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## Historical Development of Social Housing

The development of the housing situation in individual countries is influenced both by their governments' housing policy and by a number of external factors, such as the socio-economic and demographic situation, political, administrative and legal factors and so on.<sup>1</sup> These external variables together with the housing policy shape the role, aims and characteristics of social housing.

Because understanding the historical development of social housing helps to grasp its contemporary function and characteristics better, the following text describes briefly the development of social housing in the context of housing policy and of socio-economic development in countries throughout the UNECE region.

However, it must be kept in mind that this is only a general overview of past developments and contemporary trends in social housing. The situation in individual countries is always unique and in some cases it might differ substantially from this general description. The same applies to housing policy and its historical stages, which in individual countries can have a specific timing, duration, intensity and so on.<sup>2</sup>

### Development of social housing in Western Europe

The following review refers especially to Central and Northern Europe. The development of housing policy and social housing in most South European countries has, to a certain extent, been different because of delayed urbanization and stronger rural settlement, which has resulted in the governments of these countries being less involved in housing.

From the beginning of the 20<sup>th</sup> century up to the Second World War, the development of housing policies in Western Europe was characterized mainly by market forces. Public involvement in housing markets was rather weak and temporary, housing efforts in many large cities aimed at poor households.

This situation changed noticeably after 1945, when governments became much more active in the housing area in most European countries. The development of housing policies in Western

<sup>1</sup> Boelhouwer - P, van der Heijden - H: Housing systems in Europe TU Delft University Press 1992

<sup>2</sup> Valentová - B: History of social housing in ECE region, UNECE Social housing conference, Vienna 2004

Europe from 1945 until the 1990s can be split into three phases.<sup>3</sup> The development of European housing policies can be also divided into four phases, the first stressing new housing construction, the second aimed at improving quality of existing housing stock, the third highlighting distribution and targeting of State support and a new fourth one which has to solve new problems including the re-emergence of housing shortages for low-income households.

The first phase of “recovery” (1945-1960) was aimed at repairing war damage and alleviating housing shortages; the main issue was housing construction, which was heavily subsidized or financed directly with public funds – “mass” social housing.

The second phase of “growing diversity” (1960-1975) brought about new issues – mainly a focus on housing quality and urban renewal. During this period important divergences began to occur in the way that governments adjusted their housing policies to overall economic prosperity in the 1960s. For example, in the favourable conditions of the 1960s Germany and Denmark started the process of rent deregulation and re-targeting of housing assistance, whereas in Great Britain, for example no profound changes were made in housing policy until the end of the 1970s. Besides social housing, homeownership also emerged on the political agenda.

The third phase of “new realities for housing” (1975-1990) was caused by the changing economic context. Beliefs concerning the role of the State in housing provision began to change and in most countries this resulted in a reduction in public housing expenditure. In general, housing became “more market-oriented, competitive and opened up to economic pressures.”<sup>4</sup>

The phases of housing policy development outlined above do not cover the most recent period, but there is strong evidence that in the 1990s and at the beginning of the 21<sup>st</sup> century the general trend has been much the same. There has been a general decline in public investment in housing and a shift from generic to specific subsidies targeting the weakest socio-economic groups.<sup>5</sup> The concept of housing provision has been partly modified so that the main function of housing policy has begun to be perceived as facilitating and enabling, and in the prevailing market conditions the stress has been on economic effectiveness and social efficiency.

Statistical data show that housing conditions have in general improved in UNECE countries, but at the same time there is clear evidence that new problems have emerged. Market-driven housing provision systems tend to be more sensitive to consumer preferences and choices. The

<sup>3</sup> Priemus - H, Kleinman - M, MacLennan - D, Turner - B: European Monetary, Economic and Political Union: Consequences for National Housing Policies. TU Delft University Press 1993

<sup>4</sup> Priemus - H, Kleinman - M, MacLennan - D, Turner - B: European Monetary, Economic and Political Union: Consequences for National Housing Policies. TU Delft University Press 1993

<sup>5</sup> Boelhouwer - P, van der Heijden - H: Management of social rented housing in Western Europe. TU Delft University Press 1997

changing demographic and social composition of the population, growing social polarization and variations in income distribution have influenced demand dynamics. On the one hand, this leads to a more diverse pattern of lifestyles and housing choices. People with more disposable income seek better living standards and move upmarket to more attractive environments. On the other hand, poverty manifests itself through the growing number of people on welfare assistance, rising homelessness and a general degradation in living standards. In Western Europe, housing policies have emphasized the importance of financial instruments to facilitate access and choice. However, the gap between income and entry costs has continued to increase for low-income households, making affordable housing of decent quality increasingly difficult to obtain.<sup>6</sup> Growing inequalities and increasing homelessness are a threat to the quality of urban life.

These new social problems have naturally influenced the orientation and objectives of national housing policies. In addition to common housing policy objectives, such as accessibility, affordability and quality of housing, the struggle against homelessness, the avoidance of social polarization and segregation, and an emphasis on social cohesion and the creation of sustainable communities have, among other things, become increasingly emphasized.

The impact of these policies on the development of social housing was as follows. Social rental housing emerged on a larger scale in some European countries for the first time in the 1920s as an instrument for solving the housing crisis and broader social and political problems after the First World War. These housing programmes were targeted predominantly at the better-off working-class and middle-class households and were usually intended to be temporary.

The true mass programmes of social rented housing occurred for the first time after 1945, during the “recovery phase” to overcome the housing shortage. Social housing was chosen as a key instrument to solve the housing crisis and was funded mainly from public resources in the framework of the Keynesian economic concept (maintaining full employment and economic growth). The emphasis was mainly on housing construction, whereas management issues and other economic aspects were neglected. During this period social housing, with rents set below market level, was not targeted at the poorest households but again at the middle classes.

During the second phase (“growing diversity”) the growth of social housing continued in the same fashion. Nevertheless, in the early 1970s some changes occurred. They were driven by economic prosperity, the disappearance of the post-war housing shortage and widespread homeownership. These factors, together with some negative consequences of post-war social

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<sup>6</sup> Sustainable Development of Human Settlements in the UNECE Region 2003

housing programmes (low quality and poor management of social housing estates), caused demand for this housing to diminish and the first vacancies occurred.

Really substantial changes in social housing occurred during the third phase (“new reality for housing”). They were caused by economic recession in the second half of the 1970s, when governments overall aim was to reduce inflation and cut budget spending. In these circumstances, when housing policy became more market-oriented, social housing experienced considerable challenges. Investment in new social housing in many countries decreased in real terms<sup>7</sup> and this fact, together with social housing privatisation, which was launched in some countries, reduced the share of social housing in the total housing stock. Consequently, social housing gradually targeted narrower sections of society.

This development of social housing, which still seems to be continuing, is at first glance in accord with housing policies intentions, highlighting market principles, economic effectiveness and social efficiency. However, it has also brought about unintentional consequences - social and spatial polarization and segregation. The social housing sector or its parts has become increasingly stigmatised. As described by Priemus and Dieleman, “Tenure segmentation by income, with an increase in the number of low-income households in the social rented sector, seems to occur everywhere.”<sup>8</sup>

A narrowing of social housing together with the continuing market orientation of most national housing policies have also influenced the “policy” of some of the non-profit social housing providers. In these competitive conditions a number of providers are increasingly less able to serve low-income households and try to focus more on middle-income households. As a result, the dividing line between those parts of the social rented sector that are not occupied by poor households and the commercial rented sector has become hazy.<sup>9</sup>

## One hundred years of social housing in the Netherlands

### 2.1 The Housing Act of 1901

<sup>7</sup> Priemus - H, Kleinman - M, MacLennan - D, Turner - B: European Monetary, Economic and Political Union: Consequences for National Housing Policies. Delft University Press 1993

<sup>8</sup> Priemus - H, Dieleman - F M: Social housing in European Union. Urban studies 2002

<sup>9</sup> Valentová - B: History of social housing in ECE region, UNECE Social housing conference, Vienna 2004

The Netherlands has always been a strongly “segmented” country, and that has never completely disappeared. The Christian or social democratic segments are reflected in separate political parties, schools, health care institutions, sports clubs - and even social housing organisations.

The first of these were established in the second half of the nineteenth century, and their main objective was to provide better living conditions for the workers (health and safety). At the time, there was not yet a relationship between social housing organisation and government and the initiatives were mostly small-scale.

In 1901, social housing was given a more solid base with the Housing Act, which made it possible for private organisations, with government support, to build „for the general good“.

So, social housing organisations are independent, private organisations that build, rent, manage and sell dwellings. They do this primarily for groups of people who have problems finding good, affordable housing on their own. For such an institution to operate in the field of social housing, it must be recognised by the government. The legal term for a social housing organisation, therefore, is a “registered social housing organisation”.

The regulations contained in the Housing Act were worked out further in a number of so-called Rules which stipulate among other how the social housing organisations must behave. Registered social housing organisations may operate only in the field of social housing, conducting activities such as building, managing, allocating and selling housing, supplying services to tenants and maintaining the neighbourhood. The area where these activities take place is stated in the registration, usually limited to one municipality or region.

In 2001, a great deal of attention was given to the one-hundredth anniversary of the Housing Act.

## 2.2 The development of social housing organisations

The introduction of the Housing Act stimulated many municipalities to establish social housing organisations. Where there were only 40 such organisations in 1890, by 1913 there were 301 and in 1922, that number had grown to 1341, each owning an average of 30 to 50 dwellings. But these organisations were financially and administratively weak, the latter because operations were dependent on the work of volunteers. Financially because, if the organisations were ever able to “show some profit” from the housing operations, it all had to be paid back to the State.

The pre-war production peak was between 1916 and 1925. At the time, the social housing organisations built 96,600 dwellings, mostly of excellent quality. During the crisis years (1933-1939), production was all but collapsed.

The Second World War created chaos in everything, including Dutch social housing. Hundreds of thousands of dwellings were destroyed or damaged and almost no new construction took place. So, the post-war housing demand meant a new phase in the history of social housing organisations. Many families were forced to seek shelter with others and the following baby boom meant even higher demand for good housing. The government picked up the baton and encouraged, through a broad programme of subsidies, the construction of affordable housing. Quality was a minor issue at that time - the only thing that mattered was construction, and a lot of it.

In 1958, the annual production reached 89,000 and by 1967, it was some 125,000. And still they hadn't caught up with the backlog. In order to reduce the enormous costs of all this building, more attention was given to increasing efficiency. That was achieved mostly through mass production - and that meant a lot of high-rise building.

It was primarily the local city authorities who determined policies such as the choice of architects, the way contracts were tendered and supervision during construction. This made the social housing organisations nothing more than government branch offices. And when the government used its distribution system to handle the housing allocation as well, this "branch office" effect was even more pronounced. The State made a great deal of capital available in the form of subsidies and loans so that a great wave of construction could be set in motion.

The government's role changed during the 1980's when its enormous national debt forced cutbacks. And besides, the State no longer saw the housing demand as its number one enemy.

Through extra cutbacks at the beginning of the 1990's, the State pulled back even further from social housing. Capital subsidies (on the housing itself) were reduced and rent subsidies (on individuals) were increased.

In addition, it was discovered that many people had an income that was too high for the rent they were paying and, the State felt, were unfairly occupying subsidised housing; while many other people lived in housing that was too expensive for their income, and therefore, using up too much rent subsidy. The State felt that this occupying of housing by both groups had to be corrected.

Furthermore, the State suggested that much less social rented dwellings should be built and many more owner-occupied houses, eventually to be built by social housing organisations.

To encourage tenants to move up the housing ladder (moving to a more expensive home when they can afford it, leaving behind a low-income home for those who need it), the social

housing organisations are calling for more housing construction in the middle-and-higher income sectors. At the same time, solutions are being sought in rental policy in preventing the middle and higher income segments from being „subsidised“ by social housing organisations because they pay rentals which are lower than the market value. In other words, the social housing organisations are looking to establish fair rental prices.

### 2.3 Social housing organisations on their own: 1993-

Two important issues illustrate very well the increased independence of social housing organisations during the most recent period in Dutch social housing history: *brutering* and *building without subsidies*.

#### a) Brutering

At the end of 1993, the so-called *brutering* (or *balancing out*) agreement was finalised between the State, both of the national federations of social housing organisations at the time (NWR and NCIV – currently the trade organisation Aedes), and the Association of Dutch Municipalities (VNG). With this agreement, the operation of making the social housing organisations financially independent was put into high gear.

Briefly, *brutering* was a huge financial operation in which both the money still owed to the organisations by the State (subsidies) and the money that the organisations owed to the State (loans) was settled all at once. So, both parties received in one lump sum what they otherwise would have got over a period of years. In 1995, the law regulating this operation was passed by Parliament and all accounts were settled.

To a great extent, the *brutering* operation broke the financial relationship that existed between the State and the social housing organisations. The new situation also fits in with the present ideas about social housing: more responsibility on the part of social housing organisations.

Having their own responsibility works out in a positive as well as a negative sense. The managerial and financial independence of social housing organisations has accelerated tremendously. The organisations are very quickly developing into social entrepreneurs. In financial areas, future cutbacks made by the State no longer influence subsidies, since future subsidies have already been determined and paid.

Social housing organisations may also keep the proceeds from the sale of dwellings so that these can be used for their social objectives. On the other hand, higher interest rates work to the

disadvantage of the social housing organisations, which will have to compensate this themselves. With a combined debt of more than € 59 billion on a total balance of € 82 billion, that is no sinecure for the Dutch social housing organisations. Not only that, but the risks for inflation are no longer covered in the housing business.

### b) Building without subsidies

The shifting of responsibility (and the risks involved in this) from the State to the social housing organisations can also be felt elsewhere in the field of social housing. The character of capital subsidy had already changed earlier - in the 1970's and 80's subsidies were used by the social housing organisations after the fact to close the gap between their business incomes and expenditures. Starting in 1992, the future expenditures and revenues were standardised, since the subsidy to be paid was already known.

Since January 1st 1995, however, the State government no longer provides subsidies for the operational deficits in order to build and manage new social rented housing. The government feels that, considering the amount of rent being charged, housing can be built without subsidies. The current low rate of interest also plays a part in this. The government did, however, make "incentive contributions" available for a few years (about € 2,250,00 per dwelling) and sometimes an extra amount is contributed for very expensive building locations.

These contributions are very different from the old operational subsidies. They are one-time payments, intended only for making new building more affordable, not for guaranteeing cost-effective operations and they leave all investment and financial risks to the institution.

In the meantime, these subsidies have also been discontinued so that building is now done completely without subsidy. Because their rental rates, for the most part, do not cover costs, the social housing organisations are in fact now subsidising housing. This can be seen in the so-called money-losing top of the investment. This means that portion of the investment which will not be earned back and must therefore be entered in the books as a loss.

In the meanwhile, the social housing organisations have instigated a policy which should result in fair rental prices. The aim of this is to arrive at rental rates which are closer to market prices so that middle-and-higher income tenants are not unnecessarily subsidised by the social housing organisations - they need their resources for the transformation of districts and neighbourhoods currently going on in Dutch cities. For the lower income groups in this situation, a rent level based on inflationary rent development will be in force.

**Nota Wonen (government policy document)**

In the *Nota Wonen*, the government intends for the social housing organisations to invest more than € 45 billion in social housing through 2010. In this context, there will be no subsidies available at first and then a very limited amount later. Based on social considerations, the housing institutions will bear a portion of these investments as a loss. That portion is calculated at € 16 billion by the government. This should be possible with the profits from the sale of dwellings to residents in the coming years (50.000 dwellings per year). This has been worked out further in the National Agreement on Housing that the government developed with representatives of social housing organisations and local authorities on a national level.

In the meantime, the government has made further agreements with local governments about making its objectives more concrete. From these discussions, it appears that the ambitions have been adjusted to a lower level. The sale of still something like 275,000 units in this decade should make a contribution to this.<sup>10</sup>

**Development of social housing in countries in transition, Slovakia**

As in Western Europe, in countries in transition, too, the development of social housing must be seen in the framework of socio-economic developments and housing policy intentions, even if there are huge differences among individual countries. At the very least it is necessary to differentiate among Central-East European countries (CEE), South-East European countries (SEE), North-East European countries (NEE) and other post-Soviet countries.<sup>11</sup>

In the first half of the 20th century, the housing situation in the countries in transition was influenced, as in other European countries, by industrialization and urbanization. In CEE and SEE at least, housing development was very similar to that in Western Europe; most housing was supplied via market forces, whose regulation was rather weak and temporary as a response to the social and political crisis brought about by the First World War. Moreover, rent regulation as well as the first programmes of social rented housing occurred between about 1919 and the mid-1920s, and were targeted above all at the middle classes. Nevertheless, after that short period all countries strove to return to reliance on market principles. On the other hand, all contemporary post-Soviet countries (including NEE countries) experienced during that time very different developments influenced by a planned command economy.

<sup>10</sup> Beekman - B: Dutch social housing in a nutshell, Aedes 2003, page 8-10

<sup>11</sup> Tosics - I: New models of a housing system, Budapest: Akadémiai Kiadó 1998

The situation in all countries in transition changed completely after 1945, when Europe became politically and economically divided. From that time, housing policies in these countries were subordinated to centrally planned economic systems. Despite huge differences among housing systems in individual countries, it is possible to describe the main features of the administrative rationing housing system, or “East European housing model”,<sup>12</sup> and its consequences.

Above all, housing was understood as a social right directly guaranteed by the government. Housing was in general not perceived as a commodity, and market principles in the housing area were suppressed. There was direct State control over the production, allocation and consumption of housing. Housing was very cheap for tenants and for homeowners but very expensive for society because of the high level of subsidies on one hand and the very low level of (economic) efficiency in housing production and management on the other. Housing quality during this period was low.

This housing system faced huge problems. It was very costly and inefficient, and did not manage either to provide people with quality housing or to eliminate housing shortages even though housing production in the 1970s (“the golden age” of this sort of housing policy) was comparable to that in Western Europe.

Despite these common features, there were huge differences among countries’ housing situations and housing policies. Besides the differences among CEE, SEE and the Soviet Union, there were also variations within these groups of countries. For example, Yugoslavia developed a different housing policy from other SEE communist countries.

There were huge differences from the tenure point of view among the communist countries. For example, in most of CEE and the Soviet Union, State housing and often also cooperative housing had a strong position. On the contrary, in SEE and also in Hungary traditional homeownership prevailed. In all these countries, however, private rental housing was virtually non-existent (in CEE, due mostly to nationalization) and the selling of homes was restricted.

Housing policies in the communist countries also developed over time. In individual countries, some attempts were made to change the orientation of housing policy (such as in the modernization of housing stock), but little or no progress was achieved since the socio-economic framework was very rigid.

Although in some communist countries the bulk of the housing stock was publicly owned, the public sector did not have any explicit social housing function – it was just a general supply of housing for all households. In some cases “social” allocation criteria were theoretically proclaimed (targeting poorly housed people, families with children or war veterans in the Soviet Union), but in

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<sup>12</sup> Tosics - I: New models of a housing system, Budapest: Akadémiai Kiadó 1998

reality they were not applied. There was an “excess demand” for housing, especially for new housing in attractive urban areas, resulting especially from the very low prices of housing. Therefore, publicly owned flats were allocated mostly on the basis of “merit.” This meant, for example, that, in the former Czechoslovakia especially, members and other people serving the communist party received preferential treatment.

Although housing was heavily subsidized and made affordable for all people, it must be stressed that “...the term social housing was incompatible with the communist ideology” because the entire political system was declared to be social, introducing equality and solidarity. During this period it was impossible to declare the existence of social groups suffering homelessness, or poor people, or to admit shortages in general in the provision of this basic need. As a result, social housing in the West European meaning was never recognized as a necessity. However, large parts of the housing stock, especially in CEE and the Soviet Union, had the main characteristics of social rental housing (such as price regulation, non-market allocation, subsidization, public ownership).

Housing policy in these countries changed completely after 1989, when individual countries began their transition from a centrally planned housing policy towards a market-oriented one. From at least the very early 1990s the main goals of housing policy in most countries in transition were: “... to apply market principles as much as possible... and to adjust rents, prices of apartments and houses, gradually but not slowly, nearer to market price relations.” Consequently, housing policies in countries in transition became in many instances more liberalized than those in the Western Europe.

The most important features of housing policy reforms were overall deregulation (mainly price deregulation) and decreasing public intervention, privatisation of the housing industry and housing services, privatisation of the housing stock (mostly to sitting tenants) and support of homeownership, and decreasing public subsidies, especially for housing construction. All of these profound changes were launched without all the necessary legal and institutional frameworks being in place, for example with regard to property registration or finance systems.

These changes revealed that the main problem that most countries in transition inherited was not a general housing shortage but rather a supply and demand mismatch<sup>13</sup> and deferred maintenance. There were also new problems that must be solved. Across-the-board liberalization of society brought about growing social differentiation, and increasing differentiation in house prices. Consequently, a growing section of the population experienced problems with access to adequate

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<sup>13</sup> Tosics - I: New models of a housing system, Budapest: Akadémiai Kiadó 1998

and affordable housing. Yet, providing socially weak households with affordable and decent housing is very difficult, especially in countries where owner-occupied housing prevails.

The affordability problems and risk of homelessness are much worse in SEE and all post-Soviet countries, whereas in CEE the housing situation is generally viewed as quite satisfactory. Most SEE and post-Soviet countries fast-tracked privatisation so that owner-occupied housing accounts for 90 per cent or more of the housing stock and is often occupied by poor households. Compared to CEE, there is also a lower level of housing consumption, which is worsened by insufficient infrastructure networks and deferred maintenance of the housing stock. In SEE, there is also a huge demand and supply mismatch due to migration and changing population numbers (rural areas are becoming less populated while there is a housing shortage in big cities), homelessness and illegal housing. The situation in most post-Soviet countries is similar.

Data from the mid-1990s show that, in response to these housing problems, most vacant rental units in countries in transition were allocated according to the needs of the most vulnerable people. However, the number of available flats was very low, partly because the public housing sector, which could have served as social housing, had almost, but also because this part of the housing stock was occupied by tenants who benefited from rent regulation. Therefore, the most vulnerable and needy households must also rely on owner-occupied housing.<sup>14</sup>

Around the mid-1990s, many countries in transition began to realize that satisfactory solutions to housing problems could not be based solely on market principles. Since approximately that time there has been a clear effort in most of these countries to establish a proper legal and institutional housing framework, to develop a finance system for housing, to restore production subsidies and to establish non-profit/social rental housing. This second stage of housing reform has proved to be much more difficult than the mere departure from a centrally planned housing policy.<sup>15</sup>

In this changed context, the social housing stock is beginning to be perceived as an important tool that can help to ensure affordable and decent accommodation for households that cannot pay market prices. In most countries in transition there has recently been a clear endeavour to establish a social housing sector similar to that which exists in most West European countries. Unfortunately, there is one big obstacle: public budget restraints. Owing to this fact, social housing programmes are still either lacking or very limited. If there is any social housing construction, it is mostly targeted only towards the most disadvantaged and hence there is a danger of social polarization and segregation.

<sup>14</sup> Tosics- I, Hegedüs - J: History of social housing in ECE region, UNECE 2004

<sup>15</sup> Tsenkova – S: Housing Policy Matters: The Reform Path in Central and Eastern Europe, Ashgate Publishing Limited 2003

Only few countries in transition have social housing programmes. The main example is Poland, where non-profit housing companies – TBS – are being established to provide housing for middle-income households. Another example is the Czech Republic, where in 2003 a new programme was developed to subsidize the construction of municipal rental flats targeted at households with lower to middle incomes, and where new support for cooperative housing construction is being prepared.<sup>16</sup>

### 3.1 Non-profit organisations in Slovakia

In Slovakia, there are still missing a term s “social housing” and “non-profit housing association “ in our legislative.

There is a lack of information whether a local self-government in Slovakia has used this form of management. Act No. 213/1997 Z. z. on Non-Profit Organizations Providing Generally Beneficial Services (see the Annex 4) pursuant to Act No. 35/2002 Z. z. (see the Annex 5) amends the establishment, dissolution, termination of existence, status of bodies and the management of non-profit organizations providing generally beneficial services (hereinafter referred to as “non-profit organization“).

A non-profit organization is a legal entity providing generally beneficial services to all users under the same pre-determined prerequisites, the profit of which cannot be used for the benefit of its founders, members of its bodies or staff, but must be fully used for the provision of generally beneficial services.

For the operation of non-profit organizations on the Slovak housing market, legislative prerequisites (Act No.213/1997 Z. z. of the Slovak Council of the SR on Non-Profit Organizations Providing Generally Beneficial Services in the wording of subsequent regulations) have been created, which, however, lack adequate economical incentives. Pursuant to § 2, Letter I of the Act heretofore mentioned, within its own generally beneficial activities a non-profit organization may provide housing (the construction of rental houses), management, maintenance and the renewal of rental housing stock under re-determined prerequisites equal to all users. Since there has not been any self-government, which has until, now used this legal possibility for the establishment of a non-profit organization for the construction and management of dwellings. It is vital to create other legislative and financial prerequisites (within the bounds of tax policy involving these organizations in subsidized institutions in new housing construction and setting up the exact rules for subsidies).

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<sup>16</sup> Valentová - B: History of social housing in ECE region, UNECE Social housing conference, Vienna 2004

Current municipal institutions receiving contributions from the State Budget which manage dwellings and non-residential premises could be a basis for the establishment of such an organizational unit.

For municipalities, the establishment of a non-profit organization means demunicipalization – the privatisation of municipal property, which becomes the property of other legal person established by a municipality or other legal persons, whose property must not be used for the benefit of a municipality, and which it is difficult to manage and control in terms of personnel and economics. A municipality is not motivated by the fact that quite an independent system for the construction of rental flats in the municipality will be created.

Financial and legal framework created for this organisations is still missing and also understanding of many municipalities. There are only two non-profit housing associations in Slovakia, so that means, the development of social housing is starting on the present time.<sup>17</sup>

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<sup>17</sup> Ivaníká - K /editor/: Update of Slovak Housing Sector Profiles, Slovak University of Technology in Bratislava 2004, page 62,63