



**CHALLENGES AND OPPORTUNITIES IN HOUSING:
NEW CONCEPTS, POLICIES AND INITIATIVES**
Editors Inara Marana and Sasha Tsenkova

Challenges and Opportunities in Housing: New Concepts, Policies and Initiatives

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***Inara Marana
Sasha Tsenkova***

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Preface

The *CIB Working Commission 69 'Housing Sociology'* has a long-standing tradition of comparative work on housing. It was one of the first international groups of scholars to recognize the importance of housing change in transition economies and the opportunity to transfer best practices, knowledge and experience to assist their process of policy development. The Commission, founded in 1977, today has members from more than 30 countries. Traditionally it has fostered interdisciplinary approaches to housing policy analysis and constructive east-west dialogue. The last reunion of the Commission was held in Riga, Latvia, from 5th to 8th of October 2001. This publication is based on the revised papers contributed to the working sessions by members of the Commission.

The theme of the reunion 'Challenges and Opportunities in Housing: New Concepts, Policies and Initiatives' attracted a wide range of scholars from different countries. The plenary session was attended by close to ninety representatives from Latvian governmental, municipal, scientific and research institutions.

The diverse contributions to this book are organised in three thematic clusters. The first one – challenges and opportunities of Latvian housing reforms -- centers the discourse on Riga. The authors explore these issues using a variety of approaches from different disciplines – housing economics, sociology, architecture and planning. The second thematic cluster provides powerful insights in the reform process in transition economies, focusing on the experience of Lithuania, Bulgaria, Hungary and Poland. Central to the analysis is the relationship between policy reforms and housing market performance. Transition economies have a unique set of challenges, mostly related to privatization, growing affordability problems and the emerging crisis in the management of multifamily housing. The last theme draws on the experiences of Belgium and England and focuses the debate on policy innovation, growing concerns related to housing for people with disabilities and public participation in housing policy formulation.

We feel that these diverse contributions will be of interest to policy makers and researchers in different countries, who would find these comparative perspectives on housing policy change both informative and intellectually stimulating.

The editors gratefully acknowledge the generous support of The City of Riga for the organization of the reunion of *CIB Working Commision 69 'Housing Sociology'*. We also extend our thanks to the Secretariat of CIB for assisting in the production of this publication and to the Faculty of Enviornmental Design at the University of Calgary for editorial support.

Inara Marana and Sasha Tsenkova

October 2002

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Housing Reforms in Riga: The Politics of Muddling Through

Sasha Tsenkova

Housing Reforms in Transition Economies -- Radical or Incremental?

After a decade of transition from planning to markets, the countries in Central and Eastern Europe are still struggling to 'enable the housing markets to work' in a more efficient and equitable manner (Angel, 2000; Angel and Mayo, 1993). After the initial years of speculation and escalating house prices, housing markets even in the best economic performers have remained sluggish and new housing output has collapsed. Besides the low level of housing market activity, there has been an even lower level of mortgage lending. Although government subsidies have been reduced, levels of transfers are often higher than those provided in most industrialized economies with well-established market-based housing systems (Buckley and Tsenkova, 2001). It appears that due to 'populist policies' most government resources are being used to provide poorly targeted subsidies rather than contribute to the development of a viable infrastructure of private finance (Struyk, 2001). In addition, an extensive privatization of public assets -- including public housing -- has taken place (Clapham *et al.*, 1996). While privatization of the industry essentially has led to the emergence of a more competitive system of housing services, the privatization of housing has created 'nations of homeowners' with levels of homeownership over 80 percent (Tsenkova, 2000a).

What, if any, patterns are emerging after a decade of change and commitment to a market-based housing policy? Hegedus *et al.* (1996) provided the first systematic evaluation of housing reforms in transition economies using comparative data on privatization, housing market performance and housing finance. Pishler-Milanovitch (2001) argued that reforms are 'path dependent' but maintained the convenient and 'politically correct' geographical country groupings established by Hegedus and Tosics (1996) and UNECE (1997). Overall, the conceptualization of the reform process has been particularly challenging.

While the beginning of housing reforms in the early 1990s marked a radical departure from the centrally-planned system of housing production, allocation and consumption, the later stages proved to be much more difficult and progress across transition economies uneven. This paper argues that the post-privatization phase of housing reforms is characterised by a shift from more

radical and rational models of policy-making to the politics of ‘muddling through’ where the emphasis is on disjointed incrementalism. This mode of policy action through trial and error offers concession to rational policy making, focusing on problems to be remedied rather than goals, analysing a number of limited options and fragmenting the policy process through devolution of power to a number of participants.

As defined by Lindblom (1977) decision-making in terms of ‘muddling through’ exhibits the following characteristics:

- It proceeds through succession of incremental changes;
- It involves adjustment and negotiation;
- It involves trial and error;
- The test of a good decision is agreement and process rather than goal-attainment.

In the spirit of incrementalism, policy evolves through complex and reciprocal relations between bureaucrats, politicians, and representatives of interest groups. While the outcome maybe more democratic than normally achieved through hierarchical coordination, it does not imply fundamentally new approaches (Lindblom and Woodhouse, 1993). This might seem ‘sensible politics’ because new options are not terribly different from present and past policies, thus reducing uncertainty and errors (Lindblom, 1979).

The Focus of the Study

This study explores the housing reform process in Latvia and its impact on the housing market.¹ Using Riga as a case study, the analysis focuses on major housing policies and initiatives such as restitution, privatization, deregulation of housing markets and restructuring of municipal subsidies. The outcome of these, often disjointed, *ad hoc* policies is explored through evaluation of housing market performance measured by ownership transformation, dynamics of house prices, growing inequalities and affordability problems. Embedded in the analysis of policy change is the delineation of new institutional responsibilities, which is essential for the understanding of critical power relations that shape and misshape housing policy.

It is argued that the politics of ‘muddling through’ do not contribute to the establishment of a sustainable housing system. The study makes a series of

¹ The research was carried out in the framework of the Latvian-Canadian Housing Cooperation Project. The financial support of the Canadian International Development Agency (CIDA) and the University of Calgary is gratefully acknowledged. Opinions expressed in this report are those of the author and cannot be attributed to CIDA.

recommendations for coordinated action on behalf of central and local governments that map out a policy trajectory for change and improvement.

Housing Policy Reforms

Latvia has the legacy of an excessively controlled housing system, which operated in the last 50 years. The system was based on low housing costs, centralized production and state control over housing allocation. Homeownership was discouraged. Land had no value, interest rates, rents, and utilities were heavily subsidized. Housing was a political priority and was universally affordable due to extensive subsidy and macroeconomic regulation of prices. Policies emphasized the need to produce large volumes of new housing. Prefabricated technology, offering a limited number of building types and economies of scale, dominated housing production (Tsenkova, 2000a).

Housing reforms in Latvia during the transition period were marked by emphasis on privatization of state and municipal housing, reduction of supply and demand subsidies and deregulation of housing markets. The national views on housing reforms in Latvia are stated in two major policy documents -- *The National Action Plan of the National Report for the Habitat II Conference* and *The Housing Policy Concept of Latvia* approved by the Cabinet of Ministers in July 1996 (Ministry of Environmental Protection and Regional Development, 1996). These strategic documents asserted the fundamental principles of a national housing policy and identified the following major priorities:

- Urban – to ensure a balanced polycentric network of settlements with a particular emphasis on the development of medium-size towns;
- Economic – to develop measures that facilitate the maintenance and energy improvement of the existing housing, as well as to introduce accounting for utilities;
- Social – to facilitate housing choice and access to affordable housing, while establishing a system of social housing provision for socially disadvantaged groups.

However, efforts to establish a system of legal and financial measures to enable the efficient implementation of these principles have failed to keep pace with the market. The operational aspects of *The Housing Policy Concept*, including a clear division of state and municipal responsibilities for housing management and social provision, has remained rather vague.² Despite significant efforts,

² For example, the elimination of housing subsidies from the state budget was an integral part of the overall effort to reduce budget deficit. In the late 1990s housing subsidies were transferred to municipalities and on average account for less than 2 percent of the municipal budgets. The subsidies are used to assist low income households --tenants or homeowners – with their utility

particularly with respect to new legislation, successive governments have failed to implement a systematic and comprehensive housing policy reform aimed at recovery of housing construction and efficient operation of housing markets. The transformation from a centrally planned system where housing construction, maintenance and repair were extensively subsidised by the state, to a market-based housing system, where households are expected to pay the full price of housing services, has created a number of problems. This difficult process of adjustment in Latvia is marked by:

- Shortage of affordable housing in urban areas
- Deterioration of existing housing in all tenure types
- Lack of adequate investment mechanisms to sustain the quality and vitality of the housing sector.

In response to some of these challenges, a new pilot program, based on LVL 20 million credit line attracted with a State guarantee, was launched in 2001. Its broader goal is to stimulate investment in housing and related infrastructure (Ministry of Finance, 2001). The specific objectives are to:

- Mobilize private resources for the construction of new housing and rehabilitation of existing housing on acceptable conditions with regard to interest rates and maturity;
- Promote the development of the housing market (purchase, sale, lease), thus giving residents the opportunity to obtain affordable and suitable housing;
- Develop the mortgage lending system including suitable financial instruments.

The pilot programme provides financing for: i) reconstruction and renovation of the communal areas of multi-storey apartment buildings; ii) renovation and purchase of private housing; iii) completion of unfinished housing. Program targets include renovation of 1,060 residential buildings, purchase of 1,600 apartments, loans for renovation of 5,300 apartments, and completion of 760 private houses.

Housing Reform Challenges

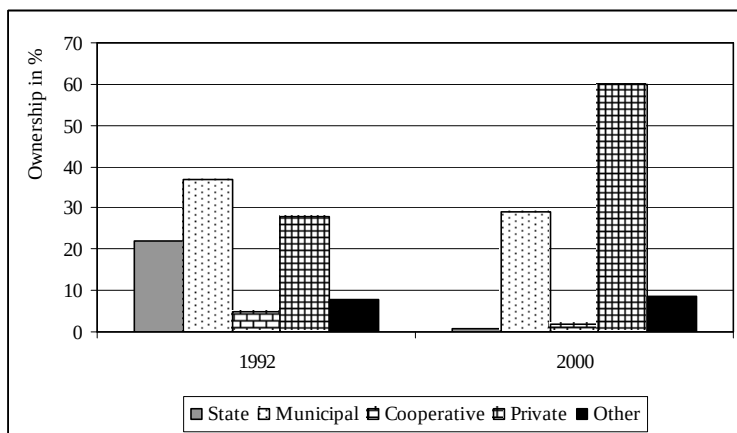
Privatization

Privatization, as the flagship of housing reforms, had a late start, but has enjoyed popular support, which explains the growth in private ownership by more than

payments. Cash constrained municipalities might choose to eliminate housing subsidies and will certainly refrain from investment in social housing for disadvantaged households.

30 percent within the last eight years (Ministry of Environmental Protection and Regional Development, 2001).

Figure 1 Ownership transformation in Latvia



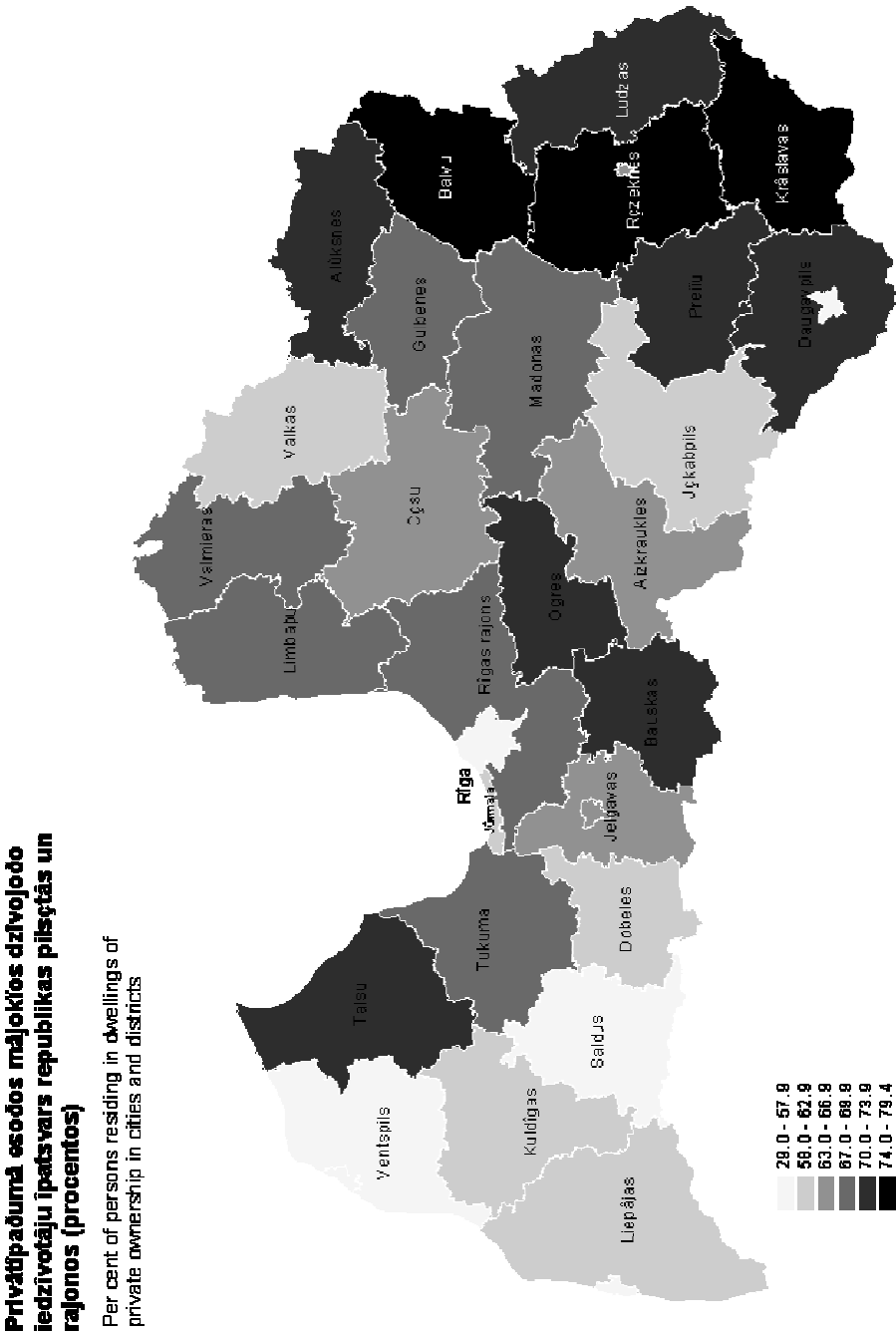
Source: MoEPRD, 2001; CSBL, 2002a.

Note: The category 'other' for 1992 includes housing owned by public institutions, while in 2000 'other' includes private rental housing.

The ownership transformation process presented in Figure 1 reflects tenure change as a result of privatization and restitution. Apartment space returned to previous owners under restitution amounts for 7 percent of the housing stock in Latvia. Almost 80 percent of all denationalized apartments and 58 percent of all houses are located in Riga (PriceWaterhouseCoopers, 1998). Discussions on the future of privatization indicate that close to 80 percent of the housing stock will be transferred into private ownership until 2003 (Tsenkova, 2002).

There are important differences in local markets with respect to the level of homeownership -- determined by the legacy of housing provision during the Soviet regime, but also by different privatization policies pursued by individual municipalities. Based on census data for example, home ownership in REZEKNE, BALVI and KRASLAVA Districts is two times higher compared to Riga, VENTSPILS, and SILDUS District (Figure 2).

Figure 2 Regional inequalities in the level of homeownership



Affordability Constraints

A relatively slow start in housing reforms and privatization, compared to other transition economies, has meant that Latvia is only now beginning to shift towards a market-based housing delivery system, and as a result, *the housing sector is among the least efficient in the economy* (Buckley, 2001). This inefficiency, in turn, creates a number of broader public policy problems. First, incentives have not been established for private management of the privatized housing stock. For example, it is estimated that only about 5 percent of the housing stock is now maintained by cooperative societies of homeowners (CSHs) established in the multi-apartment buildings. Municipal maintenance is inefficient and due to the lack of housing maintenance subsidies contributes to the deterioration of the existing housing stock. Second, housing costs have become a burden for 55 percent of Latvia's population due to escalating heating and utility charges (Central Statistical Bureau of Latvia, 2002). Part of the problems can be attributed to the lack of energy saving measures and rundown heating systems in the existing housing stock. This inefficiency imposes unnecessary pressure on households' incomes and correspondingly, on need for public assistance. Third, the lack of financing for housing maintenance and improvement imposes high costs on new homeowners, particularly the elderly. The share of elderly people in Latvia is one of the largest in the world (21% of the total population is above 60 and many of them are poor).

The movement to a market-based housing system in Latvia, where households are paying the full cost of housing services, has created significant affordability constraints. Data presented in Table 1 indicate that close to 55 percent of all households find it difficult to maintain their utility and maintenance payments. The problem is much more pronounced in the rental sector, where that share has increased to 66 percent. Without the extensive state support for utility payments, heating in particular has become a major problem for owners and renters alike. Close to 10 percent of the households have previous debt with respect to rent/maintenance payments and in the rental sector this share is as high as 19.7 percent. Rent arrears have become a wide spread phenomenon creating a lot of pressure on the administration and management of public rental housing.

Thus, while a market-based housing sector is emerging, under present circumstances problems remain: first, the establishing of CSHs; second, the ability of these new institutional entities to manage their own assets; and third, affordability constraints. Institutionalization of CSHs owners requires supportive policy environment, but more importantly training and capacity building efforts (Johansen, 2001; Ministry of Finance, 2000). Lack of tradition³, coupled with

³ Latvia had a much lower level of homeownership in 1940 than other transition economies. Most of the large towns had a strong culture of private renting.

years of Soviet management of extensively subsidized housing, would make this task even more challenging in Latvia than it happens to be the case in other transition economies.

Table 1 Affordability constraints

ALL HOUSEHOLDS	<i>All households</i>	<i>Of which urban</i>	<i>Riga</i>	<i>rural</i>	<i>pensioners</i>
The percentage of households which have difficulties paying rent and communal services	55.0	67.2	73.0	25.0	61.7
The percentage of households which have debts for previous months (not including the reference month):					
Rent	10.3	12.5	15.0	5.0	6.9
Electricity	2.8	3.1	2.3	2.0	1.9
Heating	14.6	18.7	16.4	4.6	10.2
Gas	1.9	2.3	2.0	0.9	1.1
Cold water supply and sewerage	9.4	11.2	13.8	4.9	5.4
hot water supply	7.6	10.5	11.9	0.7	4.7
HOUSEHOLDS IN RENTED APARTMENTS					
The percentage of households which have difficulties paying rent and communal services	65.9	72.6	71.4	40.5	66.7
The percentage of households which have debts for previous months (not including the reference month):					
Rent	19.7	20.9	23.4	14.8	13.6
Electricity	2.8	3.1	2.3	2.0	1.9
Heating	21.5	22.9	19.1	13.3	15.1
Gas	2.1	2.4	2.1	1.1	1.2
Cold water supply and sewerage	11.6	12.1	13.9	9.5	6.7
Hot water supply	12.1	13.6	14.2	2.6	7.9

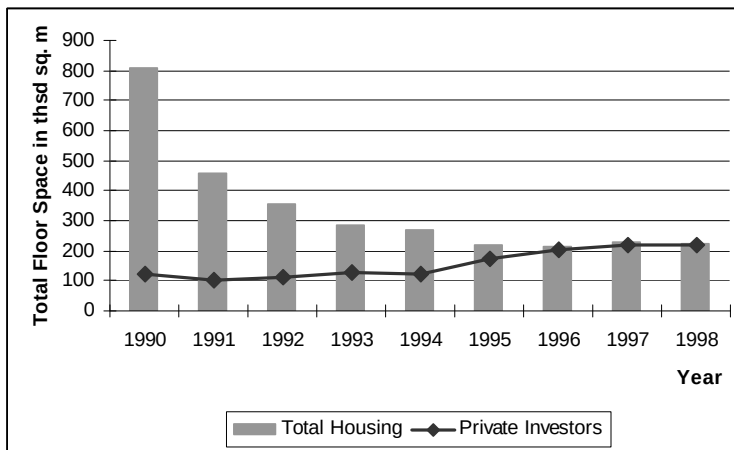
Source: CSBL, 2002b.

New Construction

In addition to problems with escalating housing costs and inefficient management of privatized housing, the complete elimination of housing subsidies for new construction has had detrimental impact over the production of housing. *Housing output has reached historically low levels and certainly does*

not ensure a healthy reproduction of the housing system. The supply of new housing in Latvia has been reduced much more dramatically than in any other transition economy (Tsenkova, 2002). Housing investment in 1998 has declined to 45 million Lats, which is 12 percent of the investment in 1990. As data in Figure 3 indicate, housing output in 1998, measured in thousands of sq.m residential floor space, was a quarter of the output in 1990. Though private investors dominate the production in the late 1990s, they are not in a position to maintain the level of investment previously made by public enterprises. It should be noted that private investment in housing, including capital repairs and new construction, has remained relatively stable over the last five years, but its level is close to 1 percent of Latvia's GDP.

Figure 3 The production of new housing in Latvia



Source: Central Statistical Bureau of Latvia, 1999a.

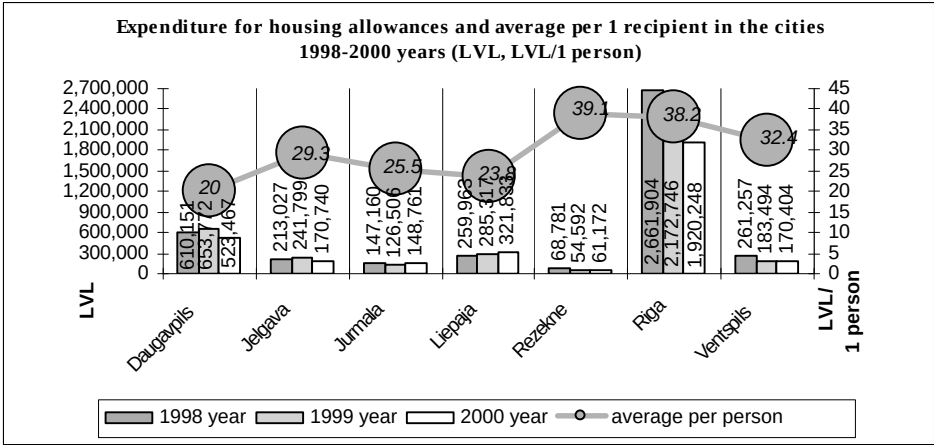
Municipal Housing Support

As part of the reform process, major responsibilities for investment and management of municipally owned housing were delegated to Latvian municipalities. In addition, municipalities are required to provide housing for low income and other socially disadvantaged groups as well as housing assistance to low income tenants and homeowners. This decentralization of major policy responsibilities to the local level is particularly problematic for smaller municipalities with limited sources of revenue and negligible amount of social housing stock.⁴ Reportedly, housing assistance, which has become much

⁴ Issues related to social housing in Latvia are described in Law on the Assistance by the State and Municipalities in Order to Resolve Housing Issues (1993) and Law on Social Apartments and

more important in a context of a market-based housing system, is a significant burden for urban municipalities. Data on expenditure for housing allowances in the seven republican cities indicate a modest decline over time with the exception of Liepaja and Jurmala. The average amount per person, as might be expected, varies considerably across Latvia from a high of LVL 39 in Rezekne to a low of LVL 20 in Daugavpils (Figure 4).

Figure 4 Housing allowances in the republican cities



Source: Latvian Ministry of Welfare database, July 2002.

Municipalities and state institutions -- landlords of public housing -- are the owners of the worst parts of the housing stock. In Riga, for example, housing in communal apartments with a massive need for repair and renovation has not been privatized. Most of the publicly owned units tend to be concentrated in the peripheral housing estates of large urban centers. Though most of the stock was built in the last 30 years, its quality is poor due to deferred maintenance and lack of systematic investment. *Due to shortage of public funds and further delay of retrofitting, the modernisation of those properties would become financially impossible for the public landlords.* One might argue that in most of the cases they own a liability rather than an asset (Tsenkova, 2001).

The present system of municipal housing support is strongly influenced by the ongoing transition from old programs of energy subsidies, subsidized rents and lack of accounting mechanisms for cost recovery of housing services. Current subsidies are used as a means to offset the high costs of utilities. It is

Social Houses (1997). In 1999, there were 461 social apartments in Latvia with 3,026 inhabitants (MEPRD, 2001).

argued that they are poorly targeted and do not really benefit the poor (Social Report, 2000). The underlying problem relates to a combination of distorted cost structure, lack of transparent subsidy regime and generally, to the legacy of a centralised, heavily subsidised housing system. It should be noted that despite the low rents, rent arrears are common. Psychologically, households find it very hard to pay the real costs of their housing consumption.

Housing Reforms in Riga: Muddling Through?

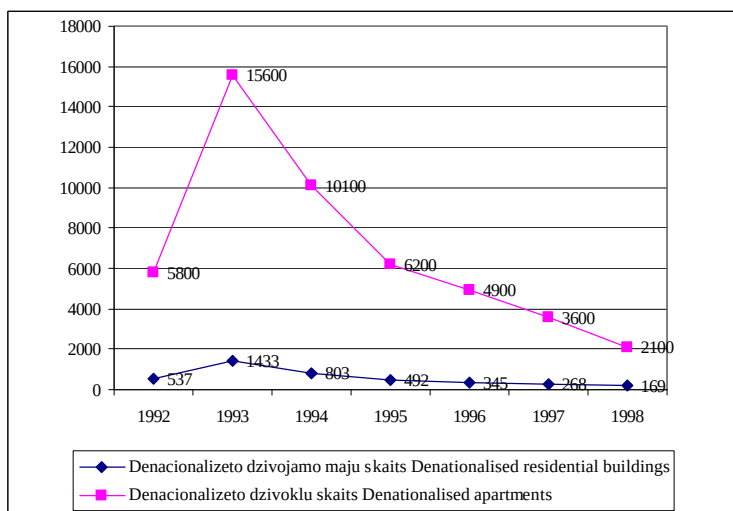
Using Riga as a case study, the analysis will focus on the impact of major housing policies such as restitution, privatization, deregulation of housing markets and restructuring of municipal subsidies. The outcome of these, often disjointed policies, creates unique challenges and opportunities for local institutions and communities. These patterns of change are explored through evaluation of housing market outcomes measured by the scale of ownership transformation, dynamics of house prices, growing inequalities and affordability problems.

Rewriting the Rules: Ownership Transformation in Riga

Housing reforms in Riga began by transferring state property to municipalities, which assumed the responsibility for the implementation of the privatization process. The first phase of privatization was initiated in 1991. At the beginning of the reforms close to 5.8 percent of the housing was privately owned, 10 percent belonged to housing cooperatives and 84.2 percent to state enterprises and Riga municipality (Statistic Committee of Republic of Latvia, 1992). Within the general process of change in the ownership structure, four main forms can be discerned: i) restitution/denationalization; ii) privatization; iii) accelerated privatization; and iv) transformation of co-operatives.

The restitution process had a significant effect on the transformation of Riga's tenure structure (Figure 5). By the end of 1998 close to 4,047 buildings with 48,000 dwellings were returned to their previous owners (Central Statistical Bureau of Latvia 1999b). The process has created a small private rental sector, accounting for approximately 3.75 percent of the housing stock.

Figure 5 Restitution of housing in Riga



Source: Central Statistical Bureau of Latvia, 1999b.

Privatisation. The Law on the Privatization of State and Municipal Apartment Buildings, adopted in June 1995, regulates privatization of state and municipal housing.⁵ Two distinct privatization methods can be applied: i) privatization of the entire residential building with sale of individual units to existing tenants, which is followed by registration in the Land Book, and ii) accelerated privatization, which allows privatization of a housing unit within a multifamily building prior to privatization of the entire building.

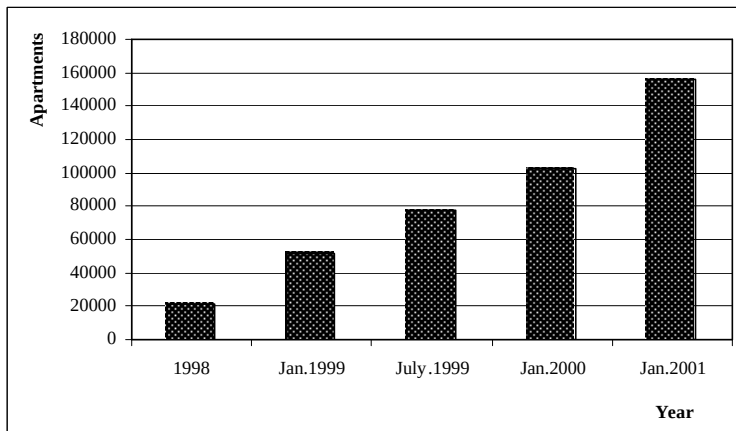
Tenants in state and municipal housing can use privatization vouchers -- *privatizācijas sertifikāti* -- to purchase their unit. The value of a voucher was estimated at 28 Lats, corresponding to 0.5 sq.m. of residential space. Latvian citizens were entitled to a certain number of vouchers depending on their age. Introduced in November 1992, the distribution system allocated one voucher per person for each year, plus another 15 vouchers for citizenship. The typical family of three (2 adults aged 40 years and a 15 year old child) could acquire 140 vouchers sufficient to buy a 70 sq.m. flat.⁶ The Central Privatization Commission of Dwelling Houses administers the process for state-owned

⁵ For a detailed review of legal provisions related to privatization of housing see Kursis, J. (1999).

⁶ The fact that privatization vouchers could be used in the industrial privatization, as well as in the purchase of pension funds, has led to a market for vouchers where trading fetches historically low prices -- between 1.5 to 2.8 Lats in 1999 (Ministry of Economy, 1999). Assuming that certificates are bought at their current market value of 1.5 Lats, a 50 sq.m. flat might cost 175 Lats, which is roughly 3.5 % of the market value of the average dwelling in Riga's real estate market. Vouchers can be used to privatize housing till January 1, 2003.

properties and Riga's Municipal Housing Privatization Commission deals with municipally owned ones. Interviews with officials from Riga's Housing Privatization Commission indicate that the expectations are to privatize up to 80 percent of the municipal rental stock. The Law on the Privatization of State and Municipal Apartment Buildings gives the 'right to buy' to existing tenants and members of their family, but also allows privatization by other natural and/or legal persons. The consent of the tenant is required. These provisions, very unique in the context of housing privatization across Central and Eastern Europe, have lead to the development of a market for 'rights to privatize'. In February 2000 close to 25 percent of the listings of the largest real estate agencies in Riga included these options. Interviews suggest that the asking price for such properties is not really different from the price of outright sales.

Figure 6 Privatisation of apartments in Riga



Source: Central Statistical Bureau of Latvia, 1999b; Interview Data, February 2002

Despite the financially attractive conditions, privatization in Riga has been rather slow, particularly until the end of 1998 (Figure 6). Several reasons might explain why this is the case:

- Inefficient operation of local authorities and the real property registration system;
- Low rents and maintenance costs make the financial situation of a tenant more attractive;
- Uncertainty about financial and legal implications of homeownership;
- Large backlog in maintenance of the public housing combined with generally poor quality of the older housing stock.

Transformation of Cooperatives. A third form in the ownership transformation process involves privatization of cooperative housing. Housing coops,

established during Soviet times, were given the option to repay their loans at financially attractive terms and conditions in 1991. Riga had 51 large cooperatives, which were later on registered as Cooperative Societies of Apartment Owners. Today their number is as high as 117. Cooperative ownership appears to be slightly different in a sense that individual owners have exclusive rights to their unit, but the coop as an entity owns and manages the common space and utility areas. The cooperative sector in Riga has 39,700 units distributed in 518 buildings (Central Statistical Bureau of Latvia, 1999a). *It provides housing to close to 100,000 residents and will certainly continue to play a very significant role in the post-privatization phase.*

In summary, privatization is the largest transfer of housing assets into private hands in Riga's history. A conservative estimate suggests that during 1999 the market value of privatised housing in Riga accounts for 23 percent of Latvia's GDP. It is in the best interest of all market actors and institutions, as well as the local and the central state, to ensure that the quality and the value of that considerable national wealth are sustained. In addition to its economic dimension, privatization as a social phenomenon legitimizes existing housing inequalities. Some of the residents are entitled to privatize a room in a communal apartment; others have the chance to privatize good quality, spacious flat. In some cases, new owners acquire a liability, rather than an asset, given the massive need for investment in repair and renovation.

Municipal Responsibilities for Housing

Under the new policy guidelines the City of Riga has acquired critical functions for the management and maintenance of municipal and privatized housing as well as provision of housing allowances to low income households. These functions are carried out by several institutional entities in the municipal bureaucracy.

The Housing Administration Division:

- Prepares and maintains a waiting list of those households requesting housing;
- Identifies and rents vacant flats; prepares flats for auction;
- Facilitates the exchange of flats.

The Communal Economy Administration:

- Prepares operating and capital budgets for review by Riga City Council and implement such budgets through management and maintenance activities;
- Co-ordinates provision of building services including electricity, heating, sewer and water;

- Collects utility and rent payments for residential and commercial properties;
- Supervises six district maintenance companies who carry out repairs or contract out maintenance as needed.

A particular feature of municipal housing institutions in Latvia is the existence of Municipal Housing Maintenance Enterprises (MHME). Their main functions are: i) administration of multi-family houses, ii) maintenance and repair of housing stock, and iii) maintenance of public areas, landscaping, maintenance and repair of public buildings. MHME function as municipally owned monopolies within the six districts of Riga. The present combination of privatized housing and Soviet-type monopolistic institutions is considered to be a major problem affecting the establishment of housing management institutions. Currently MHMEs in Riga are subject to restructuring due to bankruptcy procedures.

Maintenance and Management of Municipal Housing

Municipalities are entitled to set rents in their administrative boundaries, which is a radical departure from the previous policy of state controlled rent levels. The legislation also allows rents to be differentiated according to quality and location of housing. In practice, Riga and most municipalities in Latvia are charging uniform rents, thus pooling costs across the stock. Correspondingly, the municipal maintenance companies charge marginal fees for upkeep and resort to patchwork maintenance and emergency repairs.

Management practices in Riga require major improvement. In a number of cases tenants' rental and communal debts were transferred to new owners and/or renters of the apartment. Such illegal "procedures", as well as inefficient collection of payments, lack of effective mechanisms to recover debt and to initiate eviction, have aggravated the financial problems of municipal management companies and building owners. Other practices include illegal "letting" of vacant apartments without communal payments and lack of transparency in the transactions with municipal apartments. Similar problems are reported in the state owned housing stock (Riga Housing Strategy, 2000). The City of Riga is addressing these issues through institutional and policy reforms.

There is a growing concern that the City of Riga needs to find alternatives for municipally owned buildings in emergency state of disrepair. The need to deal with repairs and improvement in multifamily housing seems to be another priority. Local programs (e.g. for Mežciems housing district) for replacement of heating installations, insulation and retrofitting are currently under review. In the context of fiscal austerity, however, these measures will be financed through credits; repayment schemes imply gradual rent increase to account for capital improvements and the cost of servicing the loan. This scenario means policies

aiming at rent increase and cost-recovery of services, which is politically unpopular.

Social Support for Housing

Social support in housing may be provided in one of the following forms: i) access to municipal rental housing, and ii) housing allowances for rent and utility payments. In the first category, support is limited to citizens that lack adequate housing. Priority is given to households with special needs: orphans, the handicapped, chronically ill, the elderly, and single parents. In the second category, allowances are provided to socially disadvantaged households with income lower than the determined minimum, regardless of their tenure status.

The housing waiting list. The Law on State and Municipal Assistance for Resolving Housing Problems, adopted in 1993, specified a set of eligibility criteria for the registration and allocation of municipal housing. Households are categorized in three different groups: ⁷

- Large families with disabled children, or large families where parents have retired; politically repressed individuals tend to be in this category;
- Households in denationalized properties where one flat has to be vacated for the needs of the owner ;
- Households in communal flats or households living for 40 years in units without adequate utilities, families sharing one flat, households in substandard units.

Riga has a long history of housing shortages. According to experts from the Housing Policy Division in the Communal Services Department at least 7,300 households are in need of housing (Table 2).

Table 2 Housing waiting list, City of Riga

Registration with the municipality	Number of households
Category 1	1500 households
Category 2	1000 households
Category 3	4,800 households
Other	1,200 households
TOTAL	8,500 households

Source: Communal Services Department, February 2000

⁷ The legislation has identified a special priority group -- residents in emergency housing, orphans 18 years of age, former prisoners and expatriates returning to Latvia - total number of households registered with the City of Riga Communal Department -- 500. These households are included in category 'other' in Table 2.

A large number of low-income households are facing difficulties with payments of rent and utilities. Riga City Council has adopted new regulations, which allow tenants in arrears, particularly retired and/or disabled individuals, to receive priority in access to municipal housing. However, choices are limited to lower quality, substandard housing units. Currently 700 households are registered with the municipality in this category.⁸

Riga City Council has adopted a new policy, which allows changes in the status of apartments, provided that households face difficulties in maintaining its rent and utility payment. The 'social status' of the unit will allow rent to be reduced to 0.04 Ls/m² and utility payments to be reduced by 75 percent. These temporary measures eliminate the need to initiate court procedures when debt exceeds 500 Ls. They also allow re-adjustment of the family's financial situation without relocating. Currently 500 apartments have acquired 'social status', however the need seems to be much greater.

Housing allowances. The Law on Social Assistance, adopted in 1995, transferred the responsibility for housing support from the state to the municipal level. State financial support for housing is non-existent and municipal subsidies – limited. In Riga direct housing subsidies in the last three years account for 1.5-1.8 percent of the municipal budget. In addition, the municipality in the last few years has been paying accumulated debt for utilities, which is as high as 8 million Lats. The payment was transferred to Latenergo for utility arrears in 1996-1998. Recently housing subsidies have shifted away from general support (available irrespective of income) towards personal, income-tested support. A minimum of 50 Lats per person per month forms the basis for housing allowances in Riga. Eligible households receive housing allowances from the Department of Social Welfare of the City of Riga regardless of their tenure status. Interviews indicate that 8 percent of total households in Riga received housing allowances during 1999.⁹ As data presented in Figure 26 indicate, most of the recipients tend to be the single person and single parent households that altogether account for 46 percent of recipients.

Housing allowances vary between 1-3 Lats per person per month. It is questionable if the support is adequate to cover basic housing needs. Reportedly, the application process is too cumbersome and families seem to fall through the cracks.

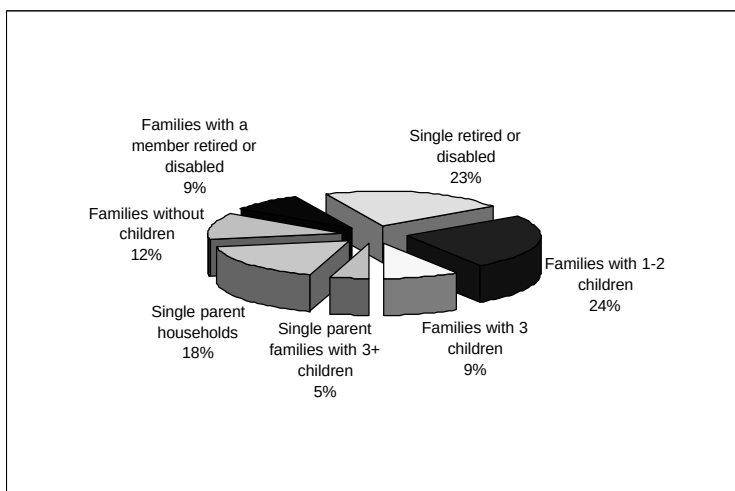
⁸ These households are included in category 'other' in Table 3.

⁹ Though the system has been established in 1993, it has not been operational until recently.

The Impact of Housing Reforms on Housing Market Performance

Restitution, land reform and privatization were among the most important reforms enacted by Latvian government, which provided the necessary foundation for the development of a real estate market (Jaffe, Turner and Victorin, 1995). Riga's economic profile and dynamic economic activity since Independence have created unique opportunities for private agents – households and institutions – in the newly emerging housing market. The analysis will focus on three clusters of market outcomes – dynamics in house prices, rates of new housing production and housing affordability.

Figure 7 **Profile of recipients of housing allowances, Riga 1999**



Source: Department of Social Welfare of the City of Riga, February 2000

Housing Consumption and Quality

A quantitative comparison of housing consumption ranks Latvia somewhere in the middle among countries in transition. With respect to average floor space per person, Riga with 20.3 sq. m. compares favourably to housing consumption rates in other capital cities.¹⁰ In fact, average housing consumption has increased over the last decade, mostly as a result of dramatic population decline. More than 100,000 residents have left the city, including a massive exodus to Russia and other countries in Europe and North America.

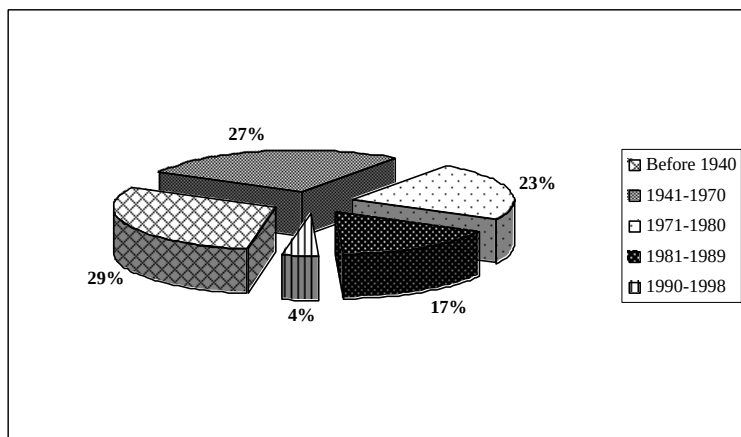
Dwellings in Riga are relatively small. The average living floor space for all types of dwellings was 48.86 m² in 1998, ranging from 32.7 m² in dwellings

¹⁰ Moscow, for example, had 16.7 sq.m per person in 1994, Warsaw – 18.5, Vilnius – 16.2 and Bucharest – 19.4 (UNECE 1997).

with one room to 91.7m² in dwellings with 4 and more rooms. It appears that one and two room dwellings tend to be more overcrowded compared to larger units (Tsenkova 2000b). These consumption patterns can be attributed to the legacy of the Soviet housing allocation system, which did not allow much flexibility. Once allocated units were rarely exchanged – that led to overcrowding during earlier stages of the family life cycle and over consumption towards later stages, as children leave the family home.

Riga's relatively new housing stock consists mostly of apartment housing in multifamily buildings. As Figure 8 indicates, close to 45 percent of the dwellings were built in the last 30 years and as much as 40 percent of the stock dates back to the period between 1971 and 1989, which is the result of massive investment in new housing construction during the Soviet era.

Figure 8 **Age of the housing stock in Riga**



Source: Author's estimates

According to the availability of amenities, housing quality appears to be high. More than 85 percent of Riga's housing stock has a central heating system and is connected to the national gas grid. Almost 90 percent of the housing is equipped with bathroom or shower and more than 99 percent is connected to piped water. Despite these positive trends, Riga appears to have 939 buildings in emergency state of disrepair, which is 11.5 percent of state and municipally owned housing (Central Statistical Bureau of Latvia, 1999b).

Detailed assessment of the technical quality of existing housing is non-existent. In general, the legacy of previous housing policies has contributed to a serious backlog in maintenance and repair of the housing stock and technical infrastructure. The situation was further aggravated during the transition period due to government withdrawal from the financing of repair and modernization activities. It is estimated that 25-45 Lats/sq.m. are needed for repair and

improvement. According to a recent study by Latvian Ministry of Environmental Protection and Regional Development the prefabricated panel buildings, which comprise close to 59 percent of the housing stock in urban areas, require 450-490 million Lats for energy improvement and reconstruction. These units were constructed in the last 30 years using mainly large-panel technology with poor thermal insulation (see Figure 9). Surveys show that the economic effect of these improvement measures can be as high as 8-8.5 million Lats.¹¹ Part of the construction elements and the technical equipment in these buildings are in the final stages of their service life. Leaking roofs and damp walls are also a common problem.

Figure 9: Panel buildings in district Krasta, built in the 1970s



In addition to technical problems with the panel housing construction, the deterioration of housing in Riga's historic core is particularly significant (Marana, 1998). Most of the historic buildings after the privatization have become the home of affluent as well as lower income households. This social mix within one building envelope, added to the lack of adequate financial and legal mechanisms to sustain investment in maintenance and renewal, further

¹¹ Rehabilitation of the panel housing stock should include: (a) renewal of external insulation; (b) replacement of windows and/or doors; (c) replacement of gas, water, energy and heating systems. Complete replacement of the entire technical infrastructure of the buildings, including elevators, is another part of the proposed renewal package. The Ministry of Environmental Protection and Regional Development in co-operation with the Danish Ministry of Housing and Urban Affairs and the Dutch Agency for Energy and the Environment has concentrated its efforts on the development of pilot projects to demonstrate the impact of energy saving measures.

aggravates existing problems. Despite the poor technical condition of the buildings, the attractiveness of these units is reflected in the escalating prices for apartments in these areas. Often housing in attractive parts of the city leaks out of the sector and is converted to office and retail uses.

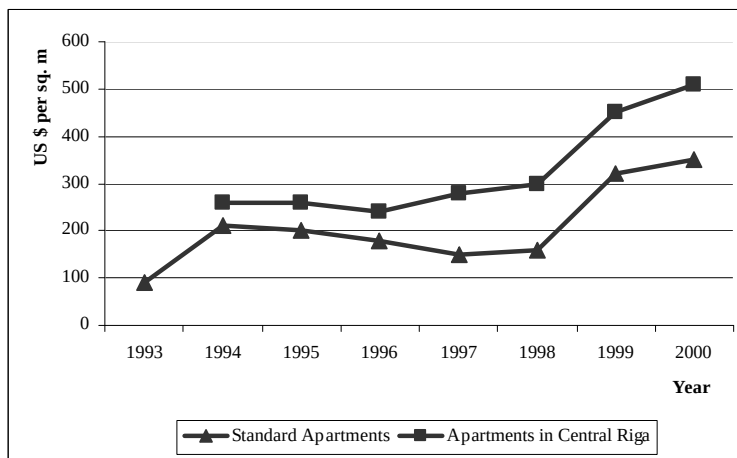


Figure 10 **Riga's historic core – home to affluent and low income residents**

Dynamics in Prices

Early sales in the housing market were limited to properties restituted to former owners, privatized apartments and 'the right to buy'. The latter option seems to be more cumbersome, because formal legal title and ownership rights are not transferred at the time of sale. Real estate agents confirm that an informal property market existed during Soviet times, when parties agreed to exchange the right to rent state or municipal dwellings. Similar practice continued to exist until 1993 due to delayed privatization.

Figure 11 **House price dynamics in Riga, 1993-2000**



Source: Real Estate Agency 'Latio', February 2000

Available information suggests that the price of housing in Riga has increased much faster than inflation. The market for apartments has been relatively stable until 1997 (Figure 11). By 2000 prices of centrally located apartments have reached US\$ 500 per sq.m., a two-fold increase compared to 1997. These processes were partly due to the fact that communal apartments attracted institutional investors who refurbished the units and sold them at a higher profit (Markovs, 1998). While 85 percent of the transactions involve apartments in the housing estates, demand for centrally located housing has pushed prices in the historic part of Riga up to US\$650-750 per sq.m.

Prices of standard apartments have increased rapidly since 1998. Further, they have become more differentiated to reflect quality and location. Apartments built during Stalin's era are more attractive due to proximity to the central area and higher quality of construction methods. Purciems, Plavniki and Zolitude are regarded as better housing estates, with prices 30-50 percent higher compared to Bolderaja, for example. Reportedly, 119 construction series has established a reputation of higher end prefabricated housing. The floor plan of individual units in this series allows better organization of residential activities; spatial standards also tend to be more generous.

Overall, the operation of the housing markets and the growing differentiation of house prices in Riga have resulted in a considerable divergence in the investment position of homeowners. Those processes have contributed to the growing inequality between home ownership in attractive inner city housing vs. home ownership in less desirable housing estates (see Figure 12). This 'two tier housing market' will continue to reflect growing differences in social and economic status.



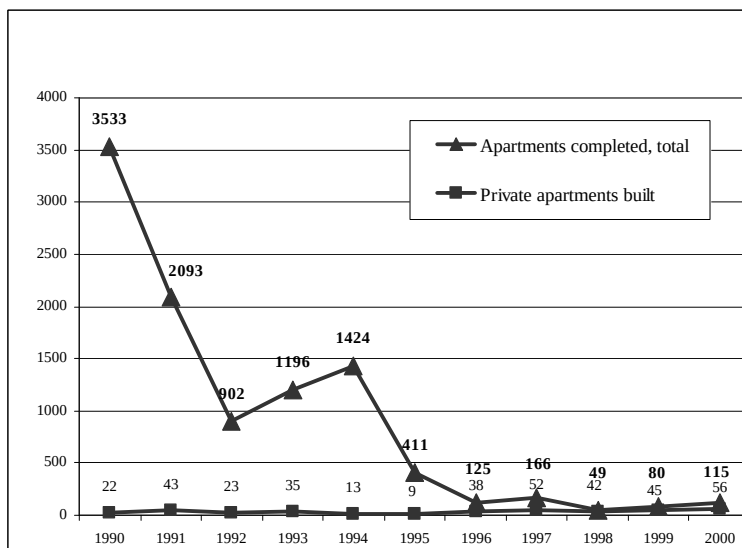
Figure 12 **Housing at 12 Alberta Street – one of the most exclusive neighbourhoods in Riga**

New Housing Construction

In the 1980s, investment in new housing was at its peak with close to 55,200 apartments added to Riga's housing stock. During the transition period, when state subsidies for large-scale panel construction were abolished, new housing construction was reduced dramatically to a total of 6,500 apartments for a ten-year period (Central Statistical Bureau of Latvia, 1999a). While a similar downward trend is observed in other transition capitals, Riga's recession in new

housing construction is much more pronounced and requires urgent policy intervention.

Figure 13 Dwellings completed in Riga, 1990 – 2000



Source: Central Statistical Bureau of Latvia, 1999b, 2000a

The recession has affected the public sector in a significant manner. As shown in Figure 13 publicly constructed apartments in 1998 were 1.4 percent of the output in 1990. Meanwhile the private sector accounts for a marginal number of units -- 9 to 52 -- on an annual basis. Overall housing investment in the late 1990s in Riga is between 5 to 7 percent of total construction investment.

The municipality has over 40 uncompleted building with more than 800 units. Interviews suggest that there has been recent interest on behalf of private developers to acquire several of those buildings through auctions at below market prices. While these cases are more the exception, rather than the rule, the municipal administration seems to perceive it as a way to resolve the problem with uncompleted housing. The low rates of new housing construction as well as uncompleted housing can be attributed to the escalation of construction costs. Driven by liberalization of building materials and land, construction costs have reached US\$ 300-450 per sq.m., which has affected house price-to-income ratios. Research demonstrates that given the average income US\$300 per month, most of Riga's households are excluded from access to the market for new apartments. Reportedly, privately financed housing is for affluent consumers and high income households moving up the housing market (Tsenkova, 2000b).



Figure 14 **New single-family housing on the outskirts of Riga.**

Interviews with municipal officials and private developers indicate that the provision of technical infrastructure is a major problem. Off-site provision of water supply and sewerage networks is a statutory municipal responsibility.¹² State utility companies have no obligations to connect new residential sites to existing infrastructure. Lack of municipal funding, and inability of the private sector to take over the task of infrastructure development are important constraints for new housing development.

Housing Costs and Affordability

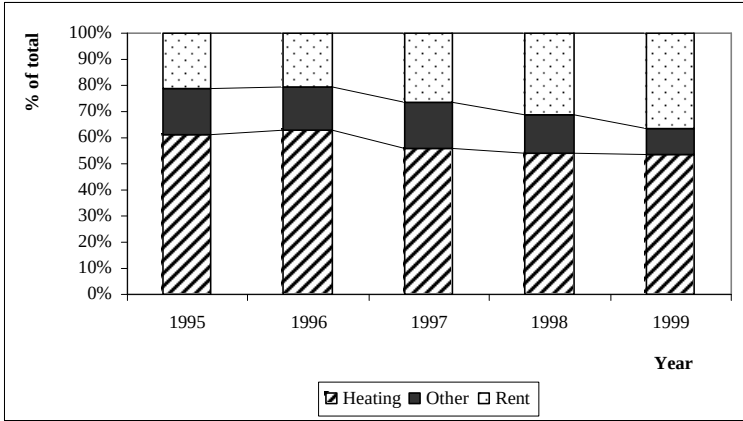
Despite positive trends in income growth, house purchase remains unaffordable for a larger number of households. Calculations based on average household income and house price data for Riga in 2000 show that the ratio is 1:3 to 1:4. Though the estimate reflects the situation in the first half of 2000, and is based

¹² At the moment, Riga municipality is responsible for the provision and development of infrastructure, but the budget restrictions impose severe constraints. Some of the developers indicated that the practice is to negotiate off-site infrastructure provision on an individual basis with the municipality and the utility companies. Often these additional costs add a premium of up to 30 percent on the sale price of completed housing.

on the assumption that the average dual income household will be purchasing a standard 2-room flat in Riga's housing estates, it still indicates moderate affordability constraints. However, house price-to-income ratios in Riga are not as high as in the other capital cities in Central and Eastern Europe. Rather, the problem seems to be lack of access to affordable housing finance that will allow housing costs to be carried over a longer period of time. Clearly, most new households will not be able to purchase housing without adequate mortgage instruments and/or state support. However, due to the privatization process, most existing households wishing to move would have an asset to sell or rent out to generate net income, which needs to be factored into the assessment of affordability.

While new households face affordability problems in the homeownership market, housing costs in the public/state rental sector appear to be modest. According to information presented in Figure 15, average housing costs -- rent together with utilities -- constitute 15 percent of the total household expenditure for the average dual income household. Municipal maintenance companies charge 0.145 Lats per sq.m. for rent and/or maintenance fees. There is no differentiation with respect to housing quality, tenure status or income.¹³

Figure 15 Housing costs in municipal housing, 1995-1999



Source: Municipal maintenance company “Mezciems”, Riga, May 2000

¹³ Utilities include the cost of heating, hot water and electricity for common areas. Tenants and owners pay an equal amount for the maintenance of the building, which is labelled as ‘rent’. Legally, municipalities are allowed to determine these rents, but there does not seem to be any effort to introduce rent differentiation or cost recovery for services rendered. In Riga rents in the municipal or state owned stock tend to be slightly higher compared to the ones in the co-operative sector established by coop members.

In general, the analysis reveals a distorted structure of housing expenditure, with the bulk of the costs consumed by utility payments, rather than fees that sustain the value and the quality of housing assets. Although rents have increased by almost 50 percent between 1995 and 1999, they still account for less than 35 percent of the total housing costs. Meanwhile utilities, and heating in particular, have reached world prices and have absorbed a disproportionately high share of the household budget. Local experts argue that for some groups housing costs might be as high as 60-80 percent during the winter months, mostly due to prices of heating and electricity. *Surveys suggest that about 73 percent of the households in Riga have difficulties maintaining their payments, which appears to be equally problematic for owners and tenants (see Table 1).*

Towards an Integrated Approach: Agenda for Reform

Future development of the housing sector in Latvia will depend on sound macro economic policies and on the ability of the market to distribute housing in an efficient and effective way. Institutional capacity building, restructuring of the housing industry and the system of housing finance are instrumental for the success of these efforts. Growth and investment in housing can be maintained if competitiveness and attractiveness of the sector increases sufficiently. While accelerating the restructuring of the housing sector along market principles is closely linked to the stabilisation of the economy, it also depends on the commitment of the government to channel funds into rehabilitation of the existing housing, as well as to undertake further reforms. Possibilities include differentiation of rents, privatisation and competition in the maintenance and management of housing, establishment of financial incentives to ensure cost recovery of housing services and more explicit regulation of owner-occupied multi-family buildings.

Latvia might benefit from a comprehensive and efficient national housing policy, which will perceive housing investment as an engine of economic growth and social development. The housing sector can provide labour mobility and facilitate economic transition within regions and sectors, improve macro economic performance, as well as promote innovative financial systems and sustainable development. Thus the housing sector needs to be integrated in state economic programs and strategies.

The analysis suggests that a sustainable and healthy housing sector requires immediate measures that will create: i) effective legal framework; ii) efficient institutional capacity to manage and maintain housing; and iii) workable system of housing finance. The delay in introducing the mechanisms and the enabling framework for an efficient housing system in Latvia might have

detrimental effect on its emerging housing markets and long-term impacts for housing affordability (Tsenkova, 2002).

At the municipal level, the City of Riga needs to address its housing problems through a coherent strategy for reform. One of the highest priorities should be to prevent further decay and inefficient use of the existing housing stock. A comprehensive approach to address the problems of maintenance and management of existing housing requires the following major initiatives:

- Preparation of municipal action plans for housing renovation and improvement;
- Pilot programs for priority areas, such as energy improvement;
- Establishment of earmarked funds for improvement of housing in 'old Riga'.

Following the completion of voucher privatization, the municipality needs to consolidate ownership in one building envelope and to eliminate, to the extent possible, mixed ownership arrangements. This process has to be supplemented by carefully designed policies dealing with maintenance and management of privatised multifamily buildings. Municipal management obligations should be phased out with the establishment of CSHs as a legal entity. Maintenance should become demand-driven, based on owners' obligations for future repair and upkeep of the housing unit and corresponding share of the common space.

In the post-privatization phase Riga municipality is left with a much smaller share of rental housing, often in substandard buildings. Within that context, a systematic overview of its rental policy is perhaps overdue. Emphasis needs to be placed on improvement of rent collection procedures, efficient measures to deal with cumulative rent arrears and prudent financial management of limited revenue. The municipality could introduce rent differentiation to reflect quality and location of the unit and aim at cost recovery of services. This needs to be accompanied by the development of a more efficient and transparent housing subsidy system that targets the needy and abolishes the general subsidies through uniform, low rent policy (Tsenkova, 2000b).

In summary, policy reforms are essential for well functioning housing markets. It appears that after a decade of 'muddling through', the present government has made a commitment to establish a comprehensive framework for policy reform at the national level, where equal attention is given to legal, institutional and financial aspects of the process. These efforts would deliver better results if supplemented by capacity building to enhance the capability of agencies operating in the housing sector. Five levels of intervention might be discerned: i) *national* (assisting state institutions with development of national housing policy framework and programs for intervention); ii) *municipal* (facilitating the development of well targeted systems of housing support); iii) *organizational* (assisting banks, providers of maintenance and management services, contractors to adopt practices that encourage competition and provision

of higher quality services at competitive prices); iv) *community* (assisting the establishment of CSHs and introducing them to sound financial practices and the benefits of energy retrofits); and v) *individual* (facilitating change in attitudes and perceptions of homeownership).

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Privatisation, Segregation and Local Engagement:

A Latvian Case Study

Ulla Berglund

Introduction

From September 1997 to December 2001, the district of Mezciems in Riga, the capital of Latvia, was the field of a research study on everyday life and the local environment. The aim of the project was to investigate some social aspects of transition at the micro level, and to try and understand the role of the physical environment in people's life in a time of fundamental change.

The physical structure of Riga's modern districts and the organisation for managing them is a prominent part of the heritage of the Soviet era. A main objective of the study was to investigate implications on individuals and on the local community from the encounter between this old structure and the emerging 'new Latvia'— adapting to the market economy and the western lifestyles. School children and their families are an explicit focus, but the emphasis is on their perceptions about the future. This paper reports an outsider's view, but one that has grown through close contact with the place and its people. It further concentrates on items with some economic focus, like housing and management of the property, and people's material expectations for the future.

The research methods applied on the whole were qualitative, using participant observation, in-depth interviews and un-standardised 'observation walks' in the district. School children have answered questionnaires, drawn maps, written compositions and taken photos of 'favourite places'. A few key informants, including the housing manager of the estate Mezceims, have reported repeatedly on their life, work and thoughts. Two school classes have also been visited several times during the four-year period. The repetitive nature of the research design was an attempt to follow some processes and to try to catch signs of change in the place itself, as well as in behaviours and attitudes concerning the place.

The modern ‘micro-district’¹ of Mezciems was built about nine kilometres east of the city centre within, and adjacent to, the former village carrying the same name. The building period was from 1976 to 1988. Already by the 1960s the village was extended with self-built single-family homes. At that time, the extreme growth of Riga, which already had started, was still not supposed to reach as far as Mezciems, which then was just partly within the territory of the city. The incorporation of land and the laying out of plans resulted first in blockhouses being built among the single-family houses in ‘Old Mezciems’. Then, on the adjacent arable land the ‘New Mezciems’ was built according to modernistic principles in a big quarter now containing the majority of the built up structure and most of the services like schools, the shopping centre, and the market place. A big hospital was built on an adjacent site bordering one of two forested areas surrounding Mezciems. The other forested area separates Mezciems from the more central parts of Riga. The name Mezciems means forest village.

A big shopping centre was planned for an area by a small lake between the two parts of the district, however, it was never fully realised. Only one part was built, and today half finished structures, surrounded by fences and long corroded by rust, remind us of the big dreams of the Soviet society that proved to have no basis in the real economy. Today the market for consumer goods is expanding and new external shopping centres and super markets are emerging around Riga. In Mezciems some projects have been realised on vacant land, but none on the originally planned location. My impression (built on personal observations and interviews with the housing manager in Mezciems, Gunta Juhnevica) is that today the entrepreneurs have the initiative, and their projects are welcomed by the city authorities. This totally contrasts with the old system.

An Outcome of Soviet Planning and Building

In the Soviet system the urban growth was ‘controlled from without and above’ Edmunds Bunkse, Latvian-American geographer (1979) states in a critical article examining the (absent) humanism in Soviet urban planning. The general plans for the cities were all worked out in Moscow as were the standard housing design, and only a little local adaptation was possible. The ideal city should be planned as a single architectonic and social organism ruled by one comprehensive idea based on a scientific, integrated theory of architecture (Bunkse, 1979). Bunkse reports a passage by Arija Rozenbergs (1962: 42) where she claims that Latvian cities had ‘acquired the imprints characteristic of socialist cities, where everything is subordinated to the interests of working people’. Rozenbergs further states that the old dichotomy between a ‘well-

¹ Soviet terminology; ‘microborough’ or ‘microrayon’ may also be used (Bunkse, 1979).

serviced central area' and a 'poor ill-serviced periphery' was being 'liquidated'. Modrite Luse, an active architect and researcher in the Soviet era, stresses not only the contrast between this rhetoric and the poor result, but also the denial of critical views. Luse also claims that the design of the outdoor environment was usually made in a less serious way and as a result was not fully realised. (Luse, personal communication, 2000). However, when confronted with the statement by Bunkse about the little influence by local planners and architects, Luse, as well as her Lithuanian colleague Jurgis Vanagas, protested. Their own experience suggested that the local influence was real; that city planners in Riga, Vilnius and other cities shared power and responsibility with the authorities in Moscow (Luse and Vanagas, pers. comm., 2001).

The plan for Mezciems was a good example of the ambitions of supplying the inhabitants with all kinds of social and commercial services and contact with nature. Janis Brinkis (1996) comments on the aesthetic ambitions for the area and the created 'total living environment taking the greatest advantage of the possibilities at the time'. Today though, the low quality, standardised large-panel buildings, and small, standardised apartments (all with their own standardised serial numbers) indicate severe adaptations to the economic reality and the huge need for housing causing a lack of material as well as skilled workers. Housing was urgent due to migration, as people were moved to Riga from other Soviet republics. From 1944 to 1989 the number of inhabitants more than tripled rising from 226,000 to 912,000 (Marana, 1996). In the 30-year period of 1961-1990, 190,000 dwellings were built in Riga (Riga City Planning Department, 1999). This means that most of the inhabitants of Riga today live in the results of the industrialised building projects starting with the 'Khrushchevskys' after Khrushchev's housing program of 1958 (Luse, 1994).

When it comes to the outdoor environment of Mecziems, the detailed plans also show high ambitions concerning greenery and outdoor equipment, which are hard to recognise in the reality of today. A substantial part was never fulfilled due to scarce economic resources, and, today, much is outworn or demolished. The technical quality of what is left, to my judgement, is far below the standards in western public housing areas. After 20 years of use most concrete construction in retaining walls and ground cover are seriously damaged or simply crumbled to powder. The broken concrete on the ground and the cracks in the wall panels are main characteristics of the image of Mezciems. In the autumn of 2000 a gable wall of one of the nine-storey buildings actually had to be urgently reconstructed and strengthened in order not to break down.

The vast majority of the approximately 12,500 inhabitants² of Mezciems live in multi-storey block houses. According to figures from the Estate Mezciems (Juhnevica, 2001) around 10,000 people live on the estate. In the

² This figure represents a 'good guess' by Inara Marana (housing expert in Riga City Council) in 1999, as there is no official statistics available at this level (Marana, pers. comm., 1999).

estate are three main types of buildings: five- and nine-storey slab blocks and sixteen-storey towers, all with façades of concrete panels. Old Mezciems is predominantly built with five-storey ‘Lithuanian’ houses with the reputation of being tight and warm. This is a contrast to the nine-storey blocks, which are the most common and are dominating in ‘New Mezciems’. Here the architecture is more developed and workshops for artists are placed on the top in some positions.



Figure 1 Mezciems, main street; nine-storey slab blocks with concrete panel façades, deteriorating retaining walls.

The architecture, and the special layout, with blocks surrounding big irregular courtyards and an internal green passage, formed a somewhat more interesting exterior compared to the average estates of the time. In ‘Architecture of the Soviet Latvia’ (Strautmanis, 1987) the project of Mezciems has been reported as an attempt to ‘humanise’ the effects of the big scale. The problem of the scale had then been investigated in other micro-districts and negative reactions from the public had been noted. The layout, the architecture, the colours and some newly invented building details is said to make this micro-district well worth remembering (Strautmanis, 1987).

The bad construction, though, is easily experienced on the outside as well as in the interior. Different elements do not fit together, forming uneven floors and staircases with steps of different heights. The poor façades not only look ugly but also cause a lot of energy losses. There are problems with pipes and roofs, as well as the heating system, which cannot properly supply all the apartments when it is cold and windy. In the five-storey buildings, where heat is

distributed from below, the upper floor is under-supplied. In the nine-storey buildings the system works from the reverse direction, and the corner flats on the ground floor are known to be especially cold.

With regards to the buildings, my concern is focused on the nine-storey blocks, which appear the most problematic from a technical point of view. The six sixteen-storey tower blocks were built towards the end of the development period as 'accents'. To my knowledge their technical standard is higher, as is typical for development from the mid and late 1980s.

Rents and Repair

In Latvia, as in other former Soviet republics, the dwelling was regarded as a social right. Lena Breitner (1998: 14-15) gives a brief description of the situation. The rents and costs for communal services were fixed extremely low by the state, and not at all connected to actual costs in management and heating. Eviction was against the law (except for private landlords), so even people who did not pay could just continue living in their apartments. Apartments were 'given' to those who had the right to live in the area after an 'order' from the administration of housing. Preferences for things such as location and size of apartment were not considered. Once you were 'given' an apartment – after waiting some twenty years or having advanced in the system through bribes or special merits – you could live there as long as you pleased, or change it for another. Apartments could even be 'inherited'.³

The under-financed system inevitably resulted in neglect of maintenance. Not more than 10-20 percent of the needed maintenance costs could be covered by rents (Luse, 1994), and the housing companies had to apply for money from higher authorities in urgent situations. In the emerging market-based economy this unsustainable system requires a radical change. 'It is no longer possible to go to the City with a bottle of something asking for help, as it was during the Soviet era', Gunta Juhneva sarcastically remarks when discussing her hard mission in transitioning the estate Mezciems into the new system. Now both ends have to meet, and the rents and payments for heating, water, and electricity must cover the actual costs (Juhneva, pers. comm., 1999).⁴

In an interview in the autumn of 1997 Juhneva reported that technical insufficiencies had already been investigated and prioritised according to

³ As an apartment was not private property it could not be officially inherited. It was possible, though, as Gunta Juhneva comments (Dec. 2001), to register relatives in one's apartment and so pass it over to them.

⁴ When checking this text (Dec. 2001) Juhneva describes the habit during the Soviet time to go to Moscow with gifts typical for the own republic – like Riga's Balsams and Laima chocolate – and then negotiate for financing of costs.

urgency of repair. As a result, she was well aware of the nature and the size of the problems. Due to international contacts she was also well informed of possible methods and/or new systems used in East Germany and Scandinavia to promote individual saving of energy, improve insulation and improve the image of façades. Juhnevica found, however, no possibilities for financing these projects. Not even the measure of the highest rank – to repair and reconstruct the heating system and make regulation and measurement possible – could be realised in reasonable time. The surplus of the rents were simply too low. At that time, the average monthly rents were 28 lats for a one room flat and 45 lats for a three room flat in heating season, and approximately 75 percent of the rents were actually paid. While it was a crucial problem for the management that not all tenants were able to pay their rents, it was not at all unique or surprising. The average monthly (net) income for full time work at the time was 112 lats and old age pensions were as low as 42 (Central Statistical Bureau of Latvia, 2000). The fact remained that the manager had no chance to make what she viewed as necessary repairs and reconstruction even if everyone did pay the rent (Juhnevica, pers. comm.).

The situation in Mezciems and Riga could be compared to costs and incomes in similar situations in Tallinn and Vilnius. Janis Kursis (1999: 21) found that the average household expenditure for housing (including heating and electric power) was about 15 percent of the household budget in Latvia (1997) and Lithuania (1997), and 19 percent in Estonia (1996). This could be comparable to western countries, however, Kursis remarks that for single pensioners more than half of the pension might have to be spent on rent and heating under the heating season, when heating costs exceed the rest of the housing costs (1999: 22). When comparing to western countries it should also be noted that in Riga the average floor space per person is about 20 square meters (Central Statistical Bureau of Latvia, 2000), whereas in northern and western Europe 40 square meters is a more normal standard.

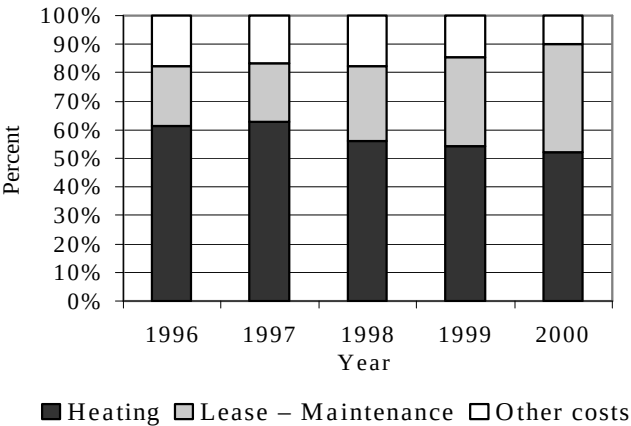
The costs for heating is also a primary concern for the manager of Mezciems, who has followed their actual explosion since Latvia became independent and the energy companies started to work on a commercial basis. With an extremely inefficient heating system, and without the simplest equipment for individual regulation, the waste of energy has to be huge. The manager tries to find out what savings could be done and there is an experiment conducted with nine-storey partly insulated houses. In the experiment the heating equipment is changed and the use of energy is compared to a similar building without changes.

When it comes to the hot water, the problem with measurement is more or less being solved 'by itself'. Due to an official amendment, households are allowed to install their own meters. This means they no longer have to share the overall costs for incoming water divided per person registered in the different dwellings. As the manager remarked (Juhnevica, pers. comm., 1999), the costs

for those who did not install individual meters increased so rapidly that the pay-off time for the meters was only three months. The poor correspondence between the individually measured use and what is measured at the official measure points might be an explanation; there might be leaks and there might be technical insufficiencies in the measurement. It is also suspected that some people are trying to cheat the system, reasoning things such as, ‘I use as much as I want and I pay as much as I want’ (Juhnevica, pers. comm., 1999). The lack of personal responsibility and unwillingness to act together are constant obstacles that the manager of Mezciems is faced with. So far, she has been unsuccessful in attempting to introduce a centralised, fair working system for individual measuring.

When it comes to payments of rents and communal services, the situation has not radically changed. Twenty per cent of the costs were still not paid as of 2001, and it seems that the total costs for living in the apartments did not change during the four years. Due to a complicated system for counting, exact figures for comparing are not available. However, the total monthly cost on average during 2001 was approximately 17 lats for a one-room flat (32 m²) and 41 lats for a three-room flat (62 m²) (Juhnevica, pers. comm., 2001). As indicated in Figure 2, payments for heating (including hot water) have diminished as part of the total costs, and some more money is spent on maintenance. This indicates some savings in the system where, for example, the individual meters might play a role. A new system for measuring the total use of heating has also been installed during these years. Earlier it seems like the estate paid for more energy than was actually used there.

Figure 2 Housing payments: Mezciems, Riga (1996-2000)



Source: Unpublished statistics from Mezciems, Gunta Juhnevica, Dec. 2001.

Privatisation of Apartments

Like in other former Soviet republics, privatisation of state or municipal apartments has been going on during the last few years. In fact, Latvia has had the slowest process of all the Baltic countries. Estonia and especially Lithuania acted faster and through simpler procedures. In Latvia, the majority of the privatisation only occurred in the last three years of the 1990s.⁵ In comparison with the situation in the two other Baltic countries it ought to be mentioned that in Latvia the non-citizens (Russians etc.) were disfavoured in the voucher system. This means that people citizens of other former Soviet republics may not be able to privatise their apartment without having some capital. One key informant that was interviewed had lived most of her 35 years in Latvia but had carried out her university studies in another republic and now was a non-citizen or 'alien' as written in her new passport. Her possible vouchers were so few that they were not worth the cost of registration, which was mandatory for using them. She felt humiliated by this. On the other hand, the market price of the vouchers went far below the nominal price and it was my experience that business-minded persons were able to just buy enough vouchers.

The examples above refer to interviews in 1999 and 2000 when most people in Mezciems who could afford to seemed to have decided to privatise. In fact, this was the only simple way to make something out of the privatisation vouchers. Other state property offerings for privatisation were scarce and seemed unsafe, and the market price of vouchers could be less than ten percent of the value it had when privatising your own apartment. The fact that vouchers were distributed, and the market for selling them was established several years before the time limit for using them⁶ as payment, had good as well as bad consequences. People were given time to think things through and inform themselves, but poor people, in many cases, sold their share to get something to eat or to drink. The common view I encountered in my first interviews and informal conversations with people in 1998 was scepticism to the privatisation of apartments. This scepticism did not seem to be a reflection of the criticisms of the district or even the bad technical quality of the built structures. The reasons reported were rather about the little point in buying your apartment when it appeared the costs would be the same and the rights of owning were unknown.

⁵ In this article there is no overview of this issue, no description of the law, the bureaucracy, and the complicated system of giving vouchers, arranging auctions etc. This can be viewed in Kursis (1999) and Breitner (1998) among others.

⁶ The discussion of privatisation of apartments emanated from the late 1980s. Not until 1995 was a law on privatisation of state and municipal apartments adopted. The delay depends mainly on the sensitive question of the non-citizens right to acquire property. (Breitner, *ibid*, p. 12)

No one declared a wish to organise and take common responsibility with his or her neighbours.

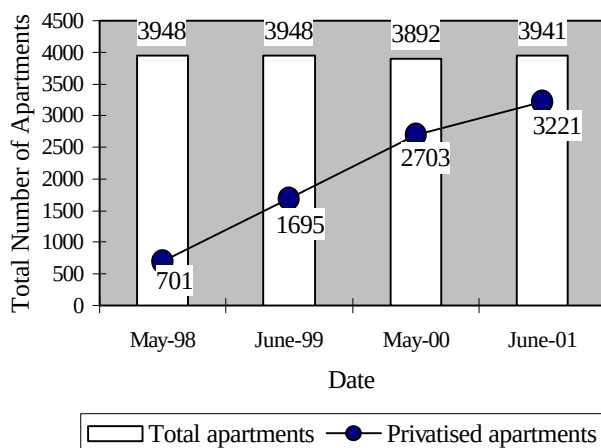
Part of the buildings in Mezciems belonged to cooperatives, where the inhabitants have had to pay to get an apartment. Others, who were tenants in the municipal buildings, had not noticed that those living in cooperative houses had any privileges of worth. In the old system they were all treated in the same way. The cooperative buildings however were given for free to those living there, and gradually it seems like they are acting more and more independently with less contact with the management company. Maybe their example could have inspired others, but the main reasons for the decision to privatise appeared to be for economic or security reasons. If, for example, an apartment were not needed for personal use, privatising was thought of as good business. This was reported in the media where market prices on real property⁷ were shown. The ownership became some kind of insurance for having possibilities to move, maybe to something smaller and cheaper, when becoming a pensioner. The demand on the market for small apartments is high. My informants are well aware of this.

During my visit in May 2001, one of my informants proudly showed her newly repaired kitchen. In 1998 she still indicated no wish to privatise her apartment but now, because of her vouchers and those of her grown up sons, it was done. They had privatised, and have started to renovate the dwelling themselves. She was, after years of reflection, also in the process of getting a Latvian citizenship and she had tried to persuade her sons to apply for it too. To become a citizen and to become an owner of a real property was, in her mind, obviously a way to become established in the new society. She had thoroughly analysed the situation, better than anyone else who I had spoken to. For others the private car seemed to have been the symbol of success or at least proving that you were not a loser. To this lady a home of her own was becoming the same. I would suggest that this feeling of pride and safety of ownership is spreading around many who actually made it and became homeowners. On the other side are the losers, those who 'have eaten and drunk their vouchers' as the housing manager puts it, or the ones with too few vouchers and no money (Juhneveica, pers. comm., 2001). There are also those who could not pay their debts for rent and communal services, which was a requirement for privatisation.

In total, after the time limit had been extended twice from the end of 1999 until the end of 2001, it appeared some ten percent of the apartments on the Estate Mezciems were still not privatised (Juhneveica, pers. comm., 2001). The housing manager is satisfied with this. The 90 percent who privatised show some kind of trust for this area and have, so to speak, passed the exam. In Figure 3 the process of privatisation from May 1998 until June 2001 is shown. By June 2001 contracts were concluded for 3,221 (82 percent) of the apartments.

⁷ In Latvia privately owned apartments are registered in the land book as real property.

Figure 3 **Privatisation of apartments in Mezciems, May 1998 – June 2001**



Source: Mezciems maintenance company

Juhnevica may not be typical in her positive attitude to privatisation, but she wants to take the chance to be part of the development of the district in cooperation with the new owners. She wants to sell the services and know-how of the restructured housing company to the future homeowners' associations. She is adapting her organisation for acting in the market not only because she has to but also because she wants to. Private persons or even potential future associations (e.g. one for each building) cannot solely be trusted to overcome the huge legal, commercial, financial and technical problems that must be solved in order to improve a place like Mezciems. Similarly, neither can the municipal company, responsible only for a small share of apartments spread over the area, solve these problems. It takes negotiation and cooperation that has never taken place before. No one knows more about this than Gunta Juhnevica, the manager. She has been the manager at Mezciems for the past ten years, and she is looking forward to her next ten years. She knows by experience that all improvements must come in small steps, and that the new owners must be persuaded that her vision is worth working on. Today nobody really knows what will happen to this or other privatised estates when every building is forced to become a unit and plot of its own and no one takes responsibility for the pieces left over.

Segregation Tendencies?

This study has attempted to look for tendencies of change dependent on the transition to a market-based economy and especially into a housing sector driven

by demand. When consumer preferences and choices decide the relative prices of property people learn about this and about the qualities of different districts, estates and even different types of buildings. Sasha Tsenkova has investigated the emerging housing market in 12 European, former socialist countries including Latvia. She concludes (2000: 12) 'Changes in demand indicate a growing focus on inner city living, more diversity in the housing product and a preference towards traditional material and construction methods.' This could be true not only for the former socialist states but also for the other urbanising and segregating parts of Europe. Renovated city apartments, as well as old or new brick or wooden 'castles', in calm suburban villages turn out to be popular among the few who can afford such dwellings. This is obvious in Riga as well as in Stockholm. Then, it is the prefabricated housing estates far from the city centre and with technical insufficiencies like Mezciems that become the places for those without choice.

Although the population of Riga is declining – at least in official terms – the housing deficit is substantial. For 1994 Tsenkova (2000: 15) reported it to be almost 25 percent. Further, of what was available for privatisation, the large-scale housing estates are by far the majority since they also represent the largest part of the total housing stock in the city. Time is also a crucial factor. Before the market prices were known, people (at least my informants) originally seemed to have very few ideas of which new 'socialist' micro-districts were regarded as more or less attractive, and as a result they were all judged as fairly equally. As people begin to value the status of estates through the price on the market (as in western countries), I suspect they will gradually get more and more aware of the 'value' of the different districts, and so the process will continue.

Another fact that still might be holding back the discrimination between different micro-districts is that people today still live really mixed, with poor and very rich in the same building. Many of my informants talked about some of their neighbours as having 'low culture' or behaving uncivilised. In a questionnaire distributed in Mezciems (Marana, 1999: 56) problems related to alcohol and drug abuse and 'unhelpful and careless people' were judged as serious problems in their living situation by 35 and 24 percent of the respondents respectively. It is my understanding that these problems are not at all concentrated in Mezciems but shared by most inhabitants in the former municipal housing districts. This may change, however, when people with debts are evicted, and the problematic households in economically bad situations can be more easily identified.

New homeowners and the management organisation have a mutual interest in getting rid of people who cannot either pay or behave as needed to fit in. Success or failure in this mission, I dare suggest, might affect the reputation of a district. Tenants have also been evicted from Mezciems. Where they go, on the whole, is their own business. In any matter, the process seems to proceed slowly.

I found no solution to the potential problems arising from owners who cannot pay, or who behave badly.

The conclusion thus far about Mezciems is that segregation tendencies are not really obvious here. It seems like the area has managed to keep itself somewhere in the big middle with regards to its attractiveness. It is a good enough place with its problems and its advantages, liked by many (not least the children) and disliked by some (especially those who are longing for a single-family house on a plot of their own).

The manager, Gunta Juhnevica, puts a big effort in getting the district neat and clean. She knows that this is what the majority wants, and the result of the questionnaire supports this also. In order to make the area attractive Juhnevica's vision is to make it the cleanest district in Riga. The grass is now cut where nobody cared before, the system for garbage handling is trimmed, special cleaning campaigns have been carried out, and repairs have been done on the worst retaining walls and some internal streets. Whether these actions will work for or against segregation I have no opinion of. The point is to act against deterioration into slums, to keep a good image and a good reputation on the market, as well as to satisfy the majority of the inhabitants who want to live in a decent place.

Anarchy or Self-Organisation

In my first year at Mezciems I noticed many signs of careless behaviour concerning the shared utilities. This was not only among children but others also, whose type of behaviour would not surprise me, if it did occur for example in a public housing area in Sweden. A frequent yet puzzling occurrence was the people crossing lawns, not only when it seemed advantageous, (e.g. due to a bad layout of footpaths), but also when the pavement would have been the preferred route (e.g. because of the shortcut being muddy or very sandy). I noticed many young girls and well dressed women reel on their high-heeled shoes along the uneven shortcut to the bus stop when it might have been faster and safer to use the paved path. I took the same shortcut myself, following my landlady on our way to a party very uncomfortably through dust and sand. The only way I can understand this behaviour is that it must be some kind of demonstration of sovereignty over the environment, like an act of protest. To my mind it seemed like immature behaviour. Maybe it was behaviour typical of '*homo sovieticus*', the person whose dignity was hurt by the system taking away their personal responsibility. Either way, it resulted in many broad and deep paths that worsened the image of the area. Car driving on lawns and even across the internal park happened regularly and led to similar consequences.

Another example of carelessness was letting the hot water run through the bath (in order for it warm up) when the central heating was turned off for the season and the cost of the hot water was shared with everyone. While this was

the cheapest option for the individual, it was hardly an effective method. A more effective method would have been to have electric radiators installed that force individuals to pay for the amount of water they use. In the case where an individual meter was in effect some people still tried to manipulate it in an attempt to pay less than the others.

More serious acts of carelessness or even illegal behaviour were demonstrated by some of the new homeowners. Some, for example, simply did not pay their rents (Juhnevica, pers. comm., 2001). They reasoned that since they now were owners they should not have to pay anymore. The manager had difficulties in explaining to them that the rent on the whole was for services not for capital.⁸ Others made illegal and dangerous changes in their apartments. One person penetrated the roof in order to install a chimney. Some put in big basins with water while others had taken away parts of walls needed for the stability of the building. Since the manager was still responsible for the buildings she had asked to inspect changes in apartment. Unfortunately, she was denied. She had even tried to get help from the city police, but had also been turned down. It simply seemed impossible to control what was going on inside the apartments, even if it might affect the safety for all people living there (Juhnevica, pers. comm., 2001).

It was the rich people living in the upper apartments that were mainly responsible for this serious and dangerous anarchy. It was here that artists had once lived and had their workshops, but, in most cases, could no longer afford to. Dangers are continually also caused by the poorest: the homeless that break into attics and basements and live there. This group is growing because of evictions. Often those who had found a cheaper place to live came back to live in Mezciems illegally (Juhnevica, pers. comm., 1999) because they were so attached to the district. To keep them out was too hard a task for the manager, who seemed to be the only one to care. No local solution for helping these people to find somewhere to sleep at night has so far turned up.

My initial intention to find people acting together for the best of the local community, on the whole, did not succeed. As the examples above illustrate, the arrogance to what was common goods seemed to be the normal attitude. If it was possible to cheat the system, it was just 'OK'. In some cases, though, I found willingness to cooperate. The main example of this was the Latvian school. Here families had been, and still are, very active in organizing and building a new school for Latvian children. This movement started a decade ago when the controversies in the former mixed school became too severe. I have reported in detail about this process in an earlier paper (Berglund, 2000). My point here is to emphasize that for the best of their children and their future many parents were willing to do a hard job for a long time without being paid for it. Some success

⁸ 'Rent' (ire) is now replaced with 'management costs' (*apsaimniekosanas izdevumi*) in the advice to the homeowners.

in these endeavours were recently realised when the city decided to finance and build the extension of the original school building, which was far too small.

Other examples of cooperation and caring are the active pensioners club, as well as, a group of people who may start activities for children in localities that are let for free by the housing company. The manager is behind these two initiatives. They are part of her vision for a better place with less loneliness and less children 'on the street' with nothing special to do.

Within the last year there is also another activity that is becoming commonplace. The inhabitants in many staircases have collected money for heavy iron doors with code locking. I am not sure if this is a good or a bad sign, but, in any case, it does ensure some level of personal security and keep the unwanted out. Perhaps this is a sign of the new owners' interest in protecting their common property, which might over time develop into a desire to ensure better care. On the other hand, the demand for this 'armour protection' shows the sharpening border between those inside and those outside, literally as well as symbolically.

The Future – The Children

Is there a future for a place like Mezciems? To this simple question I cannot answer by more than a guess: yes, I would like to think and hope there is. There are so many hard working people living here (and in other estates like this one), that are investing huge amounts of time and money in their own and common property. Unless technical or economic obstacles become too overwhelming, this ought to produce results both physically and emotionally. Mezciems might not be the place most people dreamt of, but most of my informants seem to be fairly satisfied. Marana (1999: 59) reports that 84 percent of the inhabitants that answered the inquiry said that they liked the district.⁹

The most common attitude I observed was that of acceptance; to accept what you had, to try to keep it and maybe make some improvements as time goes by. There was, however, some divergence from this attitude. There was, for example, the old couple that were extremely happy to be able to return to the garden city districts they once moved from. To them, the bright, new, modern living areas did not live up to their expectations, because, among other things, they did not turn out to be a place where you know and respect your neighbours. There were also some who dreamt of a single-family house, and others who maybe would have preferred to live in the city centre.

⁹ The figure might seem very high. On the other hand, this kind of result is what can be expected when asking directly about likes and dislikes. This phenomenon is well known among social scientists.

I met parents who had recently become well situated through business, were proud and happy with all their new things, and who were obviously enjoying life (albeit in a childish way I would remark). I also met parents that wished for nothing more than the security of their jobs and apartments and the hope that life would not get any harder. This was the more common attitude. These parents put their trust and most of their efforts in their children. They often showed an acceptance to very hard conditions of life and work. They invested practically all they had in things such as their children's education and social activities. Of course this might also be a good investment for their own future as pensioners, but nobody mentioned this and most parents were under forty years of age. While it was sad and touching listening to these fairly young people ask for so little for themselves, their attitude clearly showed belief in the future as a whole. Neither they, nor their former described counterpart, resemble the typical western parent of today: spoiled by their own parents, taught to put their trust in themselves, and used to having what they needed, and in many cases much more. Maybe the patterns observed at Mezciems can be regarded as typical for lifestyles in a transition situation.

What about the children themselves who represent the very future? In short – because this will be developed in an article to come – the opportunities do not look too bad. The overall living standard is slowly rising. The young generation with new and adequate education are in demand in the labour market. The society might not look too stable yet (because of an unruly political situation, corruption etc.), but the signs of progress in many areas are there and provide hope. The children themselves (9-12) seem optimistic and typical, but promising just as well. Their attitudes to Mezciems are in most cases positive, and they enjoy many places, other playmates and activities, although some problems, like heavy traffic on the surrounding streets and the bad smell of garbage, disturb them.

Most of the children could think of living in Mezciems as adults and some would prefer to. But when asked to write freely about their future, they wished rather that their homes would be in other (western) countries, or in beautiful places in the countryside. To live with their family in a house of their own was by far the most common hope and well corresponding to what children in Sweden and France wished for the future (Nordström, 2000). The children of Riga are accessing the television programmes and, to a growing extent the information on the internet, like the rest of the western world, which they just want to be part of, either in or outside their own district and their own country. I can see no reason why this should not happen.

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Personal Communication

Gunta Juhnevicā, architect, housing manager, The Estate Mezciems, Riga
 Modrite Luse, architect, PhD, researcher, Riga
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Privatisation, Segregation and Local Engagement:

A Latvian Case Study

Ulla Berglund

Introduction

From September 1997 to December 2001, the district of Mezciems in Riga, the capital of Latvia, was the field of a research study on everyday life and the local environment. The aim of the project was to investigate some social aspects of transition at the micro level, and to try and understand the role of the physical environment in people's life in a time of fundamental change.

The physical structure of Riga's modern districts and the organisation for managing them is a prominent part of the heritage of the Soviet era. A main objective of the study was to investigate implications on individuals and on the local community from the encounter between this old structure and the emerging 'new Latvia'— adapting to the market economy and the western lifestyles. School children and their families are an explicit focus, but the emphasis is on their perceptions about the future. This paper reports an outsider's view, but one that has grown through close contact with the place and its people. It further concentrates on items with some economic focus, like housing and management of the property, and people's material expectations for the future.

The research methods applied on the whole were qualitative, using participant observation, in-depth interviews and un-standardised 'observation walks' in the district. School children have answered questionnaires, drawn maps, written compositions and taken photos of 'favourite places'. A few key informants, including the housing manager of the estate Mezceims, have reported repeatedly on their life, work and thoughts. Two school classes have also been visited several times during the four-year period. The repetitive nature of the research design was an attempt to follow some processes and to try to catch signs of change in the place itself, as well as in behaviours and attitudes concerning the place.

The modern ‘micro-district’¹ of Mezciems was built about nine kilometres east of the city centre within, and adjacent to, the former village carrying the same name. The building period was from 1976 to 1988. Already by the 1960s the village was extended with self-built single-family homes. At that time, the extreme growth of Riga, which already had started, was still not supposed to reach as far as Mezciems, which then was just partly within the territory of the city. The incorporation of land and the laying out of plans resulted first in blockhouses being built among the single-family houses in ‘Old Mezciems’. Then, on the adjacent arable land the ‘New Mezciems’ was built according to modernistic principles in a big quarter now containing the majority of the built up structure and most of the services like schools, the shopping centre, and the market place. A big hospital was built on an adjacent site bordering one of two forested areas surrounding Mezciems. The other forested area separates Mezciems from the more central parts of Riga. The name Mezciems means forest village.

A big shopping centre was planned for an area by a small lake between the two parts of the district, however, it was never fully realised. Only one part was built, and today half finished structures, surrounded by fences and long corroded by rust, remind us of the big dreams of the Soviet society that proved to have no basis in the real economy. Today the market for consumer goods is expanding and new external shopping centres and super markets are emerging around Riga. In Mezciems some projects have been realised on vacant land, but none on the originally planned location. My impression (built on personal observations and interviews with the housing manager in Mezciems, Gunta Juhnevica) is that today the entrepreneurs have the initiative, and their projects are welcomed by the city authorities. This totally contrasts with the old system.

An Outcome of Soviet Planning and Building

In the Soviet system the urban growth was ‘controlled from without and above’ Edmunds Bunkse, Latvian-American geographer (1979) states in a critical article examining the (absent) humanism in Soviet urban planning. The general plans for the cities were all worked out in Moscow as were the standard housing design, and only a little local adaptation was possible. The ideal city should be planned as a single architectonic and social organism ruled by one comprehensive idea based on a scientific, integrated theory of architecture (Bunkse, 1979). Bunkse reports a passage by Arija Rozenbergs (1962: 42) where she claims that Latvian cities had ‘acquired the imprints characteristic of socialist cities, where everything is subordinated to the interests of working people’. Rozenbergs further states that the old dichotomy between a ‘well-

¹ Soviet terminology; ‘microborough’ or ‘microrayon’ may also be used (Bunkse, 1979).

serviced central area' and a 'poor ill-serviced periphery' was being 'liquidated'. Modrite Luse, an active architect and researcher in the Soviet era, stresses not only the contrast between this rhetoric and the poor result, but also the denial of critical views. Luse also claims that the design of the outdoor environment was usually made in a less serious way and as a result was not fully realised. (Luse, personal communication, 2000). However, when confronted with the statement by Bunkse about the little influence by local planners and architects, Luse, as well as her Lithuanian colleague Jurgis Vanagas, protested. Their own experience suggested that the local influence was real; that city planners in Riga, Vilnius and other cities shared power and responsibility with the authorities in Moscow (Luse and Vanagas, pers. comm., 2001).

The plan for Mezciems was a good example of the ambitions of supplying the inhabitants with all kinds of social and commercial services and contact with nature. Janis Brinkis (1996) comments on the aesthetic ambitions for the area and the created 'total living environment taking the greatest advantage of the possibilities at the time'. Today though, the low quality, standardised large-panel buildings, and small, standardised apartments (all with their own standardised serial numbers) indicate severe adaptations to the economic reality and the huge need for housing causing a lack of material as well as skilled workers. Housing was urgent due to migration, as people were moved to Riga from other Soviet republics. From 1944 to 1989 the number of inhabitants more than tripled rising from 226,000 to 912,000 (Marana, 1996). In the 30-year period of 1961-1990, 190,000 dwellings were built in Riga (Riga City Planning Department, 1999). This means that most of the inhabitants of Riga today live in the results of the industrialised building projects starting with the 'Khrushchevskys' after Khrushchev's housing program of 1958 (Luse, 1994).

When it comes to the outdoor environment of Mecziems, the detailed plans also show high ambitions concerning greenery and outdoor equipment, which are hard to recognise in the reality of today. A substantial part was never fulfilled due to scarce economic resources, and, today, much is outworn or demolished. The technical quality of what is left, to my judgement, is far below the standards in western public housing areas. After 20 years of use most concrete construction in retaining walls and ground cover are seriously damaged or simply crumbled to powder. The broken concrete on the ground and the cracks in the wall panels are main characteristics of the image of Mezciems. In the autumn of 2000 a gable wall of one of the nine-storey buildings actually had to be urgently reconstructed and strengthened in order not to break down.

The vast majority of the approximately 12,500 inhabitants² of Mezciems live in multi-storey block houses. According to figures from the Estate Mezciems (Juhnevica, 2001) around 10,000 people live on the estate. In the

² This figure represents a 'good guess' by Inara Marana (housing expert in Riga City Council) in 1999, as there is no official statistics available at this level (Marana, pers. comm., 1999).

estate are three main types of buildings: five- and nine-storey slab blocks and sixteen-storey towers, all with façades of concrete panels. Old Mezciems is predominantly built with five-storey 'Lithuanian' houses with the reputation of being tight and warm. This is a contrast to the nine-storey blocks, which are the most common and are dominating in 'New Mezciems'. Here the architecture is more developed and workshops for artists are placed on the top in some positions.



Figure 1 Mezciems, main street; nine-storey slab blocks with concrete panel façades, deteriorating retaining walls.

The architecture, and the special layout, with blocks surrounding big irregular courtyards and an internal green passage, formed a somewhat more interesting exterior compared to the average estates of the time. In 'Architecture of the Soviet Latvia' (Strautmanis, 1987) the project of Mezciems has been reported as an attempt to 'humanise' the effects of the big scale. The problem of the scale had then been investigated in other micro-districts and negative reactions from the public had been noted. The layout, the architecture, the colours and some newly invented building details is said to make this micro-district well worth remembering (Strautmanis, 1987).

The bad construction, though, is easily experienced on the outside as well as in the interior. Different elements do not fit together, forming uneven floors and staircases with steps of different heights. The poor façades not only look ugly but also cause a lot of energy losses. There are problems with pipes and roofs, as well as the heating system, which cannot properly supply all the apartments when it is cold and windy. In the five-storey buildings, where heat is

distributed from below, the upper floor is under-supplied. In the nine-storey buildings the system works from the reverse direction, and the corner flats on the ground floor are known to be especially cold.

With regards to the buildings, my concern is focused on the nine-storey blocks, which appear the most problematic from a technical point of view. The six sixteen-storey tower blocks were built towards the end of the development period as 'accents'. To my knowledge their technical standard is higher, as is typical for development from the mid and late 1980s.

Rents and Repair

In Latvia, as in other former Soviet republics, the dwelling was regarded as a social right. Lena Breitner (1998: 14-15) gives a brief description of the situation. The rents and costs for communal services were fixed extremely low by the state, and not at all connected to actual costs in management and heating. Eviction was against the law (except for private landlords), so even people who did not pay could just continue living in their apartments. Apartments were 'given' to those who had the right to live in the area after an 'order' from the administration of housing. Preferences for things such as location and size of apartment were not considered. Once you were 'given' an apartment – after waiting some twenty years or having advanced in the system through bribes or special merits – you could live there as long as you pleased, or change it for another. Apartments could even be 'inherited'.³

The under-financed system inevitably resulted in neglect of maintenance. Not more than 10-20 percent of the needed maintenance costs could be covered by rents (Luse, 1994), and the housing companies had to apply for money from higher authorities in urgent situations. In the emerging market-based economy this unsustainable system requires a radical change. 'It is no longer possible to go to the City with a bottle of something asking for help, as it was during the Soviet era', Gunta Juhneva sarcastically remarks when discussing her hard mission in transitioning the estate Mezciems into the new system. Now both ends have to meet, and the rents and payments for heating, water, and electricity must cover the actual costs (Juhneva, pers. comm., 1999).⁴

In an interview in the autumn of 1997 Juhneva reported that technical insufficiencies had already been investigated and prioritised according to

³ As an apartment was not private property it could not be officially inherited. It was possible, though, as Gunta Juhneva comments (Dec. 2001), to register relatives in one's apartment and so pass it over to them.

⁴ When checking this text (Dec. 2001) Juhneva describes the habit during the Soviet time to go to Moscow with gifts typical for the own republic – like Riga's Balsams and Laima chocolate – and then negotiate for financing of costs.

urgency of repair. As a result, she was well aware of the nature and the size of the problems. Due to international contacts she was also well informed of possible methods and/or new systems used in East Germany and Scandinavia to promote individual saving of energy, improve insulation and improve the image of façades. Juhnevica found, however, no possibilities for financing these projects. Not even the measure of the highest rank – to repair and reconstruct the heating system and make regulation and measurement possible – could be realised in reasonable time. The surplus of the rents were simply too low. At that time, the average monthly rents were 28 lats for a one room flat and 45 lats for a three room flat in heating season, and approximately 75 percent of the rents were actually paid. While it was a crucial problem for the management that not all tenants were able to pay their rents, it was not at all unique or surprising. The average monthly (net) income for full time work at the time was 112 lats and old age pensions were as low as 42 (Central Statistical Bureau of Latvia, 2000). The fact remained that the manager had no chance to make what she viewed as necessary repairs and reconstruction even if everyone did pay the rent (Juhnevica, pers. comm.).

The situation in Mezciems and Riga could be compared to costs and incomes in similar situations in Tallinn and Vilnius. Janis Kursis (1999: 21) found that the average household expenditure for housing (including heating and electric power) was about 15 percent of the household budget in Latvia (1997) and Lithuania (1997), and 19 percent in Estonia (1996). This could be comparable to western countries, however, Kursis remarks that for single pensioners more than half of the pension might have to be spent on rent and heating under the heating season, when heating costs exceed the rest of the housing costs (1999: 22). When comparing to western countries it should also be noted that in Riga the average floor space per person is about 20 square meters (Central Statistical Bureau of Latvia, 2000), whereas in northern and western Europe 40 square meters is a more normal standard.

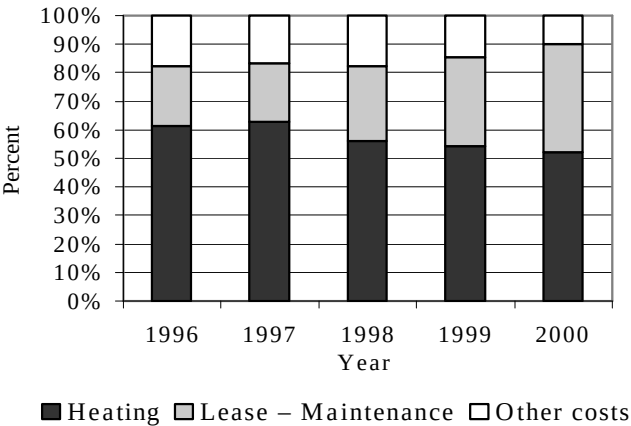
The costs for heating is also a primary concern for the manager of Mezciems, who has followed their actual explosion since Latvia became independent and the energy companies started to work on a commercial basis. With an extremely inefficient heating system, and without the simplest equipment for individual regulation, the waste of energy has to be huge. The manager tries to find out what savings could be done and there is an experiment conducted with nine-storey partly insulated houses. In the experiment the heating equipment is changed and the use of energy is compared to a similar building without changes.

When it comes to the hot water, the problem with measurement is more or less being solved 'by itself'. Due to an official amendment, households are allowed to install their own meters. This means they no longer have to share the overall costs for incoming water divided per person registered in the different dwellings. As the manager remarked (Juhnevica, pers. comm., 1999), the costs

for those who did not install individual meters increased so rapidly that the pay-off time for the meters was only three months. The poor correspondence between the individually measured use and what is measured at the official measure points might be an explanation; there might be leaks and there might be technical insufficiencies in the measurement. It is also suspected that some people are trying to cheat the system, reasoning things such as, ‘I use as much as I want and I pay as much as I want’ (Juhnevica, pers. comm., 1999). The lack of personal responsibility and unwillingness to act together are constant obstacles that the manager of Mezciems is faced with. So far, she has been unsuccessful in attempting to introduce a centralised, fair working system for individual measuring.

When it comes to payments of rents and communal services, the situation has not radically changed. Twenty per cent of the costs were still not paid as of 2001, and it seems that the total costs for living in the apartments did not change during the four years. Due to a complicated system for counting, exact figures for comparing are not available. However, the total monthly cost on average during 2001 was approximately 17 lats for a one-room flat (32 m²) and 41 lats for a three-room flat (62 m²) (Juhnevica, pers. comm., 2001). As indicated in Figure 2, payments for heating (including hot water) have diminished as part of the total costs, and some more money is spent on maintenance. This indicates some savings in the system where, for example, the individual meters might play a role. A new system for measuring the total use of heating has also been installed during these years. Earlier it seems like the estate paid for more energy than was actually used there.

Figure 2 Housing payments: Mezciems, Riga (1996-2000)



Source: Unpublished statistics from Mezciems, Gunta Juhnevica, Dec. 2001.

Privatisation of Apartments

Like in other former Soviet republics, privatisation of state or municipal apartments has been going on during the last few years. In fact, Latvia has had the slowest process of all the Baltic countries. Estonia and especially Lithuania acted faster and through simpler procedures. In Latvia, the majority of the privatisation only occurred in the last three years of the 1990s.⁵ In comparison with the situation in the two other Baltic countries it ought to be mentioned that in Latvia the non-citizens (Russians etc.) were disfavoured in the voucher system. This means that people citizens of other former Soviet republics may not be able to privatise their apartment without having some capital. One key informant that was interviewed had lived most of her 35 years in Latvia but had carried out her university studies in another republic and now was a non-citizen or 'alien' as written in her new passport. Her possible vouchers were so few that they were not worth the cost of registration, which was mandatory for using them. She felt humiliated by this. On the other hand, the market price of the vouchers went far below the nominal price and it was my experience that business-minded persons were able to just buy enough vouchers.

The examples above refer to interviews in 1999 and 2000 when most people in Mezciems who could afford to seemed to have decided to privatise. In fact, this was the only simple way to make something out of the privatisation vouchers. Other state property offerings for privatisation were scarce and seemed unsafe, and the market price of vouchers could be less than ten percent of the value it had when privatising your own apartment. The fact that vouchers were distributed, and the market for selling them was established several years before the time limit for using them⁶ as payment, had good as well as bad consequences. People were given time to think things through and inform themselves, but poor people, in many cases, sold their share to get something to eat or to drink. The common view I encountered in my first interviews and informal conversations with people in 1998 was scepticism to the privatisation of apartments. This scepticism did not seem to be a reflection of the criticisms of the district or even the bad technical quality of the built structures. The reasons reported were rather about the little point in buying your apartment when it appeared the costs would be the same and the rights of owning were unknown.

⁵ In this article there is no overview of this issue, no description of the law, the bureaucracy, and the complicated system of giving vouchers, arranging auctions etc. This can be viewed in Kursis (1999) and Breitner (1998) among others.

⁶ The discussion of privatisation of apartments emanated from the late 1980s. Not until 1995 was a law on privatisation of state and municipal apartments adopted. The delay depends mainly on the sensitive question of the non-citizens right to acquire property. (Breitner, *ibid*, p. 12)

No one declared a wish to organise and take common responsibility with his or her neighbours.

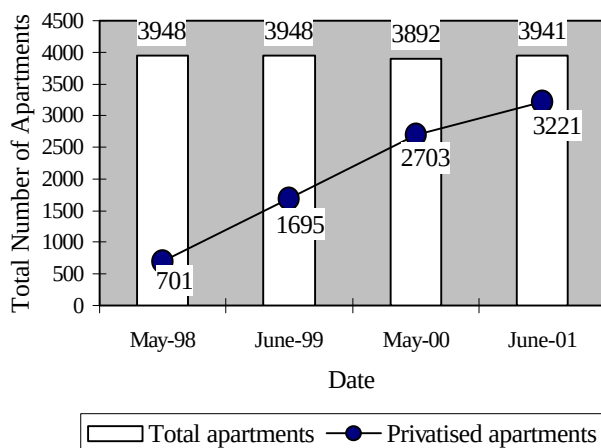
Part of the buildings in Mezciems belonged to cooperatives, where the inhabitants have had to pay to get an apartment. Others, who were tenants in the municipal buildings, had not noticed that those living in cooperative houses had any privileges of worth. In the old system they were all treated in the same way. The cooperative buildings however were given for free to those living there, and gradually it seems like they are acting more and more independently with less contact with the management company. Maybe their example could have inspired others, but the main reasons for the decision to privatise appeared to be for economic or security reasons. If, for example, an apartment were not needed for personal use, privatising was thought of as good business. This was reported in the media where market prices on real property⁷ were shown. The ownership became some kind of insurance for having possibilities to move, maybe to something smaller and cheaper, when becoming a pensioner. The demand on the market for small apartments is high. My informants are well aware of this.

During my visit in May 2001, one of my informants proudly showed her newly repaired kitchen. In 1998 she still indicated no wish to privatise her apartment but now, because of her vouchers and those of her grown up sons, it was done. They had privatised, and have started to renovate the dwelling themselves. She was, after years of reflection, also in the process of getting a Latvian citizenship and she had tried to persuade her sons to apply for it too. To become a citizen and to become an owner of a real property was, in her mind, obviously a way to become established in the new society. She had thoroughly analysed the situation, better than anyone else who I had spoken to. For others the private car seemed to have been the symbol of success or at least proving that you were not a loser. To this lady a home of her own was becoming the same. I would suggest that this feeling of pride and safety of ownership is spreading around many who actually made it and became homeowners. On the other side are the losers, those who 'have eaten and drunk their vouchers' as the housing manager puts it, or the ones with too few vouchers and no money (Juhneveica, pers. comm., 2001). There are also those who could not pay their debts for rent and communal services, which was a requirement for privatisation.

In total, after the time limit had been extended twice from the end of 1999 until the end of 2001, it appeared some ten percent of the apartments on the Estate Mezciems were still not privatised (Juhneveica, pers. comm., 2001). The housing manager is satisfied with this. The 90 percent who privatised show some kind of trust for this area and have, so to speak, passed the exam. In Figure 3 the process of privatisation from May 1998 until June 2001 is shown. By June 2001 contracts were concluded for 3,221 (82 percent) of the apartments.

⁷ In Latvia privately owned apartments are registered in the land book as real property.

Figure 3 **Privatisation of apartments in Mezciems, May 1998 – June 2001**



Source: Mezciems maintenance company

Juhnevica may not be typical in her positive attitude to privatisation, but she wants to take the chance to be part of the development of the district in cooperation with the new owners. She wants to sell the services and know-how of the restructured housing company to the future homeowners' associations. She is adapting her organisation for acting in the market not only because she has to but also because she wants to. Private persons or even potential future associations (e.g. one for each building) cannot solely be trusted to overcome the huge legal, commercial, financial and technical problems that must be solved in order to improve a place like Mezciems. Similarly, neither can the municipal company, responsible only for a small share of apartments spread over the area, solve these problems. It takes negotiation and cooperation that has never taken place before. No one knows more about this than Gunta Juhnevica, the manager. She has been the manager at Mezciems for the past ten years, and she is looking forward to her next ten years. She knows by experience that all improvements must come in small steps, and that the new owners must be persuaded that her vision is worth working on. Today nobody really knows what will happen to this or other privatised estates when every building is forced to become a unit and plot of its own and no one takes responsibility for the pieces left over.

Segregation Tendencies?

This study has attempted to look for tendencies of change dependent on the transition to a market-based economy and especially into a housing sector driven

by demand. When consumer preferences and choices decide the relative prices of property people learn about this and about the qualities of different districts, estates and even different types of buildings. Sasha Tsenkova has investigated the emerging housing market in 12 European, former socialist countries including Latvia. She concludes (2000: 12) 'Changes in demand indicate a growing focus on inner city living, more diversity in the housing product and a preference towards traditional material and construction methods.' This could be true not only for the former socialist states but also for the other urbanising and segregating parts of Europe. Renovated city apartments, as well as old or new brick or wooden 'castles', in calm suburban villages turn out to be popular among the few who can afford such dwellings. This is obvious in Riga as well as in Stockholm. Then, it is the prefabricated housing estates far from the city centre and with technical insufficiencies like Mezciems that become the places for those without choice.

Although the population of Riga is declining – at least in official terms – the housing deficit is substantial. For 1994 Tsenkova (2000: 15) reported it to be almost 25 percent. Further, of what was available for privatisation, the large-scale housing estates are by far the majority since they also represent the largest part of the total housing stock in the city. Time is also a crucial factor. Before the market prices were known, people (at least my informants) originally seemed to have very few ideas of which new 'socialist' micro-districts were regarded as more or less attractive, and as a result they were all judged as fairly equally. As people begin to value the status of estates through the price on the market (as in western countries), I suspect they will gradually get more and more aware of the 'value' of the different districts, and so the process will continue.

Another fact that still might be holding back the discrimination between different micro-districts is that people today still live really mixed, with poor and very rich in the same building. Many of my informants talked about some of their neighbours as having 'low culture' or behaving uncivilised. In a questionnaire distributed in Mezciems (Marana, 1999: 56) problems related to alcohol and drug abuse and 'unhelpful and careless people' were judged as serious problems in their living situation by 35 and 24 percent of the respondents respectively. It is my understanding that these problems are not at all concentrated in Mezciems but shared by most inhabitants in the former municipal housing districts. This may change, however, when people with debts are evicted, and the problematic households in economically bad situations can be more easily identified.

New homeowners and the management organisation have a mutual interest in getting rid of people who cannot either pay or behave as needed to fit in. Success or failure in this mission, I dare suggest, might affect the reputation of a district. Tenants have also been evicted from Mezciems. Where they go, on the whole, is their own business. In any matter, the process seems to proceed slowly.

I found no solution to the potential problems arising from owners who cannot pay, or who behave badly.

The conclusion thus far about Mezciems is that segregation tendencies are not really obvious here. It seems like the area has managed to keep itself somewhere in the big middle with regards to its attractiveness. It is a good enough place with its problems and its advantages, liked by many (not least the children) and disliked by some (especially those who are longing for a single-family house on a plot of their own).

The manager, Gunta Juhnevica, puts a big effort in getting the district neat and clean. She knows that this is what the majority wants, and the result of the questionnaire supports this also. In order to make the area attractive Juhnevica's vision is to make it the cleanest district in Riga. The grass is now cut where nobody cared before, the system for garbage handling is trimmed, special cleaning campaigns have been carried out, and repairs have been done on the worst retaining walls and some internal streets. Whether these actions will work for or against segregation I have no opinion of. The point is to act against deterioration into slums, to keep a good image and a good reputation on the market, as well as to satisfy the majority of the inhabitants who want to live in a decent place.

Anarchy or Self-Organisation

In my first year at Mezciems I noticed many signs of careless behaviour concerning the shared utilities. This was not only among children but others also, whose type of behaviour would not surprise me, if it did occur for example in a public housing area in Sweden. A frequent yet puzzling occurrence was the people crossing lawns, not only when it seemed advantageous, (e.g. due to a bad layout of footpaths), but also when the pavement would have been the preferred route (e.g. because of the shortcut being muddy or very sandy). I noticed many young girls and well dressed women reel on their high-heeled shoes along the uneven shortcut to the bus stop when it might have been faster and safer to use the paved path. I took the same shortcut myself, following my landlady on our way to a party very uncomfortably through dust and sand. The only way I can understand this behaviour is that it must be some kind of demonstration of sovereignty over the environment, like an act of protest. To my mind it seemed like immature behaviour. Maybe it was behaviour typical of '*homo sovieticus*', the person whose dignity was hurt by the system taking away their personal responsibility. Either way, it resulted in many broad and deep paths that worsened the image of the area. Car driving on lawns and even across the internal park happened regularly and led to similar consequences.

Another example of carelessness was letting the hot water run through the bath (in order for it warm up) when the central heating was turned off for the season and the cost of the hot water was shared with everyone. While this was

the cheapest option for the individual, it was hardly an effective method. A more effective method would have been to have electric radiators installed that force individuals to pay for the amount of water they use. In the case where an individual meter was in effect some people still tried to manipulate it in an attempt to pay less than the others.

More serious acts of carelessness or even illegal behaviour were demonstrated by some of the new homeowners. Some, for example, simply did not pay their rents (Juhnevica, pers. comm., 2001). They reasoned that since they now were owners they should not have to pay anymore. The manager had difficulties in explaining to them that the rent on the whole was for services not for capital.⁸ Others made illegal and dangerous changes in their apartments. One person penetrated the roof in order to install a chimney. Some put in big basins with water while others had taken away parts of walls needed for the stability of the building. Since the manager was still responsible for the buildings she had asked to inspect changes in apartment. Unfortunately, she was denied. She had even tried to get help from the city police, but had also been turned down. It simply seemed impossible to control what was going on inside the apartments, even if it might affect the safety for all people living there (Juhnevica, pers. comm., 2001).

It was the rich people living in the upper apartments that were mainly responsible for this serious and dangerous anarchy. It was here that artists had once lived and had their workshops, but, in most cases, could no longer afford to. Dangers are continually also caused by the poorest: the homeless that break into attics and basements and live there. This group is growing because of evictions. Often those who had found a cheaper place to live came back to live in Mezciems illegally (Juhnevica, pers. comm., 1999) because they were so attached to the district. To keep them out was too hard a task for the manager, who seemed to be the only one to care. No local solution for helping these people to find somewhere to sleep at night has so far turned up.

My initial intention to find people acting together for the best of the local community, on the whole, did not succeed. As the examples above illustrate, the arrogance to what was common goods seemed to be the normal attitude. If it was possible to cheat the system, it was just 'OK'. In some cases, though, I found willingness to cooperate. The main example of this was the Latvian school. Here families had been, and still are, very active in organizing and building a new school for Latvian children. This movement started a decade ago when the controversies in the former mixed school became too severe. I have reported in detail about this process in an earlier paper (Berglund, 2000). My point here is to emphasize that for the best of their children and their future many parents were willing to do a hard job for a long time without being paid for it. Some success

⁸ 'Rent' (ire) is now replaced with 'management costs' (*apsaimniekosanas izdevumi*) in the advice to the homeowners.

in these endeavours were recently realised when the city decided to finance and build the extension of the original school building, which was far too small.

Other examples of cooperation and caring are the active pensioners club, as well as, a group of people who may start activities for children in localities that are let for free by the housing company. The manager is behind these two initiatives. They are part of her vision for a better place with less loneliness and less children 'on the street' with nothing special to do.

Within the last year there is also another activity that is becoming commonplace. The inhabitants in many staircases have collected money for heavy iron doors with code locking. I am not sure if this is a good or a bad sign, but, in any case, it does ensure some level of personal security and keep the unwanted out. Perhaps this is a sign of the new owners' interest in protecting their common property, which might over time develop into a desire to ensure better care. On the other hand, the demand for this 'armour protection' shows the sharpening border between those inside and those outside, literally as well as symbolically.

The Future – The Children

Is there a future for a place like Mezciems? To this simple question I cannot answer by more than a guess: yes, I would like to think and hope there is. There are so many hard working people living here (and in other estates like this one), that are investing huge amounts of time and money in their own and common property. Unless technical or economic obstacles become too overwhelming, this ought to produce results both physically and emotionally. Mezciems might not be the place most people dreamt of, but most of my informants seem to be fairly satisfied. Marana (1999: 59) reports that 84 percent of the inhabitants that answered the inquiry said that they liked the district.⁹

The most common attitude I observed was that of acceptance; to accept what you had, to try to keep it and maybe make some improvements as time goes by. There was, however, some divergence from this attitude. There was, for example, the old couple that were extremely happy to be able to return to the garden city districts they once moved from. To them, the bright, new, modern living areas did not live up to their expectations, because, among other things, they did not turn out to be a place where you know and respect your neighbours. There were also some who dreamt of a single-family house, and others who maybe would have preferred to live in the city centre.

⁹ The figure might seem very high. On the other hand, this kind of result is what can be expected when asking directly about likes and dislikes. This phenomenon is well known among social scientists.

I met parents who had recently become well situated through business, were proud and happy with all their new things, and who were obviously enjoying life (albeit in a childish way I would remark). I also met parents that wished for nothing more than the security of their jobs and apartments and the hope that life would not get any harder. This was the more common attitude. These parents put their trust and most of their efforts in their children. They often showed an acceptance to very hard conditions of life and work. They invested practically all they had in things such as their children's education and social activities. Of course this might also be a good investment for their own future as pensioners, but nobody mentioned this and most parents were under forty years of age. While it was sad and touching listening to these fairly young people ask for so little for themselves, their attitude clearly showed belief in the future as a whole. Neither they, nor their former described counterpart, resemble the typical western parent of today: spoiled by their own parents, taught to put their trust in themselves, and used to having what they needed, and in many cases much more. Maybe the patterns observed at Mezciems can be regarded as typical for lifestyles in a transition situation.

What about the children themselves who represent the very future? In short – because this will be developed in an article to come – the opportunities do not look too bad. The overall living standard is slowly rising. The young generation with new and adequate education are in demand in the labour market. The society might not look too stable yet (because of an unruly political situation, corruption etc.), but the signs of progress in many areas are there and provide hope. The children themselves (9-12) seem optimistic and typical, but promising just as well. Their attitudes to Mezciems are in most cases positive, and they enjoy many places, other playmates and activities, although some problems, like heavy traffic on the surrounding streets and the bad smell of garbage, disturb them.

Most of the children could think of living in Mezciems as adults and some would prefer to. But when asked to write freely about their future, they wished rather that their homes would be in other (western) countries, or in beautiful places in the countryside. To live with their family in a house of their own was by far the most common hope and well corresponding to what children in Sweden and France wished for the future (Nordström, 2000). The children of Riga are accessing the television programmes and, to a growing extent the information on the internet, like the rest of the western world, which they just want to be part of, either in or outside their own district and their own country. I can see no reason why this should not happen.

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Large Panel Housing Estates in Riga: A Challenging Space

Inara Marana and Sandra Treja

Introduction

This paper deals with issues of large-scale housing districts in Riga, the capital city of Latvia. It argues that the improvement of the large-scale panel housing districts is of great importance, since they have a disproportionately high share of the residential environment. The analysis starts with a brief description of the housing districts in Riga City and then provides an overview of changes and problems that have arisen in the housing sector in 1990s -- the land reform, privatisation of the state and municipal housing stock, and development of the housing market.

The paper analyses the national and local policy documents which contain guidelines for rehabilitation of the environment (using engineering approaches), not revitalisation (meaning social improvements). It argues that a complex approach is needed, appropriately optimising all the integrated components of the environment to design strategies and programs for improvement and management of the large-scale housing districts. The paper shows that currently, people are not ready to accept the transfer of responsibilities; therefore, cultivating changes in public attitude and motivating people to act is a question of great importance in the housing sector right now.

The Impact of Housing Transition

The residential space in Riga City is currently undergoing a transition process with regards to the problems concerning both the population in general and local communities within their specific environment. Though residential problems are not the most urgent ones, they should be taken into consideration when assessing the public quality of life.

What is typical for the residential environment in Riga City now and how does it reflect changes in national politics, economy and society? While the centre undergoes restoration and development, the suburban areas are just waiting in expectation of changes. How does one make these areas attractive for living, working and recreation? This is a frequently asked question which elicits

the usual answer: they demand humanisation. This answer explains everything and nothing at the same time. The question it raises, which is much more difficult to answer, is how to implement it? The latter question still remains to be addressed in city-wide and national planning policies.

After the restoration of the independence of Latvia, the public felt enthusiastic, and the position towards the large-scale panel housing environment was quite stringent: these areas should be gradually phased out since they cause people to feel alienated, encourage vandalism, do not comply with the conventional ways of housing etc. Statements of this kind were quite popular, offering no real and acceptable alternatives. The need to improve the large-scale panel housing environment is set forth by the life itself; the issue of the large-scale panel housing areas is not as simple as it seems. It is not only a question of physical improvement, but also a question of social integration, because these are places constituting constraints and opportunities for a wide range of social relationships. However, thus far, no ways to do so in order to achieve real gains are defined, at least not in Latvia.

Characteristics of Large-Scale Panel Housing Districts in Riga

Both features of past development and recent Soviet era planning are abundantly present in the contemporary residential environment of Riga. The housing districts in the suburbs can be seen as the most significant manifestation of Soviet housing policies. Large-scale panel housing – a typical imprint of this time -- has changed Riga's urban environment significantly; at the same time influencing people's attitude towards housing in general.

The large-scale panel housing districts are a calling card of the Riga City too, because the physical structures and units (buildings, their layout, yards, greenery and other indicators), usually come to mind first when thinking about the residential environment. The housing stock of Riga City amounts to 16.2 million m² with approximately 40% being large-scale panel housing (Statistical Office of the Republic of Latvia; 1999). The population of Riga City in 1999 was 796,000 and 60% resided in large-scale panel housing districts.

Riga City's large-scale panel housing areas are diverse (Table 1). Some of them are large in terms of territory and population, for example, Imanta, Plavnieki, Purvciems with roughly 60,000 inhabitants each. Other districts are considerably smaller, for example Bolderaja. Some areas are distinct, with a high population density, for example Kengarags with 213 inhabitants/ha and Mezciems with 220 inhabitants/ha, while other districts have a lower population density.

Table 1 **Characteristics of Riga City Large Scale Panel Housing Districts**

Name of district	Year of construction	Number of inhabitants (thousands)	Population density (inhabitants/ha)
Agenskalns	1958-1962	25	109
Sarkandaugava	1960-1975	22	174
Jugla	1961-1970	35	160
Kengarags	1961-1971	60	213
Imanta	1965-1975	60	157
Purvciems	1965-1975	65	201
Bolderaja	1965-1975	15	116
Ilguciems	1965-1970	37	157
Vecmilgravis	1968-1980	39	176
Mezciems	1977-1985	20	220
Plavnieki	1985-1990	60	200
Zolitude	1985-1990	25	109
Ziepniekkalns	1990-	22	125
	Total:	485	163

Source: Riga City Official Plan. 1995 – 2005. Riga. 1996.

Most of the large scale panel housing areas were built from the 1960s to the late 1980s and are located in the suburbs. Depending on the time of construction, the districts are also different in terms of building composition. These areas play an ambiguous role today, being crucial to how the mental image of contemporary Riga is established, or rather sustained. The basic function of all completed large-scale panel housing districts is just housing itself with very little employment.

Large-scale panel housing districts were built mainly to meet the increasing demand for housing which came along with the increasing population, mostly due to immigration from the other Soviet Republics. Thus, currently about 60-85% of the population in these districts are non-Latvians (while their share of the total population of Riga was 64% in 1999). The situation has changed slightly during recent years; however no essential changes in national composition have occurred.

Large scale panel housing areas are found in many countries: the Baltics, Sweden, Finland, Germany, etc., and researchers characterise them in a similar way: monotonous, with standardised living conditions, less attractive, difficult to manage. The difference in the districts in Riga City compared to such of other East and Central European cities is their immense scale and the high percentage of the total population residing there. To summarise, three aspects of the low quality of large scale panel housing should be assessed: the poor physical condition of the buildings and environment, management problems, and the public attitude to this environment.

The following “negative portrait” of the large scale panel housing can be constructed:

- The large-scale panel housing districts are massive and with low environmental quality, both physically and socially.
- The buildings are in poor condition, many buildings have poor insulation, and walls are often cracked.
- Heating systems are inefficient.
- Public service and recreation facilities are poorly developed in these areas.
- Outdoor space is not properly arranged and maintained; roads, paths and yards are in poor repair, lawns are of low quality, equipment (benches, playgrounds) is worn or broken.
- The lack of interest by institutions to deal with these housing problems.
- The negligent attitude and irresponsibility of residents for the state of the buildings and their environment. Lack of feeling of community.

It would be incorrect to avoid mentioning that the large scale panel housing districts are places in the city where people live willingly. A survey carried out in Mezciems housing district¹ showed that only 42 % of respondents were willing to live in the districts² (Marana, 1999). No doubt this depends on many factors of which the most important are the advantages of this district in comparison with others – comfortable commute to Riga City centre, attractive natural landscape (forest and lake), quietness, good ambient air, etc.

Housing Problems in the 1990's

Nation-wide political, economic and social changes have also influenced the large-scale panel housing areas in Riga City and people living there. The major changes are associated with land reform, privatisation of state and municipal housing stock, and the development of the housing market.

Privatisation of the State and Municipal Housing Stock

Privatisation of the state and municipal housing stock was launched in 1995. Currently tenure in the large-scale housing tenure is changing as well. On

¹ Mezciems large-scale panel housing district was built in 1976-1988, and lies 8 km from the Riga City centre. The district covers 98 hectares and consists of 5 and 9 storey buildings of reinforced concrete modules, as well as a few 16 storey buildings. There are 5,726 apartments with 15,000 tenants in the district.

² The survey of Mezciems's population was performed in May and June, 1999. It explored the actual problems concerning housing and people's views on the technical, social, management and other housing issues.

September 1, 1999, 61% of the state and municipal apartments were privatised nationwide, and 54% were privatised in Riga. Both nationally and in Riga City the number of apartments and buildings in various stages of the privatisation cycle increasingly grows. Despite this progress, there are still many unsolved issues concerning both apartment privatisation itself and the legal procedures.

Although people's awareness of the need to privatise their apartments has grown, privatisation is a problem for some of the tenants of panel housing. These people have not been able to privatise their apartments or experience difficulties in doing so, due to lack of sufficient number of privatization certificates.³ Other problems are associated with arranging the maintenance and development of common spaces and facilities, which is expected to become the owners' responsibility soon. The information is short on what will happen after the privatisation, as well as how residents will be able to manage their dwelling if the financial burden is imposed on them. At the same time, the understanding of responsibilities and duties when implementing the new management system is insufficient not just among the new owners but also at the institutional level -- municipal and national.

Rent Reform

Before 1991, the State subsidised rental payments for apartments. However, they covered the maintenance expenses insufficiently. Therefore, a great deal of the housing stock, including the large-scale housing, is now in poor condition. The range of rent payments from 7.5 to 15 santims/m² was established by the Law on Rental of Residential Space in 1993. Rents are regulated for Riga City (in state and municipal housing) at 14.8 santims/m².⁴ However, this amount is just sufficient for paying for maintenance expenses. There are no resources left for improvement and development.

In addition, a portion of the residents are unable to pay their rent and communal services. Households with small children and those with 3 and more children, as well as pensioners experience the most difficulties. The situation for households that occupy apartments unaffordable for their resources is quite complicated. These households usually consist of 1 to 2 members, mostly pensioners, occupying apartments with 1 or 2 rooms and a full range of utilities. In many cases they have financial problems and cannot pay for rent and communal services, particularly during the heating season. Some data provided by the Riga City municipality show that a part of the population moves to

³ Often people on low income will sell their privatization vouchers to buy food, pay off rental debts, or communal services.

⁴ 1 USD = 0.58 LVL

smaller apartments without utilities, thus lowering their living standard due to their inability to pay for rent and communal services (Riga City Communal Department, 1999). Although approximately 35,000 households or 9.2% of the population of Riga City received social support from Riga City Council in 1999, 81% of this support was allocated for paying rent and communal services; it did not cover all the demands of the people in need of such support. All the above mentioned changes have caused problems not only for residents of large-scale panel housing districts, but also for the society in general. These problems exist everywhere, but there are some specific features concerning tenants of the large-scale panel housing districts.

Development of the Apartment Market

The data of one of the major real estate companies in Riga “Latio” shows that large-scale panel housing accounts for 90% of deals with apartments in the real estate market (Tsenkova, 2000). Demand for such apartments depends on the location, as well as design and when the building was constructed. One of the more interesting trends in the large-scale panel housing districts is the increasing demand for the lower floors, which can be reconstructed to adapt for business needs. There are no buildings originally designed for such purpose. Thus, business people willingly reconstruct them for offices, shops, communal services, dentists’ services and like. Rooms are demanded close to the appropriate infrastructure, at a main road, bus stop, retail centre, etc.

Nowadays, all residential areas are inhabited by a mix of residents with different levels of income, social status, and nationality. There is no segregation into upper class, middle class and poor residential districts. However, some trends emerge. Residents with higher income purchasing an apartment in a large-scale panel housing area prefer to buy an apartment in one that is considered more prestigious. Following the development of the housing market, the mobility of population grows, thus causing, though slowly, the increasing trend towards segregation in these districts.

Policy and Practice

Currently, two documents outlining the issue of arranging the large-scale housing environment are already approved by City Council. The Riga Official Plan generally outlines the issues of arranging the large-scale housing environment (Riga City, 1996). The policy document states that improvements should proceed through:

- Improving the physical, technical and social quality of buildings and districts;
- Developing the servicing infrastructure within the districts;

- Applying new construction solutions for improved energy efficiency;
- Arranging and developing the recreation and green areas;
- Making the outdoor spaces around the buildings more attractive.

Although this document was adopted in 1995, no actual measures have been taken to humanise the large-scale panel housing districts so far. However, it is important that policies in Riga Official Plan also cover such issues as involvement of residents and co-operatives of apartment owners in the improvement of the large-scale housing districts, as well as the need to carry out research on residents' desires, needs and affordability constraints. The policies envision public involvement through:

- Information on the decisions related to housing issues and consultation;
- Support for the creation of unions of residents (private owners, co-operatives, etc.) and their initiative in management, maintenance and improvement of the residential stock.

The *National Report to the Habitat II Conference* dealt with the issue of rehabilitation of large-scale housing districts built in 1960s – 1980s (Ministry of Environment and Regional Development, 1996). The idea of public involvement is somewhat integrated into this document. However, support for such initiatives actually has not happened. Currently, the Housing Development and Management Policy Document for Riga City is under development. It deals with the issues of the improvement of the physical environment, but attention to questions related to public involvement is limited. The document contains mostly guidelines for the rehabilitation of the environment (using engineering approaches), not revitalisation (meaning social improvements). Ideas about involvement of people in arranging their housing environment in some way are formulated at the policy level, but there is lack of concrete activities for implementation of these policies.

It should be noted that solutions to a few technical problems and the visual improvement of the landscape are not guarantees that the environment will become most suited to residents' needs and aspirations. Measures need to improve the overall standard and level of comfort in the area within the constraints of the limited financial resources. If not, the resources can turn out to be used inefficiently, failing to solve the main problems. If the environment still fails to fulfil its social function and resources are wasted, the quality of the environment will be eroded again. The problem will be just transferred to the future, postponing the solution, since the actual causes rooted in the mutual influences of physical, human and management factors will not be addressed properly.

Therefore, a complex approach towards the management and improvement of large-scale housing districts is needed -- one that builds on the

strengths of integration of technical, social, economic and organizational approaches and integrates them into rehabilitation strategies and programs.

The active interaction between the people and the environment concerns both physical proceedings (establishing and changing), and symbolic proceeding (defining it in accordance with the public ideas and interpreting in accordance with this meaning). Thus, people should get integrated into the housing environment not only because of the physiological requirements (the roof overhead), but also as an organic functional component able to create its own interaction with other elements of the environment meeting all the needs (biological, social and mental) of its inhabitants. At the same time, the housing environment should raise the quality of life, providing for various activities of different groups of community.

Are People Ready to Improve Their Living Environment?

To make this question clearer, let us use survey data merely as an illustration of the actual situation (Marana, 1999). The survey contains, *inter alia*, questions about people's willingness to get involved in arranging and maintaining of their environment and places of common use.

Do people know what is going on in the district concerning the improvement of housing and the environment? 81% did know, 13% knew just partly, and 6% had some information.

Have residents taken part in arranging outdoor territories formerly? Just 27% of respondents had taken some part, the rest of 73% had not.

On the other hand, the willingness to get involved was from 54% (concerning outdoor territory) to 24% (concerning common-use places for recreation).

Who should undertake the responsibility of arranging the outdoor space around the buildings? Respondents considered that this is mostly the responsibility of the municipality and other institutions. Although at the same time it cannot be stated that the residents ignored their responsibilities. Two answers could be given to the question, and so a great deal of respondents obviously combined the responsibilities of the Housing Management Offices and residents for their environment, thus accepting a bilateral co-operation model. However, further study is needed in order to draw more exact conclusions.

Currently, both state and municipal governments are transferring ownership of housing to individual tenants. In general, people are not ready to accept the transfer of responsibility in regards to the management of the housing environment and apartments.

Changing Public Attitudes and Motivating for Action

Although the problems of the large-scale panel housing environment are not as topical for our society, the process of solving them will be long and complex. The state and municipalities gradually reduce their involvement in management of buildings and the housing environment, increasingly leaving it to the tenants in the post-privatization phase.

A human being living in the community establishes links with other people. To implement co-operation, people need to believe that this is a way to a better life, as well as trust other people. The level of trust is weak in Latvia, as it is shown by research conducted in recent years. Most people do not believe in the ability to influence public life; this explains the lack of public initiatives and co-operation.

If the environment is not aesthetically attractive, and if the individual cannot establish stable emotional bonds with the environment, it is difficult to insist on the individual's contribution towards projects for environmental improvement. People actually do not consider themselves as those eventually improving the community's quality of life, and the concept of improvement does not meet any response.

A person or generation as a whole is conscious of itself through the self-created objects surrounding them. When the country and society on the whole is changing, the same happens to one's personal awareness, mental values and attitude towards one's dwelling. In this case, people are offered more choices to decide and act on one's own. However, much has to be done by the government, municipal and public institutions to bring about the changes in people's attitude towards their housing environment.

The legacy of the past burdens us even now in various forms. People do not enjoy collectivism; they are somnolent and difficult to get involved in a common action. Therefore, work with the public is of key importance in motivating people for joint action. Nothing can occur automatically, including the sector of improving of the housing environment. The time has already come for evaluation of what social problems can arise in these districts and whether the improvement in these problem areas will require much more investment in the future if they are postponed. This is a question to be answered right now.

Conclusions

Issues of public involvement in the improvement of large-scale panel housing need to be addressed in a more systematic manner. Our review of these problems highlights some of the important themes and issues presented by the democratisation of society. It identifies possibilities for mobilizing the human potential to improve people's own housing conditions and residential

environment within a supportive public framework for action. Arranging and improving of the large-scale housing environment is not so much an issue of particular sites, but of public involvement and motivation of the people themselves.

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Housing Affordability:

Theoretical Approaches and Practical Implementation

Roode Liias

Introduction

Housing affordability has become an extremely effective political instrument for most of the East and Central European (ECE) countries, even though they are often in quite different stages of the housing transition (Economic Commission for Europe, 1993a). As a consequence of these changes, housing expenditures in most of the ECE countries continue to burden homeowners more and more severely. As these societies have rapidly changed to nations of homeowners, where more than 90 percent of the housing stock is owner-occupied, they are plagued by several serious housing problems many of which have grown worse in recent years. While housing privatisation was targeted to encourage owners to invest in their housing, several traditional housing problems, such as the physical substandard condition of dwellings and neighbourhood decay, not only persist but also seem highly resistant to positive change.

Though the rising ratios of housing expenditures in family income is troubling, there are no reliable principles to analyse the dynamics of housing expenditures, and the reasons for these changes (Dogan and Pelassy, 1990; Economic Commission for Europe, 1993b). At the same time any process to be managed has to be carefully checked and analysed, and this should be the case with housing expenditures as well. Since there is still quite a poor understanding about the background and inter-relationships of these expenditures it is surprising that housing affordability is one of the major indicators used to assess national housing policy. Housing affordability has become a major focus of policy debates wherein all possible parties are involved regardless of the conflicting interests that exist between them, including the individual households, as well as the different institutions in housing sector.

This paper has two objectives. First, it explores theoretical perspectives on housing affordability to decipher what are the important questions related to the issue. Second, it gives a brief overview of the experience gained by the author in recent and relevant project work. Accordingly, no official or unofficial housing

affordability related 'numbers' are presented. Neither is any national housing policy analysed in-depth. The paper will instead try to represent the conventional wisdom of academic research when trying to analyse the behaviour of different bodies/actors in the housing scene.

The Issue of Housing Affordability

One of the primary goals of national housing policies in the European countries is to make housing affordable for the majority of the population (Joseph Rowntree Foundation, 1990a and 1990b). Housing policy of the welfare states typically has the aim to provide good and affordable housing to all, rather than being responsible only for people with special needs. This remains a political target even though there are high costs associated with developing new quality housing as well as maintaining the existing housing stock. In addition to this, the national housing standards continue to change and become more stringent, specifying more severe requirements for housing quality, protection of the environment, personal security and consumer satisfaction. At the same time, meeting these higher requirements translates into much higher expenditures for the owners of the properties as well as the individual households or tenants.

There is a need to be more precise when defining the political priorities and objectives related to housing affordability. The main role of the national governments is to understand the basic factors influencing housing affordability, and to create the necessary legal and financial instruments necessary to assist individuals in keeping their properties up to the national housing standards. Achieving reasonable levels of housing affordability, however, cannot be a goal in itself. To achieve housing affordability means first ensuring housing is habitable, and then ensuring the habitable conditions are affordable for the households accommodated there.

Housing affordability, and the principles of calculating or assessing it, may become a powerful instrument that can influence housing markets. If the national housing market can provide an affordable housing environment for the majority of homeowners, this will give households more choice when looking for decent housing. This environment may also create incentives for the owners to improve their housing situation relatively independently. Within this context, improvements in housing conditions may become possible only in the case when the relevant investments into housing are feasible - not only in the very direct economic sense (when giving certain return), but also in terms of meeting the needs of the households and providing habitable neighbourhoods for them.

Accordingly, owner-occupier households are only likely to make additional investments into their properties when relevant financial instruments support the housing market. Relatively good examples of this can be found in programs attempting to improve the energy-efficiency of the housing stock.

Energy-efficient programmes have been the first post-privatisation campaigns in most of the ECE countries in transition that mobilise investment in housing. All these energy improvement schemes, based primarily on national grants and loans, have been directly related to elementary 'profit'-making calculations. Every 'penny' invested had to improve the energy-efficiency of the buildings and give a return through reducing the costs for heating, or for other types of energy used in the house. Introducing these schemes, however, meant either that households, or the communities in the apartment buildings, were 'voluntarily' burdened with the additional expenditures required for invest as well as commitments to pay back the loans.

During the 1990s a number of ECE transition countries initiated and carried out some type of energy saving scheme albeit with different levels of success (European Parliament, 1997). A relatively quick return, based on savings in heating costs, and considerable increase in the level of affordability were the major incentives for households to invest. These energy-saving schemes can be viewed as the first phase of investment, after massive privatisation, aimed at improving the long-term affordability for households. The results of this first phase were realized relatively quickly due to the considerable and rapid increase in energy prices.

Today it is more difficult to find any other examples of proper and economically effective working incentives to trigger off the next phase of investment, and further improve housing quality and housing affordability. For example, calculations done show that after the thermal systems of the blocks of flats are reinstalled and some insulation works are done, the changing of existing old windows (frames and glazing) for the flats becomes quite unfeasible for households. This is because the payback period for such a project may extend up to about 15-20 years (Liias, 1998). Also, it is often assumed that all the households in a block of flats will participate in the reconstruction project, and this precondition is a most unrealistic one.

Currently, there is no other strategic vision, other than those related to energy saving schemes, regarding neighbourhood development. In the neighbourhoods with multi-flat housing the blocks that have been built about 30 to 40 years ago either currently require structural reconstruction, or will in the forthcoming decade. But neither the individual owners, nor the local authorities, are ready to take the financial risks necessary for such large-scale improvements. Indeed there is a lack of funds in transition countries for these projects, but at the same time a clear vision regarding the role of community development in this process. Since the housing stock is decaying rapidly, and will be requiring even more future investments, the decay of the physical quality of housing translates into reduced affordability, especially for the individual households. To improve the level of housing affordability, quite sophisticated national schemes are now being introduced to reduce the costs for preventive and conditional maintenance.

Different national reports and studies suggest about a half of the owner-occupied households accommodated in the multifamily apartment housing in the ECE countries have severe problems where payments is concerned (Economic Commission for Europe, 1993a and 1993b; European Parliament, 1997). In a situation like this it is very difficult to find any financial schemes that will encourage all the households within a block to work together in joint action, especially since they have very different motives and levels of income. In fact every new investment aimed at improving housing quality will burden the household with additional financial obligations, and, correspondingly, the affordability level for the households will decrease quite considerably. In these circumstances the term 'housing affordability' requires clear identification if not for international use then for the national and local level use.

Definitions of Affordability

In most of the countries the term 'housing affordability' is quite poorly defined, both in the research papers as well as in the different public documents. Often it is even used in quite a meaningless context (Joseph Rowntree Foundation, 1990a and 1990b). It has become a political buzzword: everybody is talking about it but nobody is responsible for it. In the most comprehensive understanding the term 'affordability' is assessed as the ratio of housing expenditures to the income of the household in some given period of time (e.g. monthly or annually). Though this basic and quite primitive concept for assessing affordability is widely accepted and used, there are, at the same time, quite different possibilities for its interpretation.

The pure term 'affordability' or 'housing affordability' is entirely meaningless if the subject is not clearly defined. In the majority of the political discussions the question 'affordable to whom?' has not always been clearly answered (Joseph Rowntree Foundation, 1990b). The most common answer to this question is 'affordable for the households'. Looking at the origins of the transition changes, however, privatisation of the former public housing stock was undertaken because it was no longer affordable for the former owner to manage this stock. Accordingly, affordability is not only an issue for households but for any other owner as well, including bodies such as the local authority or public institutions. But affordability is not only the problem of the owners. Thus, when starting any discussions about affordability it is always important to identify the bodies responsible and the bodies influenced.

Most of the ECE transition countries have now become nations of homeowners, and as a result, the most usual definition of the subject in the context of affordability is the 'individual household'. There are also classifications of households based on level of income (deciles) that statistically define social groups in studies of affordability issues at national, regional or

local levels of analysis. Based on these statistical aggregates, major judgements about housing affordability are done. Every individual household may differ considerably from these national average levels, some being more affluent and others being poorer. The problem is not as much a question about the reliability of the statistical data, as it is about the basic concept that is extremely poorly defined, and does not always represent the true picture on the housing scene.

As suggested above, the most common way to interpret the terms 'affordable housing' and 'affordability' is to find (calculating, assessing, forecasting, etc.) the ratio between the sources required and the sum of resources available for the household in question. Let the basic model be like this:

housing EXPENDITURES of the occupier
INCOME of the occupier

All the forthcoming arguments and discussions about affordability will be based on these keywords - EXPENDITURES and INCOME. Though this basic model is compiled for the household/occupier scenario, it may also be restructured for any institution running housing and being responsible for the expenditures, including the public institution, the NGO, or the private body running the housing stock.

Owner-occupation is perhaps the simplest case to understand the complexity of housing affordability. The owner-occupier households have to meet the full list of obligations and responsibilities that are legally related to property ownership. All of these obligations and responsibilities require either certain actions to be carried out or certain costs to be covered, and different properties have different ranges of obligations related to particular properties. If the expenditures an owner is obligated to pay are too high (as a portion of the total resources available), there is the only alternative for this owner: to dispose of the property and to move to one where the obligations will be affordable. This 'opportunity' has been quite widely advocated in several housing related documents after privatisation - it is a choice that allows an owner the opportunity to guarantee the best affordability solution for the household.

This choice will not always work efficiently. Only if a normally functioning housing market exists, it will generally provide the opportunity for people to undertake transactions that will allow them to find a more affordable place to live. Correspondingly, the owner-occupier households will remain very firmly tied to their property, and to their affordability problems, having no alternatives.

This theoretical scheme for flexibility does not 'work' in the transition countries, and the owner-occupiers massively experience affordability problems. There is lack of housing vacancy and often housing units are not tradable, meaning that while they do not have a market value, there are still costs associated with their maintenance (Economic Commission for Europe, 1999,

2000, 2002a, 2002b). It is, and will remain, a long-term issue for the local authorities as well. This means that households having affordability problems may be evicted from the property when in debt. In this case, the municipality will become responsible for their alternative accommodation.

Following this scheme, one may even argue that it is more favourable for the local authorities if owner-occupier households are having serious problems with their monthly payments as the budget is not loaded with additional costs for subsidies. These problems may be solved through a system of limits to service prices, and/or reducing the housing quality requirements, rather than dealing with all the problems related to accommodating these households in the social housing sector. In this case, the responsibility for housing is shifted to different companies, but the actual problems remain untouched.

The second scheme refers to tenants accommodated in private-rental housing. In this case, the issue of affordability can become more complex and confusing. First, the owner of the rental unit has to meet all the requirements, obligations and responsibilities as any other landlord. As the owner-tenant relations are based on the market supply-demand relationships, the status for the tenants may become quite unstable, even if the landlord is doing very 'fair' business as to managing the housing. While landlords have to follow all the public requirements (norms, standards) with regards to housing quality, they are also motivated to get make a profit as well. As the prices for housing-related services increase anyhow, there is always the risk that in a certain moment the costs created by the landlord may become unaffordable for the tenant. In this instance, the tenants, like any other consumers on the market, require a system to protect their rights to enjoy habitable living space. Rent limits and service charge limits are introduced to keep down the housing expenditures.

In this situation housing affordability related issues are to be understood professionally. In most societies, both on the national and on the local levels, housing standards are defined so as to guarantee habitable housing conditions. All these standards have a very clear and calculated market price - there are either the national tariffs for thermal energy, for water, for electricity, for gas, etc. There are also the minimum levels for salaries (plus taxes) one has to pay for the work done to maintain the required standard in every housing unit. Every housing standard has its actual price consisting of initial investments as well as the life-cycle costs. Correspondingly, any rise or change in these prices, tariffs and/or standards, will cause an increase in housing expenditures for the landlord.

Legally, all the local authorities are responsible for organising housing in the region they are governing. This means that they are responsible for the housing standards in a very direct way! When the relevant and professionally audited (if required) expenditures done by the landlords are higher than the nationally accepted housing affordability level, the local authorities have to cover the surplus difference for the tenant or for the landlord. Here one can conclude again with the statement that quality housing and contemporary

housing standards have also become a heavy burden on the budgets of the local authorities. Too often one can still hear the statement ‘owner-occupied housing is not affordable for the national economies’.

In addition to the interpretation of housing affordability, it is also useful to identify the major interested bodies. In fact there is a triangle with regards to the affordability issue with three major parties involved.

- Local authorities
- Property owners (landlords) for the housing facilities
- Tenants/occupiers requiring these facilities.

To manage all these relationships in this imaginable triangle, different data is used when presenting the results and calculating the affordability level over the basic model (relation of expenditures to income). In fact, there are no pure market forces governing in this triangle. Different legal acts manage the relationships amongst the parties in the triangle but quite often these relationships are unbalanced.

Influencing Housing Affordability

In several housing policy related documents (reports, plans of action, etc.) of the countries in transition there is the belief that economic growth and growing incomes are the key solutions to solving the majority of long-term housing problems. Additionally, there is also the view that it may be possible to guarantee an increase in the affordability level for the majority of the households by not involving any other instruments.

Based on the oversimplified model of affordability given above - the ratio of EXPENDITURES to INCOMES, there are some possible scenarios that emerge. These descriptions for strategic behaviour are important to understand the chain of actions and how different actors will start acting in the problematic housing environments.

Normally the housing-related expenditures of a household should be lower than the incomes. Though, theoretically, these expenditures may even be equal to the incomes, there is the list of other inevitable costs individuals required for their everyday existence, including things as food, social needs, etc. There are several factors influencing the reasonable level of housing affordability, but the discussion below tries to study the affordability model by analysing the incentives and motives the different actors may have. Anyhow, we may assume that the ‘normal’ affordability ratio should be somewhere between 0.2 - 0.3, but in the current paper there are no numbers presented or calculations done to assess the reliability of this ratio.

First of all there are the basic methodological questions on the 'top' (EXPENDITURES) and on the 'bottom' (INCOMES) levels of the model. How are the housing expenditures defined? How are the incomes defined?

Along with the general technological and social development of the society the items defined as the housing expenditures have changed considerably. In fact the list of items that is included is in constant change. Even in Europe there may be considerable differences between countries when defining housing expenditures - both the quality of services and the list of services may differ by country as well as differ from those in transition countries. Regardless, the level of affordability is extremely dependent on the quality of service. Different technical solutions used in housing may require very different quality standards for maintenance services resulting in more funds being required to pay for these services. Finally, the service prices and tariffs used may differ considerably depending on the location of the housing stock. There is a list of factors influencing the price of a property, but also the price one has to pay for the housing services. These include locality, availability of infrastructure, local climatic conditions, as well as legislation. This is also the reason why the 'pure' numbers, when dividing the expenditures to incomes, cannot give any reliable answer to the problems studied (Lias, 2000).

Quite similarly there are also the problems on the 'bottom' end. How is the income defined? Should it be the gross or the net income? Which are the incomes to be included? But the fundamental question is defining the household. Who are the individuals whose incomes should be considered there?

If no clear principles are introduced to assess the level of housing affordability, all the parties involved are only interested in showing the results in a way that meets their individual and institutional interests. Affordability assessments have, to a great extent, become an inevitable part of political arguments. More often, they also become the field for international comparative studies. Correspondingly, in most of the ECE countries extremely different calculations, assumptions, and reports on the national level can be found that represent various institutional interests in connection to affordability. At the same time there are no clear signs how these results are developed.

Assuming that there is a mutually acceptable model available for calculating affordability, then there are the following three modes of actions various parties can embrace to 'improve' the affordability level. These are either to: i) reduce the housing expenditures, ii) increase the incomes, or iii) keep the changes in both figures in balance. Here we should make the assumption that when the share of housing expenditures increases as part of the total of the incomes the situation is becoming less affordable for the household and vice versa. Depending on the role a party has on the housing scene, they are likely to use any one, or combination of, the instruments that is likely to produce the best results for them.

Below, the activities to reduce the housing expenditures are studied in more detail. The activities of the second and the third modes of actions can be discussed in more detail when studying the macroeconomic issues related to income and consumption trends (the bottom half of the affordability equation). While reducing housing expenditures it is an extremely effective and widely used tool, quite often the method for implementing it is a rather speculative one. In the long run, all the prices and tariffs for housing-related services (maintenance charges, communal services, property related fees, etc.) have the tendency to increase. So using the most common approach for reducing the top of the affordability equation (expenditures) through administrative methods targeted at price controls do not improve the level of housing affordability in reality, but make the expenditure pattern more predictable.

Speculations with the Level of Housing Affordability

Though officially not defined, housing affordability has still become an effective regulatory instrument used by the majority of authorities responsible for housing. In fact, the housing-related expenditures increase relatively quicker than the relevant incomes, therefore there are just the following administrative measures widely used to 'reduce' these expenditures.

- Developing more refined interpretations for housing expenditures and since the list of different housing-related services is increasing, the so-called 'official shortlist' of eligible housing expenditures includes only the very basic and traditional ones; or
- Stating the upper marginal limits to some of the components included as the housing expenditures (e.g. for maintenance or for using the utilities).

Housing expenditures have become the arena for debates, and while expenditures differ by locality, the definitions used to define expenditures are also not clear enough for the parties involved. (Liias, 2000). When looking at the issue from the viewpoint of the local authorities, their actions and motivation are clearly understandable. As the local authorities are legally responsible for providing housing allowances for the households in need, they should have the full information about these costs since they are responsible for channelling public money to individuals. This role is clear. The authorities, however, are also interested in cutting these funds but they have no instruments to reduce or even influence the housing expenditures on the market as independent entrepreneurs provide them.

Traditionally, the services listed on the monthly bills provided to the households by the housing management companies were considered as the 'housing expenditures'. All the other housing related expenditures by the

households have not always been qualified as eligible ones for the allowances. The so-called 'official' expenditures that are presented by the housing manager are also used for statistical purposes. The other group, though inevitable ones for the households in blocks, have been quite often identified as 'the luxury goods' and 'private business'. These expenditures are mainly excluded from the affordability calculations, though they cover very specific housing-related costs.

This scheme of two expenditure groups worked 'perfectly' in the ECE countries during the period when municipal companies carried out housing management and maintenance. In this case, initiatives by individual owners of the flats, were under control: the municipal manager either did the works required or not. The solution to this option now greatly depends on the availability of funds by the local authority to cover the surplus.

At the moment privatisation of the maintenance companies in several of these countries is either on its way or has already been completed. Also, different homeowners associations (HOA) organise management and maintenance using their own skills and staff. The completed surveys suggest that to reduce the household expenditures several HOA's use direct payments for repair and maintenance works done (following the traditions of the black market). With all these cases the households are motivated to increase their housing affordability by reducing their expenditures, often though non-payment of taxes. This is evident in the official statistical data, which suggest HOA's run housing more efficiently as the housing expenditures are lower.

The most serious consequence related to these direct payments is the full absence of reliable data about the actual expenditures. When these data are missing, housing management and maintenance problems cannot be dealt with professionally.

At the same time, the local authorities face new problems when households in need apply for allowances. The list of eligible housing services and their quality with the corresponding expenditures has to be identified in more detail. As a result of this, all the major parties involved in the housing management procedure - authorities, households as the property owners, and service providing private companies - have to start defining housing services, and study their quality aspects as well as their costs.

Findings and Conclusions

Societal and economic transition in the ECE countries has had dramatic consequences for the housing sector in these countries. Privatisation campaigns carried out under the transition policy have encouraged and even assisted everybody. Households either with reliable market incomes, but also with no reliable incomes, have entered the owner-occupied housing market. In fact, the owner-occupied housing market in the blocks of flats has been created

overnight. It has been widely assumed that after transferring the title for the ownership to the former tenants they will change into fully responsible property owners.

In blocks with HOA's all the owners have the obligation to participate in decision-making, and supervising how these decisions are followed. This is the environment wherein professional activities are expected to be carried out not only by the professionals but also by the non-professionals, and by, in fact, every single household. The issue that arises from this is that if the quality of housing stock falls due to non-professional management and maintenance, legally, nobody will share the responsibility as the majority of the owners have voted for the decisions and they have been satisfied with the activities planned and carried out. Ordering the full list of necessary housing services is too costly for the majority of households in the blocks. Consequently, the most 'profitable' housing management schemes are based on cancelling all the maintenance contracts except for the emergency works. This scheme, however, gives only short-term 'return' over improving their current affordability level; over the long-term the results of non-professional management can become devastating both for the owners and for the society. Still, in the ECE countries, there are too many cases working like that.

Today even relatively high national authorities allow serious methodological mistakes when comparing different forms of housing management schemes. In their very different forms, HOA's are advertised as more efficient since the households have to pay less compared to a block run by a management company. At the same time, the only fault that is advertised about housing management companies is that they are not 'fair' and correspondingly these housing managers collect too much money. Very sadly, though, most of these statements are based on assumptions rather than on facts.

When it is the individual owners facing the affordability problems, and there is the real danger that the housing stock will be under-maintained, the emerging housing policy agenda has to address the issues related to the affordability of the homeowners. Professional and fair calculations of affordability levels should become the norm for national housing policies. Based on the reliable ratio of housing expenditures to income, one may be able to judge the affordability level of the households.

In any case, assessing the affordability level is only a tool; a 'number' to be used when analysing the situation. But to see results, the following problems need to be studied and dealt with to make the housing affordability level 'work':

- Housing standards need to be defined clearly for the national and local markets for different types of properties. Based on these guidelines the basic concepts for housing management and maintenance activities are to be defined;

- 'Housing expenditures' need to be identified, and the national housing sectors made responsible for professionally defining the suitable system of housing expenditures, including the definitions and the principles of their calculation;
- To manage housing in an 'affordable manner' professionally skilled managers have to provide advice and consultancy to the owners when faced with choices with respect to renewal and ongoing expenditure to cover routine maintenance.

If the three fields of activities listed above are dealt with, the major parties (owners, experts, officials, managers, politicians, etc.) may get more reliable information about the housing situation. Most importantly, however, it is essential that all primary housing expenditures be registered clearly on the level of a single house and/or a block of flats. Only then can owners have the reliable data necessary to make decisions about the future of their homes.

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Housing Policy in Transition:

The Revival of the Housing Market in Sofia

Iskra Dandolova

Introduction

Two significant events represented turning points in the modern history of housing and housing policy in Bulgaria. The first was the change of ownership after the Second World War through nationalization of part of the private property and the expansion of the share of public property; the second went in the reverse direction, toward privatization, denationalization (restitution), and the consolidation of private property. Both turn of events changed the order of development of the urban environment and housing. These turning points had an impact on the very image Bulgarians had of a home, and produced different cultures of, and attitudes to, household living conditions.

After the first change of property, the housing market was practically abolished; after the second, it was revived. The transition period after 1989 has been marked by the wide amplitudes of the social course of reforms in Bulgarian society. Unlike the decline in certain social spheres, housing construction and housing transactions progressed in these years. At the same time, however, factors associated with the overall social processes occurring in the country worked in contradiction to housing markets. This included not only the lack of a housing policy at the central and local level, mass impoverishment, and unemployment, but also the emergence of the new social inequality in the urban environment. Despite the difficulties and paradoxes, the housing market in Sofia, of all the most animated and full of contradictions, is becoming a permanent part of the lives of citizens, reflecting the transformed attitude to the home, bearing the legacy of tradition and of fashions, past misconceived aesthetics, and the impact of the global economic processes of our time.

Historical Background: The Breakup of the Housing Market After 1945

Nationalization

Two significant events became turning points in the more recent history of housing and housing policy in Bulgaria. The first was related to the change in ownership after the Second World War toward nationalization of part of the

private property and expansion of the share of public ownership; the second, after 1989, went in the opposite direction, toward privatization, denationalization (restitution¹), and the consolidation of private property. The two events are interconnected and they have had a strong impact on society and on social processes; changed mutual relations between people; transformed social stratification; affected the behavior and notions of Bulgarians about the home; produced different cultures and attitudes to domestic life and the city; and been a factor in the construction of the urban environment and housing policy. Inevitably, these two transformations have also had a direct impact on the housing market.

Unfortunately, today we cannot determine with any accuracy how many housing properties were nationalized under various laws. We can however judge the scale of nationalization and the amount of forcibly taken property² in an indirect way, by the restitution statistics after 1989. After so many years, our direct sources of information have been greatly impaired. Documentary information is inaccurate, or has been lost, destroyed, or concealed, and the real estate itself has been physically restructured, pulled down, sold to purchasers in good faith, or placed under 'special' legal status.

The nationalization of housing property concerns mostly the cities, especially the capital. The nationalized properties numbered thousands. By September 15, 1994, there were 75,860 applications for restitution of nationalized real estate, 85.2 percent of which were in cities (National Statistical Institute, 1995). The cited number does not cover the full amount of nationalized properties³, but is an indicator of the scale of this double total change in ownership; change that has provoked so many personal and family dramas, social perturbation, satisfaction, contradictions, and delay in the course of the transition in our country.

Among the nationalized properties about 25 percent were housing and by 1995 there were 18,717 applications for restitution of such property. In Sofia, the properties amounted to 7,652 or 41 percent of all applications for restitution of housing property in the country.

The period of nationalization was accompanied by the withering of the housing market. The motives for this course of change were foremost

¹ *Restitution* signifies the material return of property that had belonged to private physical persons or juridical persons and was forcibly taken away after Sept. 9, 1944 under the guise of nationalization, expropriation, formation of cooperatives, etc. (Definitions used by the National Statistical Institute, 1995).

² Expropriating private properties occurred not only through nationalization after 1944, when the ideological motive was to abolish the 'exploiting class', but during the years of socialism, for political, restructuring considerations, or 'for the general welfare'.

³ Subsequently other restitution laws were adopted, and the original ones were changed and amended many times, so that the number of applications for restitution grew over the years.

ideological while the means for accomplishing it were political, legal, economic, psychological, and physical. The aim was for the housing stock to pass into the property of the State and be at the disposal of the 'people's power' for distribution and redistribution according to the needs of those lacking a dwelling. It was not intended to be the object of speculation, a source of enrichment for the capitalization of funds, or accommodating of parasitic (rentier) living.

The aim was to take housing out of the market, where it was a commodity for exchange, and for that entire sector of the market, a capitalist phenomenon, to disappear. The housing market was to be replaced by centralized planning; whereby all was to be planned and produced by the State and by society according to its needs. But what happened in the meantime?

First Steps Towards Distribution and Redistribution of Housing Property

It became immediately clear in the first months after the war that the existing housing stock of Sofia was being subjected to distribution and redistribution by the political structures. The market for housing property was replaced by centralized and controlled renting of living space. Since there was no public and social housing, where did this living space come from?

The municipal and Communist Party authorities in the capital decided to take private houses for their own disposal and use them as if they were public. They placed tenants, including people in need of lodgings, in these buildings even if the owners were unwilling and not liable to property nationalization or to political and economic penalties. Living space was nationalized, but even without this measure houses were seized by force and expropriated for various reasons. The *Sofia Housing Stock* (*Sofzhilfond*) of 'public' houses was created in the capital, which pooled together the rapidly 'acquired' housing properties. Through it the people in need received lodgings rented at meager prices. The Soviet practice and model of 'communal quarters' was directly adopted.

Thus, inhabitants were forced to crowd and share the property that remained undamaged by the bombardments during the war. There was the threat of inevitable political reprisals for opposition to the new rules. Real estate owners for example were treated as 'enemies of the people's power' and had no right to protest for fear of being subject to repressive measures, such as being sent to labour camps. This is one of the most shocking facts in the political transformation of the country after the war because it directly affected the everyday existence of individuals and families. In these specific conditions it is hard to speak of the existence of a housing market.

Other factors also influenced the breakdown of the housing market after 1945. The perturbed circumstances after the war, and the unclear prospects for the future of the country troubled the behaviour of the population with regard to property. People were afraid to own housing property, and quick measures were

taken to distribute such property between relatives. Houses were sold cheaply, for they were no longer a trade commodity or merchandise. Some people migrated to other settlements and stagnation was common.

For Sofia in particular, the withering of the housing market was motivated by the decrease in the number of housing stock during the destructive bombardments in the war. There was no housing for sale and resources were also lacking. The bombings destroyed or damaged about 25 percent of the existing pre-war housing stock and the people left homeless were forced to crowd together and share lodgings with relatives and friends. Complications ensued from the migration wave toward the capital, which was provoked by unemployment and poverty, and by the enthusiasm for accelerated industrialization and urbanization. The homeless became one of the severe problems of the capital city.

The post-war years, remembered for the nationalization and forced lodging of tenants in private homes, marked people. They inspired fear in real estate owners. Those who could acquire property of their own were also fearful, because their home might be seized or placed at the disposal of the State, and the house could lose its secure value. The threat that people might be deprived of their dwellings remained very real throughout the socialist period, and people took into account the situation and controlled their housing strategy. Through the housing situation one of the most important, permanent and quickly achieved manipulations of the political consciousness of the population came about; one that had a strong impact on the behavior of citizens with regard to acquiring and renting living quarters during socialism and afterwards during the revival of the rental housing market after 1989.

The House as Non-Tradable Commodity and the Hidden Dimensions of Housing Policy under Socialism

The New Housing Construction

Enthusiasm for the new times after 1945 provoked the formation of a new housing policy. The pre-war stock of houses in the capital was long since occupied and overpopulated, and the solution to the housing shortage was possible only by new housing construction. State construction, public distribution of dwellings, social maintenance of residential buildings, and regulated low prices of rent were all necessary. Such were the political intentions. It is evident however from the administrative decisions in the very first years that the public resources would not be enough to carry out this ambitious plan, and the housing shortage increased. Then the Party policy changed in orientation. The responsibility of the State to provide dwellings for everyone was relinquished, as well as that of providing food and clothing.

Citizens were stimulated to mass participation in housing construction, which would entitle them to a house of their own.

Table 1 Number of residential buildings and population

No. of Residential Buildings		Population	
Total	1 533 507	Total	7 613 709
Cities	373 835	Cities	2 556 071
Villages	1 159 835	Villages	5 057 638
Sofia	78 363	Sofia	644 270

Source: National Statistical Institute, 1957

They were made to assume the task of providing a home for themselves through savings and personal work. The State promised support. A specialized state savings bank for housing was created. This was the start of mass savings for acquiring a home⁴ and for construction. The accumulation of resources for construction began, and the State really began to act. The housing market became a thing of the past. Now everything was planned, directed, and carried out by the State, although the mass of the funds came from private sources. In this process of producing and distributing houses, the municipality's function was to provide the service while the central and local government created mechanisms for conducting the process. Institutions were formed that supported housing savings, construction and distribution through enterprises and through mutual aid funds.

The boom in new housing construction developed after 1965 and continued till the 1980s. It was a vast program for housing construction that attempted to provide separate dwellings for each household, and included the creation of 30 large housing construction enterprises, modeled on Soviet ones. Numbers on the number of dwellings built and the growth in the housing stock are listed below in Tables 2-4.

The data clearly shows the processes of intense growth that occurred in housing construction during the socialist period, thanks to which the contemporary urban housing stock was created. The capital and large cities in the country benefited most from this growth. For a brief period on the outskirts of Sofia several housing estates were built, each accommodating over 100,000 inhabitants. The housing program became one of the priorities of Party policy. The aim was to provide a separate dwelling for each family. Young families were given priority. The housing program was linked with the program for

⁴ Savings accounts for acquiring a home were a wide practice, and it was not uncommon for more than one person in a household to have an account. Often a new savings account was opened as a gift under the name of a newborn child.

reproduction of the population. The regulative functions of the State power and the public institutions in the capital were nearly total.⁵

Table 2 Dwellings built (1980 through 1995)

Dwellings Built	1980	1985	1989	1991	1995
Total	74 308	64 870	40 538	19 423	6 815
Cities	66 658	56 527	33 818	17 067	5 666
Villages	7 650	8 343	6 720	2 356	1 149

Table 3 Housing Stock

Number of Dwellings	1980	1985	1989	1991	1998
Total	2 839 000	3 152 000	3 363 000	3 406 000	3 437 740
Cities	1 657 000	1 906 000	2 103 000	2 123 000	2 165 597
Villages	1 182 000	1 246 000	1 260 000	1 268 000	1 272 143

Table 4 Housing Growth

1965 - 1975	20.27 %
1975 - 1985	15.34 %
1985 - 1992	6.16 %

Source: National Statistical Institute, 1980; 1990; 1996

Privatization and Re-privatization of Housing and the Modified Form of the Housing Market

One of the most interesting and distinctive areas of interpretations made after 1989 of the Soviet model in Eastern Europe was the interpretation of real estate ownership in Bulgaria, and the policy toward this legacy. At the beginning it was similar to that in the other Eastern bloc countries - a Soviet model of socialist property had been imposed in order to abolish the existing private property. In this way, in all countries in the socialist bloc immediately after the war, a process of nationalization of housing property had begun, and the newly built houses became public property, and it was the product, the work of the people. New forms of housing property, mostly in cities, were public or cooperative (employer-owned) property.

In Bulgaria, however, a legal loophole was found for producing, preserving and increasing private housing property under socialist conditions.

⁵ It was a different picture outside the capital city, in smaller settlements and villages, where there was a much smaller if any housing shortage. Mass housing construction existed there, together with a concealed or overt market with buying and selling of property.

The term 'private' was replaced by 'personal'. The explanation was that each individual needed certain personal items, including a personal living space. As a result, the minimal size of the living space required by a person or family was defined as 'personal' not 'private' thereby legalizing the right of each individual to own and enjoy the use of housing property.

While public and cooperative property in other socialist countries grew and prevailed over private property (reaching up to 80 percent in some countries), in Bulgaria over 80 percent of the housing property was 'personal' or privately owned and used. In Sofia alone in the 1980s, it amounted to 84 percent; it was 94 percent in the country as a whole, and nearly 97 percent in villages. This fact still seems surprising today. In no other socialist country of Eastern Europe was there such a large share of private housing property by 1989, which was the turning point.

In the 1970s in Bulgaria, a new standard was adopted which aimed to see ownership of newly built residential buildings split half for public and half for personal use. Upon completion, 50 percent of the apartment houses immediately became privately owned. The privatization was carried out according to legal regulations established by the governing institutions and was of a predominantly political nature. Sales were no longer made on a market basis. The price of apartments was cheaper than their production cost and the difference was covered by public funds. Thus, acquiring a house became a real privilege and gain in life.

People were chosen to be owners of new dwellings through a complex system of rules, and the prices of apartments were fixed and standard. In fact, this amounted to a distribution of public housing funds for privatization. With this distributive mechanism, the structures of market relations were gradually formed, governed by corruption and 'connections', in which the modified forms of the classical housing market was embodied. Part of the population, covering a variety of categories⁶, took advantage of this market of sorts. With the growth of housing funds, this part of society was constantly growing in number up until the late 1980s, by which time the accumulated stock had become considerable in quantity and included most categories of society.

The law allowed for part of the other half of 'public property' of newly built flats to pass into 'personal' ownership under a special regime. This was to ensure the process of privatization did not stop at 50 percent but continued to grow with the housing construction during the socialist period. In contradiction with the socialist model though, hundreds of thousands of apartments built in the capital with public effort became private property. There were no other possibilities for acquiring a dwelling.

⁶ Through these dwellings, former owners forcibly deprived of their homes received compensation. Special quotas were set apart for eminent personalities in the arts, science, and culture. A special regime of housing stock was available to the people in power and those with political privileges.

Under Bulgarian socialist laws, every citizen of age as well as every family had a right to 120 square meters of living space in the city and one real estate property outside the city in villages, a country house zone or in other places outside the settlement of the citizen's main residence. Citizens under legal age also acquired the right to own a housing property, but the right to use it was postponed until they came of age. Thus, the families who had the desire, the financial resources and/or the clout to acquire a home, often managed to acquire more than one apartment in the city, using various conditions and flexible opportunities for legalizing ownership of private dwellings.

The municipalities and the State stimulated the privatization of housing stock in the countries. The excuse being that they wanted to shift the responsibility for managing the property and the associated high costs of maintenance. Further justification was also sought by reference to the traditional Bulgarian value of having a house of one's own. Ultimately, this appropriation represented a profit for the new owners, which was drawn from State resources and from other groups of the population who never actually gained access to new homes, even though they participated in various ways in the construction, and saved up money for decades. See Table 5 below for information on constructed houses according to ownership.

Table 5 Constructed houses according to ownership

	1980	1985	1989	1991	1995
Public	38 635	30 049	18 283	13 461	3 168
Private	17 738	17 916	14 364	5 962	3 647
Other (employer-owned, cooperative)	17 935	16 905	7 891	0	0

Source: National Statistical Institute, 1985, 1996

In the 1960s a process of re-privatization began. The authorities decided to free nationalized properties from legal burden so that the forcibly seized dwellings could pass on to the ownership of new proprietors.⁷ There were various reasons for this decision. One was the pressure exercised by tenants interested in possessing these dwellings and acquiring permanent housing property. Evidently the new housing construction was less and less adequate in fulfilling the sharp demand for dwellings in the capital. The quality of housing was also

⁷ A large number of the tenants imposed on private homes in the first years after the war also benefited by the process of privatization and reprivatization of housing during the socialist years. In cases of coercive leasing, conflicts between landlords and unwanted tenants proved serious. Many of the owners of such dwellings were forced to sell their property very cheaply in order to escape from such cohabitation. The ownership practically passed into the hands of persons in power, who could deal with the problem of tenants, or of the tenants themselves, who had been a source of prolonged irritation for landlords.

unsatisfactory. Typically new prefabricated buildings were constructed in residential areas on the margins of the city where there was inadequate public facilities and, in some cases, undesirable neighbours. The desire to acquire housing property in the center of Sofia led to the emergence of an intense, concealed 'power market' for redistribution of municipal funds. Another cause for re-privatization of municipal and social housing stock was the low rents, which were not sufficient enough to cover the maintenance of the houses; through their sale, the municipalities expected to accumulate resources for further new housing construction.

The fact that in a short time the housing property was privatized on a wide scale during the socialist period had an impact on the reforms in the country after 1989. In our analysis, we mentioned privatization as only one of the major preconditions for the revival of the housing market after 1989. The rules for acquiring, possessing, and using the housing property under socialism predetermined the subsequent characteristics of the housing property in the capital. Statistical data on dwellings according to ownership (see Table 6) demonstrates the constant privatization of the housing stock that took place under socialism.

Table 6 Inhabited dwellings according to ownership (in percents)

	1965	1975	1985	1992
Public total	8.8	11.51	16.20	5.84
Private total	91.20	88.49	83.80	94.16
Cities- public	16.86	18.81	23.68	8.0
Villages -public	3.25	2.55	3.20	1.65
Cities - private	83.14	81.19	76.32	92.00
Villages-private	96.75	97.45	96.80	98.35

Source: National Statistical Institute, 1994

The 'over-fulfillment' of housing privatization in Sofia had some negative consequences including a shortage of social housing, and the insufficient social protection of inhabitants living in inadequate dwellings. Under socialism such residents could have hoped to receive an apartment from the municipality. Certain social groups even took advantage of these privileges.⁸ The distributive mechanisms of socialism followed various schemes of quota distribution and waiting lists so that the distribution of houses was a relatively orderly affair.

This process and distributive mechanism not only proved to be a means for citizens to acquire and select their dwelling, but it also became the precise

⁸ The Roma minority widely took advantage of these opportunities, and a large part of the Roma families moved into municipal apartments. Later it became clear that in some cases a single household had obtained more than one such apartment.

field of intervention, corruption, and political influence. A sort of 'market of connections' was opened; it was a market of interests, spheres of influence, and corporate interests in the process of obtaining a home. It could be said in general that the normal housing market based on supply, demand, and money was replaced by a modified form of the market based on relations and connections in the distributive mechanisms of power, which opened access to obtaining a dwelling whose market price had lost its meaning.

The housing situation for the citizens of Sofia under socialism could not be compared to that in other settlements. The housing shortage continued in the capital where the problem was the most severe in the country. The policy of distribution of trade commodities did not create the desired social justice. Every social stratum in the capital had need of a house, but not all groups had the opportunity to satisfy that need. While all social strata participated in the production of homes, the distribution passed through distributive mechanisms of power and the house ceased to be treated as a trade commodity in the classical market sense. There was no place for a housing market under such conditions, and the house became an 'anti-trade commodity'.

All these events, related to the housing stock in the socialist period, demonstrate the lack of a real housing market in Sofia. They also explain the intense privatization process of the stock, which, despite ideological barriers, managed to: i) ensure a secure home for the great mass of people in need of dwellings that had no opportunity to carry on independent production; and ii) allow people to capitalize on their resources in other public sectors. Consequently, the authorities solved the problem of the available cash of the population by finding a vent for it in the procurement of housing property, thereby avoiding inflation. Hundreds of thousands of primary homes and country houses or villas were built throughout the country. This led to an overall improvement of the housing structure and public utilities of the national territory.

Rental Housing Policy

There is no significant data on privately rented dwellings under socialism in the national statistics of our country that are of relevance to our topic. The census of the housing stock in 1985 showed that over five percent of it was both habitable and not inhabited, neither used nor rented. We may assume that there was nearly no renting of real estate, or that the total value of such renting was so small as to be insignificant in the housing policy of the State and local government.

The cause for this was political decisions, and limitations for owning and using housing property under socialism. In the vast number of cases people lived in dwellings that were their own property. Vacant dwellings in most cases fell under the control and were at the disposal of State institutions. Owners of 'additional' private houses were forced to either distribute them between

relatives who had no housing property to their name, make exchanges for country houses, or give them over to the municipality.

The events in the first years after 1944 were influential in changing the behaviour of Bulgarians with respect to the rental policy of the State. Long after, even when the owners of houses had rentable living space or entire vacant dwellings at their disposal, they still did not dare rent it. In Bulgaria, under socialism, private renting never developed, let alone a rental market.

The reasons for this did not lie solely in the fears of people. It was hard to find possibilities for renting because dwellings were small, and hardly any were vacant. In the capital the housing shortage was severe. In the years of socialism in Bulgaria, particularly in Sofia, nearly 90 percent of real estate owners lived on their personal property and did not have more than one apartment. Vacant housing stock for renting was almost non-existent. Moreover, the size of rental was regulated by law and did not represent an attractive sum of incomes for potential landlords.

The State exercised strong control over landlords and specified large legal sanctions, such as taxes, that protected tenants even in the case of expired agreements, or violation of the terms of agreement. It was practically impossible for a tenant to be evicted once he/she had rented living space. That is why the proprietors preferred to keep their apartments closed and empty rather than rent them out. The greatest fear of owners was that they would not be able to free their living space of tenants. The fearful memory of 'communal quarters' of the Soviet kind in the post-war period, and of the years of nationalization and the imposition of tenants in private dwellings permanently marked the attitude toward letting out living space.

The House as a Commodity: The Housing Market after 1989

Decree 56

In the late 1980s, under the influence of the Soviet *perestroyka*, some timid processes of change in the economic organization of production began. In December 1988 Decree No. 56⁹ on economic activity was passed by the State Council of PR Bulgaria. It concerned the sphere of entrepreneurship. Construction became one of the visible aspects of these changes. After decades of extreme restrictions and prohibition on private economic production (including housing construction), there was for the first time hope for some independent initiatives or private economic activity outside the sphere of the State or public institutions; activity that included the building, renovation, and maintenance of housing. The appearance of Decree 56 was seen as an opening to

⁹ Decree 56 was published in the State Gazette No. 4/89 of Jan. 13, 1989.

a new type of socialist relations in the sphere of production. It seemed that housing construction was quickest to respond and take advantage of this political decision.

Housing construction activity, which had until then been functioning in the 'shady economy', began to be legalized. New structures covering all phases from design to completion of the building appeared. The whole process of construction, restructuring, renovation, and maintenance was encompassed by this authorization, and a great deal of activity began in housing construction. But the possession of housing remained limited for citizens because of the normative restrictions on owning property that were still in force. Despite this, the results were obvious. The emerging firms and organizations working in construction gradually created a market, and the field of supply and demand of various kinds of housing construction began to take shape and even produce competition. Indeed, this decree paved the way for the transition to a market economy and the revival of the housing market after 1989.¹⁰

Restitution: The First Impetus for the Revival of the Housing Market

How was the housing market to be revived in circumstances where real market relationships had not been reproduced in more than 40 years, and, most important of all, where the trade commodity itself was lacking? Where could the excess dwellings to be put up for sale and trade be found when for decades Bulgarians, under threat of strict penalties, had been deprived of the legal right to possess real estate in the city other than their personal home? Would people be willing to give up the roof over their heads now that sanctions and prohibitions were abolished?

These are the first questions that arose with the start of the transition after 1989 when the first steps were made toward the revival of the housing market in the country, especially in Sofia. The situation was partly similar to the post-war years when a new ideological and economic reform was conducted in the context of the old housing stock. The post-socialist situation, however, was very different in that the mass of housing in the capital offered a totally different basis for reform in terms of quantity.

Yet the questions are not groundless. The first housing put on sale or offered for rent, at the start of the transition to a market economy, was the living space freed by restitution. The new owners, in most cases heirs of the owners of nationalized property who already had homes, suddenly found themselves with excess living space.

Their first reaction was to offer the property for rent, or in rare cases for sale. Most 'new' owners lacked the skills and the vision to deal with this excess property. Multiple heirs usually possessed the property rights, and funds

¹⁰ Decree 56 was finally repealed in 1996.

necessary to the pay taxes and renovate, maintain and manage the properties, were often lacking. In most cases the tenants contracted to carry out a thorough renovation in return for part of the rent. The revival of the housing market in Sofia began with letting out and sale of restituted real estate.

The restitution of living space proved a more complex matter than nationalization. Part of the nationalized housing was returned to the former owners. In many cases, the dwellings already had legal owners through privatization, resulting in some single homes having more than one legal owner. Restitution produced paradoxical cases of *owners with excess of property* and *owners without property*. Under restitution laws, the State was obliged to compensate the latter category with municipal and state-owned homes so as to restore the property rights of the 'first' owners and allow them to come into possession. But the municipal, social stock had been sold out, privatized or permanently rented, and was not a possible source for compensating the evicted former owners of newly restituted houses who were now left homeless. A new set of dramatic conflicts began, and they have not abated even to this day.

Privatization of nationalized dwellings after 1989 reached dramatic proportions. It proved a particularly important event, not at the time, when it was conducted almost on the sly, but after the adoption of restitution laws. These events affected the revival and dynamics of the housing market.

Participants in the Housing Market

With the restitution of real estate, an active period of housing transactions, which grew intensely once the restrictions for acquiring real estate were abolished, began. All kinds of housing stock were actively included, especially housing built during the socialist period, and as a result, the process gained momentum. But, was this the creation or revival of a housing market?

In the case of Bulgaria, the answer to this question proved rather simple. Since private housing property in Bulgaria had continued to be accumulated and developed under socialism (even if labeled under a different name, modified through multiple restrictions, or masked by the metamorphosis of power), citizens still remained knowledgeable about the market characteristics of an apartment as a trade commodity. Of course there were many distortions due to the replacement of the market by distribution, but the distribution of property under socialism was also conducted through a market of sorts, a 'power' market.

The long years of prohibition on independent construction activity, and the lack of free choice with regards to housing, led to a hunger for homes. Thousands of people were on waiting lists in the municipalities. In Sofia there were people who had been making regular deposits in savings accounts for decades, awaiting their turn in the distribution of homes. Besides the insufficient number of apartments, there was a strong demand for homes different from the prefabricated concrete-panel apartment, which, for decades, was the only kind

supplied in the market. The restrictions prior to 1989 additionally enhanced this desire, and the demand for houses at the start of the transition was exceptionally great.

Buyers of real estate in Sofia were of different kinds. While most of them were individual persons, there were also some collective owners and stock companies. Surprisingly, despite the lack of housing, sellers appeared. Usually they were individuals or private juridical persons, but there were others as well, including the State, the municipality, cooperatives, employers, entrepreneurs, and housing constructors.

As early as 1989 the first signs of the revival of the formal housing market appeared. It manifested itself at first with its 'shady' sides of concealed demand and supply. The quickly growing exchange of information on the buying and selling of real estate spread through the press and the media. Various specialized legal offices, notaries, and brokers emerged. A lot of the activities centered on informal mechanisms to 'avoid' high taxes, assist in the acquisition of houses by people without right to ownership of real estate in Bulgaria¹¹, or setting up 'housing pyramids'.¹²

In the first period, buyers in Sofia were people who had accumulated savings under socialism. 'Hot' money was put in circulation. These buyers bought selectively from the housing stock available, without regard for personal needs or for the number of apartments they already possessed. The purpose was to invest resources and capitalize in a relatively secure way. Real estate was estimated to be the most expedient way. The newly rich were particularly active and they immediately invested their profits in real estate.

Among buyers there were many citizens who had limited savings, but a great need for improving their domestic circumstances. They looked to the market for improving their housing conditions, and were now able to make a choice of home, no longer having to accept what was offered without option. Some turned to the stock of dwellings already built, while others preferred the newly constructed buildings and became the first clients of the new construction entrepreneurs. Private construction entrepreneurship occurred in unison with the decline of public construction, which condemned thousand of depositors in state savings banks to the loss of their savings. These people could no longer hope to improve their housing conditions, for there were no more apartments available for distribution. The subsequent attempts on the part of the State to compensate these depositors for losses were never realized.

Another group of participants in the housing market were those who made double transactions, selling one house and buying another. These

¹¹ In Bulgaria at present, foreign citizens have no right to acquire land or real estate as personal property.

¹² Entrepreneurs who collected money from buyers for future construction and disappeared with the money.

transformations and substitutions were made in several directions: from a smaller to a larger house and vice versa, and from one neighbourhood to another. The strongest correlative links concerned the quality of the construction, what floor the apartment was on, proximity to transport, the size of the apartment building, the characteristics of the neighbours in the block, the state of the building, and its technical facilities.

Another category of buyers of dwellings in the capital was migrants to Sofia. These people did not have residence status before 1989 and were quick to make up for this prohibition after it was abolished. They moved to the capital and bought houses. Capitals from the interior of the country poured into Sofia and partially depleted the capacities of other parts of the country. This fact inevitably increased the competition on the Sofia market, and had an impact on supply and demand of real estate in the first years of the market economy.

The preferences of buyers with regards to the choice of dwellings vary according to age, the composition of the household, the health status, social status and education level of the buyers, the kind of settlement in which they grew up and their domestic culture. Often the transactions involved not only property in Sofia but also other urban and rural regions of the country.

Yet another category of buyers was foreigners who could only participate in real estate ownership through Bulgarian citizens. In most of these cases the ownership was mixed and based on special agreements between co-owners wherein Bulgarians participated as bearers of the right to purchase while the foreign partner financed the transaction. In many cases the Bulgarian buyers are people who have regained their Bulgarian citizenship after long periods of exile.

Some sellers of apartments are people who wish to leave the country temporarily or permanently and are looking to dispose of an extra or only house to cover the costs of the trip and begin their life abroad. Others sell in order to cover the cost of education abroad. Apartments are also sold in order to buy a dwelling in a foreign country. In this way, Bulgarian capital flows out of the country.

According to sociological surveys, the most common case of selling a house during the years of transition is when the owner wants a home that is better suited to their needs. This has been done mainly by the elderly residents of Sofia who move from large houses, which previously served the needs of large households, into small houses since the excess living space is no longer incompatible with their low income. They decide to take this step reluctantly, yet their low income makes it hard for them to survive or to cover health expenses without additional money. In most cases, a large dwelling is exchanged for a smaller one, and the difference in the price provides the resource for a better living standard.

Still other sellers of houses are families who have chosen to live together. Cohabiting makes it possible to sell the second apartment and live off the money. The sale of a large dwelling in exchange for two or more small ones is

often done in order to provide a separate house for a young family: there are no longer houses provided as social aid, while private lodgings are rented at high prices. The rest of the price of the purchase is covered by loans from relatives or friends, through the sale of other property or, in very rare cases, through housing credit.¹³

Sellers of houses may also be construction organizations or entrepreneurs. After 1989 the newly formed construction enterprises quickly commenced entrepreneurial activity and housing construction. Part of these enterprises proved to be 'pyramids' that deprived would-be clients that trusted such firms with their money. Others fulfill their responsibilities as entrepreneurs in a relatively honest way and construct collective apartment buildings. However, more than a few of the latter fail to sell their apartments at profitable prices since the general buying capacity of people is limited.

Besides the market for sale of apartments, the rental market is also developing. The first statistical data on rented private homes that shows the emergence of a rental market are from 1992. As noted previously, the 1985 census of the housing stock showed that over five percent of it was habitable yet vacant. The data for 1992 also showed that one percent of the private housing stock was then being rented as living space.¹⁴ Although the figures are too small to be significant, the very fact of the appearance of such a market is important.

In the following ten years the rental housing market in the capital underwent a great transformation. The fear of 'eternal' tenants was overcome, and some people even offered to rent out parts of their homes in which they lived. The owners now had the right to evict tenants. Renting quickly gained ground and became a normal part of people's options. It quickly became common practice. In parallel with the impoverishment of people, the share of private landlords has grown. The supply is growing and so is the demand, but the latter remains lower. Tenants are most often students (there are several tens of thousands of them in Sofia) and migrants from the province coming to work in the capital to escape the high unemployment in the province. Whole apartments are offered, floors of houses, or entire houses together with the surrounding terrain.

Some tenants in the capital are foreign citizens. In their case renting is conducted through institutions, firms or individually. The range of activities of these foreign residents is varied and the renting transaction can range from

¹³ Currently housing credit is given at very disadvantageous terms for the receivers. Banks give loans at a high interest rate of about 16 percent. The requirements of the bank are many, and they include things such as security of income through to guaranteed high income, or a brief period of acquittal. In a time when unemployment is high and salaries are very low, obtaining credit for buying a house thus proves to be impossible or unfavorable for would-be buyers.

¹⁴ This data should be accepted with caution due to the lack of a suitable new method for obtaining reliable statistical information after the changes in 1989. Nevertheless, the difference of several percent would not substantially change the picture or our analysis of the situation.

formal to informal contracting. At the start of renting only part of the landlords and tenants conclude formal agreements. Due to the numerous conflicts that have arisen in the practice of renting, people are seeking greater security by making formal contractual arrangements. Nevertheless, for both sides renting remains an unstable and hard to manage sphere in the housing market of Sofia.

Relatively precise data on the proportions of rented dwellings in the capital are still lacking. Moreover, some apartments are rented for activities other than habitation. Attempts have been made to limit such renting through various sanctions including additional fees, higher taxes, etc. Despite these measures, approximately 20 - 30 percent of the houses in Sofia are rented or self-rented for purposes other than residence. The market of private renting is managed by real estate agencies, the media and most often by specialized intermediaries on the housing market. Unfortunately, the renting of municipal and social apartments during this period has decreased to an insignificant proportion. The municipality and State agencies have at their disposal an exceptionally small number of homes for renting, and they have no practical impact on the housing market.

Mediators in the Housing Market

Up to 1989 the division of housing into houses for buying, for selling, and for renting was done by the state and local authorities. But the appearance of free supply and demand for housing after that year revived the free housing market, which had been abolished after the war together with the mediators and other institutions related to that market. With the repealing of prohibitions and the opening of private housing production, the main characters¹⁵ and the main issues immediately made an entrance on the scene.

Who is looking for a home in Sofia? What kind of dwellings is in demand? Do buyers have the needed financial means? What are the financial resources of the residents of Sofia? How can the interests of clients and suppliers of housing be made to meet? Understandably, there was a great need for the revival of the housing market and the institutions and activities that accompany it including marketing, real estate brokerages, publicity, protective institutions, management, etc. Competition began.

At the beginning, the information was exchanged through oral announcements between friends, colleagues, acquaintances, and relatives. Printed announcements in the press came to play an important role, and special publications on real estate were even created. But the greatest role has been, and still is, that of the new real estate agencies known as 'broker firms and created under the law of 1993. In less than ten years they grew in numbers to nearly one thousand. This growth was provoked by the needs of the population and the

¹⁵ After 1989 the prohibition on construction and entrepreneurial activity was revoked.

market. With the introduction of the new registration of real estate agencies in 2001, the number of brokers quickly decreased. But nevertheless, these agencies proved the strongest actor-mediator on the revived housing market of Sofia. Today it is nearly impossible without mediators to find a dwelling, or conclude a contract between buyer and seller or tenant and landlord of a house.

The emergence and development of real estate agencies occurred spontaneously and was brought about by the housing market itself. It did quickly structure itself and assumed the customary features of housing market relations and mechanisms as they function in Western countries.¹⁶ Since 1993 the weekly publication *Sofia Real Estate* has been providing information on hundreds of real estate market transactions including information about sales, purchases and rentals, as well as analyses, generalizations and market trends. Its specialty even includes announcements on the real estate market abroad. It disseminates information on all actors on the housing market and supports contacts between them.

Jurists and notaries are also active mediators on the housing market. Some of them are attached to brokerage firms, while others have their own offices. They observe entrepreneurial activity and check the firms that produce housing. Professionals in the construction field, such as architects, engineers and technicians, are also specialized in the housing market and united in associations. They play an active role in determining the type of housing to buy, and they provide information on what constitutes an advantageous sale, management of the housing stock, and the construction of new housing.

Trends in the Development of Sofia's Housing Market

Reforms in the Country and the Housing Market

In the various settlements of the country, the revival and functioning of the housing market after 1989 varied considerably. The Sofia market is unique, and the specific features of houses as a commodity certainly dictate the features of the market. In Sofia, the houses have the smallest per capita living space, and the highest dependency on territorial location and type of construction, which leads to a wide range in the quality of life with respect to housing conditions. Moreover, this is the city with the largest population in Bulgaria. Supply and demand on the market are the most animated here and the choice is greatest. Yet the most important characteristic of the housing market remains ownership: homes were practically privatized even before 1989, or at least the greater portion of them was private property.

¹⁶ Unlike Budapest, where housing transactions are conducted mainly outside real estate agencies, the Sofia market was restored very quickly, and it established its rules and norms.

At the beginning of the transition to a market economy there were no drastic reforms or social disturbances in ownership of housing, such as occurred in Russia, East Germany and the other socialist countries. This is because housing in Bulgaria was already privatized. And while the other spheres of ownership in Bulgaria - industry, agriculture, commerce, services, and infrastructure - have become the object of shock reforms since 1989, the housing stock gradually and quickly passed into a market economy. Only here did the privatization process attain and even exceed the theoretical maximum. So, with regard to private property in the field of housing, Bulgaria has exceeded the privatization plans.

It would be erroneous to look for analogies between the regularities on the housing market and on the other categories of markets in Bulgaria. The period immediately after 1989 was full of paradoxes. The similarities between processes in various sectors after 1989 should not be considered true if not proven. While reforms started with a national economy that was entirely nationalized, the housing was almost entirely private. That is why the behaviour on these two markets has been different. While industry and agriculture underwent a complete collapse, the housing sector showed progress. Macroeconomic processes in the country cannot be mechanically transferred to, and directly included in, the housing market, and any attempt to do so would imply ignorance of the market.

In the last twelve years, there have been three periods in the development of the revived housing market in Sofia: i) random development; ii) self-regulation and flourishing; and iii) stagnation.

The first period, that of *random development*, was in the years from 1989 to 1993-94. In this period the housing market in Sofia was marked by strong, spontaneous, random activity in its structural units. In a few months the housing market attained the full characteristics of revival, and the main actors acquired legitimacy. Its functional mechanisms were structured. Great hopes were set for great profits or great speculation. It inevitably tempted actors to shady transactions and became a field for the laundering of money. After 1989 the house regained its nature as a trade-commodity, or merchandise. It had its producers, its consumers, and it became an object of trade. Since it could not be displayed in a shop window, a trade-commodity market had to be created that would take into consideration its particular features and play an adequate role for achieving quick and sure trade of houses.

Sociological studies have shown (Dandalova, 1997) that since 1989 there has been a rapid and abrupt change in the values of people, and this change has been the motive force behind the housing market. Such values did not appear all of a sudden, but came to the surface after a long latent period of repression. The new times immediately formed a new image of the desirable, ideal house (Dandalova, 1996).

Against the background of the intense decline in the State sector, the housing market flourished in the first years. This was in strong contrast with the collapse in other social sectors where the market was intentionally restricted, or never obtained adequate conditions for growth. The progress of the housing market can be attributed to the large proportion of privately owned homes. The privatization after 1989 was a matter of a few percents, which did not shake the market, but complicated the social protection of the population.

The second period was of *self-regulation and flourishing* of the housing market up to 1998. Again, under pressure from spontaneously emerging structures, the first auxiliary units appeared as did information systems and institutions that provided a unified system of real estate, technical and legal control over the houses on sale (in order to avoid double sales and other shady transactions), as well as intermediaries in transactions and the like. Competition began, and in this period a great number of transactions were realized. In 1995 alone there was a peak in the number of transactions, which ranged from 98,000 – 100,000 (Motev, 2000). Yet the housing shortage in the capital has not been resolved yet, and the available housing stock is not adequate to meet the needs of many people.

Inevitably, the need arose for new housing construction that would be different from the monotony of the ‘socialist’ one. At that point the newly created private firms for construction had quite enough customers. The need to supplying housing needs through renovation of existing houses and the building of new ones was obvious. The problem however was that the need was not known to the participants and intermediaries on the market. Many entrepreneurs sought quick profits in construction, but few of them succeeded because they neglected the market characteristics; what followed was stagnation and trends contrary to growth of the market.

At the very start the housing market in Sofia established several rules and norms that structured and determined its’ functioning. It is noteworthy that the market took shape and began to regulate itself without the intervention of the State or local government. This independent, self-sufficient process should not be overly applauded as it had many shortcomings, including especially the lack of central and local government regulative functions. But considering the results of the intervention of government in other sectors, the actors on the housing market are mostly of the opinion that they are functioning better without State intervention.

The period that saw the flourishing of the housing market ended around 1998 when a law¹⁷ was passed restricting the purchase of real estate for which the source of the financial means of the purchase has not been declared (a

¹⁷ The Law on Measures against Money Laundering, according to which for transactions of over 30 000 leva, the origin of the resources must be declared (State Gazette, No. 85/24.07.1998). A previous law had the same name, but did not include the regulation on origin of resources (State Gazette, No. 48/1996)

measure for restricting money laundering). General processes of reforms in other sectors also had an impact. The third period in the development of the housing market began. It was the period of *stagnation*, which started in 1999 and continues today. It has been marked by contradictions and trends contrary to the basic functions of a market, coming as a consequence of the policy of the central and local government, and the general course of reforms in the country. Now the housing market has become a direct function of the overall condition of society, and the trends in the separate sectors are converging.

Laws and Power in Housing Policy

Housing is a large and static commodity, and supply and demand on such a market are specific. While the housing market has revived and regulated itself as much as possible, developing according to its own written and unwritten rules, the laws and normative acts on housing and housing policy have withered. Not one of the past governments has viewed housing policy as a priority. They seem to be relying on the self-regulating functions of the housing market. Legislative institutions do not at all envision, or envision only slow measures in the field of real estate and territorial structuring. Unfortunately, there is still no housing policy in Bulgaria and it seems that the 'policy is to have no policy'.

The judicial power is overburdened with restitution lawsuits on real estate, which drag on to the profit of lawyers and courts, but hardly to the benefit of inhabitants or the housing market. These lawsuits are varied and complicated, and the decision of the court is inefficient and slow to come. People lose faith in the law and resort to taking it into their own hands. The housing market is influenced by the condition of the judiciary system, and is developing additional protective functions of its own. Restitution of the housing fund has created some of the biggest problems for the municipalities.

The moratorium on the sale of municipal housing has been lifted and the 'golden age' of municipal institutions is continuing. This is especially true of the Sofia Municipality, where private persons and groups profit by the privatization deals with municipal property and the transactions with public property.

Taxes and fees on real estate and transactions remain the surest source of money for government. These taxes are constantly being changed, and new ones that have a strong impact on the housing market are being introduced. For instance, in 1998 an amendment was made of the taxation law for inheritance of real estate and housing transactions. Even before this amendment was passed the population began to transfer property in order to avoid the great increase in taxes and fees. There was a mass transference of property from the elderly to children and grandchildren: in several months the housing property of citizens under the age of 31 grew from three to 40 percent.

Increased taxes on real estate and refuse-collection taxes are a new problem for the population of Sofia. The current expenses for maintenance and utilities are also a consideration for homeowners. These high expenses are a concern in the everyday lives of citizens and complicate the functioning of the housing market.

With the very start of transaction on this market, dishonest sales occurred, breaches of contract as well as conflicts between old and new owners and tenants. Disputes arose in apartment buildings about rental of apartments for activities other than habitation. There is still no law in Bulgaria regulating the management of collective residential buildings. The change in social relations after 1989 created an urgent need for changes in legislature for regulating the new market relations, a need for new actors and mediators on the housing market. But the needs have not been met and this insufficiency is an obstacle for the functioning of the market.

Poverty and Homelessness

Mass impoverishment of the Bulgarian population in the period of transition to a market economy, combined with high unemployment, is the most severe consequence of reform in the years after 1989. Although unemployment in the capital is the lowest in the country, it is high enough to represent a risk for the survival of inhabitants and is affecting the housing market strongly.

Unemployment¹⁸ and impoverishment in Sofia has distinctive features compared with the rest of the country. Here it is impossible to run a small self-sustenance farm, as many people do in small settlements; the cost of food for many social groups in Sofia is more than 60 - 80 percent of their income. The fatigue and tension of everyday life in the capital lead to greater health problems and, hence, to higher health expenses. Daily transport is a necessity. Costs for heating and other energy, and for the urban infrastructure networks are inevitable and high. The price of living in the capital overall is the highest in the country. These features are a restrictive factor for the spending capacity of the inhabitants of Sofia, a factor that affects their investment in housing.

About 80 percent of the people of Sofia live in dwellings (often in collective residential buildings) that are their own property. Tens of thousands of households cannot afford the current utilities expenses of their homes. Maintenance is exceptionally expensive in these buildings because of the low quality of their construction. This is especially so in the residential housing estates, where depreciation of the technical infrastructure is great and renovation cannot be made. This neediness leads to increasing, high depreciation of the housing stock. Some of the residential buildings are decaying, and some are on the verge of collapse. This situation creates a risk for a sharp rise in the number

¹⁸ According to unofficial data, at present the unemployment rate is around 10 percent, although official statistics quote it as 5.2 percent in 2000.

of homeless people. Inhabitants know the facts, and they affect the housing market.

Social Stratification and Housing

The value of housing in Sofia is the object of differentiation through the operation of the housing market. An analysis of transactions in recent years shows that there is stratification in the tax assessments of housing, and some mobility on the territory of the capital, which leads to emerging patterns of stratification according to locality and regrouping according to social and economic indicators. Two extreme poles emerge: the Roma ghetto and the exclusive private territories of the newly rich -- the gated communities.

There is a distinct pauperization of the population in the housing estates. With the revival of the housing market after 1989, the first owners to leave their houses in the residential blocks were from these housing estates. The greatest numbers of homes for sale are also from these parts of the capital, and they are being sold by people looking for a home in a more suitable location. If possible, the old house is often retained to be rented out. The new house is not always a newly built one, but separate houses are sought, or houses with fewer co-inhabitants and with an approximate correspondence with the social status and interests of the neighbours.

Through complicated exchange of real estate, including property in the province, enterprising owners in the housing estates make great efforts to leave the residential housing of lower quality, as well as the social conflicts in the buildings - conflicts they often realize to be insoluble. Gradually the inhabitants of housing estates change their status and composition. From the heterogeneous neighbourhoods of the socialism socialist period, they are now becoming homogeneous neighbourhoods that are a place for the poorest social strata.

Empirical data show that the proportion of elderly, retired and socially disadvantaged people is growing in these areas as well as the number of rented houses because rents are cheaper than in the central urban regions. Moreover, the share of foreign tenants is also increasing as anonymity in these blocks is greater, and the lack of control in many cases creates better conditions for foreigners with shady activities that need to be pass unnoticed.

Stagnation and Paradoxes of the Housing Market

In the context of the overall development and reforms in the country, with the changes in the first two periods of the housing market, the third and current period was inevitable; it was a period of gradual stagnation, decrease in the number of transactions, and bankruptcy in housing construction. The causes are numerous, but we already mentioned unemployment and potential homelessness.

Housing is an easy target for laundering of money. Moreover, the overall collapse of the economy in other sectors and the insecurity has caused stagnation in the investment process in general. The gravest cause for the withering of the housing market is the mass impoverishment of the population. Statistical observations on household budgets show that utility expenses are exceptionally high in proportion to income. Over 80 percent of the households have no ability to set aside money for housing repairs or other upgrading of their houses, much less save for a new house. Also due to impoverishment, only a small stratum of the population, about 10 - 20 percent, can rent living space in the marginal regions of Sofia. In the central parts of the city mostly foreigners or firms rent space for business activity. Most of these houses are restructured permanently as non-living space, which decreases the housing stock.

Stagnation on the housing market is evident in the decreased number of transactions. Many brokers are on the verge of bankruptcy. The prices of houses on sale have decreased, often to the level of prime cost. About 4000 new houses have been built by entrepreneurs and remain unsold (Motev, 2000). The prices of new housing do not bring profit to entrepreneurs, many of whom have gone bankrupt. The process in the housing market in Sofia over the last 12 years reflects not only the transition to a market economy, but also the 50 years of colossal changes in Bulgarian society, and in the development of the capital. Will a process of restructuring of the housing market follow after this period of stagnation, and when? The answer depends on the policy of the government and on the global processes in the region and in Europe.

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Housing Markets and Family Incomes

Judit Székely

Introduction

Traditionally, housing markets and real estate prices do not belong to the area of housing statistics in Hungary. However, in the last few years it became obvious that our sophisticated collection of natural data would soon become useless if we did not make attempts to produce value and turnover data for real estates and especially for dwellings. As a part of these attempts we collected data on market value of dwellings in a housing survey in 1999 wherein we asked respondents to estimate the value of their property. Using these results we tried to understand more about the nature of price differences and the factors influencing real market values. This paper introduces one possible way of using property value data in social statistical analyses, after describing very briefly the study methodology and the main factors that determine market prices.

Study Methodology

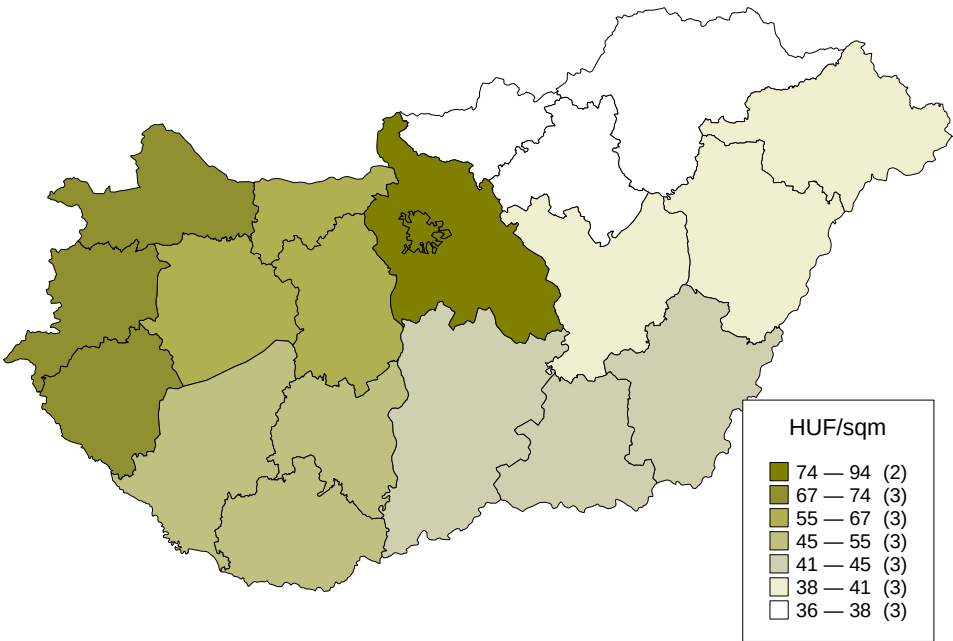
The survey sample consisted of 10,700 households wherein we asked owner-occupiers to estimate the value of their dwelling. Tenants (9 percent) were not expected to answer, and another 18 percent did not respond or told extreme values. In the end, reliable information was collected on 73 percent of the sample, or 7800 cases. Using this data, we prepared the regression model of dwelling prices involving all available indicators from the survey and recalculated the market value of all the dwellings represented by the sample 9 (see Appendix). In the first part of this paper data are mostly coming from the self-estimation of the owners and the results of the regression estimation are only used to supplement missing data. The second part of the paper relies completely on regression results in order to avoid distortion resulting from different social groups' different capability of giving such estimations.

Major Factors Influencing Property Value

According to our most important – although not very surprising – finding, housing market prices are basically influenced by location, which means that we

found great differences of price levels between regions, settlements of different size and between different areas of settlements. The following map (see Map 1) demonstrates the housing price levels of the seven regions, showing clearly that divergent economic development trends have already had their impact on the price level of local housing markets. A threefold difference can be seen between the central region and the less developed northeastern parts. Besides the high prices of the central region, the decline is evident when moving from the western regions to the east.

Map 1 Regional housing market levels



The following charts demonstrate that price differences are also substantial between settlements and within cities. It must be noted that these data differ from ordinary housing market information as it covers the whole housing stock. Market information published by estate agencies largely depends on the composition of supply appearing in the market, and on the activity area of the agencies. In Hungary, these agencies are working in big cities and have hardly any information on other parts of the country.

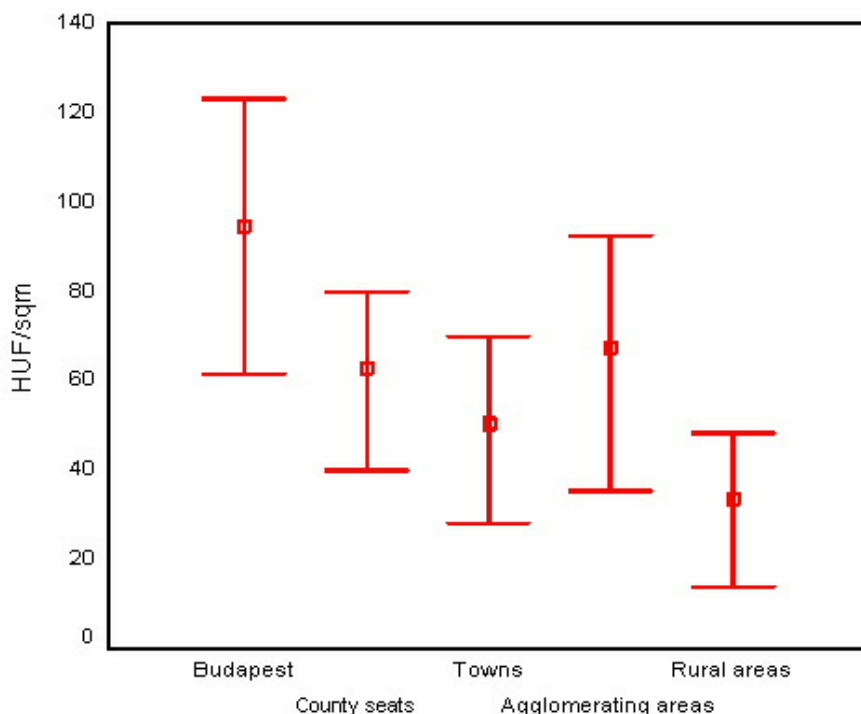


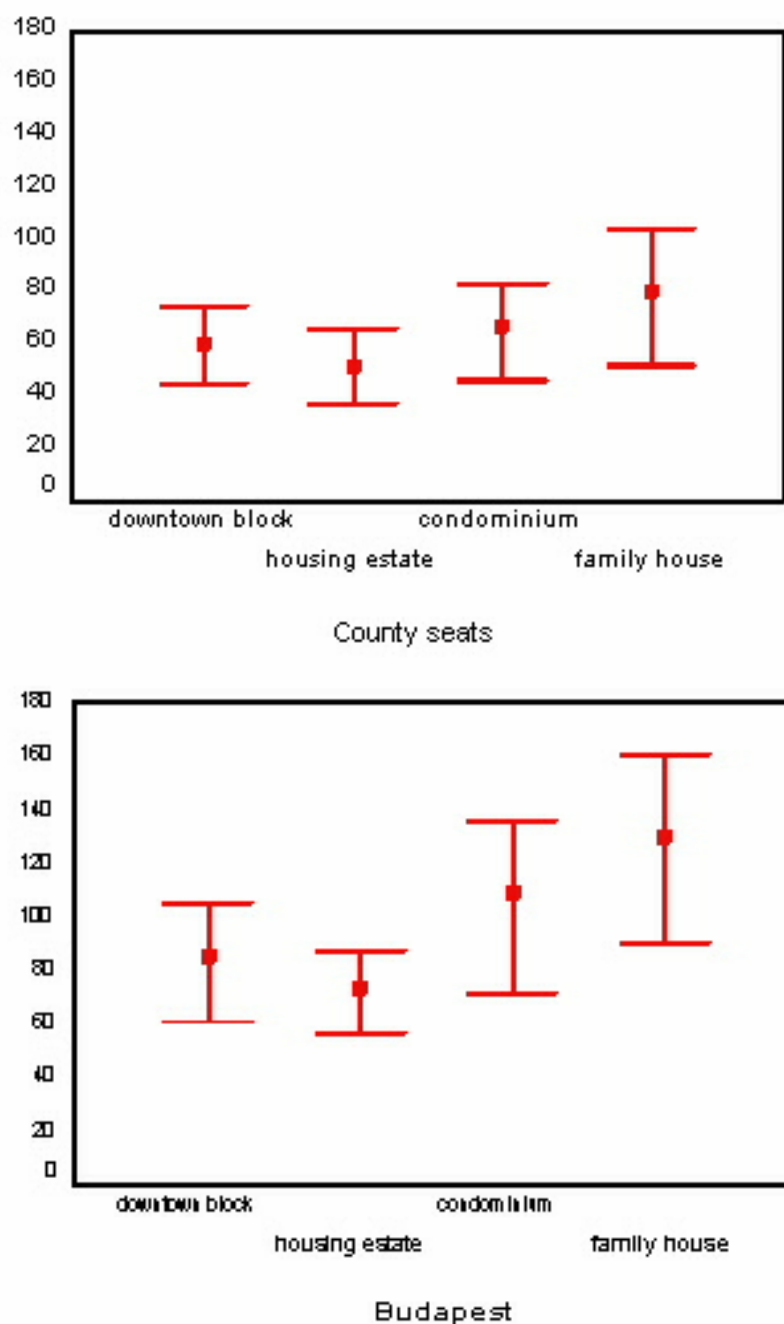
Figure 1 Market value of dwellings in different settlements

Property Value in Social Statistical Analysis

The above data made it possible to analyse the relationship between income and property value in different social groups. First, the distribution of income, property value and consumer durables among households were each investigated separately. The following indicators were used:

Housing property value: With this variable, the problem was that regional price differences were higher than property value differences between social groups. In order to exclude regional price differences, price quintiles within separate regions and settlement categories (Budapest, county seat, town, agglomerating areas and rural areas) were calculated. Essentially this meant that dwellings that fell into the same quintile were of different market value depending on their location. So in this case quintiles showed the housing market position in the local housing market, without respect to the actual price level.

Figure 2 Market value of dwellings in Budapest and in county seats by dwelling type (20-80 percentiles and mean, HUF/m²)



Family income: Respondents were asked about the monthly household income of the households. The result was rather disappointing because of non-response and under-estimation. For this reason, household incomes were recalculated relying solely on the income data of the Household Budget Survey of the Hungarian Central Statistical Office. On the basis of the survey data on family composition, gender, age, occupation, qualification, and employment data of household members, the income of all household members were estimated. Besides this, the additional family incomes, which social benefits and allowances are not connected to the individual, were also calculated.

- *Possession of consumer durables:* In the survey we asked if the household was equipped with TV, dish aerial, microwave oven, camera, video recorder, cassette player, music centre, PC, mobile phone, washing machine, fridge, freezer, dishwasher, air-conditioner, and/or a keep-fit machine. From this information a synthetic indicator was calculated, in which we took into consideration that some goods on the list are widely used while others are quite scarce. For this reason, the less frequently a particular piece of goods occurred in the survey sample, the more scores it got in the aggregated indicator. The resulting variable can also be used to calculate quintiles and to measure the household's wealth, although it is acknowledged that possession of these goods depends not only on the owner's well-being but also on their way of life.

Distribution of Households by Different Dimensions of Material Status

Similarly to the analysis of the inequalities of income distribution, the distribution of property value can also be investigated (see Figure 3).

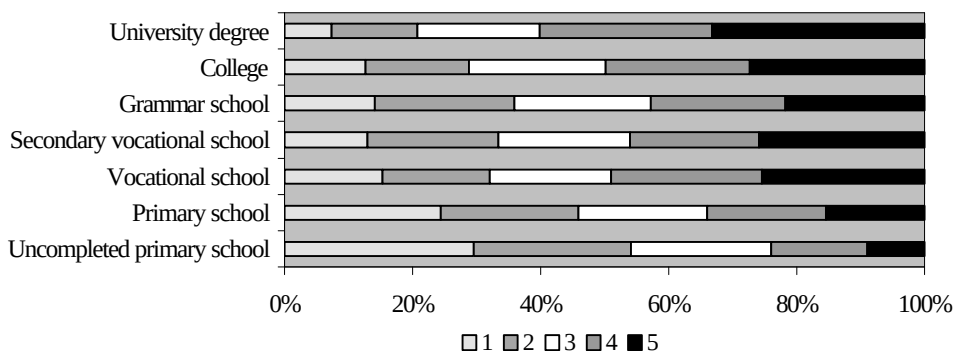


Figure 3 Household heads with different educational attainment in the quintiles of property value

What the above chart suggests is not at all surprising: household heads with higher educational attainment usually live in more expensive dwellings. However, if the size of the above inequalities is compared to those of the income distribution it is evident that housing stock is more evenly distributed among households than incomes (see Figure 4). The chance of a household head with a university degree to live in a flat falling into the fifth quintile is four times higher than that of a household head with an uncompleted primary school. In the case of income distribution, there is a 25 times difference between the same two groups.

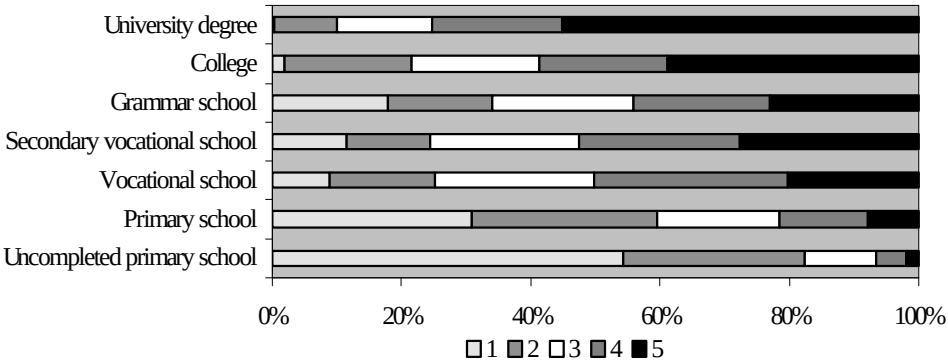


Figure 4 Household heads with different educational attainment in the quintiles of household income

With regards to the possession of consumer durables, the distribution is fairly similar to the pattern of income distribution (see Figure 5).

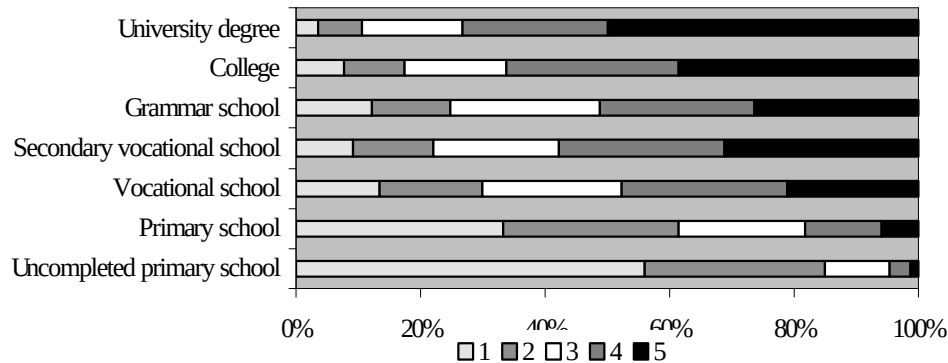


Figure 5 Household heads with different educational attainment in the quintiles of the synthetic indicator of consumer durables

Consistency of Property Value and Income

As income differences are much higher than the differences of property value it can be concluded that, for most families, the relative housing market position differs significantly from their income situation. In other words, there are families with higher income levels who live in relatively cheaper flats, while there are others that live on lower incomes yet have more valuable dwellings.

		Quintiles of property value				
		1.	2.	3.	4.	5.
Quintiles of household income	1.	5	5	4	3	2
	2.	4	4	4	4	2
	3.	3	4	4	4	4
	4.	2	3	4	5	5
	5.	1	2	3	5	7

Figure 6 Relationship of income and property value in owner-occupied dwellings¹ (%)

Using the above matrix, 25 percent of families fall within the diagonal, meaning their income level and their dwelling's value fall into the same quintile. In the case of those who are found below or above the diagonal, there is inconsistency between income and property value.

Calculations for the same figures for the relationship between income and the quintiles of the indicator of consumer durables revealed an even higher correspondence wherein 39 percent of the households fell into the main diagonal of the matrix.

Reasons for inconsistency: Considering that residential mobility is low in Hungary, and people above 50 nearly never move to a new flat, the most probable reason for inconsistency can easily be concluded: old-age pensioners are mostly found in the upper triangle, which means that their housing market position is better than their relative income level. The case of the active earners is usually just the opposite. They are often below the diagonal, and their income is higher than their dwelling's value.

¹ The sum of the figures in the matrix does not add to 100 percent (by 8 percent) because rented dwellings are excluded. This is also why the sum of the upper triangle is not the same as that of the lower one.

In the case of old-age pensioners the explanation of inconsistency is in the decrease of the households' income after retirement. The same was experienced in the case of households with unemployed household head.

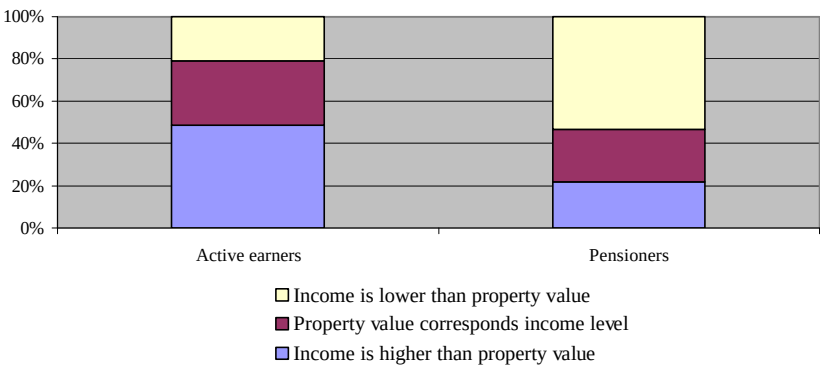


Figure 7 Relationship of income and property value by economic activity

However, other factors that influence this relationship can be found if we explore the data of active earners, where we can assume more stable income conditions (Figure 7 & 8). Considering that different ways of obtaining dwellings imply different access to subsidies and other advantages, it can be expected that a household's position is largely dependent on their mode of flat acquisition. The data proves that these advantages can divert housing value from the income level. Since private homebuilders have always got some form of building subsidies and/or loans, building one's own house has for decades been

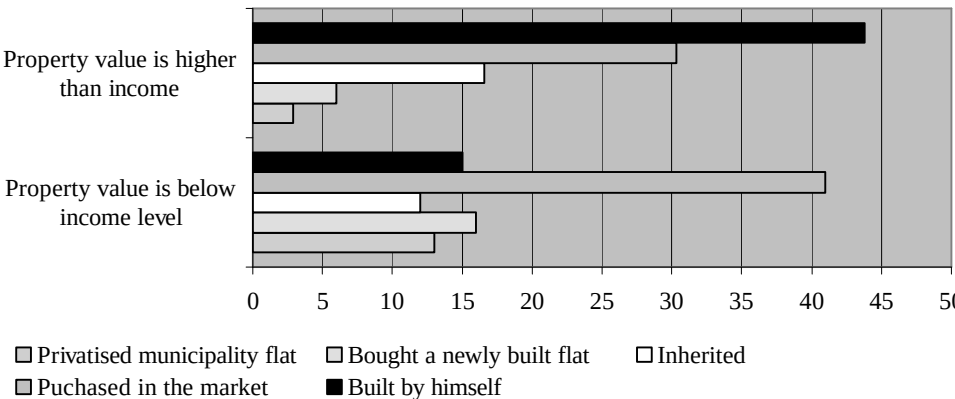


Figure 8 Flat acquisitions of households with active earner head – relationship of property value and income (%)

one of the most effective ways of accumulating subsidies. The largest part of those who live in more valuable dwellings often acquired them through self-help provision. Besides the building subsidies, using their own work also contributed to the relatively higher housing value. On the other hand, those living in relatively less expensive dwellings (compared to their income levels) have most frequently bought them in the market of used dwellings. These transactions have never been subsidised, therefore all they could afford is buying cheaper flats.

It must be added, that the above ways of obtaining dwellings usually represent different stages of one's housing career. The first step is usually buying in the market, while building a family house is often a result of a longer accumulation process, which follows more changes of flats.

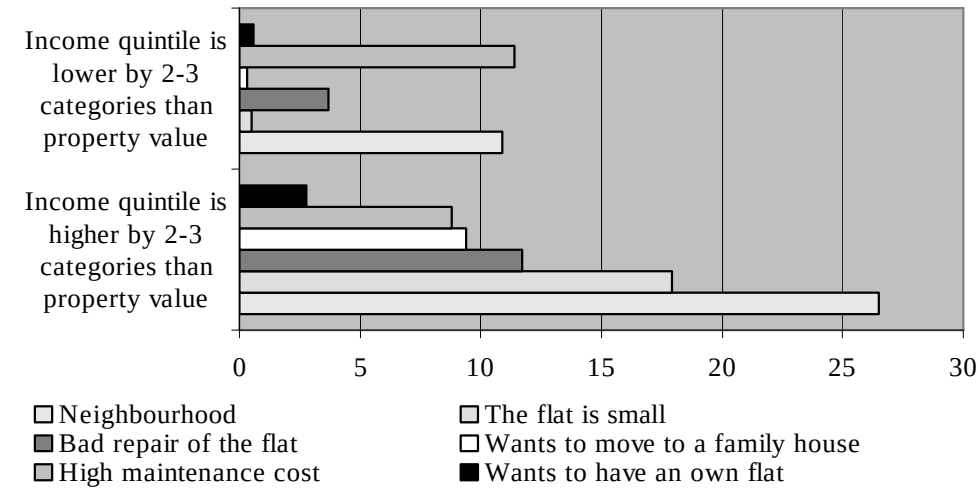


Figure 8 Reasons for dissatisfaction in the case of substantial inconsistency between income and property value (three possible answers)

Effects of inconsistency: The inconsistency of income and property value can be understood as a tension that forces families to shift within the housing stock. It can be assumed that those with a relatively lower property value want to move upward, while those living in better flats on a lower income are forced to move to smaller or cheaper flats to decrease maintenance costs.

Resident satisfaction with dwellings is influenced by this inconsistency: the higher the income compared to the property value, the less satisfied the owners are (40 percent of owners in such cases are not satisfied). When residents were asked about the reasons for their dissatisfaction they mentioned problems with the neighbourhood most frequently, which usually meant that they wanted

to move to better areas (Figure 9). Small size and bad repair were also mentioned often. Of course, those who live in more valuable flats are usually satisfied with their situation. Only 16 percent reported one or more reasons for dissatisfaction. The complaints referred to high maintenance cost or bad neighbourhood in most cases.

All of those who live in less valuable dwellings (compared to their income) and express their dissatisfaction, have quite definite plans for the future: they all want to move away, two-thirds of them within five years.

At the same time, those who expressed dissatisfaction in the other group (where income level is below property value) do not always plan to move to another flat. Only seven percent want to move away in the next five years, and another five percent answered, ‘perhaps some time in the future’.

We asked those planning to move away whether they saw any possible difficulties of implementing their plans. As data presented in Figure 9 indicate, there was hardly any difference between the two groups: about three-quarters named at least one difficulty that might be an obstacle. The greatest common problem for both groups is the lack of money. However, those who live in relatively less valuable dwellings and consequently want to move upward, to better, more expensive flats, mention this difficulty more frequently.

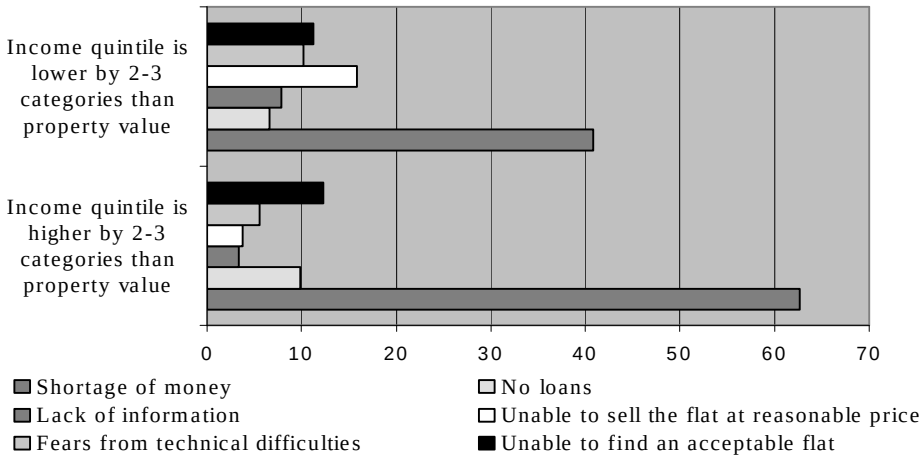


Figure 10 Possible obstacles of moving to another flat (3 possible answers)

For many families who live on low incomes but in relatively expensive flats, these are their most valuable, if not the only, assets. They usually strive to preserve this wealth and want to stay in the flat. Even if they decide to sell, they do not dare to risk. This is reflected by their fears of technical, legal difficulties,

and by their frequently mentioned answer, 'we are selling the flat but we can't sell it at a reasonable price'.

Conclusion

The approach that has been introduced in this paper can be a possible way of understanding the tensions leading to a rearrangement within the housing sector. These tensions are the result of the fast social polarisation to which the housing conditions are adjusting with a substantial delay. For many households, this means that despite the rapid decline of their incomes, they managed to preserve relatively good housing conditions until now. In other words, a dwelling is often the last reserve for many people who are already below poverty line.

On the other side, there are also those who strive to move upward to better flats where their housing conditions correspond more to their income level. There is still a question as to how can these families' needs can be supplied. The most obvious solution is that better-off families will crowd out the poor ones. Researchers have already reached similar conclusion, however, we must not forget that housing developments can influence this process to a certain extent. Besides new constructions, the modernisation of the existing stock can also be a solution. It can already be seen that the need for better quality flats is supplied more and more by modernisation.

In the beginning of the analysis spatial price differences were excluded. Now it must be emphasised that it was possible because regional mobility is especially low in the country, and we were aware that people usually move to a new flat within the same settlement. However, there is a danger that until these regional price differences exist worst-off families are stimulated to move to less expensive areas, so a population flow may start to the underdeveloped regions. To avoid this danger, low-income families need to be subsidised further, which is an ever-growing burden on local communities in the cities.

Appendix: Description of the applied estimating methods²

Interviewees were asked to give an estimate on the market value of their own property. From this information we calculated the self-estimated market value per sq.m which was the basis of our model. In the model we considered the most important characteristics of properties, such as size, building type, degree of comfort, location, neighbourhood. While preparing the model we faced the question whether the Hungarian housing market can be regarded as a unified market or not. Considering that different factors may influence market prices in different ways we finally decided to apply four separate models for the following settlement categories: Budapest, county seats, towns and rural areas. Looking at the results of the calculations we do believe that the assumption of segmented housing markets has been quite realistic.

We applied linear regression method, although we are aware that the effect of variables are not always linear (e.g. the market price per sqm is higher for small flats). In these cases, we applied dichotomic variables. Apart from a few specific variables we considered the same list of variables in each model. For the sake of comparability we aimed at using the same list of variables, therefore kept non-significant variables in the models. (Furthermore, our models were designed for estimation and not for analysis.)

In theory, the regression estimation model may result in zero or negative values, therefore we had to define the least possible value which was 100 000 HUF for one dwelling. As these are multivariate regression models, the results for specific variables can only be understood in correspondence with those for the other variables. This is the reason why in certain cases the coefficients were negative. Empty cells mean that the actual variable has not been considered in that specific model.

² Regression estimates have been prepared with the contribution of Róbert Kovács.

The Housing Situation in Poland: Perceptions of the Problem

Ewa Kaltenberg-Kwiatkowska

Introduction

A diagnosis of the housing situation would not be complete without referring to the opinions, judgements, and expectations of those whom it concerns. A subjective feeling of satisfaction with housing depends not only on the actual situation. The same conditions may be judged differently according to many factors – the most important being people's priorities, aspirations and values.

It is important to know what the housing conditions are and what is seen as “normal” by different groups. The judgement of the actual state of things is to a certain degree influenced by our previous experiences. It is however also influenced by the future we foresee. Our present reactions depend on the prospects of change for the better, or the feeling of threat by deterioration. Thus, all the data concerning objective conditions has to be analysed taking into consideration the “humanistic coefficient” – i.e. how reality is perceived and evaluated. Even an unrealistic vision of the situation may bring real effects.

In this paper I intend to show that the perception of housing matters in Poland, as well as explore opinions and attitudes towards the state's and the people's responsibility for the satisfying of housing needs. The research draws on the results of a public opinion poll which was carried out for The State Office for Housing and Urban Development in 1995 and 2000 by the Public Opinion Research Centre. In both surveys the same questionnaire was used to interview a representative sample of households – 2,123 in 1995, and 1,776 in 2000.

The Housing Conditions

The housing situation and the living conditions of the Poles have not changed a great deal in the last two years. In this area of social life past legacy is very important and the eventual changes have to last long enough before their structural effects can be brought to light. After all, our flats were in great part built before the year 1945 (28%) and in the post-war period. According to data from the 1995 Micro-Census, 41% of flats were built before 1960. Still, even in

the cities, not all of the buildings are equipped with basic installations and the technical state of many is poor. Also, the necessary repairs have been neglected for years. In each survey, both in 1995 and 2000¹, more than 35% of respondents have stated that the buildings they inhabit need major repair, and many have mentioned the need for renovation and upgrades.

Moreover, all international comparisons show that we have few (and too few) dwellings, that our homes are small (the average dwelling in Poland is 61 m², 56 m² in towns) and households are relatively large and often overcrowded. Our indicators of living conditions remain very dissatisfying. The average number of people per room² is very high (including kitchen, 0.9); at the same time as much as 14% of the population inhabits flats with an average of more than two people per room. With small flats and high density of occupancy, the average flat area per one person is 19 m²; however, 20% of the population has only up to 10 m² of flat area per person. These indicators, such as the number of people per room, are worse in Poland than in the majority of the other countries in Central and Eastern Europe.

Recent years have brought quantitative and qualitative changes in the structure of housing stock and modest improvement of housing conditions. However, positive change has been recorded with respect to a few indicators. Since the last census in 1988, the number of households per one flat has sadly increased. The sharing of one dwelling by two and sometimes more households is a result of rates of housing construction lagging behind rates of household growth (e.g. young married couples and other independent households). Although this cohabitation concerns mostly people related to each other, these intergenerational patterns of cohabitation are rarely a result of one's own choice. In most of the cases survey data indicate that the majority of young people would prefer to live separately from their parents. They see one of the conditions of a successful marriage as having their "own" flat. The shortage of flats for young couples will become greater in the next few years because the large number of people born between the year 1979 and 1983 will enter the housing market.

The Shortage of Affordable Housing for Young Households

¹ The questionnaire for the surveys was developed by Kaltenberg-Kwiatkowska in collaboration with Muziol-Weclawowicz and Sieminski.

² In Polish statistics the definition of "room" refers to space in a dwelling, separated from other sectors by solid walls extending from floor to ceiling, with a window; an area not smaller than 4 m². This term also applies to kitchens. Therefore a two-room flat consists of one room and a kitchen, providing the kitchen is not smaller than 4 m² and has a window.

As Wojciech Staszewski has stated in *Gazeta Wyborcza*: “you won’t have jobs... you won’t have homes... you won’t have money... you won’t have any qualms of conscience” (G.W., 24-25 II 2001). At the moment, there is no programme for the construction of dwellings that would be affordable to those with low income. Further, Social Housing Associations provide opportunities for access to housing for households with income higher than the average. Then, what are those young people counting on? Part of them is conscious of the fact that they can only rely on themselves. For some, their families have already bought or will buy flats. Others expect to take over the flats of their grandparents’. And they know what they are talking about, as assuring a flat for children or grandchildren is one of the most common motives of purchasing flats by sitting tenants in the privatization process. This reason for purchase was mentioned by 30% of the interviewed in 1995, and by 28% in 2000; further 60% of the interviewed who have privatized their flat stated that this was the motivation.

What are the expectations of young people with respect to their own housing situation? A recent survey of 20-year old high students carried out by Agnieszka Lewczuk highlights some interesting trends. Students are of course a special category. They can certainly more than others count on the support of their families. The results indicated that 5.4% expect to stay in their family home, 17% know that their parents will buy them a flat, and 23% will take over a flat from someone from their family. The rest, more than 50%, rely on their own resources and efforts to be able to resolve their housing situation in the future. One person stated that he/she is hoping for a miracle.

Housing Preferences and Expectations

Polish households are formulating clear expectations with respect to the involvement of the State in the housing sector. Results from the surveys in 1995 and 2000 indicate that Poles are expected high level of state and municipal involvement in housing matters (Table 1). When answering the question of who should most of all be responsible for the satisfying of the housing needs of the citizens, respondents point out (1) the State, (2) the government, and the territorial self-government. A minority feels that housing is a sole responsibility of individual households -- 39% in 1995 and 30% in 2000.

Answers to this question differ depending on the social situation of those interviewed. To simplify, one can say, that those who are rich, highly qualified, and living in better conditions, more often than others tend to approve of the idea of an individual responsibility for one’s housing situation. Also those involved in farming, who have to count on themselves, are more likely to have the same opinion. However, in spite of such differences, in all social categories

expectations towards the state and the self government are quite common. Even among businessmen and other qualified staff, answers such as “everyone by themselves...” don’t exceed 46%, which means that more than half postulate the state’s obligation to solve the housing problems of its citizens.

Pointing at the government and its institutions’ (territorial self government) is probably a result of the perception of what has caused the bad housing situation in our country in the first place such as macro structural and political instability.

Table 1 Who should be responsible for the satisfying of citizen’s housing needs?

	1995	2000
The state, the government	27%	38%
Territorial self – government	24%	24%
Everyone is responsible for the conditions they live in	39%	30%
Difficult to say	10%	8%

Table 2 What has caused the bad housing situation in our country?

	1995	2000
“We happen to live in times when flats’ prices are high”	72%	62%
“The problem has been neglected for years”	54%	62%
“It is due to their individual shiftlessness”	20%	19%
“They are too lazy to work and earn for the improvement of their living conditions”	16%	9%
“They rather spend money on other things”	11%	11%
“Lack of available credits”		20%
“Lack of a system that would encourage saving”		13%
“I have a different opinion on this subject”	2%	7%

Causes for Inadequate Housing

When answering the question “What in your opinion is the cause of inadequate housing in Poland?”, more than half of the respondents (72% and 62% in succeeding surveys) say “because people happened to live in such times when the prices of flats are high”, and correspondingly 54% and 40% chose to

answer “because it is a problem neglected for years” (Table 2). In 2000, 20 % chose to respond “lack of available credits”, another 13% “lack of a system that would encourage saving”. Individual shiftlessness in both surveys is pointed out by 20%, laziness – by 9% in the year 2000.

At the same time, most of the interviewed feel that our homes should be adequate to our own financial possibilities -- 29% of respondents agree with the thesis that “everyone should have a dwelling they can afford” and 36% “find it rather true” (together the approval is the same as that of 5 years ago). When motivating such opinions only 22-26% refer to the “rigid principles”, according to which a home should be dependent on financial possibilities and not on other criteria. Others refer to such reasons as “one shouldn’t live beyond one’s means”, the need of avoiding insolvency, the necessity of taking responsibility for oneself, and avoiding burdening someone else with the costs. In both surveys however, 15-16% of the respondents didn’t agree that housing standards should be adjusted to family’s income. People expressed their belief that dwellings should be adequate to the size and to the needs of a family, that people should live in decent conditions, regardless of their income, that people are not to be blamed for not having a job, because unemployment is high or salaries are low.

Such opinions shouldn’t be neglected, because if we relate those 15% to the whole population of adult Poles, it would appear to be the opinion of about 4 million of our fellow-citizens. In the same time we have to remember that positive support for defining the housing conditions by “what one can afford” has been declared by 29%, but 36% of these were only “possibly” agreeing.

Housing Conditions vs. Income

To refine people’s perceptions on what is perceived to be fair as far as income and housing conditions are concerned, we asked the question “if someone really can’t afford a dwelling, what procedure do you consider just?”(Table 3)

Table 3 If someone can’t afford the maintenance of a dwelling what procedure do you consider just?

	1995	2000
They should receive a sufficient housing allowance	33%	36%
They should seek help by social welfare, the Church or other institutions	6%	13%
They should exchange his flat for a cheaper one	39%	30%
They should be re-housed to a flat they could effort	13%	13%
They should be evicted and	1%	0.4%

look for a dwelling on their
own
Difficult to say

8%

5%

Only less then 1% of the respondents in both surveys take the strongest line - evict. Also, identical in both, only 13% of respondents were of the opinion that such people should be re-housed to flats, which they would be able to pay for. The largest group, in both surveys --39%-- are those who think that people should change the existing flat for another one less expensive to maintain. Similarly a large number of respondents (36% in 2000 and 33% in 1995) recognised that people who “really can’t afford a flat” should receive a sufficient housing allowance.

Housing allowances are the most commonly approved solution -- 85-86% considered them just; only 4-7% see them as unjust (the rest had no precise opinion). In the mean time, few households (only about 6%) received housing allowances. Asked whether they knew of this possibility, about 30% reply that they don’t need such help, and a similar number of respondents - that unfortunately they are not entitled to such supplements. But in 2000, five years after the *Housing Act* had been introduced, 17% of adult Poles still didn’t know, and have never heard about the housing allowances. Access to information is clearly correlated with higher social status. The lack of knowledge, about one’s own right among other things, is one of the causes of poverty and exclusion. There is also an interesting category (4-6%) of people who reply they haven’t tried to obtain the supplement because “they don’t know how to handle such things”. This might be due to bureaucratic procedures but also a matter of dignity. Some people simply can’t bring themselves to demonstrate their poverty and apply for help. Such, should be spotted out by active and competent, social welfare.

Access to adequate system of housing allowances is necessary and urgent not only for social reasons. It is also a condition of a rent reform postulated a long time ago. Rents in communal housing still don’t cover the cost of exploitation; in most municipalities they don’t even reach 2% of the operational costs.

Table 4 When should eviction not be executed?

	YES	NO
In case of families with an underage child/children	89%	11%
In case of unemployment of all adult members of the	84%	15%

household		
In case of handicapped	93%	7%
In case of ill and single	93%	6%
In other cases	44%	50%

Supporting low income families is also motivated by the common disapproval for evictions. Only 4% of the respondents approve of eviction whenever there are outstanding payments. Most of us think that even then eviction should not be executed in many situations – in the case of underage child in the family, unemployed people, handicapped, ill and single. In 2000, as many as 84% of respondents held this opinion in the case of unemployed, and as much as 93% in case of ill, single and handicapped (Table 4).

Housing Privatization

In 2000, discussions on mass privatisation of housing to the sitting tenants provoked the inclusion of a question “Do you think that privatisation of flats, meaning a free transfer to current tenants is a good solution?”³ Respondents could choose two options from suggested answers. “Yes, it is a good solution in every case” was an answer supported by 15%. This was the preferred option among the following categories: 22% of unemployed, 20% of those living in rental, communal or company owned flats, 19% of users of tenant co-operative flats, and 9% of tenants of owners of co-operative flats. Almost a quarter of respondents recognised it was a good solution, because people will take care of something when it is their property. However, some only approve of mass privatisation of flats that are located in buildings that don’t require repairs (16% of all interviewed and 22% of tenants renting flats). The awareness of great differences in the quality of the resources that could be privatised is also one of the main reasons for declaring it wouldn’t be a good solution because “flats differ too much in value and as a result some tenants come to possess dwellings of little and others of great value”: 36% of those examined responded in this way. A group of a same number of people has turned down mass privatisation, recognising that many people wouldn’t be able to afford maintenance of these buildings and flats. More than a quarter (26%) of respondents thought proposed privatisation wasn’t good, because people who don’t have flats now and are waiting to receive communal flats wouldn’t get a chance to do so.

Conclusion

³ For a discussion on “give away privatisation” see József Hegedus, Ivan Tosics, and Eva Gerohazi: “The Dilemmas of Restructuring the Social Rental in Hungary” In: Social Housing in Europe, Prague, 2000.

Awareness of great differences of resources supposed to be transferred into private hands and the awareness of that coming into possession of a flat also means participating in the costs of maintenance of privatised resources speaks well about the realism of our citizens when it comes to judge public matters. The differences in perception of the problem, as well as the expectations and aspirations can be seen to be related to people's own social and economic status. For example, persons, who have appraised their living conditions as bad, on average had less than 13 m² per person, those who appraised them as very good, had a mean of 38 m². According to the criteria used by the Central Statistical Office as much as 27% of our citizens live in substandard conditions. So not all of those living in such conditions appraise their situation as bad! Poles are perhaps rather modest in their housing aspirations. Those who say their flats are "too small" have only about 14 m² per person, and 2.11 people per room. Those who live "adequately" on average have 26.4 - 28m² and 1.1 persons per room. A vision of a flat "really adequate for a family" confirms this modesty in aspirations. Certainly the vision of a flat depends on the number of people in a household, but the "adequate" flat should be one in which there is 25.5 - 32 m² per person, and 1.1- 1.7 persons per room.

To sum up we can say that even though more than half of the Poles expect that the State should take part in solving the housing problems of its citizens, it doesn't mean that our ambitions are too high and our appetites excessive. When it comes to judging our housing conditions, we are accurate and moderate and very restrained in our aspirations. A considerably large group among us agree that we should match our housing conditions with our financial means; about 30% declare that they are themselves responsible for their living conditions. But we still expect that the State will be undertaking special activities towards those who really can't afford the flat payments. We strongly disapprove of eviction. Whereas nothing in my opinion entitles one to talk (as some politicians happen to) about excessive demand by our society, or what is even worse, about an ungrateful society.

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Next Steps in European Policies for Physical Access to Housing

Building regulations, standards, design guidelines and other measures for ensuring access to the built environment for persons with disabilities

Ivor Ambrose

Introduction

The government of the Flemish-speaking community in Belgium is considering proposals for new Flemish legislation in the area of accessibility to buildings and the built environment for people with disabilities. It has been 26 years since the accessibility requirements in building regulations were published.

To assist the process of developing new legislation, a study was conducted identifying relevant legislation and other mechanisms that are used to ensure physical accessibility at the European level and in European countries. The study was carried out by means of an Internet search and review of published legislation and other related documents. As necessary, telephone interviews were also conducted with contact persons in other European countries.

This study examined policies, legislation (building regulations) and a selection of relevant standards, guidelines, monitoring procedures and other mechanisms - at the European and national level - which are applied to ensure the accessibility of the built environment for persons with a disability.

Recent disability policy developments at international and EU levels place a focus on accessibility to the environment and buildings as an aspect of the civil rights of disabled persons. Anti-discrimination legislation related to disabled people has been introduced in a few EU member states. The study has therefore examined, briefly, how such non-discrimination legislation applied to persons with disability relates to accessibility requirements, where this type of legislation is being established.

The European Union adopted a 'New Community Disability Strategy' in 1996, which focuses on equal opportunity for disabled persons. This was further developed in a new policy framework in 1999 whereby the removal of barriers

to full participation is targeted in all areas of life.¹ New initiatives by the European Commission to address the problems of access to the built environment throughout Europe are expected to begin in 2001.

It should be noted that the perception of disability in Europe is changing. Twenty years ago disability was perceived as a 'medical' problem. In the 1980s and 1990s a strengthening 'social' interpretation was placed on the meaning of disability and emphasis was given to the disabling effect of non-accessible environments and the need to remove barriers. Now the European Treaty has placed disability within civil rights framework, indicating that disabled European citizens have the same right to goods and services as all other citizens and that special measures must be taken to ensure that they are not discriminated against.

People with disabilities, it is argued, are discriminated against through building and environmental design, inappropriate building management practices and inadequate service provision, yet they are generally not empowered to seek restitution or compensation through the courts.

Only very few EU member states have passed anti-discrimination legislation related to disabled people or have plans in this regard (e.g. the UK since 1995, Ireland, Portugal and Sweden, since 1999). Others are seeking to do so, however.

Accessibility legislation in EU member states varies widely in scope and structure. References to access can be found in a wide range of laws covering, for example, building, planning, transport and social welfare. Moreover, accessibility requirements and criteria are not consistently defined across sectors.

Accessibility Legislation in Europe

The New Disability Policy Framework

The European Union adopted a 'New Community Disability Strategy' in 1996, which focuses on equal opportunity for disabled persons. This was further developed in a new policy framework in 1999, whereby the removal of barriers to full participation is targeted in all areas of life.² The European Commission explains the changes in policy, and the way in which society views disability as follows:

¹ See the European Commission Disability Website at:
http://www.europea.eu.int/comm/employment_social/disability/strategy_en.html

² See the European Commission Disability Website at:
http://www.europea.eu.int/comm/employment_social/disability/strategy_en.html

The traditional approach to disability policy has been based on the belief that disability is a deviation from normality. In this context, the policy orientation adopted by society is one of rehabilitation; the aim of which is to help compensate for the deviation and to encourage the disabled person to function as near as possible to the social norm. Currently this relationship between disability and 'normality' is undergoing a revolution; a revolution instigated primarily by disabled people themselves. In this respect, it is increasingly being recognised on a global scale that human difference should be embraced as a phenomena, which is both natural and beneficial to human society.

A society, therefore, which is truly concerned with human rights is believed to be one which defends the right of its minorities to be different and does not compel those minorities to adjust to an artificial 'norm' constructed by a perceived majority. Given these beliefs, the limitations faced by disabled individuals are no longer linked to their disabilities as such, but to society's inability to adjust to the difference posed by disability and to provide equality of opportunity to all citizens and provide equality of opportunity to all citizens.

This new approach is based on the notion of right rather than charity and an accommodation for difference rather than a compulsory adjustment to an artificial norm. The new approach, therefore, advocates a full notion of equal citizenship and inclusion rather than segregation and exclusion; an approach reflected in 1993, when the United Nations General Assembly, including all EU member states, adopted a resolution entitled 'Standard Rules for the Equalisation of Opportunities for Persons with Disability'.³

The main principles of disability policy emerging from the Standard Rules might be summarised as a general shift in approach from disability as a medical issue to one of disability as human rights issue, the replacement of an ethos of compensation for perceived abnormalities by one of the removal by society of barriers to inclusion of all its members and by a new emphasis on the need to mainstream actions, that is, including a disability dimension in policy recommendations covering a wide spectrum of social and economic concerns.⁴

Although the UN Standard Rules are not compulsory, they offer a strong moral and political impetus to take specific action at all levels of government. The new disability strategy has already existed for five years and there has been a gradual 'roll-out' of European initiatives to remove barriers and improve the policy-making processes in member states.

Coordination of Accessibility-Related Policies at the EU level

Accessibility issues may be seen from at least two perspectives:

³ See United Nations Standard Rules on the internet at:

<http://www.un.org/esa/socdev/enable/dissre00.htm>

⁴ This section is quoted from the European Commission web page:

http://www.europa.eu.int/comm/employment_social/soc-prot/disable/framework_en.htm

- *Why accessibility?* – Disabled citizens' rights to participate equally in society.
- *How to ensure accessibility?* – Requirements for accessibility in physical planning and building regulations and other mechanisms.

In relation to the first of these issues, recent legislation has been introduced at the European level allowing actions to prevent discrimination that takes place on grounds of disability, age, gender, racial origin, etc. This is permitted through the revision of the Treaty on the European Union at Amsterdam (1997) in a new article, number 13.

The rights of disabled people to use and enjoy their surroundings just as non-disabled people do (i.e. without discrimination) is being increasingly seen as the primary motivation for creating accessible environments. It is not a question of *whether to* include accessibility requirements when designing buildings, facilities and urban surroundings but *how to* include them. To ignore the requirements of disabled users may be discriminating against a significant number of taxpayers, who have a right to enjoy the public facilities and spaces that other people use. Disabled persons wish to be treated first as people, and to have access on equal terms; that is, as independently as possible and in ways which respect their freedom and dignity.

Today access to the built environment is unequally distributed across Europe. Disabled and elderly persons in particular are at great risk of being discriminated against, and thereby less able to participate in society. When there are barriers to mobility, activities such as education, employment, leisure, tourism, etc. are restricted.

In the European Union today about 37 million persons have a permanent disability. Disability is closely related to age. Seventy percent of disabled persons are over the age of 60. Demographic trends show that by the year 2010, about 25 percent of the European population will be aged over 60, rising to 30 percent by 2020. Correspondingly, the proportion of persons with disabilities will rise from about eleven percent today (a conservative estimate) to around 18 percent by 2020. Altogether about 120 million people in geographic Europe have disabilities or are elderly. Unless the built environment is designed to be accessible for all, increasing numbers of European citizens may suffer widespread discrimination and marginalisation.

Barrier-free Europe: The European Commission communication 'Towards a barrier free Europe for people with disabilities', published in June 2000, addresses such issues as mobility, accessibility, harnessing the Information Society, assistive technologies and protecting the rights and interest of consumers with disabilities.⁵ This directive provides a framework for the 'roll-

⁵ COM (2000) 284 final.

out' of access policies in a range of sectors and includes a strong focus on removal of architectural barriers. During 2001 studies will be performed and a working group is being planned to address the issues concerning access to the built environment (see Appendix 1).

Non-discrimination at the workplace and in employment: In 2000 the European Parliament passed the directive 'Establishing a general framework for equal treatment in employment and occupation'.⁶ This directive will make it illegal to discriminate against disabled people who are seeking a job, or who are in work. Employers shall make reasonable accommodation to disabled employees including adaptations to the workplace and equipment used by the employee. If not done a case may be brought before an Industrial court of law by the disabled person or an organisation that represents the disabled person. This directive should be passed into national legislation in all EU member states within three years. This may have the effect of highlighting the need for standards for the accessibility of work environments and the additional need for advisory services for employers in this area.

The UK 'Employers Forum on Disability' is an example of a well-coordinated effort by employers to improve awareness of disability issues both with regard to the obligations of employers, the rights of disabled employees and serving disabled customers.⁷ Adapting workplaces for disabled persons is the subject of a number of reports and guidelines by the Employers' Forum.

EU anti-discrimination action programme (ADP): This programme is a complementary part of the anti-discrimination package and was conceived as a support to member states' efforts, policies and practices in combating discrimination. The programme runs from 2001 to 2006 with a total budget of €98.4 and €12.8 for 2001. There are three strands: 1) analysis and study; 2) transnational exchange of experience and good practice; and 3) awareness-raising.

Standardization taking account of needs of disabled people: European standardization activities represent an opportunity to identify and implement the means to remove barriers, promote accessibility and improve the social integration of disabled persons. Within Europe, a number of programmes and activities have been initiated to achieve 'barrier-free' design of products and environments.

⁶ See: Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation (27/11/00). Available on the Internet at: http://www.europa.eu.int/comm/employment_social/fundamri/legln_en.htm

⁷ See the Web site of the Employers' Forum on Disability: <http://www.employers-forum.co.uk/www/index.htm>

Standardisation of consumer products and environments should routinely address the needs of ageing people and people with disabilities. In Europe there is currently no general approach to satisfying this aim (i.e. to make sure that all relevant committees address the needs of ageing people and people with disabilities), in contrast to the USA where the *Americans with Disabilities Act (1990)* provides a legislative framework, which is complemented by standards activities.⁸

Therefore, in June 1999, the European Commission gave a mandate to the European Standards Bodies (CEN, CENELEC and ETSI) to develop a guidance document in the field of safety and usability of products by people with special needs (e.g. elderly and disabled). The work should result in practical guidelines that can be applied by all relevant standardisation committees. The 'Design for All' Mandate M/273 produced a report that sets out a range of possibilities for generic standards in the area of design for all. This report includes some areas of relevance to physical accessibility, such as information and communication technologies standards in smart housing and way finding.⁹

A crucial problem for designers and other professionals is the access to information about standards, specifications, guidelines and other normative or informative documents, and to the documents themselves. 'Standards' can be taken to mean not only formal standards, but also all documents with information for designers about 'designing for all' and designing for persons with disabilities. It is especially important that the documents should also be available in a form that is useful for their intended purpose or purposes.

'Design for All' standards: It is acknowledged that it will not be possible to design everything so that it can be used by everyone. There will always be consumers with a combination of severe physical, sensory and cognitive impairments who will not be able to use a product or service. However, it is not reasonable to refer consumers with special needs to specific designs for each major product or service; this approach would exclude them from the advantages of economy of scale, and hence lead to de facto discrimination. A better approach is to apply the principle of 'design for all' wherever possible (i.e. that products are designed in such a way that people with the widest range of abilities have access to them and can use them in a safe and convenient way), to strive for adaptable designs in most other cases, and to offer assistive technology where it is necessary. 'Design for All' standards applied to the built environment would reduce the need for specialised adaptations and thereby enable more citizens to participate on equal terms in society. One such example is 'Lifetime Homes'

⁸ The *Americans with Disabilities Act* of 1990 prohibits discrimination on the basis of disability in employment, programs and services provided by state and local governments, goods and services provided by private companies, and in commercial facilities. It explicitly makes reference to standards as one of the means to achieve this aim.

⁹ See: http://www.ict.etsi.org/activities/Design_for_All/INDEX.htm

standards, promoted in recent years by the Joseph Rowntree Foundation in the UK, and now partly integrated in UK Building Regulations.¹⁰

Overview of the Principal Regulatory Instruments Regarding Accessibility of the Built Environment for Disabled Persons

In all countries of the European Union, the regulatory process that guides and controls the production of buildings and other facilities in the built environment has a number of elements that relate to each other in various ways. As noted in Table 1, these can include the following (noting that some may not be present in all countries).

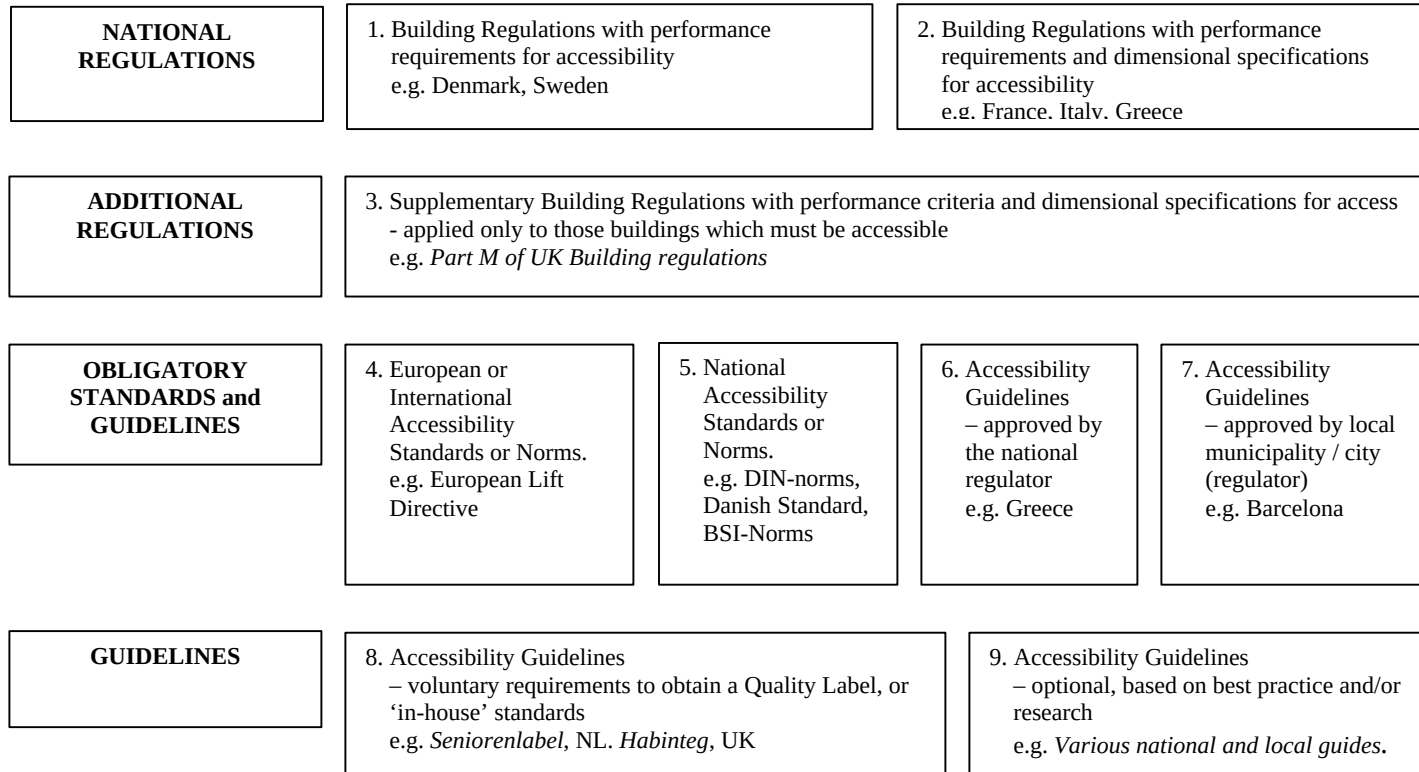
Table 1 Summary of regulatory instruments by category

Regulating what?	Regulatory instrument
WHAT constitutes building?	The National and/or Regional/Local Planning Regulations, and/or Building Regulations define what is a 'building'
WHO may undertake building work?	Builders must be licensed according to national laws
WHERE and WHEN is access required?	The Building Regulations state in which types of buildings and under what conditions access is required
HOW will access be provided?	1. Building Regulations may include specific dimensional and other requirements that must be followed to ensure accessibility. 2. Building Regulations may set only the framework 'performance requirements' for access. 3. Supplements to the Building regulations may provide obligatory requirements for accessibility 4. Building Regulations may refer to mandatory standards for access. These may be national standards or European, (e.g. the European Lift Directive). 5. Building Regulations may refer to other advisory documents which may be in the form of access guidelines, handbooks, design recommendations, etc.
WHY must access be provided?	National Disability Discrimination Law may apply.
HOW is the accessibility monitored?	Responsibility can be Central, Regional or Local government, or a combination of these

¹⁰ See: <http://www.jrf.org.uk/housingtrust/lifetimehomes/default.asp>

Figure 1 Typology and examples of regulatory instruments for buildings

In the national regulatory regimes of European countries it is possible to identify the following instruments for regulating accessibility.



Accessibility issues are generally handled in National Building Regulations in one of two main ways:

1. Framework regulations based on performance requirements;
2. Detailed regulations with specific dimensional requirements.

In the typology in Figure 1, framework regulations of **type 1** make specific requirements on the functionality of environments, facilities, buildings and fittings so that these will be suitable for disabled persons. Such regulations do not contain many dimensional requirements, if any, but refer to supplementary standards or guidelines that give advice on how to achieve the required performance levels. The advantage of this approach is that it allows a certain degree of freedom to clients and designers in developing innovative methods for achieving accessibility. The disadvantage may be that accessibility is not achieved due to lack of expertise on the part of the designer (if there is also a lack of controls).

Those building regulations of **type 2** may include exact requirements that must be met in every case. This has the advantage of being simple and clear guidance, ensuring strict adherence but, conversely, the element of creativity in finding new solutions may be lost.

In regulations of **type 1 and 2**, access requirements for disabled persons may be more or less 'mainstreamed' into general legislation. However, there will always be a need for supplementary advice (guidelines) to ensure that accessibility requirements are met. It is also important to note that certain design details that support accessibility should not produce other problems; for example, as is the case with level access entrances, which may allow water to enter the building if designed incorrectly. For this reason design standards or guidelines showing 'best practice' are desirable.

Supplementary regulations for accessibility, **type 3**, may be invoked in some countries, where accessibility requirements are not mandatory for all buildings.

European directives, **type 4**, may be produced by community legislation. At present there are no European directives related directly to the physical accessibility of buildings, although the lift directive and certain transport directives do include criteria for the accessibility of disabled people.

Accessibility standards, **type 5**, have been achieved on the basis of work by standardisation bodies in several countries. This work has been conducted with varying degrees of participation of disabled user representatives. Few countries have official standards for access. Austria, Germany and Switzerland have standards for disability access that apply to housing for disabled people. The UK has a standard for disabled access to buildings but this is in need of updating, having been being produced in 1979. The most recent standard in

Europe is the comprehensive Danish ‘Standard for Accessibility’ (to be published in Autumn 2001).

Within this range of regulatory instruments, the categories of ‘guidelines’, **type 6 and 7**, may have a ‘statutory’ status, whereby they are officially approved and it may be obligatory to follow them in order to obtain a building permit for certain types of buildings. Other guidelines, **types 8 and 9** are essentially optional or voluntary, but may be applied strictly in a form of self-regulation by associations, companies or professional bodies.

The ‘*European Concept for Accessibility*’¹¹ is a guideline that originated in the Netherlands in the mid-1990s. It has gained some support among certain groups and has partly influenced national guidelines in some regions of Europe. However, it must be emphasised that this document has not been officially adopted at the national level as the standard, which it intended to be, nor has it been adopted in any formal way by the European Union - despite its name.

Examples of Policies, Legislation and Practice

This section contains examples of some of the approaches and instruments in use in a number of countries. They were chosen to show the variety of current regulatory mechanisms that exist.

Belgium: Monitoring Building Plans, Brussels

The Brussels-based disability non-governmental organisation, ‘Autonomia asbl’ won a tender by the City of Brussels to establish a system for checking the accessibility plans for all new public building projects and renovations, using the requirements in the building legislation as the ‘yardstick’ for checking. The system began in January 1999 and revealed that many projects contravened the access requirements. On the basis of this work the City of Brussels does not issue the building permit until the faulty designs have been corrected.

Denmark: Local and National Monitoring of Accessibility

Local municipalities are required to check that builders who are building in their local area uphold the accessibility requirements in building regulations. Until the mid-1990’s it was fairly common for builders to request and receive dispensations from the access regulations. In order to reduce the number of requests for dispensations, the central government agency responsible for building instituted a new system whereby the municipalities are required to send

¹¹ See: www.eca.lu

a detailed written explanation in all cases where dispensations are allowed. This has effectively reduced the dispensations given to virtually none.

Denmark: Accessibility Standard

The Danish Standards Association published 'Accessibility Standard DS 3028' in August 2001. This standard defines requirements aimed at ensuring general accessibility (including accessibility for disabled persons) to buildings and facilities as well as the access to these. The standard is divided into six categories for buildings: buildings which are open to the public; industrial and commercial buildings; house buildings; buildings for private use; house building for elderly and disabled persons requiring care; and summer houses. In addition to providing recommendations in a number of matters for each category, the standard also defines the functional requirements that must be met.¹²

France

The French Government has published a number of legal and advisory texts with performance requirements and specifications aiming to make public spaces accessible for disabled persons. These are clearly presented in the form of a table with diagrams and text on a government web site.¹³ The table shows in three parallel columns: 1) the Legal Decree, 2) the required specification, and 3) the advisory circular, which gives a further clarification of the specification. In this way, the relation between the performance requirement, specification and clarification is shown for each item or issue of accessibility.

Norway: Disability Anti-Discrimination Legislation

The Norwegian Parliament has recently adopted an anti-discrimination paragraph against discrimination of disabled people in the labour market. The paragraph is an amendment of § 55A in the current Norwegian Law on the work environment, which already included legislation against discrimination of women.

The Norwegian national disability council, FFO, has lobbied for the implementation of such legislation based on the current EU directive against discrimination of disabled people in the labour market, which also has an impact on the EEA member states. Also, the current Swedish anti-discrimination legislation has influenced the Norwegian amendment. The most important features of the new law is to introduce sanctions in the form of compensation to people who have been discriminated against because of their disability.

¹² See <http://www.ds.dk/cgi-bin/foiocgi.exe/Webkatdk/query=tilg!>

¹³ See <http://www.route.equipement.gouv.fr/RoutesEnFrance/voirie/Voirie.html>

Sweden: Disability Policy

The following text is presented in Swedish on the Web site of the Swedish Ministry of Social Affairs:¹⁴

The goal of disability policy in Sweden is:

- *a cohesive society based on diversity,*
- *society formed so that people with functional difficulties of all ages can participate fully in societal life,*
- *equality in living conditions for girls and boys, women and men with functional impairments.*

Persons with functional difficulties should have the same rights and obligations as other citizens. To ensure that full participation and equality is achieved, all environments must be accessible for people with functional difficulties. All institutions in society must be formed so that each and every individual can participate. Planning at central, regional and local government levels shall take the disability perspective into account.

Human Rights

All too often, people with functional difficulties have been discriminated against and excluded from large parts of societal life. Disability questions have often been considered as medical and social issues. Now these questions are seen from the perspective of basic human rights and rights to active citizenship.

Improved accessibility

In the coming years disability policy will be directed towards the following three areas:

- *The disability perspective shall be included in all sectors of society*
- *Society shall be accessible for all*
- *Conditions for persons with functional difficulties shall be improved.*

This implies, amongst other things, that national authorities are obliged to integrate the disability perspective in their operations. For example they must adapt their offices and information so that these are accessible for all citizens.

International perspective

The rights of people with functional difficulties are also given attention internationally. The European Union has introduced a possibility to take extensive actions to fight against discrimination of people with disabilities, amongst others. The United Nations has also declared that disability policies are a matter of human rights.

¹⁴ See <http://social.regeringen.se/ansvar/handikapp/index.htm>

Sweden: National Accessibility Action Plan, 2000

The Swedish government has adopted a holistic national action plan on disability, which ranges across physical accessibility, social provision, culture, education, labour market and funding of disability organisations. Essentially, the Swedish plan addresses physical planning; access to, and use, of buildings; and making all goods and services accessible to disabled persons¹⁵

Within this plan there is an objective to remove all barriers in public buildings and common spaces before year 2010, and to make public transport systems accessible before 2010. Existing public buildings and other public places must be made accessible for people with disabilities by 2010. Local authorities risk penalties if they fail to provide people with support the courts have found they are legally entitled to receive. Government authorities are to be given special responsibility for ensuring that a disability perspective permeates all areas of society. The office of the Ombudsman will have wider powers to tackle complaints about access problems and a National Accessibility Centre has been established (in 2001) to give advice on accessibility matters.

A 4-page fact sheet was published in March 2000, summarizing the plan. It includes the following points:

*The principles of accessibility and functionality shall permeate construction projects commissioned by the State. Clarifying requirements must therefore be set forth in procurement processes in connection with construction projects.
Corresponding requirements are to be made when arranging for hired premises.*

The Government should issue an ordinance ordering a number of public authorities that are either large or important in terms of number of visits to present action plans no later than 31 December 2001 for making their buildings, information and other activities accessible to people with disabilities. The measures described in the action plan should be implemented no later than in 2005. Progress reports are to be submitted to the Government each year.¹⁶

Sweden: Disability Ombudsman

The Disability Ombudsman is a state authority whose function is to protect the rights and interests of people with disabilities.¹⁷ The following text is taken from the Web site of the Disability Ombudsman:

¹⁵ Swedish Disability Plan: - Download from the Internet at http://www.social.regeringen.se/pressinfo/pdf/handikapp/p19992000_79_en.pdf

¹⁶ Fact Sheet: A More Accessible Sweden - Download from the Internet at http://www.social.regeringen.se/pressinfo/pdf/handikapp/s2000_010en.pdf

¹⁷ The Swedish Disability Ombudsman's Office has its own Web site at <http://www.ho.se>

The Office of the Disability Ombudsman (Handikappombudsmannen) was established in 1994 to monitor issues relating to the rights and interests of persons with disabilities. The Ombudsman works to achieve the general objectives of disability policy-full participation and equality for people with disabilities.

The Ombudsman's activity is regulated in a special statute. One of its provisions is that authorities may not refuse to provide information to, or engage in negotiations with, the Office of the Disability Ombudsman.

The Ombudsman seeks to remedy legislative deficiencies and to raise the issue of statutory amendments, etc. The Ombudsman also takes the initiative in alleviating legal shortcomings for persons with disabilities.

The need for legal advice has proved to be extensive, not only among persons with disabilities and their relatives but also among those who work with these issues. Advice about legal issues accordingly constitutes the core of the work of the Disability Ombudsman, and emphasis has been placed on the importance of having qualified legal expertise within the organisation.

In addition to telephone service and correspondence, the Ombudsman offers basic legal advice on its website. In this way it is hoped that increasing numbers of persons with disabilities will be able to look after their own rights and interests.

One of the Ombudsman's central tasks is to evaluate and disseminate information about the Standard Rules on the Equalization of Opportunities for Persons with Disabilities, adopted by the United Nations in 1993. The Ombudsman shall also investigate the extent to which these rules are generally respected and implemented, for example by government agencies or local authorities. Accessibility to public places has been found to be highly unsatisfactory, for example.

The business sector has an important role to play in making goods and services accessible to all. Its role as employer is also important. The Ombudsman is instructed in its statute to maintain contacts with businesses and to encourage the private sector to pay due attention to disability issues.

Cooperation with organisations representing and run by persons with disabilities is fundamental to the work of the Ombudsman. Each organisation of this kind which is entitled to a state subsidy accordingly meets the Ombudsman twice a year.

In May 1999 a new law came into force which outlaws discrimination against people with disabilities in working life. The law protects employees and job-seekers against discrimination on the part of employers. The Ombudsman shall ensure that this law is voluntarily observed by employers. The Ombudsman has the right to represent individuals in court if their union organisations choose not to do so.

The Disability Ombudsman is actively involved in ensuring the accessibility of Swedish society for disabled people including the physical environment. The Ombudsman's report to the Swedish Parliament in March 2001¹⁸ gives an overview of the extensive failures of existing building to ensure accessibility for disabled people. For example, many schools and colleges have inaccessible buildings and classrooms, despite having had accessibility clauses in building regulations for 35 years. The report also includes the results of a questionnaire survey of all municipalities, focusing on their disability policies

¹⁸ See: http://www.ho.se/Aktuellt/pressm_2001.htm# Handikappombudsmannens nya rapport till regeringen (Disability Ombudsman's new Report to the Parliament 30.3.2001 - only in Swedish).

and the accessibility of their premises and information to citizens. The problems identified in the survey and other failures will be addressed in the 10-year action plan on accessibility.

The Ombudsman's office responds to individual and collective complaints concerning discrimination. For example, in June 2001 an organisation that recently built student apartments in Stockholm was reported to the Ombudsman's office that agreed that, as wheelchair users cannot use these apartments, these disabled people are being discriminated against with respect to their access to education. The organisation claimed that the building regulations did not apply to student housing, but neither the Ombudsman nor the State Housing Board agreed with this when asked to comment on the case.

UK: Building Regulations and the Disability Discrimination Act (DDA)(1995)

The *UK Building Regulations* (1991, as amended) intend to ensure the health and safety of people in and around buildings by providing functional requirements for building design and construction. Environmental issues relevant to the construction industry are promoted through the regulations including, for example, improving energy efficiency.

Part M of the regulations, *Access and Facilities for Disabled People* requires that reasonable provision should be made for disabled people to gain access to and to use the building. The current requirements for Part M were introduced in June 1992 and from October 1999 Part M was extended to apply to all new dwellings with the aim of enabling disabled people to visit friends and relatives, and for occupants to cope better with reducing mobility and to remain in their own homes longer (applying 'visitable' and 'lifetime' design requirements). Part M requirements apply to new buildings and extensions including a ground storey. They do not apply to alterations, changes of use or to extensions to dwellings.

The *UK Disability Discrimination Act* (1995) uses an approach of reasonable adjustments rather than setting definite standards for compliance. It will be enforced in the courts or tribunals where the test will be what is 'reasonable' in all the circumstances of each case. The duty to tackle 'substantial disadvantage' caused by a physical barrier already applies to employers, but only requires adjustments (physical or otherwise) necessary to meet the particular needs of individual disabled employees. For service providers, the duty to overcome physical barriers is a more wide-ranging, anticipatory duty in respect of disabled people at large rather than one that arises when an individual seeks access. From October 1999, where a physical feature makes it impossible or unreasonably difficult for disabled people to use a service, service providers will have to consider providing the service by an alternative method. From 2004, where access to a service remains impossible or unreasonably difficult because of a physical barrier, service providers must

remove, alter or provide a means of avoiding the feature where reasonable to do so or provide the service by an alternative method.

Under regulation 8 of the *Disability Discrimination (Employment) Regulations* (1996) an employer is not required to alter any physical characteristic included within a building which: 1) was adopted with a view to satisfying the requirements of Part M; 2) met those requirements at the time the building works were carried out; and 3) continues to substantially meet those requirements. The safeguard only applies to the alteration of physical characteristics covered by, and complying with, Part M; it does not apply to the building as a whole and it does not preclude additional separate requirements to satisfy the DDA. Further information on DDA and other UK legislation can be found at the Web site of the Disability Rights Task Force.¹⁹

Conclusions

It is clear that that the ‘civil rights’ approach to disability, including the illegality of discrimination, is highly attractive to disabled people and their representative organisations, and provides a new and firm basis for legislation in those countries which have adopted this approach. On the basis of similar international developments in countries like the USA, Australia and South Africa, it is very likely that Europe will follow this policy line, and new legislation will be adjusted to the norms of non-discrimination.

The following findings are summarized from the study material gathered in September 2001:

- Authoritative access standards for the built environment, based on work by national or international standards bodies, are lacking. Only Austria, Switzerland and Germany have specific norms for access of disabled persons to buildings, and Denmark has recently completed a Danish Standard on Accessibility (August 2001).
- The actual accessibility of environments is influenced by the technical aids available to disabled persons. Design standards must be frequently reviewed and updated to reflect the new types of technical aids in use, such as strollers, stair-lifts and electric shopping buggies.
- Where they do exist, design standards and guidelines for accessibility vary according to national, regional and local conditions (topography, climate, building traditions, legislative practices, availability of technical aids, financing, assessment of user needs, etc).

¹⁹ See UK Disability Portal at: <http://www.disability.gov.uk/index.html>

- Some cities and regions have, where national legislation allows, created their own access standards or planning requirements that are enforced at the local level.
- In the area of housing design, some housing associations have created their own design standards (e.g. Habinteg, UK and Joseph Rowntree ‘Lifetime Homes’, UK, which serve as a form of ‘quality guarantee’ for clients).
- Some provider organisations in the housing sector have established voluntary ‘quality labelling’ schemes for builders and/or municipalities. The Dutch Quality Label *Woonkeur* for housing includes access and usability requirements. Such declaration labels can be seen as a marketing tool, the type and degree of monitoring being non-statutory in nature.
- Knowledge of good practices in accessibility is thinly spread both within and between countries.
- Public and professional awareness of accessibility issues is generally poor or full of misconceptions (e.g. that access is prohibitively expensive).
- Incentives for improving accessibility are generally weak.
- Enforcement of accessibility legislation is generally poor. Responsibility for enforcement (and, for example, issuing building permits) is often divided between different jurisdictions and agencies (e.g. state, cities and local municipalities), which reduces the effectiveness of controls.
- Transfer of good practices requires technical skills and organisational development, for example, the ability to work with end-users, to apply many disciplines and to function in a cross-sectoral way.

It should be emphasised that the term ‘accessible’, as applied to buildings, other constructions or the physical environment in general, currently has many interpreters and interpretations. Different professions, different legislatures and governments in different EU member states use the term in various ways according to their own traditions and depending on their specific purposes or situations.

Criteria for designing an environment, which is accessible for disabled persons, can also be contradictory. People with a visual impairment may find a place easy to move around in, while a sighted person in a wheelchair may not. Accessibility is therefore a relative term, being related to the functional, sensory or cognitive abilities of the person or group of disabled persons in question.

Finally, the more recent developments in the ‘design for all’ approach to accessibility may have an impact on future legislation. ‘Design for all’ entails that the requirements of as wide a range of users as possible are taken into account in the planning, design, construction and management of a building or facility. This will meet the needs of almost all users, including some disabled users, older people, children, etc. most of the time. This approach, while strongly

advocated by design specialists and disability organisations, is only slowly gaining recognition among the legislators.

Appendix 1 EU actions in the area of accessibility to the built environment

EU actions in the area of accessibility to built environment	Name/Unit of the responsible European Commission Directorate General	Actions taken or foreseen	Reference / Comment
<u>Action 1:</u> To promote at EU level measures to ensure that architects, construction engineers and others involved in the design and construction of the physical environment have access to adequate information on disability policy and measures to achieve accessibility.	ENTERPRISE-G4 EMPLOYMENT- E4 INFORMATION SOCIETY-B2	Preliminary work to start in 2001	To link with Action 3, below. May include Standards, Disability Policy and R&D projects
<u>Action 2:</u> Within the 5 th framework programme, exploring new ways to promote universal design. For example, promoting housing that is easily adaptable across the lifecycle and to meet differing accessibility needs.	INFORMATION SOCIETY-B2 RESEARCH	Ongoing since 1999 To report on the relevant projects.	Not yet known if these issues will be included in the 6 th Framework Programme.
<u>Action 3:</u> Ensuring the establishment and networking of national centres of excellence in 'Design for all' standards and create a European curriculum for designers and engineers. <i>(Mainly concerns Information Technologies but includes design-for-all methods)</i>	INFORMATION SOCIETY-B2	Draft Action Plan Prepared by the European Commission for the European Council in Feira 19-20 June 2000	Commission Communication COM (2000) 330

The Dimension of Public Participation in Housing Policy

Edmunds Shupulis

Introduction

When talking about housing it is important to remember that there always are people behind the planning, building and maintenance processes, and there are always social relations underlying housing problems. The task of this paper, however, is not to make a deep analysis of all social dimensions of the housing question. The main emphasis is on the links between housing policy and the civic infrastructure of society. This is because civic activities and public participation are areas that could help improve and develop housing policy - putting it closer to the needs of people and strengthening their rights for adequate housing in the face of liberalization processes.

This paper will first bring attention to some main features of the social situation, and the general tendencies in the housing sphere. Then, it will touch on housing development strategies and public tactics used by inhabitants in fighting for improvement of living conditions. Lastly, the role of social sciences in raising the awareness of people's participation, and initiatives to improve their housing conditions, will be discussed.

Social Challenges

There is no need to talk widely about the well-known major changes facing housing in post-soviet societies during the last 10 years. The process can, in short, be characterized using a few keywords: *rental reform*, *denationalisation*, and *privatisation*. Following from, and related to, these issues, are questions about new and re-emerged tenure forms, and the social consequences of the new situation wherein some gain and some lose (about Latvia see Tsenkova, 2000). It has to be recognized also that with respect to Riga, the situation worsens more in some districts as opposed to others, and generally the negative social consequences find expression in emerging districts which are deprived and segregated and have labels of stress and stigma (e.g., 'Maskavas forstate', 'Bolderaja' in Riga).

It is widely acknowledged that the main cause of the poor housing situation at first rests, of course, in economical change and the impoverishing of the population. Another aspect contributing to the poor housing situation, however, is also the lack of skills in residents themselves that would enable them to maintain their own surroundings and housing environment; a situation that can be attributed primarily to the legacy of socialistic culture (*'learned powerlessness'*) and broad social breakdown, but also to the shortcomings in current policy. There is no doubt that there is a need for new approaches, solutions and new policy development, as well as an urgency not to stand and wait while living areas become slums and sources of deep social problems.

Improvement Strategies of Residential Areas

The urban area is a very complex environment. Territories of the city differ in their uses, function, amenities, quality, and social and technical characteristics. Each neighbourhood has similarities with others as well as its own distinctiveness. This is true for problems too. It is because of these different problems and needs that the Riga Development Plan states three strategies for developing and improving urban territories: *humanization, intensification and sanitation* (Rigas Attistības Plāns, 199). Putting aside the apparent overlap in these broad themes, each of these approaches is intended to address particular architectural, engineering or infrastructural imperfections of urban territories. Similarly, each district has its own priority of problems and strategies (from the three mentioned above) for tackling them.

In similar western literature on questions of the urban environment, though, one can find a distinction between the two approaches of *rehabilitation* and *revitalization*. In short, the first strategy has been used to solve technical problems aimed at improving qualities of physical structures and surroundings.¹ Today, however, there is a shift in emphasis from analysis of physical structures to an analysis of urban social structures and the improvement of social conditions to deal with housing and area imperfections.

Comparing both approaches – the western and Riga city approach – one can see that the Riga city approach is mainly oriented to rehabilitation of the environment without regard to the social aspects of city life. But rehabilitation activities might appear insufficient to people who live in certain areas. For instance, certain environments and buildings might still remain alienated and the possibilities to satisfy different needs and interests of different groups of a community might be not sufficient. Without reference to the social aspects of living areas, sustainability is questionable, and certain neighbourhoods may

¹ This approach dominated, for example, in Sweden through the seventies (see Allen et al., 1995).

slowly start to decay again. Consequently, special attention should be paid to the strategies of problem solving, alternatives and outcomes.

The mentioned strategies are state-postulated by officials and experts. This raises another question: how do inhabitants respond to urban concerns, city policy and different programs?

Urban Movements and Social Capital

Liberalization, coming changes and emerging problems within the city lead to certain reactions by inhabitants, and often the self-organization of people into social movements is how inhabitants' reactions and concerns are expressed in the social fabric of a city. In the context of city life, these movements are called urban movements (Castells, 1983). Urban movements are associated with the desire to improve daily life by changing housing policy, resisting the building of objects not corresponding with the interests of inhabitants, and promoting the improvement of public transport. A special case of the urban movement is the housing movement, which has certain objectives regarding the collective protection of housing rights. The historical roots of these movements can be found in Sweden and Great Britain, in ideas of social democrats, labour and women movements. In the democracies with strong civic society these kinds of movements are well developed. How, though, do these civic activities find their expression in Latvia?

It could be suggested that since there are now no serious investigations about the housing movement in Latvia, perhaps there is no such movement at all? Indeed there is probably no united movement, but there are at least fragments of it that can be seen in almost every yard and neighbourhood; some are latent while some are active. Two well-known examples are the Liepaja Tenant Association and the City of Ogre Tenant Council.²

Initiatives regarding the self-organization of society in the realm of housing may adopt different forms depending on legislature, the aims of the group, the type of settlement, the traditions of civic culture and so on. Such 'local solidarities' may be formal associations, condominiums, cooperatives, NGO's, committees of local governance or informal groups of neighbours.

One viewpoint regarding the question of public participation within housing policy in Latvia advocates that to increase the quality of living areas, residents and their associations should be involved. While this is unfortunately very rarely true in practice, this is the principle that the Riga Development plan embraces (Rigas Attistības Plāns, 1995). This is an area where radical could and should occur.

² These advocacy organizations appear also in the Centre on Housing Rights and Evictions' (COHRE) mission report (2000).

Associations that encourage public participation in the decision-making process must continue to be created because they represent the development of civic society, which brings wider social benefits for society at large. Civic society, which can be thought of generally as the associations of people, produces social capital, one of the most important resources for society, which arguably, is as important to the development of society as economic and human (knowledge) capital. Correspondingly, social capital, consisting of mutual trust, norms of reciprocity, and social ties, is favourable for the coordination of actions and, thus, for the efficiency of society.

In Search of Civic Space ‘Among Houses’

The need for wider public participation in the housing improvement process has already been mentioned. Besides the principle aim of raising the overall quality of housing, the latent outcomes of such activities were also stressed. These positive spin-offs, including participation skills and the building of social capital, are also beneficial for the social structure of the civic society too. Where civic (and in our case housing) associations operate, they translate into benefits for the democratic governance of all society. Now, the question is about studying civic activities within housing.

To find the so-called civic spaces in the housing sector means identifying associations of inhabitants and analysing their activities. In such a case, the main tasks for social scientists in the realm of housing are to find out the social base of organized self-initiatives, and clarify possible potentials that contain these associations.

The following is a short summary of tasks for social scientists exploring the civic space of housing. Survey tasks may be conducted using such methods as observation, analysis of documents, as well as a series of interviews with leaders and other people involved in the activities of associations. In short, survey questions could be divided in several topics.

- *The functioning of associations:* When and how it was established; what are the main tasks and objectives; how do they operate; with whom do they collaborate; and what is the outcome?
- *The social/sociological background of the organization:* What forced its establishment, what are the various roles of the people involved (e.g. how did people get involved; who are these people; what are they motives for participation; what does it mean for them and what are the expectations; the role of social networks and neighbourhoods in creating a particular group)?
- *The level of ‘civicness’ or an exploration of the various dimensions of social capital:* This could translate into looking at feelings of

responsiveness and awareness; self-evaluation of the ability to make an impact and influence processes; what people think about collective action and how they interpret the phenomenon of cooperation (e.g. the meaning and level of trust among members of a particular neighbourhood).

- *The role of outside actors/ agents:* This includes interviews with representatives of other organizations and institutions that are able to disturb or facilitate activities of community groups. Primary respondents could be civil servants of city councils, planners, investors, landlords, researchers, members of NGO and others.

By putting together received information, and analysing and testing it on the bases of existing theories regarding public involvement, cohesion, collective action and the well-being of society³, it is possible to identify sustainable ways to address the existing weaknesses in the housing solutions of emerging democratic societies.

Conclusion

Besides the investigation of such crucial aspects of housing improvement (including fiscal resources, technical problems and engineering priorities), the author, as a social scientist, is suggesting that there is also a need for a certain kind of 'sociological intervention' in the housing sector. On the one hand, there is the *macro* social context of housing: political forces and economical constraints. On the other hand, there are the *meso* (institutional and organisational) and *micro* (individual) aspects that also make an impact on the housing condition.

This paper argues that a central question for inquiry on future housing policies and strategies should be if the local community is an active actor in the housing realm. In other words, do they have an impact on their housing conditions? Do they as a collective actor/ power that can take control of things happening in their particular neighbourhood, and do they take part in decision-making with regards to such things as building renewal, area humanization and the changing of power relations?

We may suppose that it is possible for the local community to play an instrumental role in the housing realm as evidenced by structures of civic society that emerge in communities and consist of a particular political culture (norms, behavioural models) and/or people's associations. Therefore, the attention in the housing debate should be focused on emerging associations and civic activities within the housing sector. Discussions about the improvement of housing and

³ This could include anyone from A. de Tocqueville (1969) to R. Putnam (1993a, 1993b) and others.

living conditions should involve a complex approach, optimizing all integrative parts of environment including social and human aspects.

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The Implications of Housing Density

Graham Towers

Introduction

The need to increase the density of urban development is becoming widely recognised - a recognition stimulated by two areas of concern. The first is the growing demand for new housing in developed countries. This is partly due to increasing wealth and partly to the growth in small households. In Britain it is estimated that an additional 3.8 million homes will be needed in the first twenty years of this century. Such growth presents a huge challenge and an *Urban Task Force*, chaired by leading architect Richard Rogers, was appointed to consider the implications. The task force examined current development patterns, which largely comprised low-density developments on ex-urban 'greenfield' sites. If this pattern were allowed to continue the required new housing would result in the loss of enormous swathes of open land, and create serious problems of transport and servicing. Instead, the task force recommended a new emphasis on developing derelict urban sites (Department of the Environment, Transport and the Regions, 1999). This has now been recognised in government policy with a target of building 60 percent of new housing on urban 'brownfield' sites and new planning guidelines for the development of high density housing (DETR, 2000).

The second concern was the problem of global warming and the need to reduce the emission of greenhouse gases. This has now been enshrined in the Kyoto protocol with the commitment of participating countries to reduce their energy consumption. In housing, this objective is often interpreted in purely technical terms. Energy consumption would be reduced by better insulation and greater efficiency in use by such innovations and combined heat and power (CHP); by the use of low energy materials and increased recycling; and by exploiting renewable energy sources using technology such as Photo-Voltaic (PV) cells. But housing density is an issue as well. Research in the USA has shown that a family living in a very energy efficient house will, if it is in a low-density location, be highly dependent on car transport. Because of these transport needs, their overall energy consumption may be greater than a similar family living in a wholly un-insulated traditional house in the inner city (Smith *et al.*, 1998: 41).

Moving to higher density living has distinct advantages. It can conserve land by reducing the loss of open countryside, and it can offer reductions in

energy consumption through more effective transport and easier servicing of urban areas. For many though, high density has negative connotations both historically and in contemporary experience. If the benefits are to be realised, the implications of building at higher densities need to be better understood.

The Historical Context

The nineteenth century in Britain was characterised by rapid industrialisation and urbanisation. The new industrial cities attracted large numbers of people who packed into poorly adapted existing buildings or inadequately built new ones. Many of the buildings leaked, and lacked ventilation or adequate sanitation. Such conditions created a breeding ground for diseases and the high levels of overcrowding meant that infection spread rapidly. There were outbreaks of cholera and typhoid in many large cities, and housing and health became inextricably linked. Bad health was largely the product of poor standards and severe overcrowding, and since it quickly became associated with the densely populated areas of large cities, housing density also becoming an issue.

There were two responses. One was to clear away the areas of bad housing and rebuild. Slum clearance began in Liverpool and Glasgow in the 1860s and was promoted nation-wide by legislation of 1875. Significant slum clearance schemes took place in London, but though the new housing was well built, its design was dictated by the requirement to re-house as many people as had been displaced. Some of the densest purpose-built housing was put up under these schemas – intensive developments of five-storey tenements packed cheek by jowl. These tenements, built and managed by philanthropic societies, were regarded as grim and barrack-like. Tenements of social housing, even in later less dense developments, never lost this poor reputation.

The other response was to flee the overcrowded, polluted and unsanitary cities. Early on the wealthy began to build their houses in the cleaner air of the countryside. Facilitated by the growth of the railways, developers soon began to build new suburbs. Meanwhile, social reformers advocated lower densities as the solution to urban problems for all classes. Various model towns had been built on such lines and, by the end of the nineteenth century such ideals became focussed in the Garden City movement. These principles were enshrined in the Tudor Walters report on the design of new housing (1918), which set the pattern for social housing development after the First World War. This recommended the relief of urban problems through decentralisation and the development of new housing estates outside urban areas at densities as low as 12 houses to the acre (30 per ha.). In the inter-war period over a million houses for rent were built on this pattern, and these were accompanied by 3 million houses for sale in similarly low density suburbs.

In the new planning system introduced after the Second World War there was an attempt to impose a new order. A series of plans were produced for the development of large cities. Particularly influential was Patrick Abercrombie's plan for London. This proposed a hierarchy of densities for new housing development: 200 persons per acre (ppa) at the centre, 136 in the inner areas descending through 100 and 75 ppa to 50 ppa at the periphery. The twin priorities of urban planning were preserved – relatively high densities in the slum clearance areas with the low densities of the Garden City movement in the suburbs. The results of these post-war plans did little to counter the traditional hostility to high density. Most redevelopment in the inner areas comprised estates of multi-storey housing in which, increasingly, low-income families with children were housed. The result has been an accumulation of social problems that have caused many multi-storey estates to become foci of crime and deprivation. Such degeneration has reinforced the negative image of high density living (Towers, 2000).

The Definition of Density

The measurement of housing density is a complex matter, which prohibits easy comparison of one form of development against another. Essentially, density is a measure of the number of people living on a given area of land. In Britain, the land area was traditionally measured in acres. With metrication it is now necessary to convert to hectares (ha) with a factor of 2.48 acres/ha. But this is only the start of the confusion. No less than four separate measures of size of the resident population have been used in the past:

- *Dwellings per ha/acre* - the numbers of houses or flats. Early definitions of density used this measure and it is still in use to denote basic standards. However, it can be a misleading measure due to the considerable variation in the sizes of dwellings.
- *Persons per ha/acre* - the number of people. This has been generally used to define density standards for planning purposes. To be a useful measure though, it needs to be converted into numbers of dwellings. The usual means of conversion is to measure **bedspaces per ha/acre**. This measure can be used to convert a persons' per ha/acre standard into a range of dwelling mixes. At one time **habitable rooms per ha/acre** was used as a conversion measure but this is now regarded as less useful than bedspaces since it is more variable and, therefore, more confusing. In some European countries **housing floorspace per ha/acre** is also used as a measure of density.

Further complication is added by the use of at least two measures for the area of land to be considered:

- *Net residential density* measures the area of a housing site up to the surrounding roads include facilities for the immediate benefit of the housing, such as small areas of open space, community centres, a few shops and so on.
- *Gross residential density* measures a residential area and includes - in addition to housing - parks, schools, the road and transport network and other mixed uses. It does not normally include large commercial or industrial areas.

Net residential density is a fairly tightly defined measure that allows quite accurate comparison between developments. Gross residential density is more variable depending on the extent of non-residential land use included. This makes density values more variable and comparisons less accurate, particularly when dealing with large urban areas or whole cities.

The various methods of measuring housing density can be illustrated by drawing on a study carried out by Rudlin and Falk (2000: 219) on the redevelopment scheme for the Hume estate in Manchester. Net and gross densities were calculated using different systems of measurement (see Table 1). First, the numbers of dwellings was set down, and then the numbers of bedspaces, using a ratio of four per dwelling. This is equivalent to the standard measure of persons per acre. However, it was considered that with modern housing standards it was unlikely that, in any development, all bedspaces would be fully occupied. A further calculation was done using a ratio of 2.4 persons per household, which was felt to give a better indication of the likely population at any given density.

Table 1 Net and gross density calculations

	per hectare	per acre
Net Density		
dwellings	62	25
bedspaces	247	100
population	148	60
Gross Density		
dwellings	27	11
bedspaces	108	44
population	65	26

Source: Rudlin and Falk, 2000: 219

All the figures in the table are based around a standard of 100 persons per acre (248 ppha), which is generally felt to be the minimum necessary to achieve the benefits of efficient transport and servicing. However, it is apparent that to achieve an actual net density of 100 persons per acres a higher notional density must be planned to allow for lower levels of occupancy in contemporary urban communities

Density and the Built Form

‘High density’ is commonly confused with ‘high rise’, the multi-storey estates built in British cities during the 1950s and 60s that have become the focus of serious social problems. Having often been seen as the epitome of high density housing, they have been thought of as a form of living to be avoided in future developments. In fact, all multi-storey estates were built to zoned density standards. In London some estates were built at a net residential density of 200 ppa (494 ppha), but many were built at 136 ppa (336 ppha) and quite a few at 100 ppa (247 ppha). In Glasgow, which has a great many high rise estates, the maximum zoned density was 120 ppa (296 ppha).

Many of these estates consisted of tall blocks set in large areas of open space. Their density was no higher, and often lower than, the traditional housing which surrounded them. As early as 1946 Trystan Edwards demonstrated that individual houses built in narrow-fronted terraces could be built at densities up to 275 ppa (679 ppha) (Edwards cited in Owens, 1987). A more recent study by architect Harley Sherlock showed that three- or four-storey terraces of flats and maisonettes could be built to densities of 155-160 ppa (385-400 ppha) (Sherlock, 1991). This means that many traditional terraced streets, which, in London, are commonly 3 storeys and higher, achieve densities considerably in excess of many multi-storey housing estates.

A range of British housing, planning and transport bodies sponsored a very recent study as part of the debate about increasing the densities of new housing development. In it, architect Llewelyn-Davies identifies a range of types of housing form and the approximate densities they could achieve (see Table 2). They went on to apply different mixtures of these types to a series of case studies, which examined several options and considered qualitative as well as quantitative issues (Llewelyn-Davies, 2000).

Table 2 Densities achieved by different types of housing form

Type		Dwellings		Bedspaces	
		per ha	per acre	per ha	per acre
A1	Detached houses	10	4	40	16
A2	Semi-detached houses on street	16	6.5	64	26
A3	Semi-detached houses on cul-de-sac	31	12.5	124	50
B1	Terraced houses - medium frontage	53	21	212	84
B2	Terraced houses - wide frontage	44	18	176	72
C1	Flats - 4 storey perimeter blocks	155	62.5	620	250
C2	Flats - 4 storey cluster blocks	67	27	268	108
C3	Flats - 6-10 storey perimeter blocks	423	170	1692	680
D1	Mixed houses and flats	140	56.5	560	226

Source: Llewelyn-Davies, 2000

Density and Sustainability

The critical contribution higher densities can make to reducing energy consumption is in lowering the cost of servicing urban areas. As development density increases the per capita cost of providing services such as water, gas, electricity and waste disposal reduces. The cost of transporting materials and goods also declines. As the costs go down so does the consumption of energy. Of most significance is the cost of personal transport, which diminishes rapidly as density increases. At low densities people are dependent on private cars for personal transport. As density increases public transport becomes increasingly necessary and viable. At high densities fast, frequent and reliable public transport systems become fully effective with dramatic reductions in energy costs. More and more trips can also be made on foot or by bicycle eliminating fuel consumption and pollution altogether. In overall terms people in low density areas travel more than twice as far each week as people in more compact cities.

Two Australian environmental scientists, Peter Newman and Jeffrey Kenworthy, have carried out wide-ranging studies of the relationship between transport and urban form. They suggest there is a threshold density above which diverse, less automobile-based personal transport systems become viable. This threshold coincides with the density of a group of European cities such as Paris, Stockholm, Hamburg, Frankfurt and Amsterdam, all of which provide a high quality urban environment coupled with diverse and effective transport systems. These cities proved to have personal transport costs (measured in fuel consumption) that were less than one third of those in low density, North American cities (Newman and Kenworthy, 1987: 127ff).

Energy efficiency is a necessary goal but the sustainable city can be most effectively achieved by increasing densities. Energy savings can certainly be made by better insulation and fuel economies in buildings. In the high density city these savings are reinforced by the effective use of mass transport and by the greater concentration of activities, which reduces transport needs altogether. To realise these benefits it is not necessary to move to very high densities. Research has shown that relatively modest increases in density can produce disproportionate savings in land take. Similarly, it is generally considered that the reduced cost of servicing, and the efficient use of public transport begin to take effect at densities as low as 100 ppa (248ppha) or 62 dwellings per hectare.

Urban densities vary widely. In parts of Hong Kong densities rise as high as 1,250 dwellings per hectare (Rudlin and Falk, 1999: 191). This is exceptional, but even in Europe there are considerable variations. In overall terms the population density of Paris is twice that of London. In the inner areas the ratio is even higher, with central Paris housing almost three times as many people in the same land area (Sherlock, 1991: 216). Barcelona is a city widely admired for its heritage and its recent achievements in regeneration. Its population density of 400 dwellings per hectare is more than double that of even the most heavily populated part of inner London such as Islington (DETR, 1999: 59) whose densities are rarely matched elsewhere in Britain. Most urban areas have densities that are much lower than inner London. Good models of relatively high density cities can be found in continental Europe. Many European cities are not only efficient but also attractive and enjoyable places to live.

Achieving higher densities must be accepted as a necessity, but there are also positive benefits. One reason why European cities are widely admired is because their higher density creates more vitality and diversity. Bigger concentrations of people stimulate and support the provision of more services and facilities making possible a wider choice of restaurants, theatres, cinemas and other recreational opportunities. They support specialist centres and services for minorities, which are not possible where such minorities are dispersed in low density sprawl. All this stimulates interdependent economic development that creates new employment opportunities and greater choice of employment. Above all, in higher density urban areas, all this diversity is within easy reach of where most people live. Ease of access is a key factor, which has critical implications for a sustainable quality of urban life.

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