is strongly reflects the “housing policy” of the state, key approaches to the term “social justice” and “social partnerships”, economic conditions of the state and its political and economic situation”[Lujanen M.,2004]

Municipal housing stock and municipalities as homeowners are comparatively new phenomena in Russia. The last 20 years we had 2 main tendencies: municipalisation and privatization of housing stock.

- **Municipalisation** – as transfer of former company-housing stock (both industrial and agricultural) to municipalities. (usually old and in bad conditions)

The last 20 years Russian residents were involved in the serious reforms -Administrative Reform as strengthening of STATE power (vertical), Municipal Reform – strengthening of Local Self Government at municipal level and Housing Reform – shift from paternalistic to market approaches. Changes in the housing field were the most serious and affected millions of Russian people. We can see the real and very painful shift from paternalistic to market housing policy, with great changes in ownership of housing property, tenure and transfer of responsibilities for personal housing conditions from the state to the citizens.

In the Soviet time, almost all land and most buildings belonged to the state and were managed and maintained by state companies. Usually it was done via municipalities, which at that time were not

---

“separated” from the state. Even more, it is possible to say, that municipal authorities, as well as municipal duties or municipal property did not exist and all these activities were executed by “state authorities at the local level”. From theoretical point of view at the Soviet time we had so-called “Continental model of local self-government” with the leading – Top-down – relationships between state and localities – both urban or rural.

The residents of state-owned housing enjoyed the rights to lifetime occupancy and to bequeath their housing units to the next generation, as well as virtually complete protection against eviction. Rental rates remained at the same extremely low, universal level—0.132 ruble per square meter—from 1927 until 1992. And the share of residents’ money in the maintenance of housing stock and utilities were not more than 10% of all needed money. Construction of new housing also was financed from the state budget. State enterprises covered a significant share of housing expenses as part of their employees' benefits.

Now the key characteristics of Russian housing field are the next:

Total volume of the housing stock in the RF – 3117 mln m²
About 73% is in urban areas
About 27% is in rural areas
Average dwelling space per inhabitant (m²) 22.4
Dilapidated housing stock – about 100 mln m² (about 3% of total)
Number of families, registered for municipal flat is 2 864 400 families
Families, improved their housing conditions, of all registered – 5%²

Municipal Level – level of local self-government

The law “On general principles of local self-government in the Russian Federation” was adopted in October 2003 and gave new duties and responsibilities to the municipalities. At the beginning of 2010 we had 23907 municipalities, of which more than 1.300 are urban municipalities of the Russian Federation (including - 625 cities).

The federal authorities have given the legal framework and instructions on housing reform in Russia. However each municipality has itself to implement the housing reform locally.

The Russian municipalities in general have no own housing policy, at the same time up till now they were responsible for the provision of housing related services like maintenance of the buildings, water-supply, heating, waste disposal etc. All these communal services were municipal responsibilities independent from the ownership of the apartments. The local authorities were the main executive agency regarding to housing and communal services. Total housing-communal expenditures were about 40-70% of municipal budgets in many cities.

The modern tendencies in housing fields could be characterized as:

- shift from paternalistic to market housing policy
- municipalisation of state housing stock
- privatization of the state and municipal housing stock
- deterioration of housing stock and other municipal buildings as a result of inadequate finance of its maintenance

² [Жилищное хозяйство и бытовое обслуживание населения в России”, 2010г./
Recent history

Under socialism there was frequently a particularly close relationship between enterprises and their localities. Huge amount of housing was built and owned by enterprises to house the employees. This enterprise or company housing was indirectly owned by the state since the enterprises themselves were owned by the state. It is possible to describe and characterize Russian socialist cities as “company-cities”, when many social services were provided not by municipalities, but by or through the workplace.

In 80-s the enterprises (state companies) were the key homeowners in Russia. In large industrial cities the enterprises owned about 70-90% of all urban housing stock, and even in small and rural municipalities the enterprises had at least 30-40% of all housing stock, as well as special utilities, such as heating plants, water supply or sewerage systems. [Shomina E., 1992]

That were enterprises – not municipalities – really responsible for providing flats for citizens, as well as many other services (leisure, medicine, sport…even transport⁴). At the beginning of 90-s Russian local authorities had rather small municipal housing stock. Its share was between 10-15 percent in main “company” (industrial) cities, and about 30-40% in large cities.

The start of the general privatization process in Russia began in 1989, when The Soviet Privatization Law was adopted. “Privatization” was the essence of economic restructuring.

In 1992 privatization of small enterprises began through employee buyouts and public auctions. By the end of 1993, more than 85 percent of Russian small enterprises and more than 82,000 Russian state enterprises, or about one-third of the total in existence, had been privatized.

Huge state companies (industrial), as well as small agricultural enterprises with the large housing stock and a lot of other non-production property (clubs, sport and medical facilities or kindergartens) changed their owner (state) and became the property of the private owners. As all these “social infrastructure” was constructed with state money, all these property had to be “separated” from the old houses and transferred to municipal authority. Many new private owners also considered, that they do not need all this “Social (not-production, non-profit) sphere “ and tried to get rid of all these property. As a result, the privatization and restructuring of industrial enterprises had a particularly extreme impact on urban areas, remaking not only their labor markets, but also their housing services, cultural and sporting facilities, and health provision.

So, after privatization, private enterprises were obliged

a) to transfer their housing stock to municipality and

b) this housing stock must be in “good condition”.

Unfortunately in many cities this enterprise (industrial, company) housing stock was not in “good” condition, but it usually was “political decision” – to take this housing stock from companies to the municipality.

Deteriorating economic conditions in Russia caused a massive, "one-time" transfer of company housing in municipal ownership, and municipalities became the key homeowners in Russia, but usually without adequate financing for maintenance of their housing stock. Municipalities were not ready to maintain these old houses and did not hurry to take it.

At that period many houses were “in between» their former owner (enterprise) and new one (municipality). It takes about 3 years for this transfer. [Leksin V., Shvetsov A.,Freinkman L.,1996-p.62-72]

As a result of this municipalisation process, municipalities became the owners of huge housing stock (rather often in really bad condition).

---

³ as a tram in the city Achinsk in Siberia/ http://ymtram.mashke.org/russia/achinsk/achinsk_descr_ru.html
‘Mixité’: an urban and housing issue?

Table 1. Growth of the municipal housing stock, 1990 – 1998 bln m²

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>total</td>
<td>2425</td>
<td>2676</td>
<td>2710</td>
<td>2738</td>
<td>2761</td>
</tr>
<tr>
<td>State (incl. military and enterprise)</td>
<td>1011</td>
<td>232</td>
<td>199</td>
<td>167</td>
<td>155</td>
</tr>
<tr>
<td>municipal</td>
<td>611</td>
<td>823</td>
<td>849</td>
<td>854</td>
<td>806</td>
</tr>
<tr>
<td>private</td>
<td>791</td>
<td>1466</td>
<td>1539</td>
<td>1628</td>
<td>1742</td>
</tr>
</tbody>
</table>


As it is seen from the table above, the period of 1990 up till 1997 the Russian company housing diminished from 1011 bln m² to 167 bln m², while municipal housing stock demonstrated growth from 611 bln m² in 1990 to 854 bln m in 1997. Of course, municipal housing stock could be much larger without privatization of the municipal housing stock, which started in 1990.

For example, in 93-95 Perm municipality became the owner of 65% of all housing stock of the city as a result of transferee of company housing to municipal authorities. As the new owners of this segment of the housing stock, municipality became responsible for its management and operation, a job for which it was ill-prepared [Interview with the head of Perm Department of housing policy Faina Minkh 18/02/2011]

The municipalisation process did not fully finished up till now. It is still continues in the rural municipalities. The real practice give us many examples, when former plants processing of agricultural products or logging are also tried to get rid of its housing but it was not “described” and registered by special Registration Chamber (service) as municipal property and to-day small rural municipalities need rather large money for this registration. In other worlds, this housing stock is «orphan”, it does not belong to anybody. As a result, it is in bad condition, and when municipalities will be the owners of this housing stock, they will need a lot of money to repair and maintain it in nearest future. Step by step rural municipality “took” this housing stock, and the size of municipal housing became larger, for example it was 66 bln m in 2000, became 72 in 2008, and almost did not change its size by 2009 (69 bln), that means, residents of this buildings do not hurry to privatize it.

Privatization of housing stock – as transfer of municipal housing stock to the sitting tenants free of charge -started in Russia in 1991 and will be finished by March 1, 2013

The basic idea was that the state only would keep a certain amount as 'social flats' for the less privileged, comparable to British council flats. Privatization is free and entitles the proprietors to sell at a market price, but is also implies responsibility for a certain amount of maintenance and it gives no financial advantages with regards to running expenses. As it was stressed in Country Profile on the Housing Sector of the Russian Federation [Country Profile, 2004], the implicit aim of housing privatization was therefore, to shift responsibility for the maintenance of the housing sector to consumers. Given the disheveled state of most Russian apartment houses, privatization was not attractive to everybody and the process slowed down significantly already in 1994. But step by step, with huge information and propaganda efforts, the image of ownership became more and more attractive and in 2005-2010 privatization became rather active process.
Table 2.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of privatized housing units (thousands)</td>
<td>53</td>
<td>12479</td>
<td>17351</td>
<td>23668</td>
<td>27657</td>
</tr>
<tr>
<td>Total dwelling space (million sq. m)</td>
<td>2,5</td>
<td>608,3</td>
<td>842.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Privatized residential premises (% of total premises subject to privatization)</td>
<td>0,2</td>
<td>36,0</td>
<td>47,0</td>
<td>63</td>
<td>73</td>
</tr>
</tbody>
</table>


The Government extended several times the deadline beyond which privatization will cease to be free (2007, 2010), the current deadline set for 2013. Both – municipalization and privatization resulted in serious changes in tenure structure, particularly in the cities – now – by 2011 about 80% of state and municipal housing were privatized.

Before, in Soviet – socialist (paternalistic) time residents paid only 10% of necessary amount of utility costs. That caused 2 consequences: people did not take care about their buildings as they were municipal, and housing maintenance workers did not take residents into account, did not listen to their complaints or suggestions, as they got money not from residents, but from municipal authorities. [Vihavainen R., 2009]

Only last year we could say that housing policy in Russia was concentrated only around ownership of flats. More then 70-80% of population in large Russian cities are owners of flats. The state supported only owners and ownership. At the same time now about 8 500 municipalities has its municipal housing stock and have duties of maintaining and repairing it. About 15 millions of residents are municipal tenants and municipalities must take care about the condition of their flats.

Table 3. Municipal housing stock, 2010

<table>
<thead>
<tr>
<th>Municipal housing stock, $/mln.$²</th>
<th>2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian federation, total</td>
<td>541872</td>
<td>100</td>
</tr>
<tr>
<td>urban</td>
<td>481978</td>
<td>89 %</td>
</tr>
<tr>
<td>rural</td>
<td>59894</td>
<td>11 %</td>
</tr>
</tbody>
</table>

Source: Rosstat, 2010 http://www.gks.ru/

**Geographical differences**

Russia is such a huge country, that geographical differences are very large.

---

4 Estimation of author
Table 4. Municipal housing Stock, regional dimensions, % of all housing Stock

<table>
<thead>
<tr>
<th>Federal Okrugs</th>
<th>2009</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>93</td>
<td>10,3</td>
</tr>
<tr>
<td>North-West</td>
<td>44</td>
<td>13,1</td>
</tr>
<tr>
<td>South</td>
<td>20</td>
<td>4,4</td>
</tr>
<tr>
<td>Volga</td>
<td>81</td>
<td>12,1</td>
</tr>
<tr>
<td>Urals</td>
<td>35</td>
<td>13,0</td>
</tr>
<tr>
<td>Sibirian</td>
<td>51</td>
<td>12,5</td>
</tr>
<tr>
<td>Far East</td>
<td>26</td>
<td>19,5</td>
</tr>
</tbody>
</table>

Source: Rosstat, 2010 http://www.gks.ru/

We can see that the largest municipal housing stock is located in such subjects of Russian federation as Moscow region (without Moscow) with – 35 mln m2; and Sverdlovskaya oblast -17;
Such regions as Bashkiria, Tulskaya, Arkhangelskaya, Nizegorodskaya, Samarskaya, Irkutskaya, Krasnoyarskiy, - have about about 9-12 mln m2.

Table 5. Municipal housing stock in selected regions of Russia, 2009

<table>
<thead>
<tr>
<th>Selected regions</th>
<th>$ mln m2</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total. In Russia</td>
<td>93</td>
<td>11,0</td>
</tr>
<tr>
<td>Leningrad region</td>
<td>8</td>
<td>18,2</td>
</tr>
<tr>
<td>Moscow region</td>
<td>35</td>
<td>17,6</td>
</tr>
<tr>
<td>Karelia</td>
<td>4</td>
<td>28,1</td>
</tr>
<tr>
<td>Kirovskaya</td>
<td>8</td>
<td>26,2</td>
</tr>
<tr>
<td>Sverdlovskaya</td>
<td>17</td>
<td>16,5</td>
</tr>
<tr>
<td>Irkutskaya</td>
<td>9</td>
<td>17,7</td>
</tr>
<tr>
<td>Khabarovskiy kray</td>
<td>5</td>
<td>18,3</td>
</tr>
<tr>
<td>Chukotka</td>
<td>1</td>
<td>64,4</td>
</tr>
</tbody>
</table>

Source: Rosstat, 2010 http://www.gks.ru/

The share of municipal housing stock differs from as large as 28 % in Karelia, 26 in Kirovskaya, about 17 in Moscow region, 18 in Leningradskaya and Khabarovskiy. At the same time there are almost no municipal housing property left in all Northern Caucasus republics – less then 1-2 % and less then 0,5 mln m2
At the same time in different cities municipalities have more, then 25% of housing stock – Novosibirsk and Lipetsk is about 25%, Smolensk - about 40%, Ribinsk - 39 %, while Pokachi (UGRA) is 90 %.

Municipal main spheres of responsibilities in housing field was:

- Organizing of the public housing allocation system for waiting lists is still exist, but as now municipalities provide housing only for “registered poor families”;
- Housing construction and housing supply for special groups (old, poor, youth families), and special (key) workers (policemen, teachers, medical staff, etc.)
- Care (Maintenance and management) of existing municipal housing stock
- Organizing the management of all buildings in case, when owners of flats did not make the collective decision about the management of their buildings
- Recognition (official declaration) buildings unfit for habitation
Municipalities have many housing or related to housing problems

- Municipalities do not have enough flats for their waiting list applicants, which were enlisted more than 20 years ago
  
  For example – in Perm waiting list is about 18 000 families. The “oldest” waiting family was registered for municipal flat as early as in 1964. Now municipality can provide about 800 flats every year, and about 400 new families are registered

- Municipalities have no social housing and maneuver housing stock to provide residents of municipality in the case of emergency
  
  Perm could be considered as happy exception of this rule. Municipality has 3 municipal buildings and in the case of emergency a family can get very small studio in the day of application. People has 1 month to bring all necessary documents and special municipal housing Commission will make the decision about possibility to provide such family with emergency municipal flat. Usually it is possible to live in such flat during 1 year.

- There are usually serious conflicts and tense relationship between new owners of flats and those who remained municipal tenants

- Lack of expertise and knowledge among residents, coupled with low financial literacy, has been a major stumbling block to the success of transfer of public housing to resident ownership in the Russian Federation

In maintenance of existing municipal flats

- All existing municipal flats are located in the large multi-flat buildings and municipality has very small influence on the management of these buildings
  
  - The quality of municipal housing stock is rather low
  - Up to 80% of all municipal flats could be considered as the dilapidated housing stock
  - Municipalities have not enough own money for major repairing works
  - State Repairing Fund provided some money for repairing works (under very serious conditions), and only 5% of need housing stock was repaired during the last 3 years.

In housing construction

- Municipalities have no money for new housing construction

- Bank Credits are serious problem

- Not enough capacities for provision of electricity and water for new housing construction

- Conflicts between municipalities and state for land and boundaries

New Interest to rental housing

In 2010 we can see great interest from the state institutions to rental housing in Russia, including serious discussion about municipal and social housing, new programs of “non-for-profit” housing projects, and creation of Russian Association of Tenants.

New types of rental housing are under discussion of expert group for development Russian “Strategy 2020”

- social housing (with subsidies, for really poor people)
- non-for-profit (half-social, without subsidies or profit)
- market housing.

New housing rental projects of municipalities (without the right of privatizing municipal flats):

- municipal rental flats for youth families,
- rental single-family houses for multy children families (a family can live in such houses up till the age of the youngest child is 18).
• special rental subsidies for waiting list applicants (up till 50% of rent, in the case of official tenancy agreement, which is rather rear practice in modern Russia, as hidden letting is wide spread, as taxes are high and many people do not want to let flats out in official way)

Municipalities are also involved in providing municipal land for new rental market projects, started in 2010 in Novosibirsk, Kaluga oblasts and Chuvashia republic. This new approach to the creation of “New departmental housing”, when, again large enterprises in partnership with municipalities and regional authorities construct rental buildings as an attempt to attract skilled workers. In these cases enterprises will subsidize the rent and partly – the maintenance costs of these municipal buildings. Large project started in 2010 in Kaluga region, and in turn, it gave start of new discussion of development of rental housing – both social (and non-for-profit) and commercial (profit). Very representative meeting of representative of 40 Russian regions discussed the destiny of rental housing in our country (All-Russian conference on rental housing in RF n the Ministry of regional development on the 07 of April 2011. http://www.minregion.ru/press_office/news/1279.html)

The questions of modern housing tenure and the role and place of municipal housing stock and its future are in the centre of discussion of the new Working group on rental housing under the Ministry of regional development. Rental housing will come back to Russian cities.
References


Housing Code of Russian Federation, 2005

The newsletter “development of local self-management in Russian Federation, 2010” / Federal State Statistic Service of Russian Federation


Lujanen M. Housing and Housing Policy in Nordic countries. Nordic council of Ministries, Copenhagen 2004


Shomina E. 1997 Housing movements in Russia// in Lang Pickvance K, Manning N., Pickvance C. Environmental and housing movements, Avebury, p 143-198

Shomina E. 2004 Housing Lesson, Moscow, TACIS (in Russian)

Shomina E., Kouznetsov S. 2009, Housing Couture and Housing Holiday. Moscow, New Eurasia Foundation publications (In Russian)


Tsenkova,S. 2009, Housing policy reforms in post socialist Europe: lost in transition. Phyzica-Verlag Heidelberg

Vihavainen R., 2009 Homeowners’ Associations in Russia after the 2005 Housing Reform, Kikimora publications, 2009