



# **Situation in the Czech Republic**

## ***Presentation on WP2***

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***in Enlarged Europe***

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## Definition of social housing

- No official definition of social housing in the Czech Republic
- The Ministry for Regional Development in close collaboration with the Ministry of Finance recently prepared a working definition of social housing with the aim to keep the current reduced VAT rate of 5% applied to construction works related to housing.
- Social housing would include the following types of housing:
  - Housing used for accommodation of that part of population which is under the risk of social segregation,
  - Housing acquired using public financial sources or with their direct support, e.g. housing subsidised by the Ministry for Regional Development or by the State Housing Development Fund, respectively housing built by municipalities without government grant;
  - Other flats or family houses if their total floor area would not overpass the given threshold, e.g. 150 m<sup>2</sup> in case of family houses and 90 m<sup>2</sup> in case of flats.

# Energy performance data of the (social) housing stock

Period of construction	Average floorspace (habitable area) <i>All individual apartments</i>	Average floorspace <i>Social housing apartments</i>	Average energy demand (kWh/m <sup>2</sup> ) <i>Apartments</i>	Average energy demand (kWh/m <sup>2</sup> ) <i>Social housing apartments</i>
Until 1945	50,5		170	
1946-1960	43,4	32,5	160	135
1961-1970	44,7	34,5	200	155
1971-1980	48,1	32,7	240	180
1981-1990	52,5	34,8	180	150
Since 1991	60,2	54,4	150	120
Total				

# Rent changes (social) housing stock

Year	Initial rent in 200 4	Targeted rent in 2010	Average annual growth rate	Market rent	Deregulation rate in 2004	Deregulation rate in 2010
Prague - Vinohrady	37,07	87,90	24	135	27%	65%
Ústí nad Labem	18,31	24,08	8	52	35%	46%
Bmo – Bohunice	27,43	46,44	14	112	24%	41%
Hradec Králové	20,35	455,21	22	99	21%	46%
Zlín	19,66	33,76	14	95	21%	36%
Olomoc	25,65	40,53	12	89	29%	46%

# Main national housing acts and regulations (1)

- **Housing policy** is based on the Housing Policy Concept, which was approved by the Government under Resolution No 292 of 16 March 2005. The main objective of the state's housing policy is *"creating conditions under which every household is able to secure adequate housing corresponding to its needs and financial situation"*.
- Government Resolution No. 588/2001 requires **regions and municipalities** to develop their own **housing policy**. Such policy should deal with development of measures which they would finance or co-finance and also the way of such financial sources distribution as well as financial means from other sources. About 40% of the larger cities in the Czech Republic have already developed such housing policies.
- **Rental law** is under preparation. In the framework of the recodification of the civil Code, the institution of protected rent will be preserved, but the mutual status of tenants and lessors will be more balanced compared to the present situation.

## Main national housing acts and regulations (2)

- New **law** regulating the **ownership of flats** under preparation, the essence of which, like now, will be a dualistic concept where the owner of the residential unit is also a co-owner of the communal areas of a building.
- The changing **regulatory framework for housing cooperatives** will be covered in the prepared recodification of the Commercial Code.
- A legal framework will be created which will allow for the emergence and development of **(social) rental housing**, which will be intended primarily for households with medium and lower incomes.



# Institutions

- **Ministry for Regional Development**, Housing Policy Department
  - Housing policy
  - Operation of some government housing programmes
- **State Housing Development Fund**
  - Financing some government housing programmes
- **Municipalities**
  - currently play a complicated **two-in-one role** in housing
- **Old housing cooperatives**
- **New housing cooperatives and condominiums**
- **Private house owners**

# Grant schemes for (social) housing refurbishment (1)

- Housing support programme of the **Ministry for Regional Development** includes support for:
  - Regeneration of prefabricated panel housing estates (municipalities >150 flats)
  - The construction of rented flats
  - The construction of technical infrastructure for subsequent construction of apartment blocks and houses
  - The construction of subsidised flats (protected flat, halfway flat, starter flat)
  - Repairs of defects of prefabricated panel buildings
  - The repair of household lead lines
  - Support of mortgage loans for young people up to 36 years of age

## Grant schemes for (social) housing refurbishment (2)

- Housing support programme of the **State Housing Development Fund** includes support for:
  - Support for the construction of rented flats for persons in defined income brackets
  - Provision of low-interest loans to young people up to the age of 36 for new housing construction
  - Provision of low-interest loans to young people up to the age of 36 for the acquisition of a flat
  - PANEL programme
  - Support for the provision of low-interest loans to municipal funds
  - Building new social houses
  - Refurbishment of existing social building for low-income people
  - Specific financial means for energy efficiency or renewable energy investments (wall & roof insulation, double glazing etc)

# Private financing initiatives in the field of (social) housing refurbishment (1)

**ESCO** business started 10 years ago

- EE projects: heat control technologies and heat supply facilities
- ESCOs providing technical assistance (project implementation), third party financing immediate reduction of energy costs and ownership of the equipment at end of the operation
- Contracting arrangements usually offer flexible terms, financing risk management, quality assurance, verifiable performance and follow-up service

## Private financing initiatives in the field of (social) housing refurbishment (2)

- Other financing possibilities for private subjects are:
  - Soft loan financing through the **Phare Energy Saving Fund** - The soft loan is being achieved by blending grant money (borrowed to the bank by the state under the EU Phare programme) with commercial sources of the bank to reduce the final interest rate of the loan.
  - **International bank guarantee** through the IFC Commercializing Energy Efficiency Finance Programme - It works in partnership with local financial institutions (FIs) to help them develop an energy efficiency lending business and offers them partial guarantees so as to share the credit risk of EE finance transactions.



# Private financing initiatives in the field of (social) housing refurbishment (3)

- **Revita G**

- Revita G is a Czech building company which was founded in March 2000. Its activities are concentrated only on rehabilitation of building shells of panel houses woned by housing cooperatives and and condominiums.
- The company operates 3 regional service centers on the territory of the Czech Republic (Prague, Brno, Ostrava) as well as 2 regional service centers in Slovakia (Bratislava and Kosice) – since the year 2004.

# Private financing initiatives in the field of (social) housing refurbishment (4)

- **Association for Rehabilitation of Housing Sector (Bydlení+)**
  - financial company First Finance (British Barclays Bank ), Association of the Czech and Moravian Housing Cooperatives, Association of Entrepreneurs in Construction in the Czech Republic and Civil Association of House Owners
  - for medium-sized and large housing cooperatives for which the proposed support from structural funds in the size of EUR 100,000 is too small and also for owners of housing that cannot use the PANEL programme. It can be a useful tool for private owners of housing built other than panel technology. The programme would mainly applicable in housing with market based rent (at least CZK 80 per square meter) or in case of regulated rent a subsidy for investments in rehabilitation of housing provided from public sources.

# Barriers in (social) housing refurbishment (1)

## Legal barriers

- The general definition of social housing is still missing

## Institutional barriers

- Currently there is no institution dealing specifically with rehabilitation of social housing.
- Various programmes exist in the field of housing rehabilitation but a coordination of programmes with the aim of support of social housing is needed.
- Panel housing is preferred to other type of social housing.

# Barriers in (social) housing refurbishment (2)

## Lack of awareness

- Lack of awareness of housing owners on possibilities to apply for financing from various financial sources.
- Lack on awareness on advanced technologies for rehabilitation of housing including use of renewable energy sources and also waste energy.

## Financial barrier

- Major barrier is lack of financial sources by house owners in smaller cities and in villages and also those who are not eligible for various programmes (house owners or tenants in other than panel houses).

# Drivers in (social) housing refurbishment

- Aging of housing stock and mainly panel houses with growth of technical difficulties (static faults, water in-leak).
- Fast growth of energy prices and thus housing costs.
- Privatisation of housing stock which increases incentives of owners for rehabilitation of their properties.
- VAT for building works in case of social housing construction and rehabilitation is applied at reduced rate of 5% instead of general 19%.
- A very wide variety of programmes for financing/co-financing of rehabilitation of social housing.
- Need for extension of lifetime of current housing and purchase of new housing or renting new housing (for market price based rent) would not be possible for low income households and social aid would be time limited.







