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TRIP REPORT

SLOVAKIA:
SURVEY OF PRIVATE HOUSING DEVELOPMENT

January 29–February 11, 1995

Prepared for

**United States Agency for International Development
Bureau for Europe and the Newly Independent States
Office of Energy, Environment and Urban Development
Urban Development and Housing Division
Washington, DC**

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**Contract No. EUR-0034-00-C-2032-00, RFS 63
March 1995**



*Funds for production of this report were provided by the
United States Agency for International Development*

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Abstract

A survey of the status of private housing development in Slovakia was performed from January 30, 1995, through February 10, 1995, by Robert W. Doubek, an American real estate development professional who is Deputy Project Manager for Eastern Europe for PADCO, Inc., assisted by Ing. Boris Randa, a Slovak real estate professional who manages a Bratislava office for the real estate brokerage firm AGENTURA CITY CORP.

This survey involved meetings, interviews, and site inspections with real estate developers, architects, municipal officials, owners building their own single-family houses, and others to address questions basic to the process of private development of housing, such as land, infrastructure, design and plans, approvals, finance, and the market. Its goals were to identify the impediments to the process and possible points where assistance from the United States Agency for International Development could be effective.

The survey found that the chances for the emergency of a functioning industry and market in private housing development appear to be good, and that a private market for housing for the upper-income stratum of the population now exists.

Executive Summary

1 Purpose

The purpose of the survey was to assess the current status of private housing development occurring in Slovakia, to address questions basic to the process of private development of housing, to identify impediments to the process, and to recommend where assistance from the United States Agency for International Development (USAID) could be effective.

The field work, performed from January 30, 1995 through February 10, 1995, consisted of 39 separate meetings, interviews, and site inspections, involving real estate developers, architects, municipal officials, owners building their own single-family houses, and others.

The survey involved 15 cities, towns, and villages located in three regions. A broad range of development projects were represented, including single-family dwellings constructed by their owners; mixed-use projects combining commercial, retail, and residential space; and new penthouse units on existing multi-family buildings.

2 Findings

Overall chances for the emergence within the decade of a functioning industry and market in private housing development appear to be good, based on the current status of the elements necessary to that process, coupled with a general expectation that new housing will be created by private developers. Development companies are emerging as offshoots of companies engaged in related commercial ventures and from pure construction companies. The chief impediments to the emergence of a market on a broader scale at present are the lack of both construction and mortgage financing, the slow rate of privatization of former state housing units, and the problem of restitution — but all are solvable problems.

2.1 Land and Infrastructure

Land for private housing is being purchased from private owners and being obtained from municipalities through outright purchases, leases, lease/purchase arrangements, grants or token payment arrangements, tenders, and joint venture contributions. The municipalities are helping facilitate private development. The municipalities generally must use a tender procedure to sell land to a private developer, but the municipal council has authority to negotiate. Generally, the minimum land prices set by the municipalities for tenders appear to be low. Base prices range from SK-70/SM in villages to SK-2000/SM in city centers.¹ The supply of finished land for private housing development, including self construction, remains a problem, due to restitution, the costs of new infrastructure, and the cost of opening up agricultural land. Cities are developing proposals for infrastructure to be jointly financed among the utility companies, the city, and the developers, which can present legal problems.

¹ The exchange rate as of February, 1995: \$1.00 = SK-30.5.

2.2 Plans and Approvals

The most common source of plans for single-family dwellings (SFDs) is catalogues, but private architecture firms are conscious of cost-effectiveness and purchaser preference. Innovations in housing design include penthouse units on existing buildings, multi-family projects with interior flexibility, and earth technology, a method of creating structural panels with excavated soil. Permitting and approvals are generally not a problem, but responsibility for these functions still lies with a state body. Major changes in the zoning system are needed to meet new types of buildings and new environmental standards.

2.3 Building Materials and Construction

Generally, there are no problems with the availability, quality, supply, or delivery of building materials, virtually all of which are manufactured in Slovakia. Although the preference is for brick construction, some new materials were seen, as well as the use of poured-in-place concrete. The main problem with building materials is the increase in prices, which appear to have tripled since 1989. Construction of multi-family projects take 12–18 months; construction contracts generally do not include penalties on contractors for delays. Construction costs range from SK-8,000/SM to SK-15,000. Self construction of houses is declining in frequency because of increased costs of materials. Lack of serviced land is also a problem. The average self builder spends three years constructing his house, with his own labor and that of family, friends, and neighbors on a volunteer basis, but the quality of the self-built houses is quite high.

2.4 Developers

The new Slovak development companies generally fall into two categories. First, there are traditional construction companies, both brand new and privatized, that are attempting to survive by creating their own work. The second are the companies involved in other commercial ventures, generally related to construction, that are branching into development as an additional line of business. The primary motive of the construction companies is to generate work to absorb their construction capacity. Many companies believe that the experience of their first projects was valuable, regardless of whether they made a profit.

2.5 Market Purchasers, and Marketing

The housing market consists of three categories or strata: social, middle standard, and high standard. The only active market at this time consists of high-standard housing for people with sufficient money to pay for their units in installments during the 12–18 month construction period. Their purchase funds come from employment abroad, successful entrepreneurial businesses, sale of property obtained through restitution, inheritances, sale of privatized flats, and savings. Where the high-stratum market exists, it is strong. People want SFDs or lower-rise multi-family units, with traditional brick construction, and larger units. Some still take housing for granted as a governmental responsibility. Bratislava and Kosice have active projects, but activity in Central Slovakia is sparse. Marketing and market studies are of varying levels of sophistication, including billboards, direct mail, and television, newspaper, and

radio advertising. One firm had done a highly professional formal market study. Generally, construction of a project must be commenced before purchasers will sign contracts.

2.6 Finance

Construction financing is the overwhelming consideration. Loans from domestic banks are for short terms, with interest rates up to 25 percent, and collateral up to 200 percent. The construction companies especially see western investors as their main potential source of funds, and some have succeeded in obtaining it. Much of the funds that prospective owners can put into new housing will come from the sale of their existing units, and, until the bulk of the former state units are privately owned and readily transferrable, these funds remain unavailable.

3 Areas Where USAID Assistance Would Be Valuable

USAID should undertake or continue training, technical assistance, and demonstration projects in the following areas: mortgage financing, construction finance, national housing policy, financial management and the development process, zoning and planning, the municipal role in the development process, and public/private partnerships. It might assist in forming a national association of real estate developers and in matching Slovak developers with potential foreign investors.

Slovakia: Survey of Private Housing Development

1 Introduction and Purpose

The purpose of the survey of private housing development was to assess private housing development occurring in Slovakia. The survey included various geographic regions, types of builder, housing types, and sizes of urban areas. It addressed questions basic to the process of private development of housing, such as land, infrastructure, design and plans, the approval process, finance, and the market. The goals of the survey are to identify the impediments to the process and possible points where United States Agency for International Development (USAID) assistance could be effective.

The field work, which was performed in Slovakia from Monday, January 30, 1995, through Friday, February 10, 1995, consisted of 39 separate meetings, interviews, and site inspections. These break down as follows: 17 with real estate developers, 2 with architects, 11 with municipal officials, 8 involving owner-built, single-family houses, and 3 others (a housing expert, a lawyer, and a real estate broker). (Two meetings included individuals from different professions, hence the total of 41.) See Appendix A for a listing.

The survey was performed by Robert W. Doubek, an American real estate development professional who is Deputy Project Manager for Eastern Europe for PADCO, Inc. He was accompanied and assisted on a full-time basis in the field by Ing. Boris Randa, a Slovak real estate professional who manages a Bratislava office for the real estate brokerage firm AGENTURA CITY CORP.

The survey involved 15 cities, towns, and villages located in three regions: the Bratislava area, central Slovakia, and eastern Slovakia. The Bratislava area included projects in the city itself and the suburban towns of Pezinok and Limbach. In central Slovakia, the cities were Piestany, Banska Bystrica, Zvolen, Nove Mesto, and Nitra, and the villages were Ulanka and Lehotka pod Brehmi. In eastern Slovakia, the surveyed areas were the cities of Kosice, Humenne, Michalovce, and Rimavska Sobota, and the village of Turna nad Bodvou. Except for Bratislava and Kosice, all cities have less than 100,000 inhabitants. See Appendix B for a location map.

The development projects included single-family dwellings (SFDs) constructed by their owners with their own and volunteer labor; SFDs being developed by professional companies; subdivisions of SFDs, semi-detached houses, and multi-family buildings; mixed-use projects combining commercial, retail, and residential space; medium-rise, multi-family complexes; and new penthouse units on existing multi-family buildings.

A detailed summary of all meetings, interviews, and inspections is attached as Appendix C, along with photographs and project plans. The general findings developed from the field work are set out in the next section.

2 Findings

These findings are based solely on the information gleaned from the inspections and interviews, and they should be viewed in that light. The survey was done on an informal basis, with the locations and subjects chosen at random. Nevertheless, general themes repeatedly emerged, and it is likely that the information contained here is substantially representative of the prevailing situation, especially since Slovakia is a small and relatively homogeneous country.

Overall chances for the emergence within the decade of a functioning industry and market in private housing development appear to be good. This projection is based upon the current status of the creation or existence of the elements necessary to that process, coupled with a general expectation by municipal officials that, except for social housing, new housing in the future will be created by private developers. Indeed, municipalities are now revising zone plans on the assumption that the mass housing estates will not be continued and future housing complexes will be humanized and varied in style and design.

Although Slovak architects have always been technically competent, they now are creating designs driven by cost-effectiveness and purchaser preference. Development companies are emerging from two sources: as offshoots of companies engaged in related commercial ventures and from pure construction companies seeking to create work for themselves. Demand, in the stratum where a private market is now feasible, is strong. One developer has sold 60 multi-family units in one month's time.

The chief impediment to the emergence of a market on a broader scale at present is the lack of both construction and mortgage financing. The slow rate of privatization of former state housing units has delayed the transfer to the general population of significant wealth that could be traded into new housing. The problem of restitution has compounded the privatization problem and significantly affected the supply of developable land. All of these impediments, however, are solvable problems.

2.1 Land

Land for private housing is being purchased from private owners and being obtained from municipalities through outright purchases, leases, lease/purchase arrangements, token payments, tenders, and joint venture contributions. All arrangements must consider the questions of restitution and infrastructure. Most developers report that the municipalities are very interested in facilitating housing production and are willing to help. One example is the Kopa-Girbes project in Kosice, where the city waived its rule of a base land price of SK-4,000/SM and is selling the land at SK-1,200/SM. In addition, the city is participating in a fiction, by agreeing to convey only the land directly under the footprints of the buildings. Furthermore, the city will rent the land to the developer during the construction process and then sell it to the homeowners. A similar arrangement is also being considered in Zvolen, where the city would sell the land to the end purchasers through installment payments over

10 years. The city of Bratislava has agreed to rent land to developer CAADG during construction of a planned project and then sell the land to the unit purchasers.

In general, the municipalities must use a tender procedure to sell land to a private developer, unless the municipal council decides otherwise. The councils have authority to negotiate a sale and enter into joint ventures and other arrangements. Generally, the minimum land prices set by the municipalities for tenders appear to be low. The base price in both Humenne and Pezinok is only SK-150/SM, and is SK-400/SM in Banska Bystrica. Zvolen has set prices for land in the city from SK-500/SM to SK-2000/SM, depending on location. CAADG paid SK-1,100/SM for its land in Limbach in 1993, but the land came with project approvals. On the other hand, the site had been a trash dump, which CAADG had to clean up. IDR is paying SK-800/SM to private owners for land in Kosice, and the land cost is only 8 percent of the total project cost. IDR's land cost for its project in Michalovce, SK-667/SM, will be only 4 percent of total project cost. For the Tyko project in Pezinok, the land cost will be only 1.4 percent of the total project cost. Land prices in Bratislava have been decreasing from their boom in 1990 because of lack of demand. As discussed below, the concept of penthouse units on existing buildings is one method of solving the problem of lack of developable land. A developer is paying SK-1000/SM for roof rights in Bratislava.

The supply of finished land for private housing development remains a problem. In some cities, the amount of vacant land within city limits is small, while in others the cost of infrastructure limits the supply. Many cities still have relatively large tracts of land that were zoned to be housing estates. Where the infrastructure has been installed, it requires modification to accommodate the traditional styles of single-family and low-rise, multi-family housing that are in demand. To use land that has been in agricultural use, a sizable payment to the state is required, as well as a fairly lengthy process of amending the zone plan. In Kosice, except for two multi-family sites which have infrastructure, one of which is the Kopa-Girbes project, there is no land available for multi-family development. Banska Bystrica, however, is preparing land -- subject to financing for infrastructure -- for 2,000 units, and Zvolen is considering public/private partnerships to put its land into production for housing.

Restitution will cause the ownership of a substantial amount of otherwise developable land to remain in doubt until claims are gradually resolved. Restitution in Slovakia has been compounded by the fact that inheritance of land is *per stirpes* (divided among all children), as opposed to the Czechlands, where primogenitor prevailed.

For self construction of SFDs, owners in the past have obtained lots from both private owners and municipalities. Because of the problem of financing infrastructure, however, developable lots are harder to find. Prior to 1989, some municipalities prepared finished lots which were given either free or for token sums to encourage self construction. For example, Otto Mladek paid the city CK-300 in 1989 for his lot in Nitra. The municipalities now are asking an "economic price," equal to the cost of the land and the infrastructure. The problem remains of financing new infrastructure. In Michalovce, 140 sites are still available in a

subdivision where roads and street lights are already in. The infrastructure, however, is not finished and the entire area is now subject to restitution claims.

The price of land for lots in villages is not high. Roman Perigrin paid SK-28/SM in 1992 for his lot in a village west of Zvolen. The village of Turna nad Bodvou will sell lots for SK-70/SM. Turna is also encouraging people to buy or redevelop lots in the center of the village because infrastructure is already present. In Kosice, the only lots for SFDs are privately owned, and infrastructure remains the problem. In Humenne, the city is preparing lots for 80 SFDs, for which it will finance only 20 percent of the infrastructure. The remainder of the funds will come from private construction firms who see the investment as providing an opportunity for them to build and sell the houses.

2.2 Infrastructure and Utilities

Except for restitution, the major problem in creating more developable land is financing construction of the infrastructure. Before 1989, infrastructure was routinely installed by municipalities as part of their function of building housing. In general, financing of infrastructure is now a negotiable issue. For example, Pezinok would waive payment for land if the developer would put in the infrastructure. The estimated cost of infrastructure in Banska for an SFD is SK=350,000, and for a multi-family project, the cost is SK-80,000 to SK-100,000 per unit. Kosice is developing proposals for infrastructure to be jointly financed among the utility companies, the city, and the developers. This approach presents a legal problem, however, because by law the city alone can own the infrastructure, which would require the other partners to put in their money with no assurances. Some municipalities are planning to use the revenues from sales of existing finished land to finance infrastructure to open up new areas.

2.3 Design and Plans

The most common source of plans for SFDs still appears to be catalogues. Even a construction company now planning a major subdivision in Banska selected its designs from a catalogue. The prices of these plans are relatively low. Otto Mladek in Nitra paid CK-600 for his set, albeit in 1989. The plans for an SFD in a village near Banska were prepared by the owner's sister, who is a design technician. There does not appear to be a requirement for a professional architect to certify plans, at least for SFDs.

Private architecture firms appear to be surviving and are addressing the market from the points of view of cost-effectiveness and purchaser preference. The immediate response to purchaser preference is the use of "traditional technology," which means "brick." Some stated outright that American-style wood frame construction would not be accepted in Slovakia. The principals of the KOPA architecture firm in Kosice, however, believe that wood could be accepted if properly introduced and if the cost savings are clear. However, because the only housing being built by developers is for relatively wealthy people, the consciousness of cost-effectiveness among architects probably has been slower to develop.

The survey looked at three major innovations in housing design. The first is the concept of using the roofs of existing multi-family buildings to build penthouse units using steel and wood frame construction. This concept, which now has been realized all over the country, is driven by a number of current problems. The first is the poor condition of the flat membrane roofs on the buildings. The second is the lack of available land due to restitution, and a third is cost. A young family has just moved into a penthouse unit in Bratislava, for which they paid SK-9,320/SM, which is lower than the market price for an existing unit in a panel building.

A second innovation was that created by the firm KOPA in Kosice, which has designed a multi-family project consisting of three-level buildings with six-meter ceiling heights and no interior load bearing walls. There are no interior corridors and all access to the units is via exterior balconies. Flexibility comes from two elements. First of all, a purchaser can take however wide a "slice" of a building that meets his needs, and secondly the interior is fitted with a customized interior wooden mezzanine. The projected price, including land, is SK-10,000/SM, and these units can also be sold as shells to allow the owners to do the finishing work.

A third innovation is "earth technology," a method of creating structural panels on site by using prepared casings and packing them at the site with the excavated soil. This technology apparently can reduce the costs of an SFD by 10 percent over the costs for brick, but only four SFDs have been built with it. The primary promoter of the process fell out with his original partners and is now seeking funding to form a new company and advance the technology.

2.4 Approval Process

Permitting and approvals do not appear to be a problem. Even though one developer, whose project has been under construction for a year, has not received a building permit, most developers report that the process requires no more than six months, which is not atypical in the United States. Home owners report that it takes no more than two months. Approval fees are negligible. Tyko Co. paid less than SK-10,000 in fees for its 42-unit project in Pezinok, and home owners report small fees.

A potential problem is that responsibility for permitting, inspections, and issuance of the occupancy certificates still lies with a state body. This does not appear to be causing difficulties at present and may indeed be a necessity because many municipalities undoubtedly cannot afford to staff such functions. As the process is decentralized and the individual municipalities develop their own zone plans and requirements, however, this process may become cumbersome. Yet, because many municipalities will always be too small to justify dedicated staff for this purpose, a necessary step appears to be the creation of counties or some other mid-level governmental bodies which would administer zoning on a regional basis.

Along with new types of construction, major changes in the zoning system appear to be necessary in order to cover the types and the quality of the buildings, as well as environ-

mental standards. The Ministry of Environment has legal authority over zoning, but has done nothing in the last five years. Even though the municipalities now have responsibility for planning and zoning, they do not have full authority to issue a building permit, even when presented with a plan that meets codes.

2.5 Building Materials

Generally, no problems were reported with the availability, quality, supply, or delivery of building materials. The one exception is the Tyko project in Pezinok, where delivery is cited as a reason for delay of the project. Virtually all materials are manufactured in Slovakia; one project had roof tiles from the Czechlands. Two new materials were seen. Durisol block, which is a composition of fiberglass, wood, and cement, is being used to build the CAADG project in Limbach. Durisol is produced in Slovakia under an Austrian license, and has the advantages of good tolerances and efficient heat insulation. Also in common use are vinyl plastic insulated windows, which are produced in Slovakia under German license.

The main problem with building materials is the increase in price. The most common example cited is that in 1989 a brick cost six crowns, but costs 19 or 20 today. A man who finished his 160 SM house in 1992 and spent SK-500,000 on materials estimates that today those same materials would cost SK-1,500,000. The city architect of Zvolen estimates that 10 years ago an SFD could be built for CK-300,000, but costs SK-2,500,000 today.

2.6 Construction

With a few exceptions, the preferred type of construction is with "traditional materials," meaning brick and block. This holds for both multi- and single-family dwellings. Both the 44-unit Pezinok and the 24-unit Limbach multi-family projects were originally scheduled for 12 or 13 months under construction, and both will take 18 months. The Pezinok project lost two or three months due to an underground water problem, and two or three months due to delivery of materials and client payments. The Limbach project lost six months because a soils problem required a redesign of the foundation system and because of general delay by the contractor. Construction of IDR's 93-unit complex in Kosice is scheduled to take 18 months. Construction contracts generally do not include penalties on contractors for delays. One developer explained that this would be self-defeating, because the construction companies are generally so weak that the penalties would force them under.

The Pezinok project was projected to cost SK-10,000/SM, but has increased to SK-12,000. As an overall result, the developer, CAADG, is not expecting the project to be profitable. There does appear, however, to be a mechanism to pass cost increases through to the purchasers. Only those who put up 100 percent at the time of contract are guaranteed the contract price. On the other hand, a purchaser can rescind the contract and receive a refund of his payments. The company ARKADIA built a major mixed-use project in the center of Banska Bystrica. The contractor was a state company and incurred two major delays, resulting in a 40 percent cost overrun. A few units had been sold, but all purchasers rescinded.

As for new techniques, the basic material for the Limbach project, as noted above, is Durisol block. For a planned 128-unit project in Bratislava, CAADG will use poured-in-place concrete columns and slabs and concrete/insulation sandwich panels for the skin. The architecture firm KOPA in Kosice has created a unique design for a multi-family project using poured-in-place exterior walls and post-tensioned concrete slabs. This firm is also interested in learning about wood frame multi-family construction.

In general, self construction of houses is seen to be declining in frequency because those with the money to afford the materials no longer have the time, and those with the time do not have the money. Lack of serviced land is also a problem, but the tradition continues. The average self builder spends three years constructing his house. Labor is by and large his own and that of family, friends, and neighbors on a volunteer basis. Akin to an Amish barn raising, up to 20 people may be at work on a weekend day, with the owner providing food and drink. Owners, however, will typically subcontract out specialty work, like electricity, if no friend or family member is competent in the skill. The general cultural familiarity with construction appears to be widespread, and, consequently, the quality of the self-built houses is quite high.

2.7 Developers

The new Slovak development companies generally fall into two categories. First, there are traditional construction companies, both brand new and privatized, that are attempting to survive by creating their own work. The second category is comprised of companies involved in other commercial ventures, generally related to construction, that are branching into development as an additional line of business. Examples of the latter are INSTA in Bratislava, which manufactures windows and has little prior development experience, Campri in Nitra, which trades in construction, and CAADG, which is engaged in real estate sales and brokerage.

An example of a contractor is IDR in Kosice, which has taken a highly professional approach to its real estate development projects and has secured \$10,000,000 in Western financing. IDR's primary motive is not to achieve profits from development activities, but rather to generate work to absorb its construction capability. Other firms, such as STC in Kosice and Raving in Piestany, expressed similar sentiments. As expected, none of the companies has done more than one or two development projects. Many see themselves on a learning curve and believe that the experience of their first projects was valuable, regardless of whether they made a profit.

2.8 Market/Purchasers

The housing market consists of three categories or strata: social, middle standard, and high standard. The only active market at this time consists of high-standard housing. An average middle-standard family earns SK-15,000 per month, and could afford to pay up to SK-5,000 for housing each month. This amount could service a 20-year mortgage at 7 percent in the amount of SK-645,000, which, with savings, would allow purchase of an average housing unit. The activation of this market stratum depends on the introduction of a mortgage finance

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system. All active private housing development therefore is targeting the high stratum, which is made up of people with sufficient money to pay for their units in installments during the 12-18 month construction period.

High stratum purchasers generally have obtained the purchase funds through a number of sources: employment abroad, successful entrepreneurial businesses, sale of property obtained through restitution, inheritances, sale of privatized flats, personal savings, and pooled family savings. Some have begun to obtain loans from savings banks. In eastern Slovakia, some of the money is generated by black market activity along the Ukrainian border, and some of the sales are to Ukrainians through Slovak middle men. Where the high stratum market exists, it is strong, even if its depth is unknown. IDR in Kosice presold 60 units in one month.

The general trends in the market are that people want SFDs or lower-rise, multi-family units, with traditional brick construction. They also want larger units, and some want to live in the city centers. Some developers lament that the culture among the general population will not yet support private housing development. Many people still tend to take housing for granted or as a governmental responsibility, and they prefer to spend their money on automobiles or other displays of wealth. In some cases, entrepreneurs are continuing to live in their high-rise flats with the deliberate plan of investing all earnings in business growth and postponing personal consumption.

While in the Bratislava and Kosice areas there are projects under construction or commencing in the spring of 1995, the activity in Central Slovakia is sparse. There are currently no projects planned or underway in Zvolen, and in Banska the only activity consists of three penthouse projects and a proposal for a multi-type housing area. There is no multi-family activity in Nitra, although there are two complexes of luxury SFDs that are being built professionally.

2.9 Marketing

Marketing and market studies revealed varying levels of sophistication. For its project in Limbach, CAADG used all available means, including billboards, direct mail and newspaper, and television and radio advertising. INSTA, for its project in Bratislava, is using billboards along with exhibits at housing fairs. IDR in Kosice marketed to middle and upper management in successful companies, including Kassainvest and the steel company, VSZ. CAADG did a thorough analysis of desirable sites, based upon expected growth corridors out of Bratislava. Tyko did a less sophisticated study, based upon its owner's previous experience with housing development. The most formal market study was done by IDR with the assistance of Harvard Capital & Consulting Slovakia. This was based on demographic data, advertising research, and other sophisticated methods, clearly with the primary goal of attracting foreign investment.

IDR's success in presales contradicts the standard wisdom that it is necessary to commence construction to gain the confidence of the purchasers. Some developers report that they can not legally engage in marketing activities until a building permit is issued.

2.10 Finance

Obtaining construction financing is the overwhelming preoccupation of every developer or construction company which is attempting to launch a project. In general, loans from domestic banks are considered to be poison pills that kill any opportunity for profit, unless used very selectively. Terms are only for a year or two, interests rates are between 18 percent and 25 percent, and the banks require 150-200 percent collateral. Of its total project cost of SK-70,000,000, Tyko obtained a loan for SK-13,000,000. CAADG obtained a private loan, since unfinished construction isn't considered security by the banks. INSTA is financing its project from its own resources.

The situation is more complicated for the construction companies that are seeking to create work for themselves but don't have some other main line of business to support their activities. Although the bulk of the financing for all projects is coming from the installment payments made by the purchasers, substantial initial funds are required to gain control of the land, design the project, and commence marketing and construction. The construction companies, therefore, see western investors as their main sources of funds. IDR succeeded in obtaining support from an American/German group, and the Kopa-Girbes project has obtained investment from France.

Because a substantial part of the financing of construction is coming from purchasers, the slow rate of privatization, as complicated by restitution of land, has a derivative impact on the development of the new market. Much of the funds that prospective owners can put into new housing will come from the sale of their existing units, and, until the bulk of the former state units are privately owned and readily transferrable, these funds will be unavailable.

2.11 Other

Although private renovation of commercial buildings is occurring in Bratislava, there is no private renovation of housing. All municipalities, however, are concerned about renovating the existing housing stock. Because they do not have funding for this, they wish to divest themselves of both buildings and units. This problem is complicated by restitution claims on underlying land. Bratislava is now working on a plan to sell units and common areas. Zvolen is considering some kind of ownership system other than condominiums to address the problem of private units in public buildings.

Current rents in the housing estates are insufficient to cover not only replacement costs, but even the costs of maintenance and repair. Hence, municipalities wish to get out of the business of managing buildings.

As noted above, penthouse units help solve the problems of bad roofs and lack of developable land with clear title. The 1993 condominium law provides a legal framework for development of penthouse units, but the general problem of a purchaser's security for his installment payments is complicated by the presence of an additional party: the condominium association.

The municipalities are all still facing the problem of unfinished units. At least one city, Humenne, has requested proposals from private firms to complete and sell these unfinished units. One village is currently developing multi-family housing with its own resources, but its sole objective is to recover its costs.

2.12 Perceived Problems and Suggested Changes

The most basic problem impeding development of private housing in Slovakia amounts to a truism: developing private housing makes sense only in an environment where there are people with the money to buy it. With this in mind, the subjects of the survey perceived a number of problems and suggested changes:

- a U.S.-style mortgage law and system of mortgage banking;
- construction loans with longer terms, lower interest rates, shorter application procedures, and rational guarantees, and/or state subsidies to bring effective rates down;
- reduction or elimination of the value-added tax (VAT), which applies to new construction but not buildings more than two years old;
- reduction of the 5 percent transfer tax;
- more rapid privatization of state units, which would provide wealth to be invested in new housing;
- clarification of the system of approvals for roof rights;
- service-oriented banks, which could provide contract guarantees needed for tenders; and
- a change in the mentality of municipal officials and training in the responsibilities of their new roles vis-à-vis housing. An example is the restriction placed by the city of Kosice on how many units can be built initially in the Kopa-Girbes project because of the fear of not enough demand.

2.13 Suggestions for USAID Assistance

Although some warned that economic conditions limited what could be done in practice, a number of the subjects of the survey had specific suggestions as to how USAID could best assist in stimulating the private development of housing:

- training and consulting to developers in financing and in preparing the financial and organizational portions of proposals;
- training and consulting to increase the sophistication of municipal officials in housing policy and in the process of private housing development;
- assistance in finding sources of investment;
- providing information on new technologies and comparative building systems; and
- creating some specific and visible project as a visible symbol of American commitment to Slovakia, such as a stadium or shopping center.

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3 Areas Where USAID Assistance Would Be Valuable

3.1 Mortgage Financing

A mortgage system would allow the opening of a vast housing market for middle-income families, constituting a plurality of the population. This would in turn stimulate a private building and development boom, which would benefit the national economy. USAID should offer to provide TA in support of the early creation of a system of mortgage financing.

3.2 Construction Finance:

Domestic construction finance is substantially nonexistent due to the short terms and prohibitive interest rates and guarantee requirements offered by Slovak banks. Any programs that can rationalize this system would serve to facilitate greater production in at least the wealthy stratum of the housing market. The feasibility of creating a loan insurance fund should be explored. USAID should provide TA as required.

3.3 Public Policy Impediments

The VAT and 5 percent transfer tax are impediments to the development and sale of new private housing, as are the artificially low rents in state and former state housing estates. The effect of all factors on housing and the economy as a whole needs to be clearly articulated so that debate on these factors can become part of the political process. USAID research to illuminate the issues would be helpful.

3.4 Financial Management and the Development Process

The development process moves through stages, beginning with market assessment, through site selection, product assessment, financing, design, engineering, construction, marketing, and sales. The new development companies, especially those that have been in construction, are generally strong in the middle steps but weak at the beginning and end. The whole concept of financing and financial management of a project from the owner/developer's point of view is new. USAID could facilitate the process by providing training and technical assistance to the private real estate development community. This could be accomplished by directly organizing a series of workshops throughout the country, or by providing technical assistance to an existing institution or organization that could conduct workshops and publish information for the development community.

3.5 Association of Developers

In the United States, associations of developers represent the interests of the development industry and provide training programs for development professionals. If a core group of Slovak developers expresses interest in forming an industry association, USAID should consider assisting in the formation. An association of developers would provide representation to government bodies and media exposure for this newly formed industry, the function of which is still relatively unknown to most of the Slovak public. It furthermore would provide training and advice for the industry and for entrepreneurs interested in entering the field.

3.6 Zoning and Planning

Slovakia needs new zoning codes to address the new types of buildings, the new process of private development, and new environmental and energy requirements. It is not yet clear at what level of government authority over zoning will reside: state, municipal, or a mid-level administrative body to be created. USAID could provide TA to assist in the development of a new national zoning code or a model zoning code that could be instituted at the municipal or other level.

3.7 Municipal Training

Although many municipal officials are looking to the private sector to produce housing in the future, most do not have a clear concept of what the proper roles of municipal government should be in that process. USAID should consider funding a series of workshops for municipal officials, which would include the development of a manual, on the development process and the role of government in dealing with the private sector. USAID could provide assistance to a Slovak institution or organization which would provide the training.

3.8 Demonstration Projects

A number of cities are attempting to develop methods to provide land, finance infrastructure, and facilitate private sector housing development. USAID should consider conducting a series of projects to demonstrate the feasibility of public/private partnerships in housing development.

3.9 Foreign Investment

Due to the unfavorable terms of domestic construction loans, foreign investment on both a debt and equity basis is deemed very important for the development of a functioning system of private housing production. At present, many Slovak developers lack the skills and knowledge necessary to locate sources of foreign investment and to properly package their projects for consideration. USAID should consider providing training for developers on the preparation of investment packages, especially the financial and budget information, and on marketing projects to potential investors. USAID should also consider assisting in attracting foreign investors to the Bratislava Real Estate Fair and similar exhibits where developers market their projects.

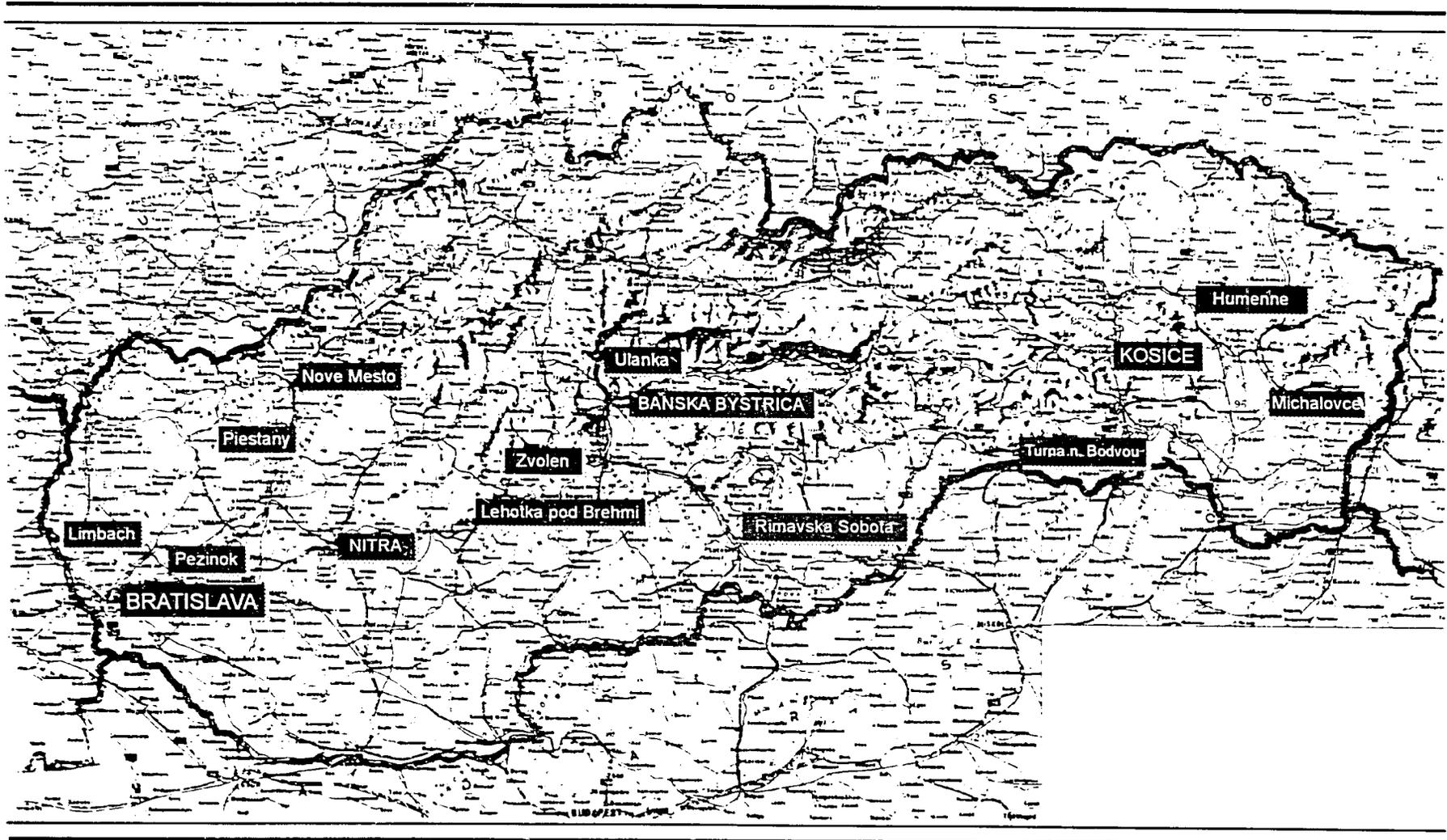
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Appendix A
Listing of Interviews, Meetings, and Site Inspections

Interview, Meeting, or Site Inspection	Development Company	Designer	Municipal Official	Home Owner	Other
1. Meeting with Ing. arch. Jaroslava Zaplatelova, Institute of Housing					X
2. Inspection of Tyko project in Pezinok, escorted by Ladislav Strapak, site manager	X				
3. Interview with Ing. Juraj Bakalar, Chief of Housing, and Ing. Ivan Pessel, Mayor, Town of Pezinok			X		
4. Meeting with Mr. Jan Tyko, Director, and Ing. Jozef Popluhar, Marketing Manager, Tyko Co	X				
5. Inspection of CAADG Multi-family Project in Limbach,, escorted by Ing. Martin Blazek, site engineer, of CAADG, the investor, and Ing. Rostislav Slota, site superintendent, of EBI Spolecnost s.r.o., contractor	X				
6. Meeting with Doc. Ing. arch. Peter Gandl, Csc, Director of CAADG, Bratislava	X				
7. Meeting with Ing. Jan Dinka, Head of the Planning Department for the Historic Area, City of Bratislava			X		
8. Meeting with Ing. Andrej Durkovsky, Mayor, Old Town, City of Bratislava			X		
9. Meeting with Ing. Stefan Niznan and Ing. Anna Novakova, both Managers of INSTA Investment s.r.o., Bratislava	X				
10. Meeting with JUDr. Jan Chmelo, attorney in Piestany					X
11. Meeting with Ing. arch. Stefan Petras, Director of Raving Spol. s.r.o., Piestany, a reconstruction, construction, & engineering firm	X				
12. Meeting with Dipl. Ing. Peter Kovac, head of Staving Realty, and Ondrej Snopko, Director of the Investment Department, City of Banska	X		X		
13. Meeting with Miroslav Vrban, owner of Mirann, a real estate brokerage, construction and design firm, Banska	X				
14. Inspection of a shell of a two story, single family house in the village of Ulanka and interview of the owner's father and sister,				X	
15. Meeting with Inc. arch. Vaclav Chochol, Chief Architect, City of Zvolen			X		
16. Interview with Ing. Pavel Fogl, Head of the Facilities Department, City of Zvolen			X		
17. Inspection of SFD under construction in the village of Lehotka Pod Brehmi				X	
18. Interview with Roman Perrigrin, owner of Lehotka house				X	
19. Inspection of three brick SFDs under construction in the Klokocina section of Nitra, developed by Campri	X				
20. Interview with the site manager for the project, Mr. Ruzek, of Campri	X				
21. Inspection of four SFDs being built by Dynamik on Cabanova ulice and interview with Otto Mladek, the owner of #18 Cabanova, an attached house				X	
22. Meeting with PhDr. Jozef Papay, head of the construction and trading firm MJM, who is promoting earth construction technology.	X				

Interview, Meeting, or Site Inspection	Development Company	Designer	Municipal Official	Home Owner	Other
1. Meeting with Dipl. Ing. Marian Kemko, Technical Director of the construction firm STAVHAKO, Bratislava, and Ing. arch. Hajas	X	X			
2. Inspection of penthouse unit of Mr. and Mrs. Egri Arpad, Bratislava				X	
3. Interview with Dipl. Ing. Dusan Rybar, head of the construction firm IDR, s.r.o., Kosice	X				
4. Interview with Ing. arch. Stefan Pacak and Ing. arch. Juraj Koban, of the architecture firm KOPA, Kosice		X			
5. Meeting with Ing. Maria Purdesova, Manager, and Ing. Gabriela Hiszemova, Manager, of INVESTCONSUL ("INC"), Kosice	X				
6. Meeting with Ing. Boris Holuby, General Director of STC, and Dipl. Ing. Vladimir Rusnak, Director, of INC., Kosice	X				
7. Meeting with Ing. arch. Ludmila Bohusova, Deputy City Architect, Kosice			X		
8. Interview with Dipl. Ing. Lubomir Majernick, Commercial Director of Chemkostav HSV, Humenne	X				
9. Inspection of a large area of detached and semi-detached houses, located on the north east edge of the city of Michalovce				X	
10. Interview with Milan Adam, Head of Department of Environment, Zone Plans and Development, city of Michalovce			X		
11. Interview with Ing. Maria Sabova, proprietor of the real estate agency "REALIS," Michalovce					X
12. Meeting with Stefan Andrejko, Deputy Mayor of the City of Kosice			X		
13. Inspection of an area of SFDs, village of Turna nad Bodvou				X	
14. Interview with Alexander Varga, Village Manager, Village of Turna nad Bodvou			X		
15. Rimavska Sobota: Inspection of an area of new SFDs located on the main road coming into the city from the east				X	
16. Meeting at the offices of the Institute of Housing with Ing. Jozef Varta, Mayor, City of Nove Mesto, JUDr. Marian Brezovak, City Manager, and Jaroslava Zapletalova			X		
17. Meeting with Ing. Jozef Machava, Ing. Stefan Lieskovsky and Ing. Karol Lucansky, principals of the construction company, FOMALL spol. s.r.o. of Banska Bystrica	X				

Appendix B
Map of Slovakia Showing Areas Visited



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Appendix C
Detailed Summary of All Interviews, Meetings, and Site Inspections

Appendix C

Summaries of Meetings, Interviews, and Inspections

Monday, January 30, 1995

8:30 am: Meeting with Boris Randa at offices of CITY CORP. Agentura, sign contract.

10:00 am: Meeting with George Williams at USAID, obtain Williams's project file

11:00 am: Meeting with Michal Matas at PCCAS, obtain recommendations and contacts

2:00 pm: Meeting with Ing. arch. Jaroslava Zaplatelova, at the Institute of Housing

Two markets exist in Slovakia: the legal and the black. A normal market developed three or four years ago, and there is now private ownership. The state no longer has land, which was given to the municipalities. The only state housing is that owned by state enterprises, which accounts for 6-9 percent of the housing stock. In 1989, 50 percent of the housing was private houses in villages. Much of the housing is co-ops, which were built with a third paid in cash by the owner, a third paid by the state, and a third paid through a 30-year loan at 1 percent interest. None of these people is an owner in a real sense. A way must be found to transfer co-ops to private ownership.

Many of these flats are sold on the black market, with a cash payment for rights of use, but no formal transfer, and the state doesn't receive a transfer tax. The market price for a 3-room apartment in Bratislava is SK-700,000 (approx. \$23,333). The price may be SK-350,000 SK in smaller cities, and SK-150,000 in villages.

There are many problems with the ownership of land. Restitution is a great problem, since the municipalities can't tell which land is theirs and which must go back. In Nove Mesto, there are 100 houses in this category. The municipalities don't have enough land to start preparations or build housing. One solution has been to put penthouses on roofs of buildings where the ownership is clear.

3:30 pm: CITY CORP. offices: Begin setting up appointments

Tuesday, January 31, 1995

8:30 am: Depart Bratislava by car for Pezinok

9:15 am: Inspection of Tyko project in Pezinok, escorted by Ladislav Strapak, site manager

The multi-family project consists of three buildings containing 46 units on four floors with 24 parking spaces on one underground level. There are 40 surface parking spaces. Some units are on two floors. The units are of the following sizes, with "rooms" consisting of living rooms and bedrooms: two room - 70-80 SM, three room - 100 SM, four room - 120 SM, and five room - 130-135 SM.

Mr. Strapak's job is supervising the quality and management of the work, and he answers to the president. He has worked 40 years in construction, starting as an apprentice mason at age 14, and attending secondary technical school in construction. Some subcontractors are used on the project, and he manages the subs and company forces.

The architect, Portik of Bratislava, makes periodic inspections, and Mr. Strapak and the architect work out any problems. The bank also sends out inspectors, as does the Institute of the Environment. The plans for the project had to be approved by the relevant utility suppliers, as well as by the fire department and the local government. The final inspection will be done by the local government. Representatives of these bodies occasionally visit during the course of construction. Any changes in the work must be approved by the architect and the state authorities. The project commenced at the end of 1993, and is projected to be finished in the spring of 1995. There was a delay in the winter of 1993-94 because of an underground water problem. The foundation is 40 cm of reinforced concrete. Most of the building materials are domestic, but a few — mostly finish materials — are imports. There were some minor problems with delivery of wood components.

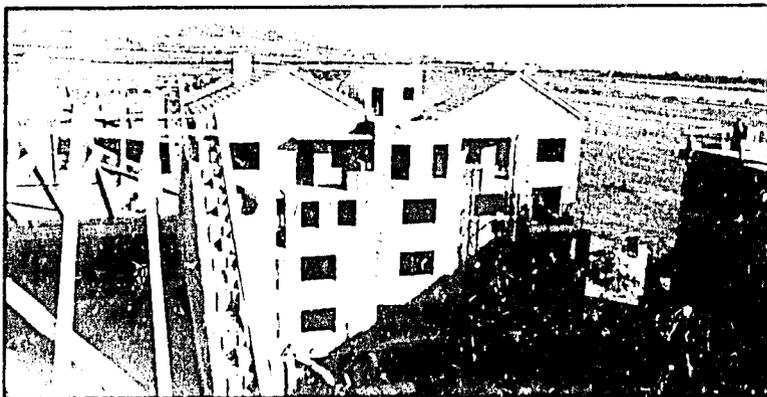
All units have been sold on a prepaid basis. All have individual heating. The vinyl plastic windows are made in Slovakia under a German license. The floors and ceilings are of concrete and polystyrene sandwich panels, and the partition walls are block. The sales price of the units is SK-10,000/SM (approx. \$333.33/SM or \$30.98/SF).



Ganok Pezinok Project: Interior Courtyard

VÝSTAVBA BYTOVÉHO KOMPLEXU „GÁNOK PEZINOK“

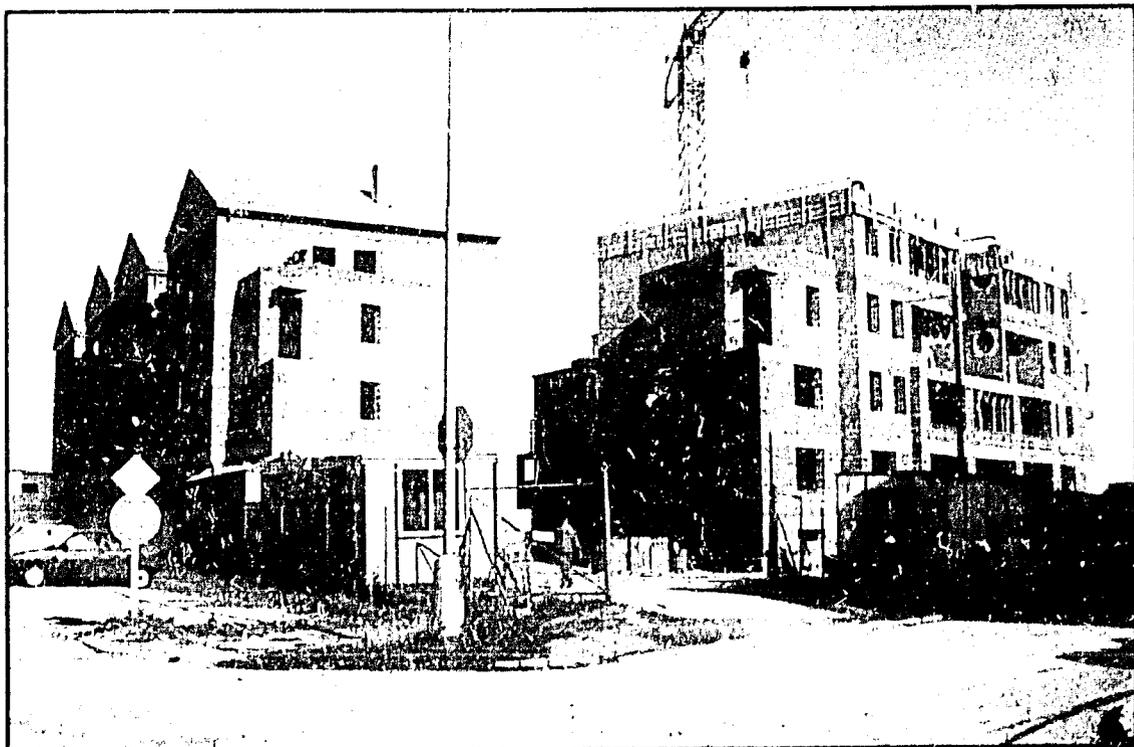
Firma realizuje výstavbu atraktívneho bytového komplexu s atypicky riešenými 3-, 4- a 5-izbovými bytmi vyššieho štandardu s podzemnými garážami. Každý byt má samostatné moderné kúrenie, plastové okná s vákuovým sklom a ostatnú vybavenosť vyššieho štandardu.



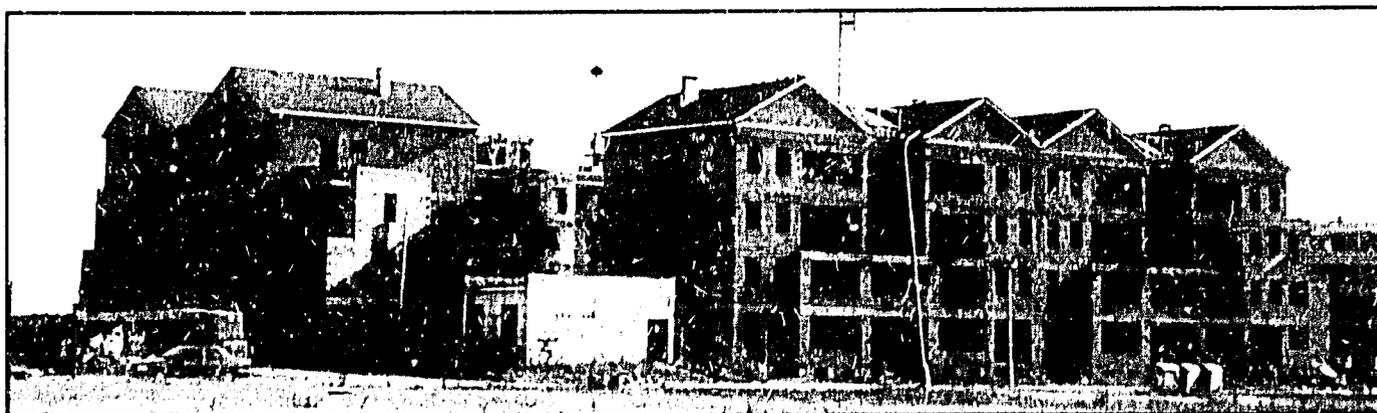
Technológia výstavby využíva predpätú základovú dosku, tehlový tepelnoizolačný materiál a zastrešenie betónovou krytinou BRAMAC.

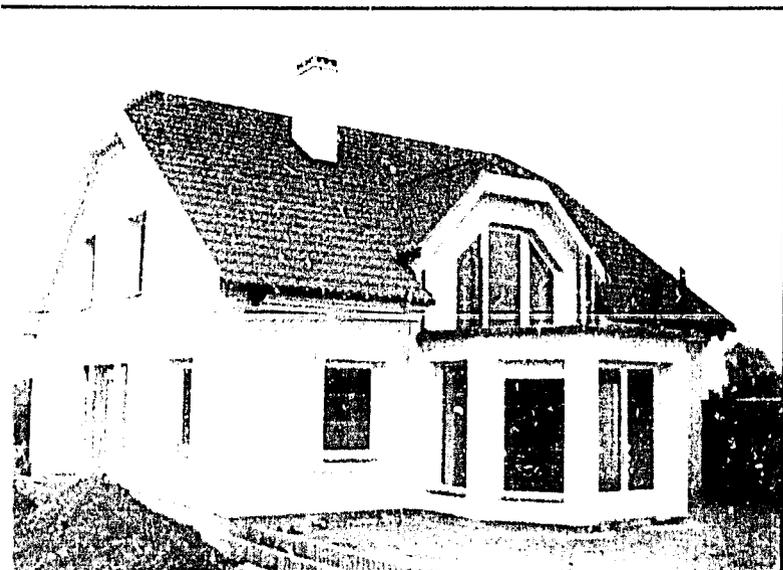
Rok ukončenia výstavby – 05/1995.

Areal je umiestnený v atraktívnom a kludnom prostredí malokarpatského mesta Pezinok, 20 km od Bratislavy.



Zahájenie výstavby-výkopy



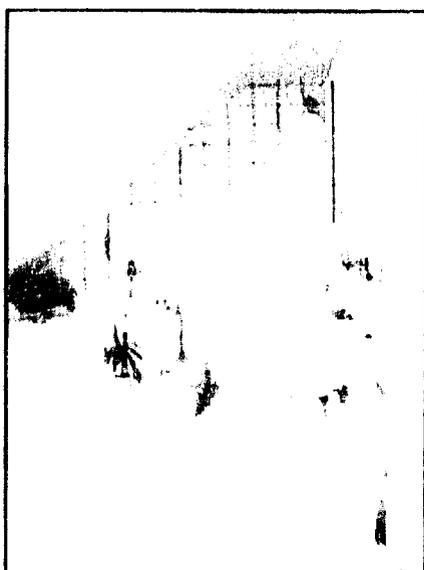
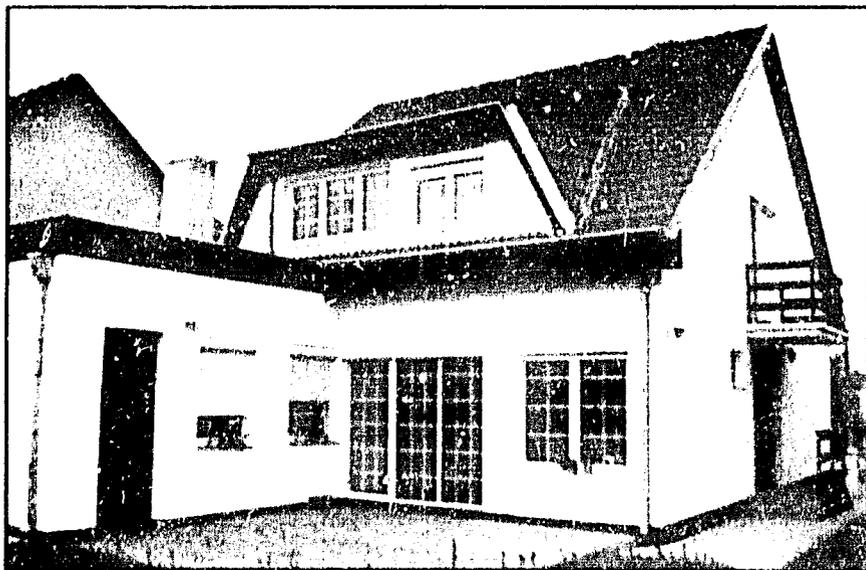


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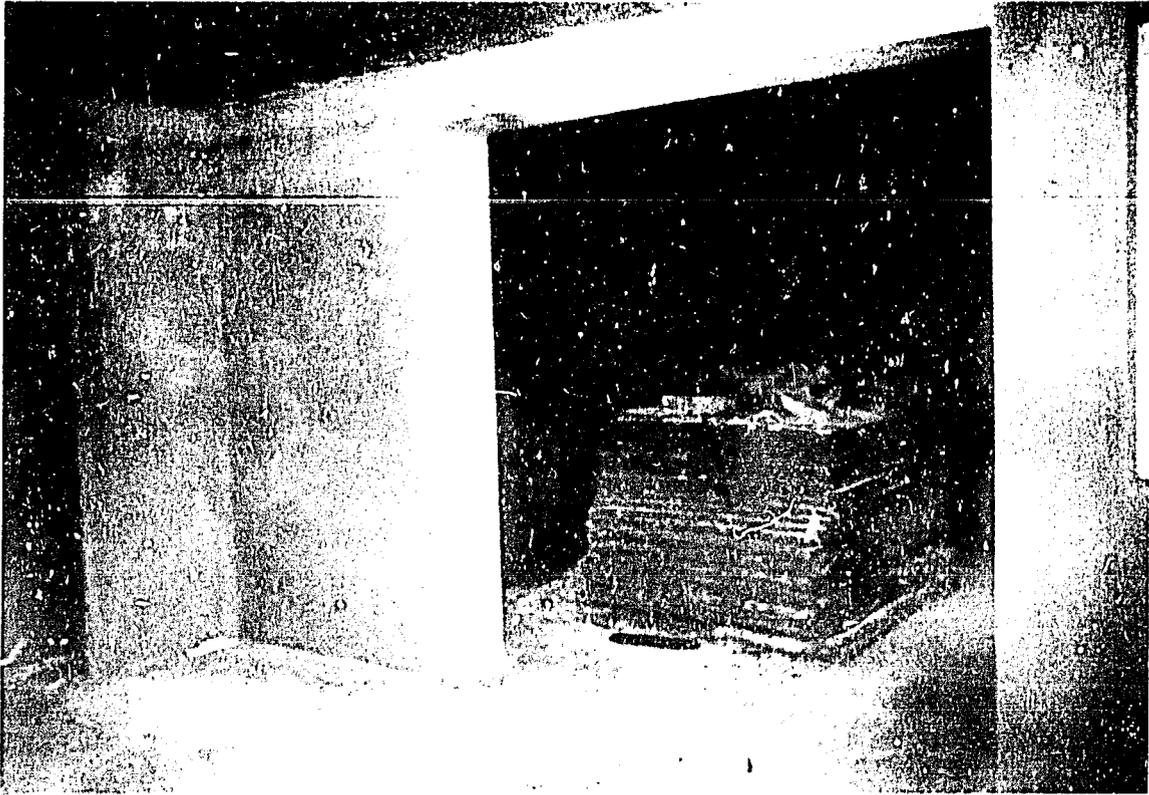
- základy stavby s použitím železobetonovej dosky
- steny z tehlového materiálu s vysokým tepelným odporom

Opoly keramické alebo podľa želania zákazníka ATYP

drešná krytina ekologicky
bezvadná s dlhou
votnosťou BRAMAC



- omietky a fasády podľa želania zákazníka aj tepelno izolačné omietky
- doba výstavby do jedného roka (optimálny čas z hľadiska technológie)



Ganok Pezinok Project: Unit Interior

10:15 am: Pezinok — Interview with Ing. Juraj Bakalar, Chief of Housing, and Ing. Ivan Pessel, Mayor, Town of Pezinok

The town can't do anything without state support, but it is preparing a new land plan for completion by the end of 1995. The town has no plans to build housing, and, therefore, depends upon entrepreneurs. All new housing will be by private developers.

Certain municipal laws define which land is available for housing development and the tender mechanism. They also define the requirements for infrastructure. The town can't sell land without a tender, and whether or not the town puts in infrastructure depends on the case. It may waive cash in lieu of the developer taking responsibility for the infrastructure. The town has to set a minimum price, although it's hard to say what that price should be. The basic price is 150 SK/SM, which is set by law.

In principal, it is possible to redevelop sites in the town center, but rules for density, height, set backs, etc., must be followed. There is also a procedure for annexing land, but the town would have to do a new land plan and consider the rate of growth. Some land in the town is public; some is private. Restitution is not complete and every act of sale must deal with it.

Plan approval is a state function. There is a housing shortage, but people do not have the money to buy flats. The market price for a three-room flat is SK-800,000 to SK-1,000,000

(\$26,667 to \$33,333). No lending policy exists as of now. As for USAID assistance, all information is helpful now, but the conditions limit what can be done. They are optimistic that the situation will be improved by political and economic reality, and would welcome information on housing policy.

11:25 am: Pezinok — Meeting with Mr. Jan Tyko, Director, and Ing. Jozef Popluhar, Marketing Manager, Tyko Co.

All 46 units have been sold. Tyko started to build with its own funds. It did a market analysis and feasibility study, including future requirements. The company is a real estate company and had a lot of information about the market. Mr. Tyko's previous job was in housing development, so he knows the requirements of owners. Under the previous regime, there was a set standard for housing. He relied on these and based his analysis on these standards.

Construction commenced in late 1993, which was needed to gain the confidence of the clients. Now 90 percent of the units are sold. Tyko set a base price at the beginning, but the base price increased by 8 percent because of inflation. The prices of materials have increased, and some owners wanted special features. The basic terms of sale were three payments of 30 percent each during construction, with the last 10 percent after the certificate of occupancy. At present, because construction is well along, a purchaser would pay 70 percent. Anyone who paid 100 percent was guaranteed no price increases. Tyko has actually tried to cut the price for the 100 percent payers, so they'd have some incentive. If a purchaser defaults, he gets a refund minus the interest costs.

The first phases of the project, including the land purchase and the preparation of plans, were done with Tyko's own resources. They also have obtained bank loans, which had to be guaranteed with 200 percent collateral and have an 18-23 percent interest rate. Applying for the loan was very complicated and took two months, since banks have started to get very strict. The amount of the loan is SK-13,000,000; the total project cost is SK-70,000,000. The total usable area of the 46 units is 5,500 SM. The lot size is 2,800 SM.

Tyko employed new technology for the foundations. Their expected profit has decreased because of the problems they encountered. These were: (1) delivery of materials, (2) difficulties with clients, and (3) lack of discipline (prompt payment) by the clients. Tyko has no other projects underway, although they are doing feasibility studies. In the future, they want to do smaller projects to reduce the risk. Their goal from the beginning was to meet market demand. They also build SFDs, mostly in Bratislava and mostly on land owned by the clients.

In this project, a three-room unit is about 100 SM in size. The price, with a garage space, is SK-11,000/SM, so the total price is 1,100,000 SK. The unit comes with a complete bath and kitchen, except for the refrigerator. Mr. Tyko is proud that his prices are among the lowest, which is possible because, under one roof, the company has both financial and construction

capabilities. They eliminate the middle man. The typical purchaser is an entrepreneur, but 10 percent of the clients have had to sell another property to get the funds for the new unit. In order to be successful, the company has to do things nearly perfectly. Of the total project cost (SK-70,000,000), the land cost SK-1,000,000, the plans cost SK-1,500,000, and SK-500,000 was for infrastructure and clearing.

The development of plans for a project normally takes six to seven months, but Tyko's architect did it in four. Plan approval depends to some degree on personal relationships. Six months is normal, but Tyko got it done in two months. Theoretically, each department that has approval authority must respond in 30 days. Approval fees were minimal, no more than SK-10,000. The pro forma schedule for the project was 13 months, but it actually will take 18 months.

The main problems preventing the development of more private housing in Slovakia are as follows: (1) the legal system has not been reformed, (2) it takes a long time to obtain loans from banks, and (3) clients lack the discipline to pay the second installment. A big problem is the transfer tax, which is 5 percent. If the state wants to support a housing policy, such a high tax is counterproductive.

Based on this experience, Tyko would prefer to build smaller projects, in the range of 10 units. Mr. Tyko had no specific idea as to how USAID could help. Tyko is gaining experience. Slovakia is turning away from concrete panel construction to traditional (brick) materials. Slovaks are interested in building less expensive houses, but they have no tradition for wood and prefer brick.

2:00 pm: village of Limbach — Inspection of CAADG Multi-family Project, escorted by Ing. Martin Blazek, the site engineer of CAADG, the investor, and Ing. Rostislav Slotka, the site superintendent, of EBI Spolecnost s.r.o., of Nitra, the contractor

The private company, CAADG Investment of Bratislava, is developing a 22-unit, multi-family project in the village of Limbach. The project consists of six buildings, with three or four units in each, which range from three to six rooms. The median unit is 130-140 SM in size. The project was designed for 24 units, but two of the units consist of two flats combined on two levels. The architect is Ing. Arch. Vladimir Talas, of Team "T" Spol. s.r.o., Bratislava, who comes to inspect every two weeks.

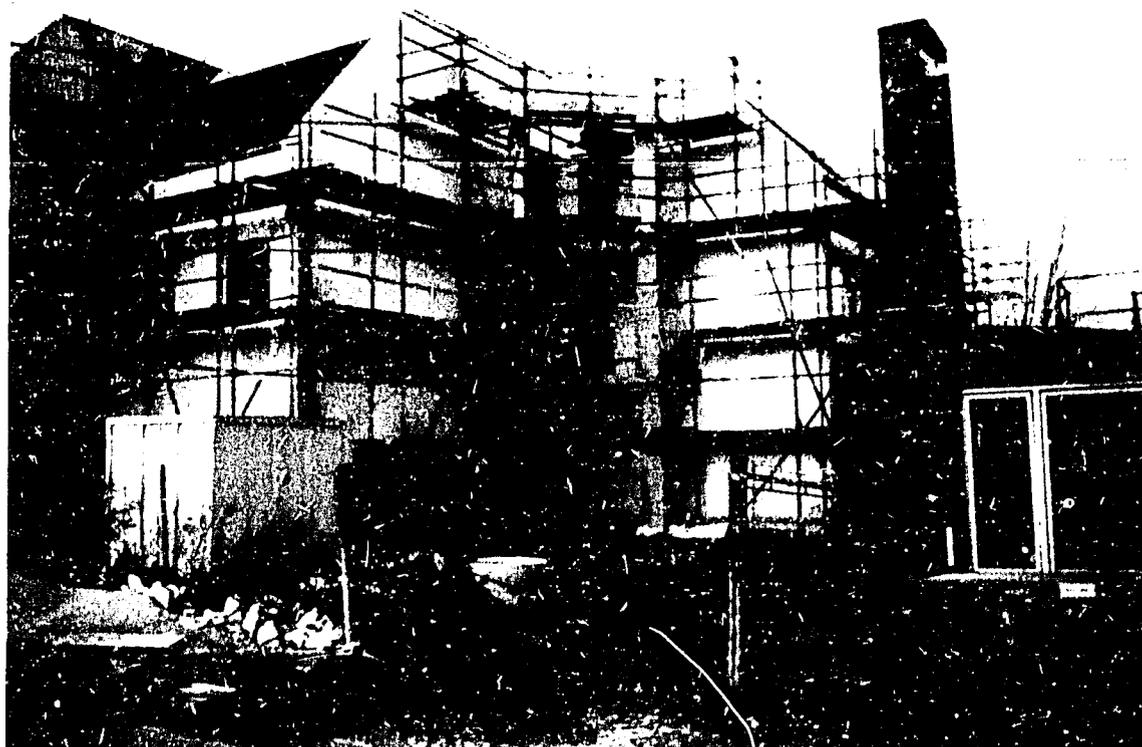
The basic structural material for the project is Durisol block, which is a composite of fiber-glass, wood, and cement. It is produced in Slovakia under an Austrian license, and has the advantages of good tolerances and efficient heat insulation. The floor/ceiling slabs are poured-in-place concrete. The courtyard behind the buildings will be landscaped. Interior partition walls are standard brick, but are not load bearing. Each unit has a different layout, customized to the purchaser's desires. Each unit also comes with a large individual parking space in the basement, which can be divided to create a work room in addition to the parking.

The six-room, two-level units are priced at SK-4,000,000 (\$133,333), and 16 of the 22 units have been sold. The units have individual gas heating units and electric stoves. The initial price was to be SK-10,000/SM, but it has gone up to SK-12,000. The project started in November 1993 and with a 13-month construction schedule, but the estimated completion date is now May 1995. A soils problem was discovered right after ground breaking, which required a new foundation design. Project inspections are performed by the State Construction Supervision Unit. The local mayor has criticized the mud tracked onto the streets. All materials, including the plastic windows, are Slovak, except for minor parts. There have been problems with water supply, because of the construction of a new sewer line in the area.

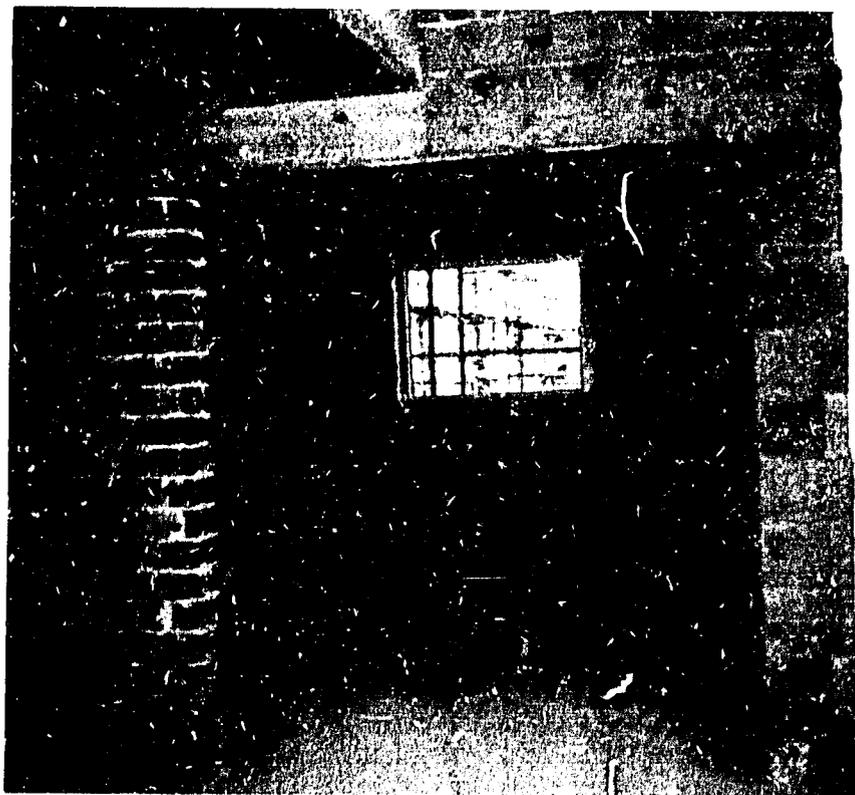
EBI Nitra was established in 1990 and separated from a state company. It has 10 technical staff members and 35 specialist workers. The land for the project had been a trash heap, and the contractor had to remove all of the debris. There were no problems with supplies of materials, a lot of which are made in Bratislava. There were some problems with the schedule because of a lack of money, but construction itself went well. Construction was halted for 2½ months during the summer because some loans didn't come through. CAADG pays from its own sources. The main problem is money.



CAADG Project in Limbach



CAADG Project in Limbach



CAADG/Limbach: Interior Showing Durisol Block

4:00 pm: Bratislava — Meeting with Doc. Ing. arch. Peter Gandl, Csc, Director of CAADG, Bratislava

The project in Limbach was not typical, because CAADG didn't start from the beginning. The project was started by the State Forest Service as housing for its employees. A large payment was required to transfer the land from forest to housing use. A portion of the land was inside the village of Limbach and a portion was outside of the village limits. This presented some cadastre problems. CAADG paid SK-1,100/SM for the site in 1993. The architect is Pernecky. The initial concept was for social housing, and CAADG had to modify the design to conform to a higher standard. Each owner of a unit will own an undivided interest in the land under the project.

CAADG has two main businesses: real estate sales and brokerage and investment/development. It has worked up a feasibility study for a new, 128-unit housing project. The new project has an advantage in that the land is owned by the city of Bratislava. The city has agreed to rent the land to CAADG during the construction period and then sell it to the purchasers of the units.

For the Limbach project, CAADG assessed local housing demand through complicated research, but the most important factor was the existence of an approved site plan. Housing development around Bratislava can take place in three directions: to the north, in a corridor laying to the west of the Small Carpathian range, to the northeast, toward Limbach, or to the south. The area west of the Small Carpathians is windy and has water and sewer problems. The area to the south is less desirable for a number of reasons. CAADG sees Limbach as a good location, as it is only 12 kilometers from the Bratislava city limits and has good transportation links. Limbach has an attractive environment, located in the wine growing region, and CAADG saw 24 units as an acceptable risk.

To market the project, CAADG used all available means, including newspaper, radio, TV, billboards, and direct mail. All 22 units were under contract (two are combined units), but six contracts fell out because of the construction delay. The first unit was sold in October 1993 and the last in June 1994. Two months were lost due to the foundation problem, and four more were lost due to financial and other reasons. Mr. Gandl attributes most of the delay to the contractor's lack of "respect" for the schedule. He commented that although Slovakia has a lot of good contractors, it is difficult to find one to respect the schedule. He rejected the idea of imposing contractual penalties for delay, since most Slovak construction companies are small, and the penalties would simply drive them under.

The project will not be profitable. CAADG will lose money, but Gandl feels that they have gained valuable experience, as well as a name, through their advertising activities. They receive a lot of inquiries from potential purchasers. CAADG obtained a loan to construct the project, but through private companies rather than a bank, since an unfinished building doesn't constitute security for a loan.

CAADG currently is planning a 128-unit project in Bratislava that will be targeted to people of more average income, primarily through smaller units, averaging about 45 SM. The project will be 12 stories, with two levels of underground parking. It will be constructed of poured-in-place columns and slabs, exterior walls of concrete/insulation sandwich panels, and interior partition walls of brick. This method is being used even though poured-in-place concrete has a bad reputation in Slovakia because it is identified with construction of pill boxes. The sales prices will be at about SK-13,000 per square meter. The unit mix will be 40 percent one-room, 30 percent two-room, 20 percent three-room, 6 percent four-room, and 4 percent five-room units. (NOTE: Only living rooms and bedrooms are counted in the number of rooms.)

For private housing to flourish, Slovakia primarily needs people who are able to buy. Right now, the number of families in Slovakia is about equal to the number of existing units, but the problem is location. The cities have catastrophic shortages, while in the villages there are unoccupied houses. The question is what kind of units people will want. Gandl thinks that there will be a market for small flats, especially for single people, childless couples, and retired people, and that these people can get the funds together to purchase. (A 45-SM flat in his new project would cost SK-585,000 [\$19,500], which is about the market price of a typical panel flat in Bratislava.) The units in Limbach sold for between SK-1,500,000 and 2,000,000.

USAID would be most useful if it could assist in changing both local and state laws that inhibit the growth of the real estate development industry. For example, it is not necessary to pay VAT when selling real estate more than two years old, but VAT in the range of 6 percent must be paid on new construction, which raises prices. CAADG paid SK-3,000,000 in VAT on the Limbach project.

The plan approval on Limbach has been a major problem. The plans were submitted in January 1994 and have not yet been approved. CAADG is bearing a risk that the plans might not be approved. (Project information is contained on the following two pages.)

Wednesday, February 1, 1995

8:30 am: Meeting with George Williams and Sonny Low at USAID

9:00 am: USAID contractors' meeting, chaired by Pat Lerner

I was introduced and invited to describe PADCO's work in Slovakia.

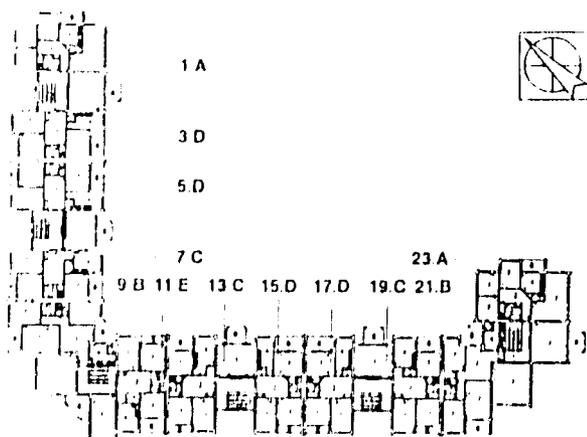
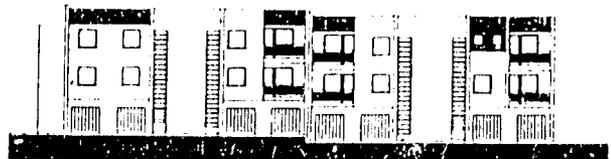
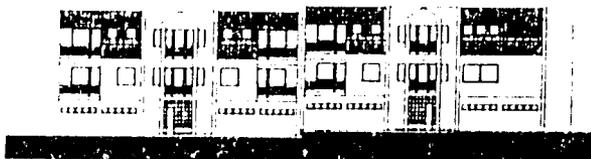
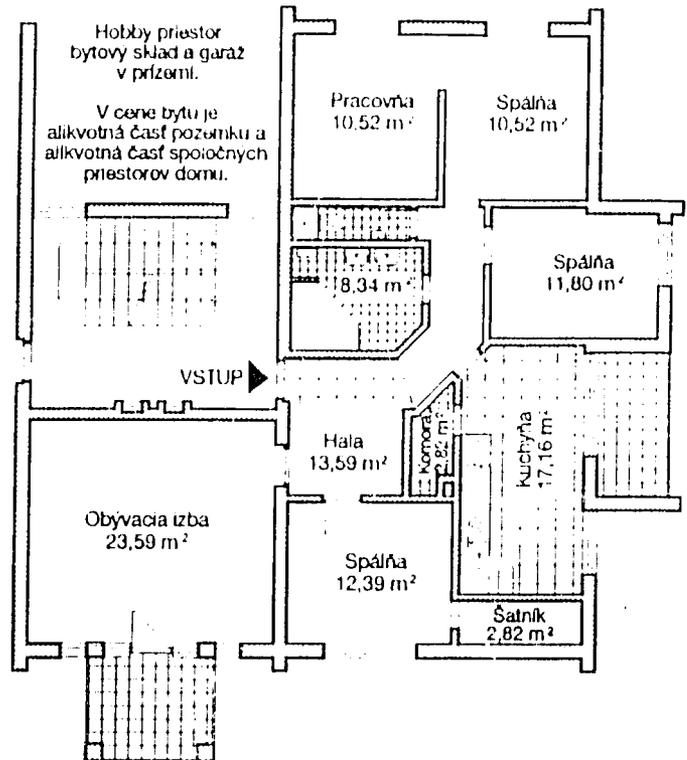
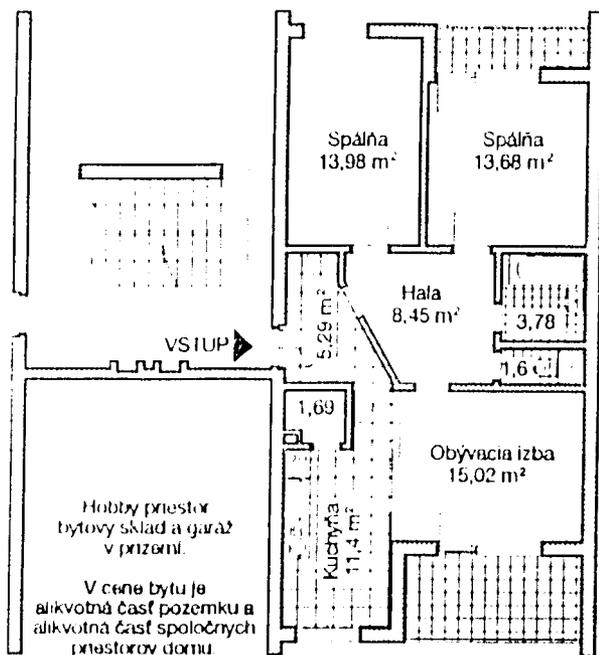
10:00 am: Meeting with Ing. Jan Dinka, Head of the Planning Department for the Historic Area, City of Bratislava

The Planning Department has ordered a land planning study for an area along the western border of the Old Town to determine its suitability for single-family houses. The study is in response to inquiries by owners of garden plots who want to build houses on the land. The

Mimoriadna ponuka

BÝVANIE V EURÓPSKOM ŠTANDARDE - PREDAJ BYTOV DO VLASTNÍCTVA

LUXUSNÉ BYTY V LIMBACHU - cena za m² 11.950,- Sk
troj, štvor a päťizbové byty s výmerou od 126 m² do 165 m²



ŠTANDARDNÉ VYBAVENIE BYTU

Dispozícia podľa projektu - katalógu

- Podlahy - parkety lakované, keramická dlažba. Obklady - keramické
- Ornietky stien - vápenné štukové biele, stropy biela stierka.
- Dvere dýhované mahagónom, plné a zasklené, nerezové kovanie.
- Bytové dvere protipožiarne s bezpečnostným zámkom a kovaním.
- Sanitárne zariadenia biele. Vodovodné batérie pákové chromované.
- Kuchynská linka s nerezovým dvojdrevozom podľa aktuálneho vyberu.
- Kúrenie plynové samostatne pre každý byt.
- Meranie a regulácia pre každý byt samostatne.
- Okná a balkónové dvere plastové s determálnym dvojsklom.
- Telefónne rozvody, STA a satelitové rozvody pre každý byt.
- Domáci telefón a automatické odomykanie vstupných dverí.
- Podlahy garáží cementový poter.
- Hobby priestor a bytový sklad bezprašný povrch.
- Podlahy v domových komunikáciách dlažba terasso.
- Exteriérové spavnené plochy - cementová dlažba zámková.
- Sadové a parkové úpravy terénu.

V DEŇ NÁVŠTEVY U NÁS SA MÔŽETE STAŤ MAJITELMI LUXUSNÉHO BYTU

CAADG Investment, Nevädzová 5, 821 01 BRATISLAVA

TEL/FAX: 07/29 28 00, 07/ 522 97 35, 07/ 29 07 359, 07/ 23 29 65

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Luxusne bývanie - LIMBACH

v m² a na streda

Byt typu A (päťizbový)	výmera m²	cena SK/m²	spolu SK
Podlahová plocha bytu	145,94	11 950	1 743 983
Nebytový priestor - garáž	18,12	11 950	216 534
Bytová jednotka spolu:	164,06	Cena bytu spolu:	1 960 517
Počet bytových jednotiek typu A	4	Cena 4 bytových jednotiek	7 842 068
Byt typu B (štvorizbový. alt. a, alt. b)	výmera m²	cena SK/m²	spolu SK
Podlahová plocha bytu	164,25	11 950	1 962 767,5
Nebytový priestor - garáž	19,22	11 950	229 679
Bytová jednotka spolu:	183,47	Cena bytu spolu:	2 192 466,5
Počet bytových jednotiek typu B	4	Cena 4 bytových jednotiek	8 769 866
Byt typu C (štvorizbový. alt. a, alt. b)	výmera m²	cena SK/m²	spolu SK
Podlahová plocha bytu	141,68	11 950	1 693 076
Nebytový priestor - garáž	18,37	11 950	219 521,5
Bytová jednotka spolu:	160,05	Cena bytu spolu:	1 912 597,5
Počet bytových jednotiek typu C:	6	Cena 6 bytových jednotiek:	11 475 585
Byt typu D (trojizbový. alt. a, alt. b)	výmera m²	cena SK/m²	spolu SK
Podlahová plocha bytu	105,42	11 950	1 259 769
Nebytový priestor - garáž	16,4	11 950	219 880
Bytová jednotka spolu:	123,82	Cena bytu spolu:	1 479 649
Počet bytových jednotiek typu D:	8	Cena 8 bytových jednotiek:	11 837 192
Byt typu E (štvorizbový)	výmera m²	cena SK/m²	spolu SK
Podlahová plocha bytu	143,26	11 950	1 711 957
Nebytový priestor - garáž	16,08	11 950	192 156
Bytová jednotka spolu:	159,34	Cena bytu spolu:	1 904 113
Počet bytových jednotiek typu E:	2	Cena 2 bytových jednotiek:	3 808 226

Ceny sú platné k bankovému kurzu 1 CHF = 22,51 SK
 unradené platby sú konečné a nepodliehajú zmene bankového kurzu
 v cenách nie je zahrnutá DPH 6%

35

area has extensive tree cover and bad topography, so no large buildings can be built there. Before any houses can be built, however, infrastructure needs to be installed. The city will try to obtain funds for the infrastructure, but won't finance the entire cost, which will be shared by the owners. Mr. Dinka could not estimate the cost.

The Old Town still has some land available for multi-family projects, but these areas must contain a mix of office and retail space, because the land is too expensive for housing alone. The city would like to see people stop moving out of the Old Town, where there is a 6,000-unit housing shortage. Although any vacant lands have to be sold under a tender procedure, it is possible to avoid the tender by negotiating a joint venture with the city. Mr. Dinka thought that there had to be a minimum price in a tender procedure, but he could not quote it. There was a boom in prices after 1989, but since 1991 prices have been decreasing because there is no great demand.

No private renovation of multi-family buildings is occurring, although one firm, "Brighton and Zvora," has been buying, renovating, and selling office buildings. Because the Old Town area has so little land available for new construction, the city is concentrating on renovating existing buildings. The city, however, has no money to allow reconstruction of entire housing blocks, so it has decided to sell all the flats and their buildings to the renters. A building will be sold if at least 80 percent of the occupants participate in the purchase. The remaining tenants can continue as tenants, and their rent remains regulated.

11:00 am: Meeting with Ing. Andrej Durkovsky, Mayor, Old Town, City of Bratislava

Of the 20,000 housing units owned by the city, from 2,000 to 3,000 have undergone restitution. The remainder are being sold as separate units or as housing blocks. The city prefers to sell an entire building, but restitution is a problem, where, for example, one third of a building is awarded to a private individual. The city is working on resolving the sale of these buildings and has a proposal for future owners to buy the common areas. At any rate, the city is not receiving much money from these sales to conduct follow-up housing activities. The law doesn't solve the finance problem, which is why the city wants to sell the rental units as condominiums, so that the condo associations will run the buildings. Mr. Durkovsky notes that any mortgage system has to contain procedures for eviction.

12:00 pm: Meeting with Ing. Stefan Niznan and Ing. Anna Novakova, both Managers of INSTA Investment s.r.o., Bratislava

INSTA is developing an eight-story (plus one basement level), mixed-use project containing 58 housing units along with office and retail space. The project is located at the intersection of Zahradnicka and Ruzena Dolina in the Nivy District of Bratislava. It includes 128 parking spaces in the basement level and in two underground levels in the center courtyard of the U-shaped building. The ground floor will be retail, and the second floor will be office space. The dwelling units will be from 2-7 rooms and 80-200 SM in size. The total project cost is

SK-250,000,000, and SK-20,000,000 has been spent since construction began in October 1994. Completion is scheduled for February 1997.

INSTA is selling the units under two payment methods. Under the first, 10-30 percent is put down within 15 days of contract execution, and two payments of 30 percent are made at five-month intervals thereafter. The outstanding balance (10 percent) is paid upon delivery. The second system is for purchasers who don't want to entrust their money before delivery. They put 10 percent down at contract, and pay the remaining 90 percent, plus interest at 19.6 percent, at completion. The interest rate is based on the 20-23 percent that INSTA is paying on its construction loans. A two-room apartment is selling for about SK-1,400,000, which is about SK-16,500/SM. The larger units are priced proportionately. INSTA has sold 11 units and has another 14 or 15 contracts under negotiation. The office space is selling for about SK-22,000/SM.

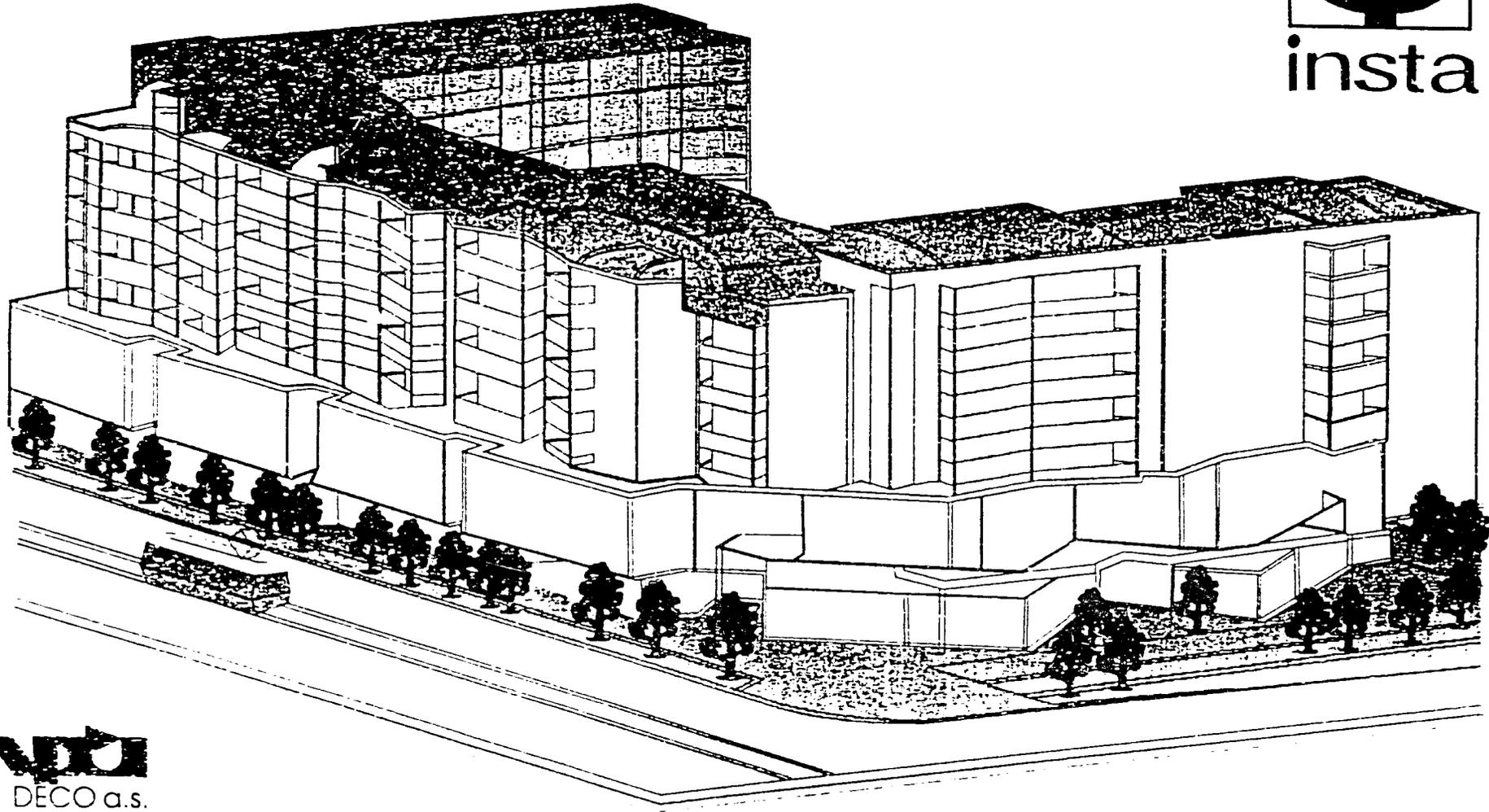
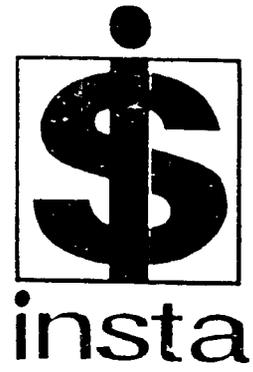
The financing for the project is coming from three sources: INSTA's own resources, especially from its manufacturing and trading business, the funds advanced by purchasers, and loans.

INSTA had the option of buying or renting the land, either method posing no problem. The purchasers in the project will pay land rent, but it will amount to only SK-40/SM annually. INSTA did informal market studies, which showed that people were interested in living in larger units. Their main problem is gaining the trust of the potential purchasers in their company. INSTA used billboards to market the project, along with displays at housing fairs and exhibitions. The purchasers are wealthy people, who have the money either by having worked abroad or by having started their own businesses. These people desire to live in the center of the city, where there is a lack of sites.

Plan approval for the project was not a problem, since the basic concept had been previously approved by the state, under the old regime. Otherwise approvals might take 6-9 months. Infrastructure at this site was also not a problem, because it is in a developed area.

INSTA's main line of business is manufacturing windows; it has 60 employees. Its prior development experience has been limited to a few single-family houses and renovations of restaurants. It is acting as the general contractor on this project.

The main constraints to private development are: (1) financing: the excessive interest rates and the excessive processing time for a loan, (2) value-added tax, and (3) the increasing prices of materials. In the old regime, the state gave an owner an outright grant of 20 percent to build a single-family house. Now, new housing is stopped, except for luxury developments and for adding floors to the tops of existing buildings. (See the following pages for project information.)



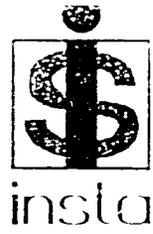
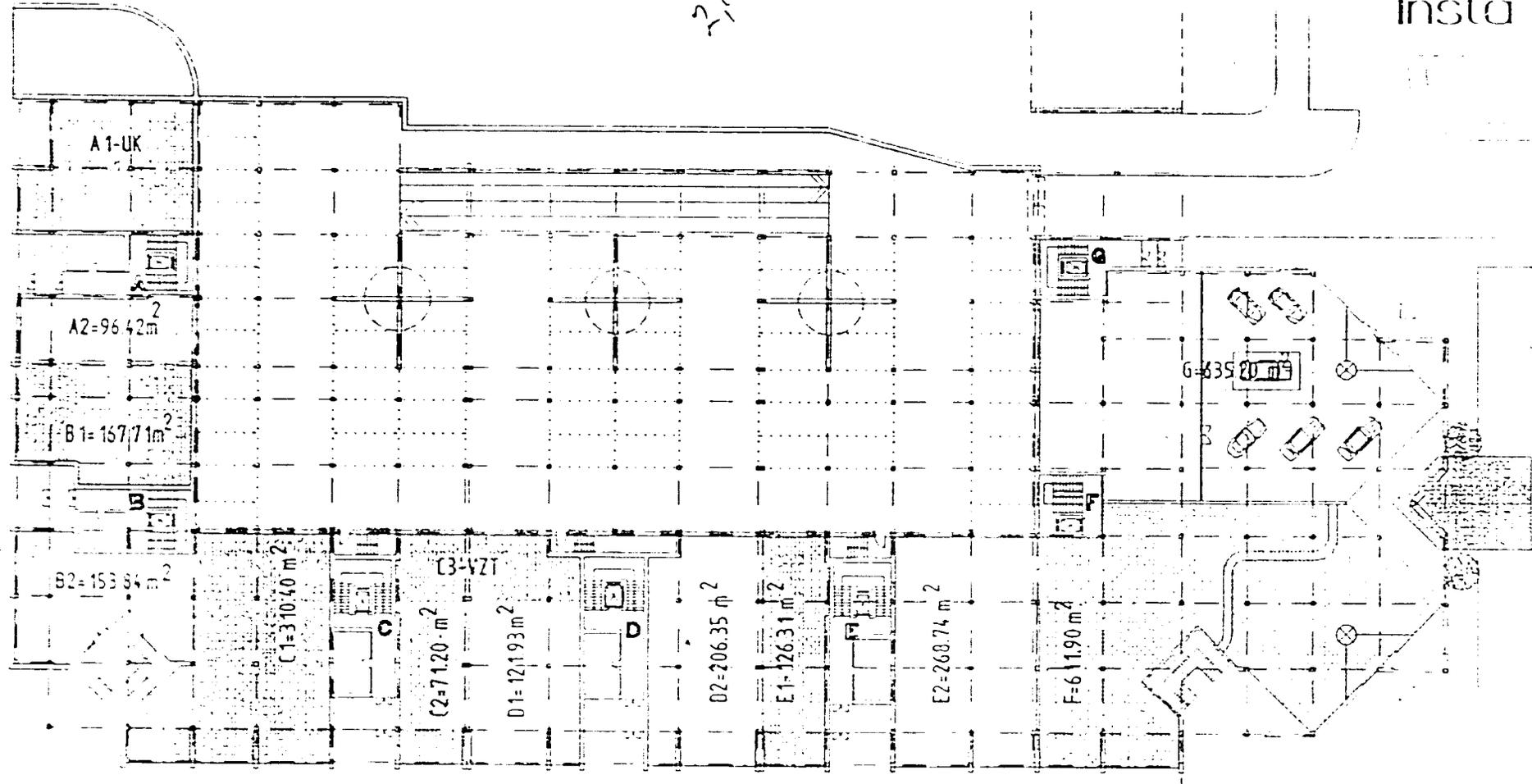
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BRATISLAVA
PROJEKTOVO
INŽINIERSKA
ORGANIZÁCIA

INSTA investment s.r.o.
Technická 5
821 04 Bratislava, Slovakia
Tel./Fax: 0427/220 425
Tel.: 0427/236 147

POLYFUNKČNÝ DOM * ZAHRADNÍCKA JUH * BRATISLAVA

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PŮDORYS 1. PODLAŽIA



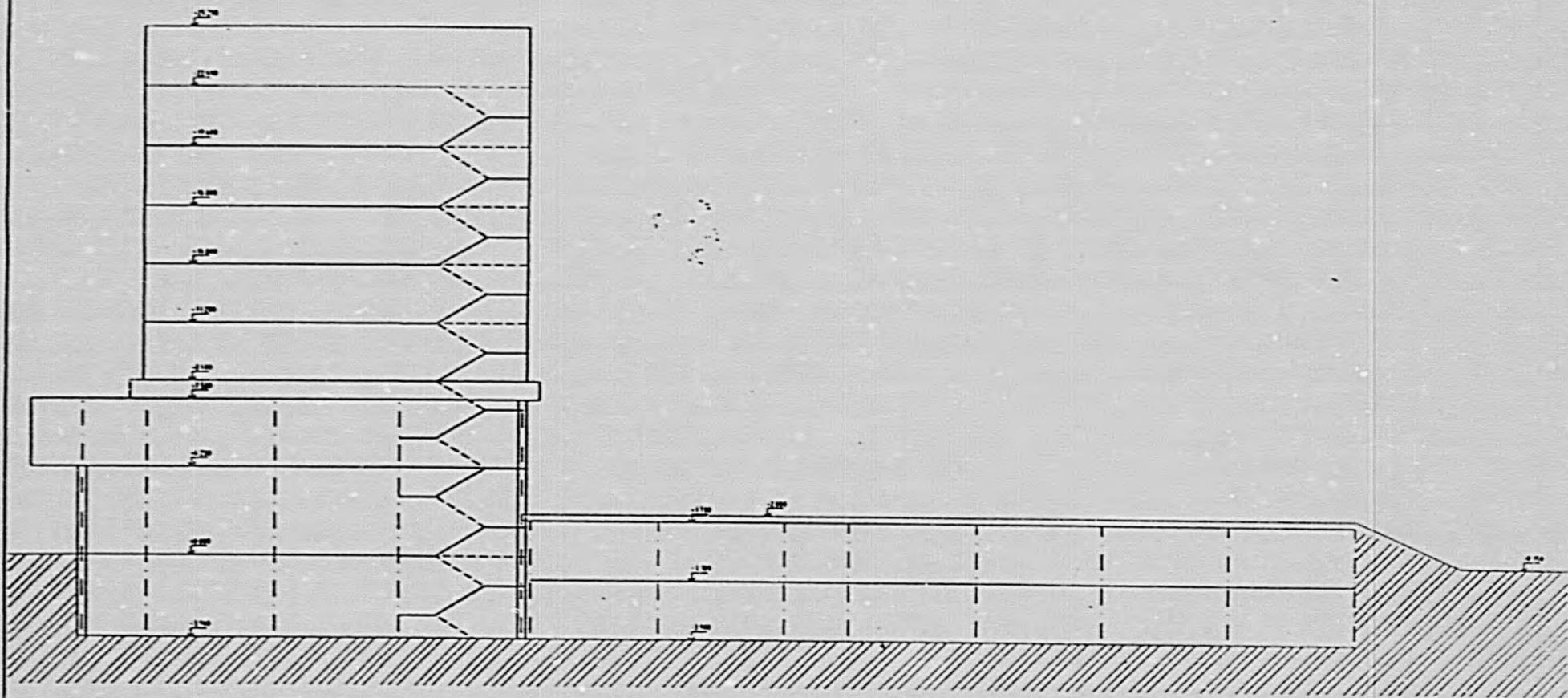
insta



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BRATISLAVA
PROJEKTOVO
INŽINIERSKA
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POLYFUNKČNÝ DOM O ZÁHRADNÍKA - JUH O BRATISLAVI

272



SCHEMATICKÝ REZ

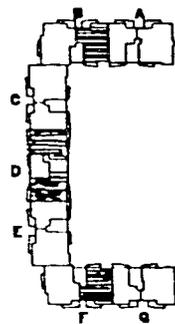
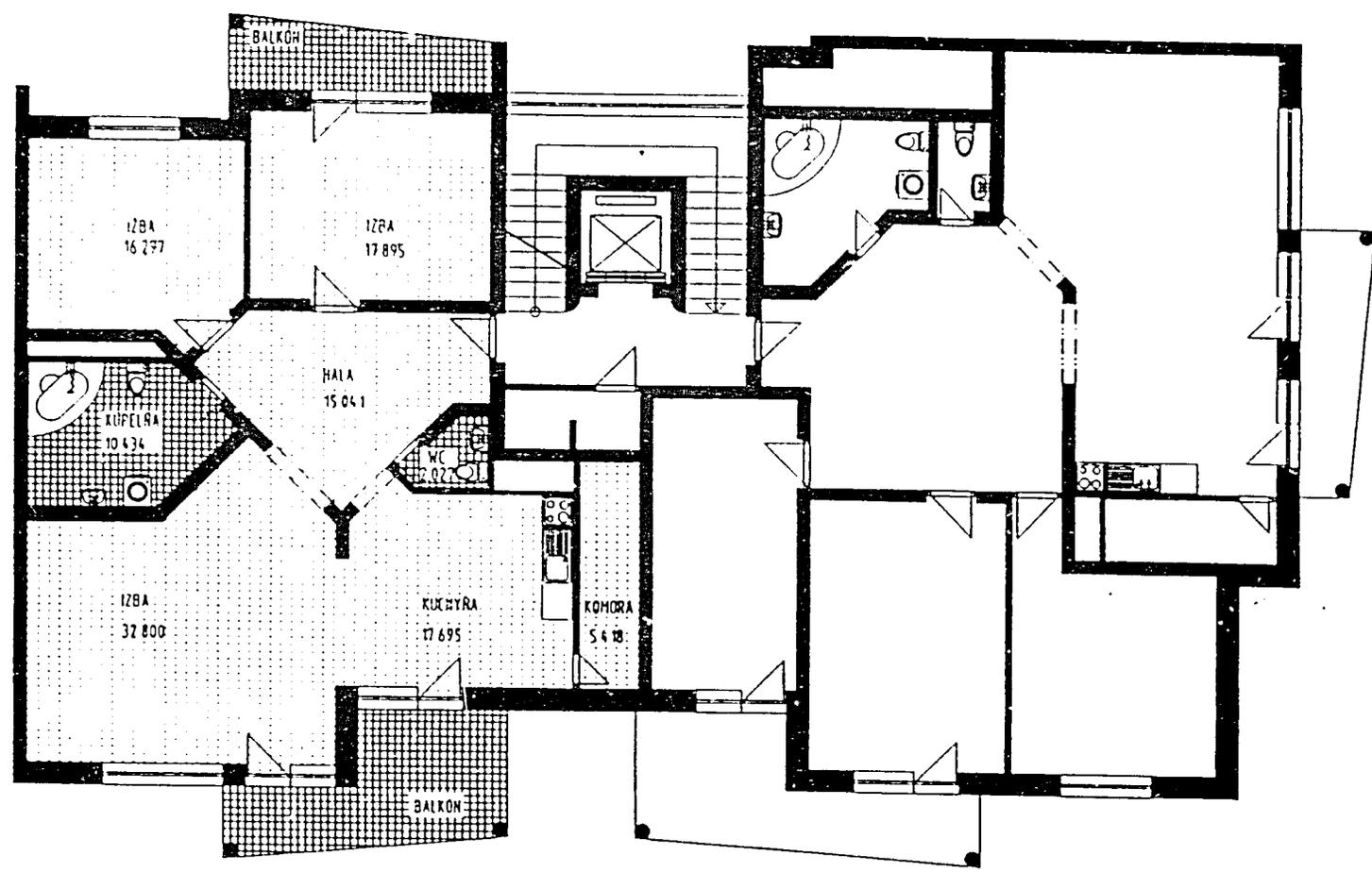


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 INŽINIERSKA
 ORGANIZÁCIA

POLYFUNKČNÝ DOM O ZÁHRADNÍČKA - JUH O BRATISLAVA
INŽINIERSKA ORGANIZÁCIA

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PŮDORYS 3. IZBOVÉHO BYTU



BLOK **B** BYT 42, 52, 62,



POLYFUNKČNÝ DOM O ZÁHRADNÍČKA - JUH O BRATISLAVA

117

1:30 pm: Depart for Piestany with Ing. arch. Jaroslava Zapletalova of the Institute of Housing

2:45 pm: Meeting with JUDr. Jan Chmelo, attorney in Piestany

Mr. Chmelo is the legal advisor to Raving, a construction company that is planning to build penthouse units on an existing building. The idea of penthouse units responds to two current problems affecting housing in Slovakia: the poor membranes and thermal insulation on most of the existing flat-roofed concrete panel buildings and the lack of developable land where ownership is not clouded by restitution. The Condominium Law passed on September 1, 1993, goes a long way toward solving the problems of adding units to existing buildings. The biggest problem remains lack of financing. The resulting need to obtain progress payments from purchasers requires drafting of "agreements to agree," or contingency agreements.

3:00 pm: Meeting with Ing. arch. Stefan Petras, Director of Raving Spol. s.r.o., Piestany, a firm dealing in reconstruction, construction, and engineering

Raving is undertaking the reconstruction and renovation of a four-story, nine-unit condominium, which will add three new units under a peaked roof. Raving has "solved" the problem of lack of financing by "agreeing to agree." They still need, however, initial funding in order to correctly market the project to potential purchasers. (See the following pages for project plans.



Penthouse Units in Piestany

400



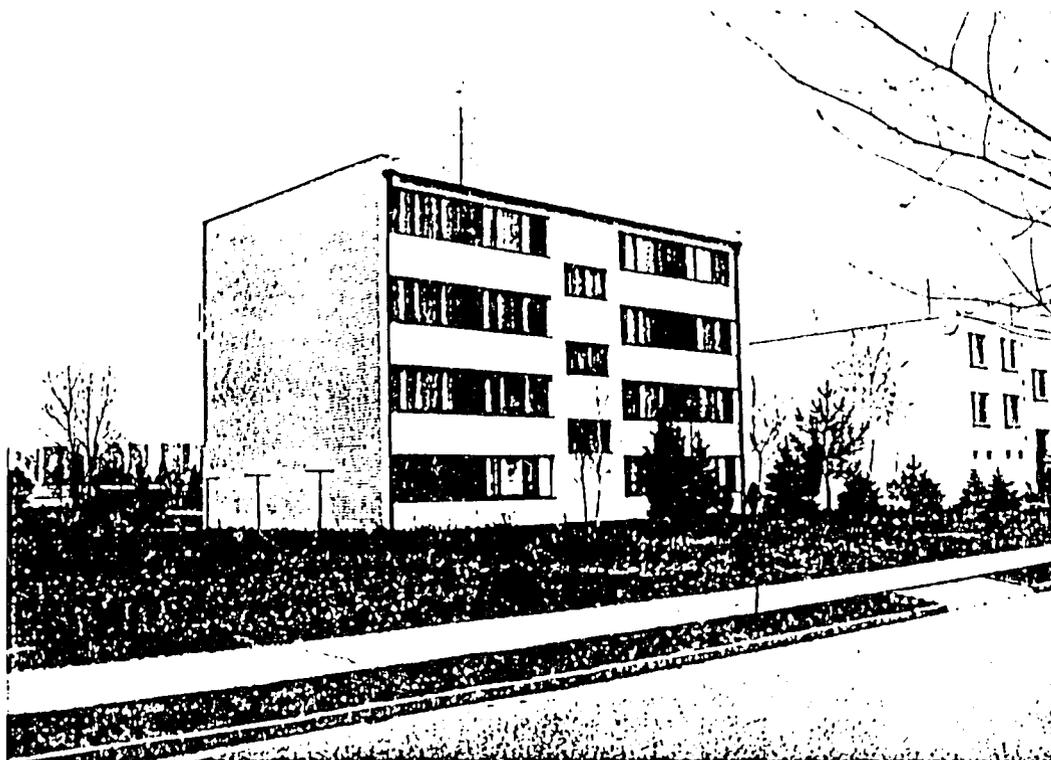
Penthouse Units in Piestany

Raving plans to negotiate a five-party agreement with the three new owners and the condominium association. Under the agreement, one sixth of the construction budget will be for upgrading plumbing and other systems in the existing building. The condominium would then be expanded to include the three new units, which will share in the expenses in proportion to their size.

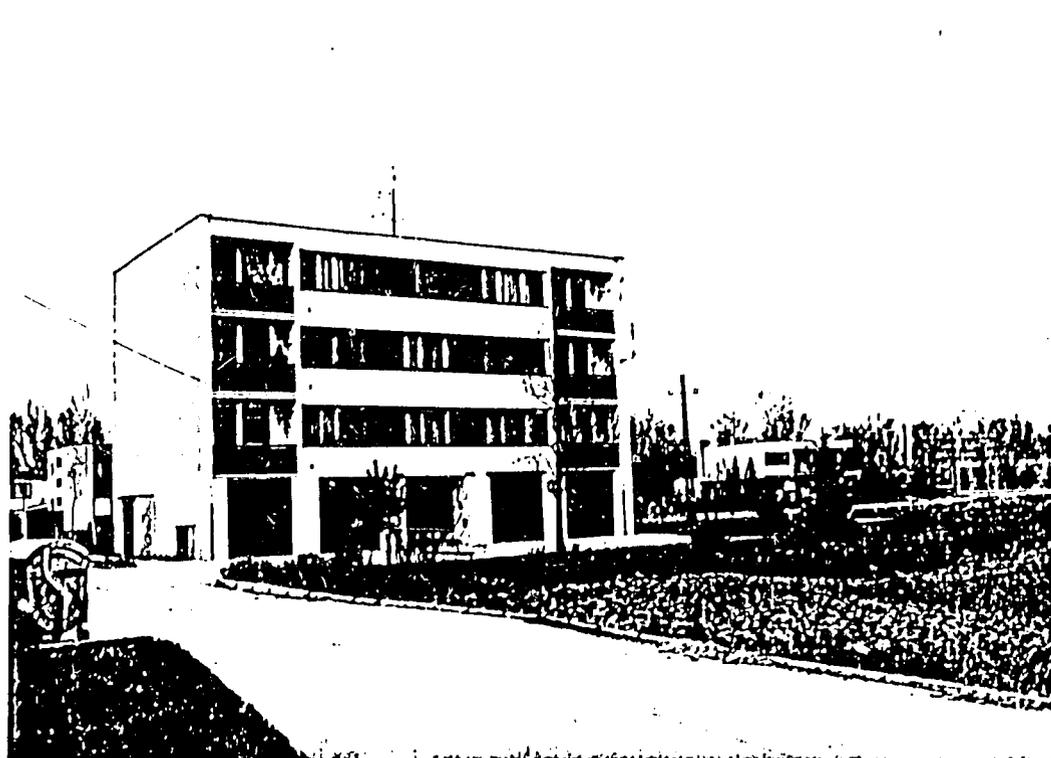
The two large units are 140 SM each and the smaller unit is 43 SM. The total budget for the project is SK-3,600,000, which equals SK-11,146/SM, and includes 5 percent to 7 percent profit. The cost of the units alone is about SK-8,900/SM. The relatively low cost of the units is a result of the use of wood elements, which allows construction to go quickly.

Raving already has the approvals of the municipality, and soon will be able to formally offer the units for sale. Marketing and investment are the two major problems with getting the project underway, and Raving is most interested in how to allocate the risk.

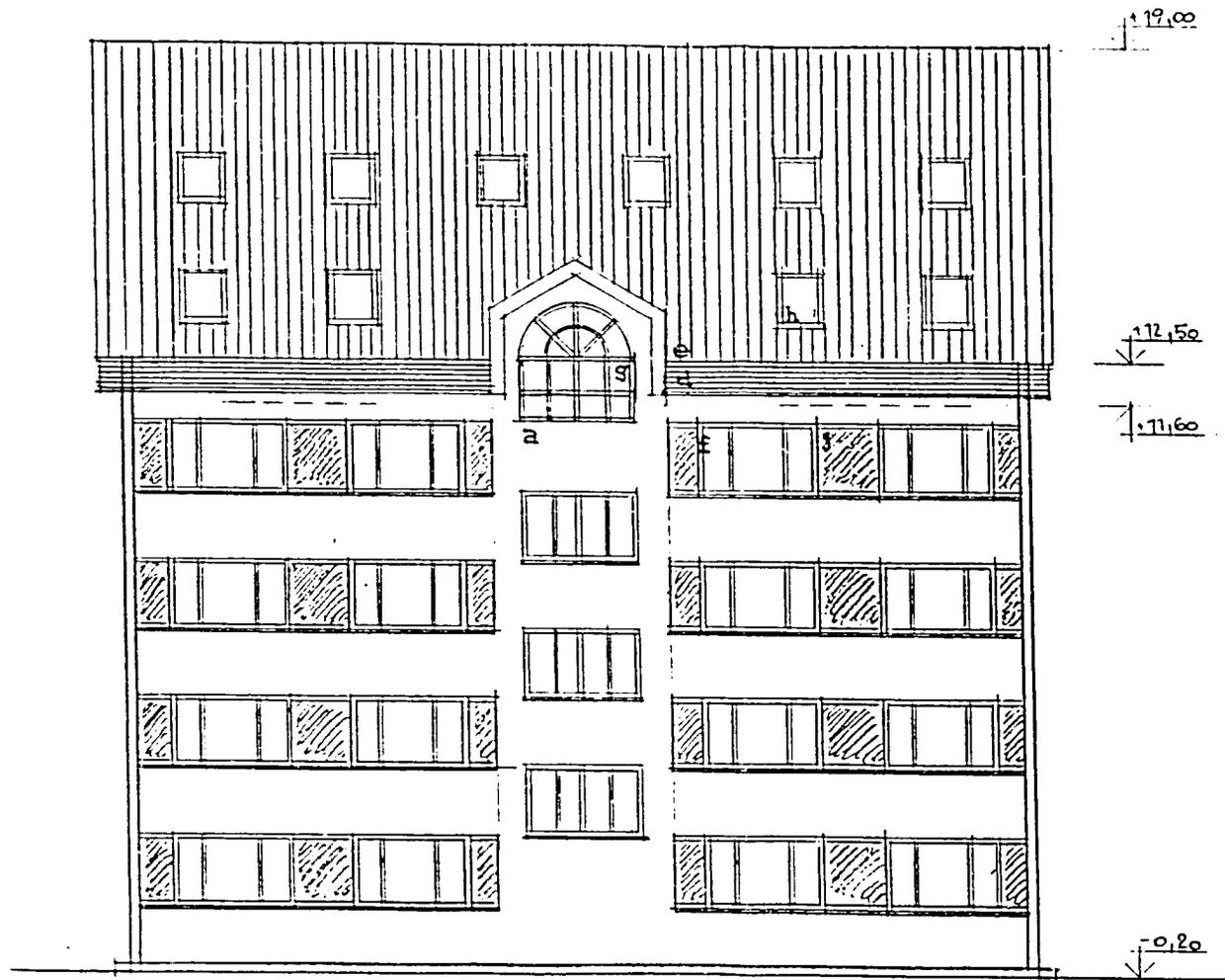
In response to the question of whether the condominium association or the new owners would have priority in the event of a cost overrun, Mr. Petras asserted that this would not be a problem because there would be a separate budget for the renovation activities.



Obytný dom, Komenského č. 4658/18, Piešťany
Pohľad juhovýchodný



Obytný dom, Komenského č. 4658/18, Piešťany
Pohľad juhozápadný



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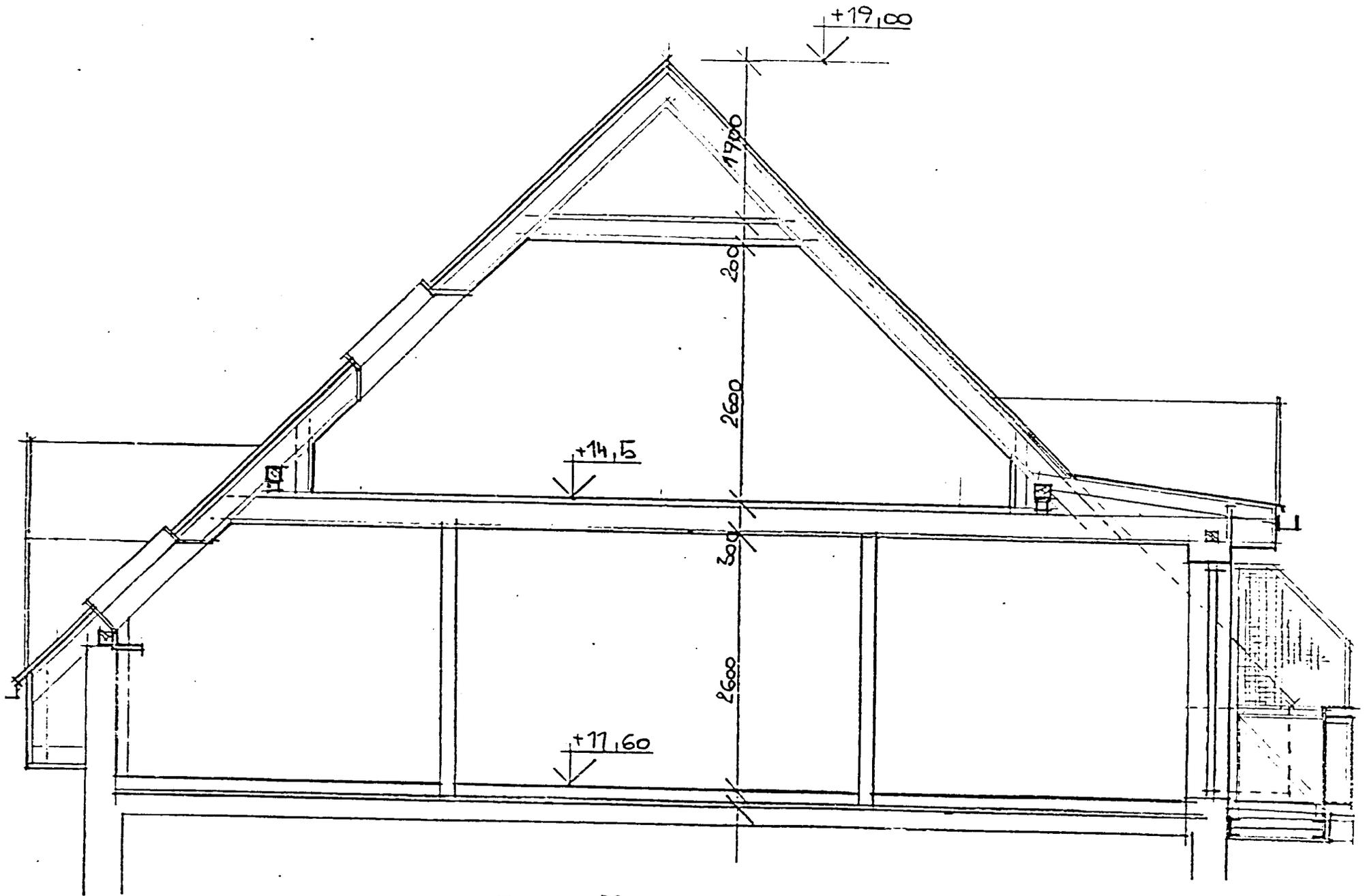
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- b kamenný obklad Coloroc - žltý /jestv./
- c kamenný obklad Coloroc - krémový
- d kamenný obklad Coloroc - tmavohnedý
- e strešná krytina betónová Bramac - tehlovočervená
- f okná drevené zdvojené - tmavohnedé /jestv./
- g okná plastové s izol. dvojsklom - tmavohnedé
- h strešné okná drevohliníkové Roto
- i garážové vráta oceľové - náter tmavohnedý
- j medziokenná výplň - sklo Opaxid - tmavozelené

POHLAD ČELNÝ

M 1:100

KOMENSKÉHO 4658/18
PIEŠŤANY

FR

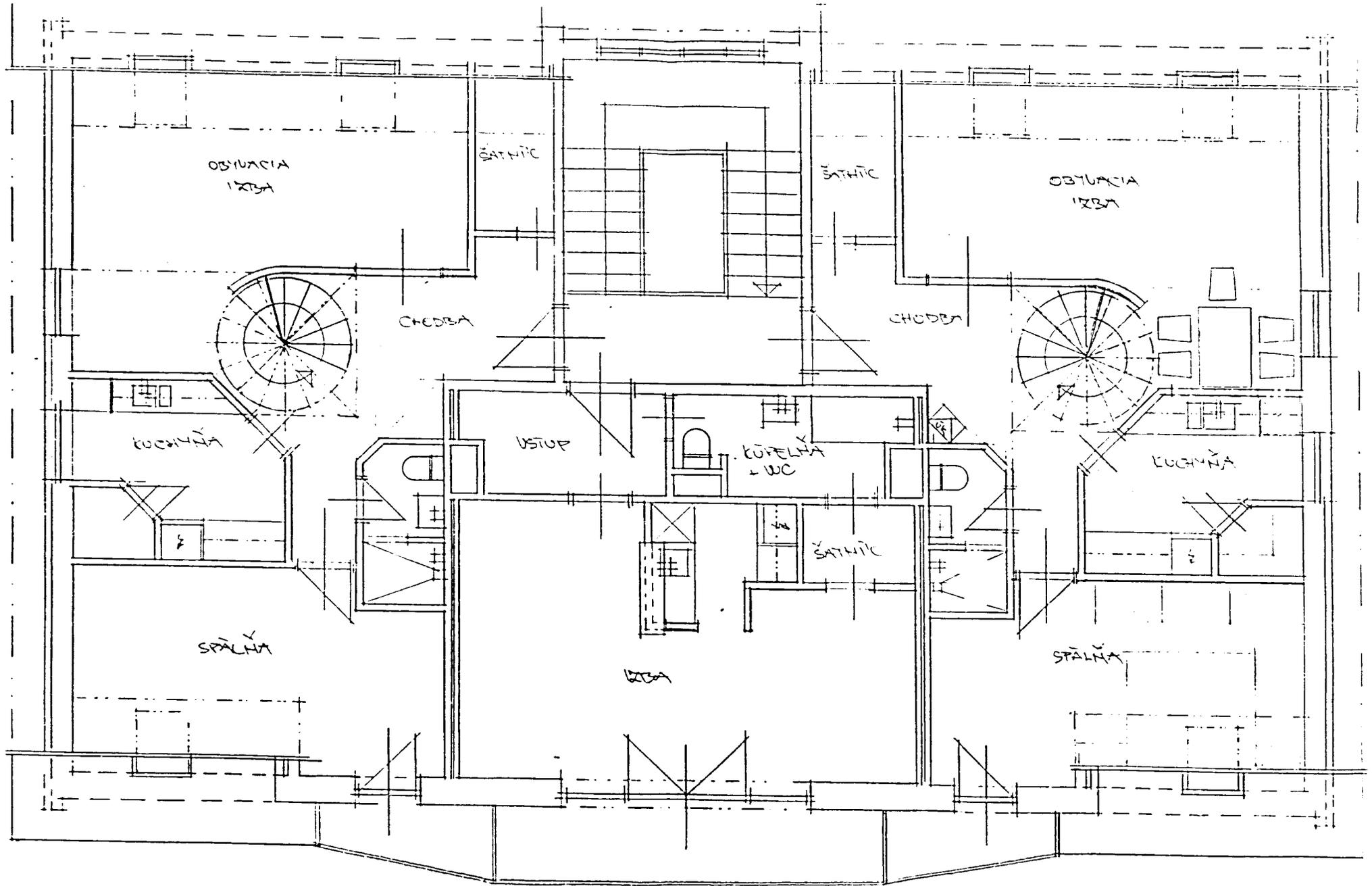


PRIEČNY REZ

M 1:50

KOMENSKÉHO 4658/18
PIEŠŤANY

7/7



OBYVACIA
IZBA

ŠATNÍČ

ŠATNÍČ

OBYVACIA
IZBA

CHODBA

CHODBA

KUCHYŇA

VSTUP

KÚPEĽNÁ
+ WC

KUCHYŇA

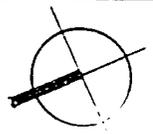
SPALŇA

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SPALŇA

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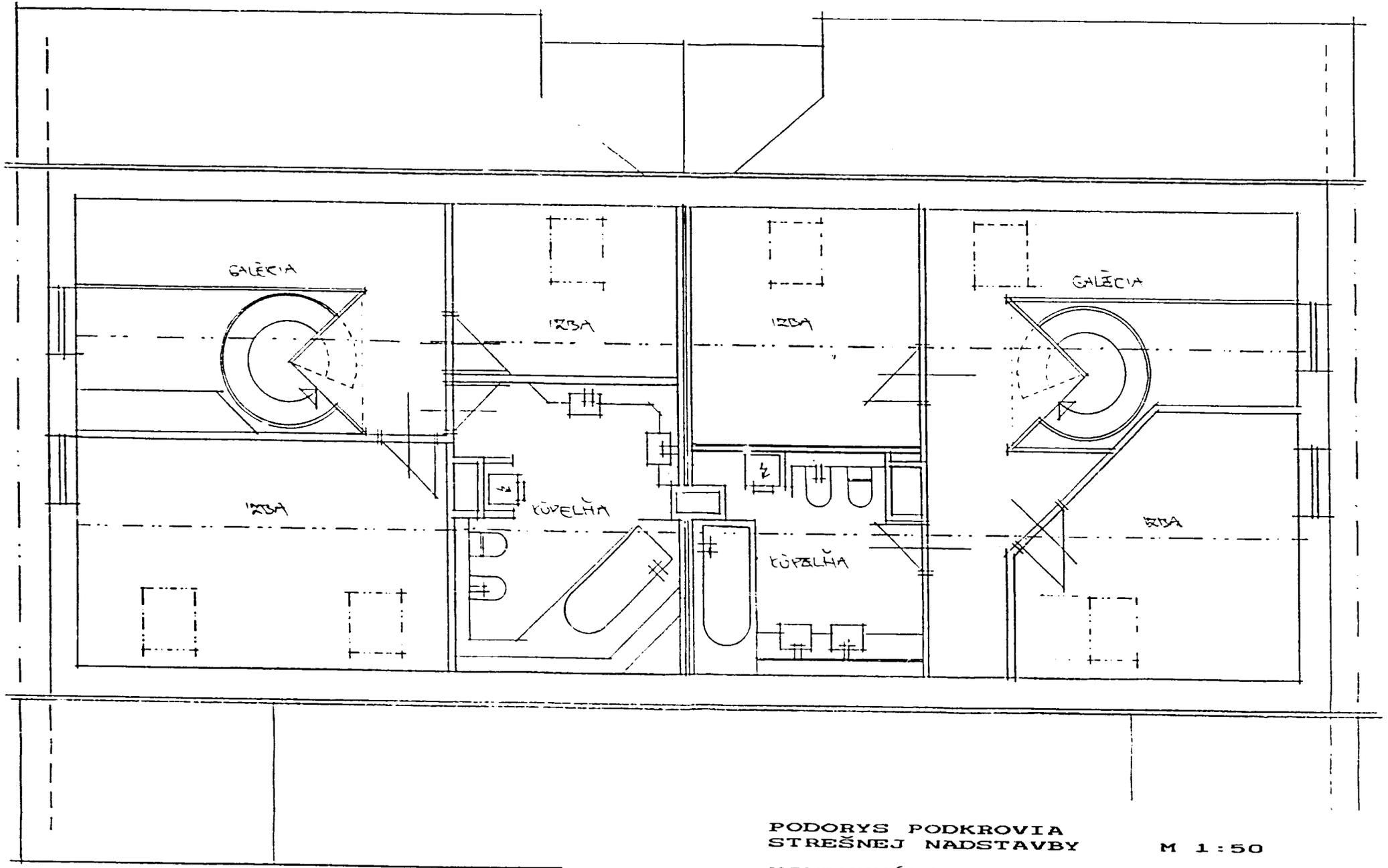
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PODORYS IV. POSCHODIA
STREŠNEJ NADSTAVBY

M 1:50

KOMENSKÉHO 4658/18
PIEŠŤANY



PODORYS PODKROVIA
STREŠNEJ NADSTAVBY

M 1:50

KOMENSKÉHO 4658/18
PIEŠŤANY

48

Thursday, February 2, 1995

8:40 am: Depart Bratislava for Banska Bystrica

11:45 am: Meeting with Dipl. Ing. Peter Kovac, head of Staving Realty, and Ondrej Snopko, Director of the Investment Department, City of Banska Bystrica

Staving has purchased a 35,000 SM site located in an area between the old and new districts of Banska Bystrica. There is the possibility of acquiring an additional 80,000 SM, and they would like to build a self-contained community consisting of multi-family buildings, single family houses, large villas, and a hotel. There is only one other multi-family project in Banska, a luxury project with retail space located in the city center. That project started 3½ years ago and was completed in 1994. Staving is talking to German investors regarding financing for the project.

The only market for housing at present is for SFDs and villas, because the wealthy don't want to live in multi-family projects. There is the possibility, however, for Staving to build a multi-family project for the Ministry of Defense to provide housing for officers.

The banks and the state government are not prepared to support private housing development. The banks will do loans only with short terms and high interest rates. The state needs to do two things: sell state-owned units to their occupants and create a mortgage law similar to the one in the U.S. The price mandated by law for the units is only 10-20 percent of their value, and a purchaser would automatically gain 50 percent of the amount needed to buy a new house. The law mandating sales of state units, which was passed in 1993, is vague, and nothing has been done in Banska to implement it because the state feared that the local governments would reap a lot of income from selling the flats.

The market price in Banska for a four-room, 80 SM flat in a panel building is roughly SK-500,000 or 600,000. The market price for a new SFD or villa would be about SK-15,000/SM. The SFDs will range in size between 120 and 150 SM. The villas will be around 200 SM. Staving plans that the terms of sale would be 30 percent in advance, 20 percent at 50 percent completion, and the remaining 50 percent upon completion. The multi-family units, from 70 to 120 SM in size, will present a bigger problem to market. Staving thinks that construction of the multi-family buildings will have to await a market, but that the present market for SFDs is about 50. The purchasers will be wealthy people who are entrepreneurs or beneficiaries of restitution.

The city currently is preparing a plan for 2,000 units in an area of 420,000 SM known as Prsianska Terasa, which already has infrastructure costing SK-180,000,000. The city now needs to complete the infrastructure and assemble investors who will construct housing units in this area, which the city wishes to complete without state assistance. The city wishes to recoup its investment for infrastructure over the course of 20-40 years. It does not envision the new units as social housing, since Banska has enough old flats in the 60 SM range, which

will continue to meet the social housing need. The housing shortage in Banska amounts to about 1,000 units.

The city would like to sell land to investors, but the price may be a problem since the city needs to recoup SK-400/SM. Mr. Snopko estimates that the infrastructure for a SFD costs SK-350,000 and that the infrastructure cost per unit at Prsianska Terasa is SK-80,000 to SK-100,000. While the city can feasibly postpone payment for the land, the problem of financing construction of the infrastructure remains.

The city would like to organize investment consortia to prepare infrastructure to divide costs among several investors, including the city. By law, the city has a monopoly on the ownership of technical infrastructure, which makes private investment problematic. The possibility of raising rents depends on income, and the present rent for flats is at the edge of what people can pay.

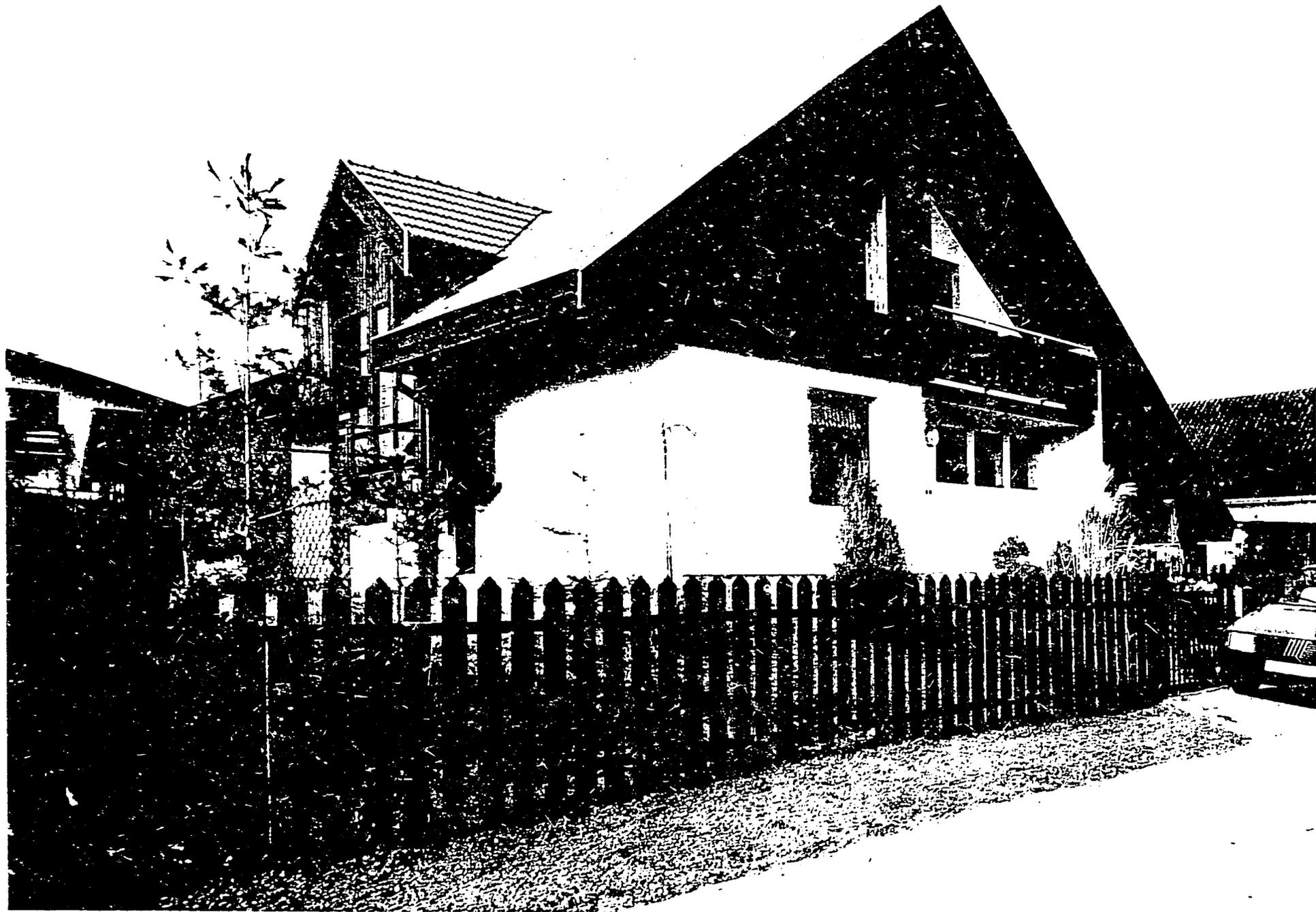
The development of a private housing market also depends on cultural considerations. Under the old regime, almost everyone was able to obtain an apartment or SFD. As a result, newly wealthy people in Slovakia are spending their money on expensive cars rather than houses. Mr. Kovac noted that at least 70 Gypsies owned cars costing SK-3,000,000 in the town of Lucinec, where his company had built a 180 SM single-family home. The house was priced less than a car, at SK-2,500,000, but it took a year to sell. Mr. Kovac knows an entrepreneur in Banska who owns a car costing SK-4,500,000, who told him that SK-1,700,000 for a housing unit was too much. See the following page for an SFD which Staving built and sold for SK-1,800,000.

3:20 pm: Meeting with Miroslav Vrban, owner of Mirann, a real estate brokerage, construction and design firm, Banska

The city is not building any new housing units. Mr. Vrban knows of three private development activities. The design firm AVRIS has designed 12 penthouse units to go on the roofs of two multi-family buildings that it owns. The roofing company GALIS is planning to build four roof units. Vrban's firm MIRANN is planning to construct 3-6 roof units and install exterior insulation on a building owned by a co-op. MIRANN is preparing the plans and attempting to market the units. (See the following pages.)

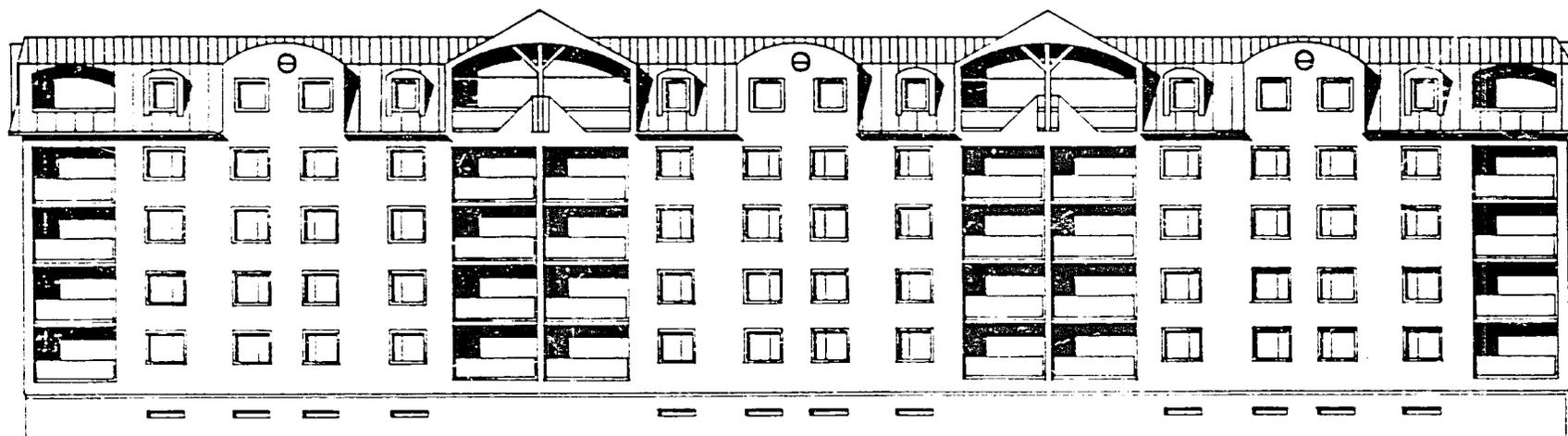
The ARKADIA project was financed by a group of investors from Bratislava. The contractor was a state company, and there were two major delays, resulting in a 40 percent cost overrun. The apartment units are priced at SK-2,000,000, in advance, from SK-15,000 to 18,000/SM. A few units were sold, but the purchasers got their money back.

Vrban estimates a price of SK-7,000 to 9,000/SM for his roof units. The co-op and MIRANN will be joint owners of the new units. MIRANN will execute the contracts to sell the units and pay 20 percent to the co-op as compensation for its interest. Vrban is confident that there will be no legal problems, and expects a certificate of occupancy by the end of



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RODINNÝ DOM V SIELNICI



ALTERNATÍVNY POHĽAD - JUHOZÁPADNÝ

M=1:200

AL

15/19

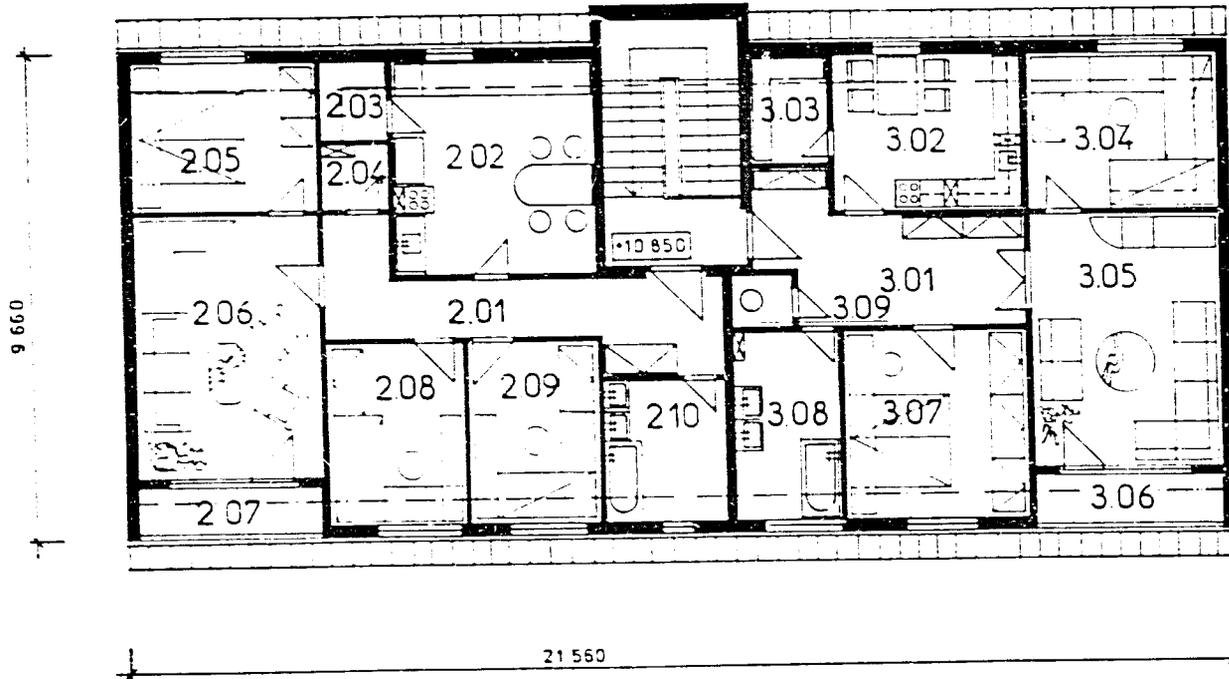
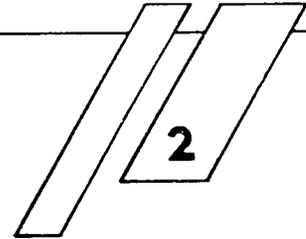


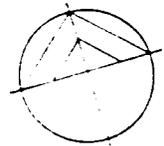
TABLE OF AREAS

Alt. 2 Two units

Unit 2	90,61 m ²
2.01 Corridor	12,11 m ²
2.02 Kitchen	10,80 m ²
2.03 Fentry	1,95 m ²
2.04 WC	1,69 m ²
2.05 Bedroom	10,06 m ²
2.06 Living room	16,72 m ²
2.07 Balcony	3,70 m ²
2.08 Bedroom	9,72 m ²
2.09 Bedroom	9,36 m ²
2.10 Bathroom	6,48 m ²

Unit 3

Unit 3	83,42 m ²
3.01 Corridor	12,32 m ²
3.02 Kitchen	11,64 m ²
3.03 Fentry	1,30 m ²
3.04 Bedroom	11,84 m ²
3.05 Living room	16,50 m ²
3.06 Balcony	3,70 m ²
3.07 Bedroom	13,32 m ²
3.08 Bathroom	7,46 m ²
3.09 WC	1,20 m ²



PÔDORYS M=1:100

2 BYTY ALT. Č.2

Handwritten marks or initials in the bottom left corner.

December 1995. Sales terms will be 40 percent on June 1st, 20 percent on August 1st, 20 percent on October 1st, and 20 percent upon delivery.

Vrban's company is also engaged in custom building SFDs on land owned by the clients. Vrban is doing a study of a public/private partnership concept with the city of Zvolen, which has some land available for housing development. Under the concept, private companies will build houses on the city land, and the purchasers of the houses will pay the city for the land over a 10-year period. The purchasers, however, will have to pay for the houses during the construction period. The city is willing to contribute a portion of the costs of infrastructure. The city would like to sell some of the land and lease some of it to generate revenue to cover the cost of constructing infrastructure.



ARKADIA Project in Banska Bystrica

4:30 pm: village of Ulanka, near Banska — Inspection of an SFD under construction and meeting with owner's family

We observed a shell of a two story, single-family house in the village of Ulanka and interviewed the owner's father, a Mr. Balas, and sister, who live with their families in the house next door. The house is about 180 SM in size, and the shell is of brick and block with a slate roof. The house number is 86 and the owner is Lubica Conkova. This is a Gypsy family, and their neighbors appeared to be Gypsies as well. Mrs. Conkova, who continues to live in Banska, and her husband, Mr. Conk, purchased the land for #86 from another private

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owner in 1989 and received a building permit that year. They undertook construction until 1992, when the husband died. No work has been done since.

The Conks did the construction work with their own labor and that of family and friends. On a weekend day, there could be as many as 20 people helping. All worked without pay, except that the owner provided food and drink. They did, however, pay qualified individuals to do special types of work such as roofing, plumbing, and electricity. There were no government inspections during construction, but the Conks adhered to the requirements of the Czechoslovak building code.

To finance the project, the Conks received a 250,000 Crown loan, which has a 15-year term and a 2.5 percent interest rate. There was also the possibility of obtaining an outright grant of 50,000 Crowns, but they did not fulfill the conditions to obtain it. Both Mr. and Mrs. Conk had had full-time jobs. It turned out that the 250,000 Crowns was not enough for the materials, and construction was stopped in 1992 because of lack of money and the tragedy of Mr. Conk's death. When construction started in 1989, 250,000 Crowns was enough, but costs have increased. For example, in 1989 a brick cost K-6, but it now costs SK-20. There are no problems with any state or municipal bodies because of the unfinished condition of the house.

According to Mr. Balas, economic conditions in Banska are difficult. He's 65 but still has to hold a job. There is a lot of unemployment and people with jobs are being paid on a subsistence level without regard to their responsibilities.

The design for the Conk's house was done by Mrs. Conkova's sister, who appears to be a draftsman or technical design specialist, specializing in roads. She received some help from colleagues, but the plans look very professional.

Regarding what programs could help people who wish to build their own houses, Mr. Balas suggested (1) lower interest rates and (2) a loan program. He also mentioned that Gypsies especially need more understanding from the state, since most did not live as well as his family and were not as qualified. Hence, they were the first to lose their jobs.

Friday, February 3, 1995: Zvolen

9:00 am: Meeting with Inc. arch. Vaclav Chochol, Chief Architect of the City of Zvolen

The main problem with housing is financing and people's lack of money. Ten years ago, it was possible to buy (this might be "build") an SFD for CK-300,000, but nowadays, it's hard to do it for SK-2,500,000. The tradition of owners building their own houses is decreasing, because the people with the time and ability don't have the money, and the people with the money don't have time.

The second major problem is ownership of land. Where the ownership is clear, land can be bought and sold. Before 1989, everything belonged to everyone and to no one. The situation

hasn't been cleared up yet. The problem in Slovakia is compounded by history. In the Czech Lands, there was the right of primogenitor, with land inherited by the oldest son. In Slovakia, land was inherited per stirpes, with all descendants having an undivided interest. Now, finding these owners to resolve restitution is very difficult.

Under the old regime, large housing estates were built on confiscated land. The problem of selling flats in the estates is compounded by restitution claims affecting the sites under the buildings. Hence, no flats belonging to the city have been sold yet, although the city is working on it. A plan has been prepared for each building, but implementation depends on how clear is the title of the land under the building.

The prices of the flats depend upon their age, size, and condition, according to a law passed by the city. The price is derived by depreciating the construction costs of the flat. An average flat will probably sell for about SK-80,000. There are some privately owned apartments in the city, which had been owned by state companies. The market value of a three-room flat of 60-70 SM is between SK-300,000 and SK-400,000.

The new city government has yet to work on the public/private partnership concept that Mr. Vrban has been studying. The city doesn't have enough money for the needed infrastructure investments, which is about SK-20,000,000. The costs will have to be shared with the public. If the city does sell land, the price will be kept low and the infrastructure will have to be done by the developer. A second possibility is that the city might rent sites during development, and do a joint venture with the developer, with the city's investment being the land. The developer would pay for all development and construction, and the city would share in the revenues. These and other possibilities could be done by the city under existing law. A better situation for the city would be to install the infrastructure and finish sites for sale. The city, however, lacks the money for the infrastructure.

There is only one current initiative to do private housing development in Zvolen. One entrepreneur received some land through restitution and prepared a plan for seven sites for SFDs. He has recently sold the sites, but no plans for houses have been submitted yet. The city doesn't have the money for infrastructure, so the developer will have to build it. Mr. Chochol had no opinion as to whether the purchasers of the sites had received a bad deal.

Prime Minister Meciar has said that restitution will be a problem for the next 10 years. The problem is one of quantity, not complexity. It takes a huge amount of work to process one claim. When property was expropriated, the transfer was not recorded. In some cases, an owner was compensated with another piece of land, but that transfer wasn't recorded either.

Because of the restitution problem affecting the land under housing estates, the city is considering some method other than condominiumization, so that it could sell the units but not the underlying land. The city would retain the option of repurchasing the units in the future and

demolishing the buildings. An advantage of this method would be to stop the process of further subdividing land as interests were inherited.

Although municipal law provides for any city land to be sold through tender, the city council has the power to make exceptions, so that a sale to a private developer could be negotiated. The law divided the city into pricing zones, depending on distance from the center. The prices range from SK-500 to SK-2,000/SM.

To do private housing development in Zvolen, the city must first decide what possible course of action it wants to use. It then must find a suitable investor partner and find potential buyers. Then a schedule of financing must be negotiated.

In Slovakia as a whole, existing legislation is suitable to solve the problems involved in new construction. The interest on loans, however, is too high at present.

10:20 am: Zvolen — Interview with Ing. Pavel Fogl, Head of the Facilities Department, City of Zvolen

The Muravcik government prepared a program to find possibilities to improve housing in Slovakia. The 132 cities and towns are now surveying conditions for future housing development, especially as to how they prepare sites and infrastructure. The city is not doing any new construction. They learned four years ago that there would no longer be state investment. The city, therefore, tried to prepare for additional flats on the roofs of existing buildings, as one possibility to improve living conditions. The city started to repair the buildings which were in the poorest condition. These were the buildings occupied by Gypsies and the Soviet Army. These repairs were financed by payments from the future owners of flats, in the following amounts: three-room flat, SK-87,000; two-room flat, SK-50,000; and one-room, SK-37,000.

The average monthly rent for a 65 SM flat is between SK-600 and SK-800, which is not sufficient for maintenance, which costs about SK-2,000. There is one private maintenance/management company in the city. Once the city sells the flats, it will no longer have to bear the expense of maintenance. The city won't be able to sell all, however, since some will be necessary for social housing. Some co-ops and condominiums have been founded, and they are now responsible for maintenance, but it's hard to say whether they can afford SK-2,000/month. At least half will be able to pay this, but will expect good maintenance in return. In Mr. Fogl's opinion, the sale of flats is a political program, and people really can't take care of themselves. The city, therefore, will end up running a lot of the buildings.

2:00 pm: village of Lehotka Pod Brehmi, about 25 kilometers west of Zvolen — Inspection of SFD under construction and meeting with the owner, Roman Peregrin

Passing through this village, we observed an SFD under construction at the end of a street of SFDs. A child in the house across the street indicated that the house was being built by the

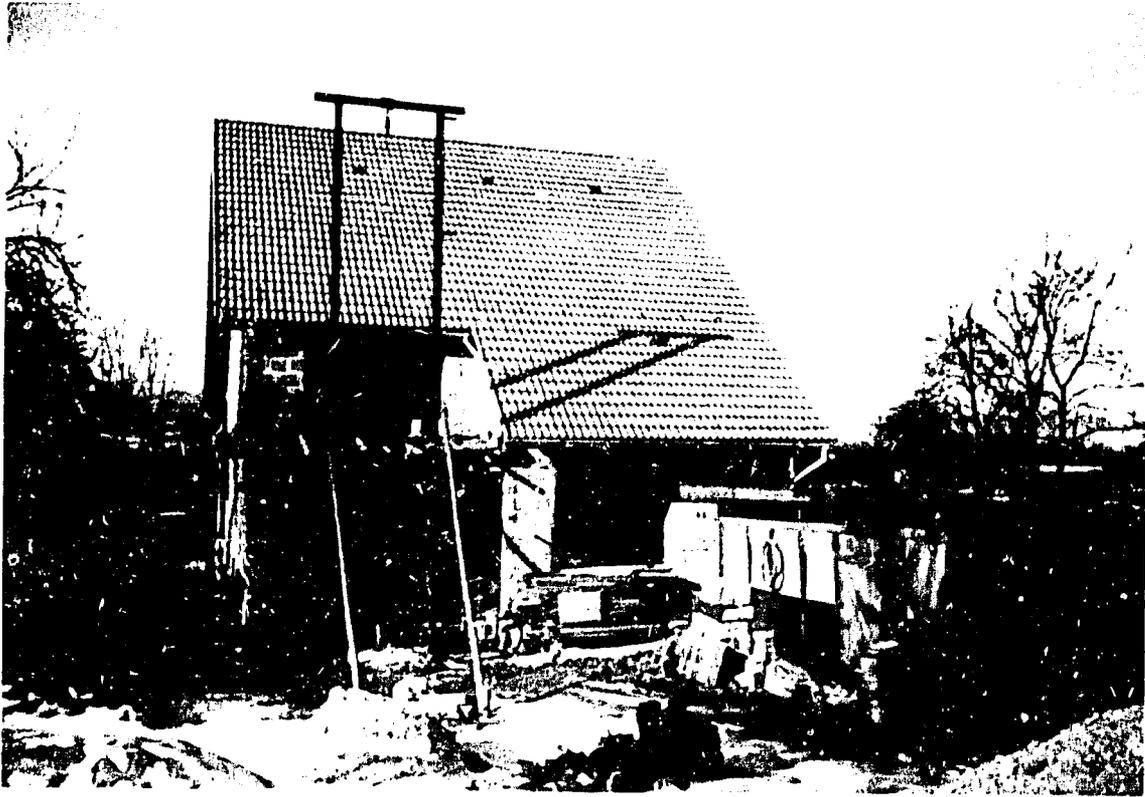
Peregrin family which lived a few doors down. Mrs. Peregrin indicated that the house belonged to her son, Roman, and daughter-in-law, who, along with their two children, currently lived with her and her husband. Roman Peregrin is an auto mechanic at the AutoServis in Nove Bana, where we found him working on a car. He agreed to an interview, which we held in the lunch room.

Construction started in May 1992, and he plans to finish in December 1995, on schedule. The house has six rooms and a kitchen. It also has separate apartments for his parents and his children. The materials are all local. The wooden windows are manufactured in Zilina. His brother, father, and friends have helped him with the work.

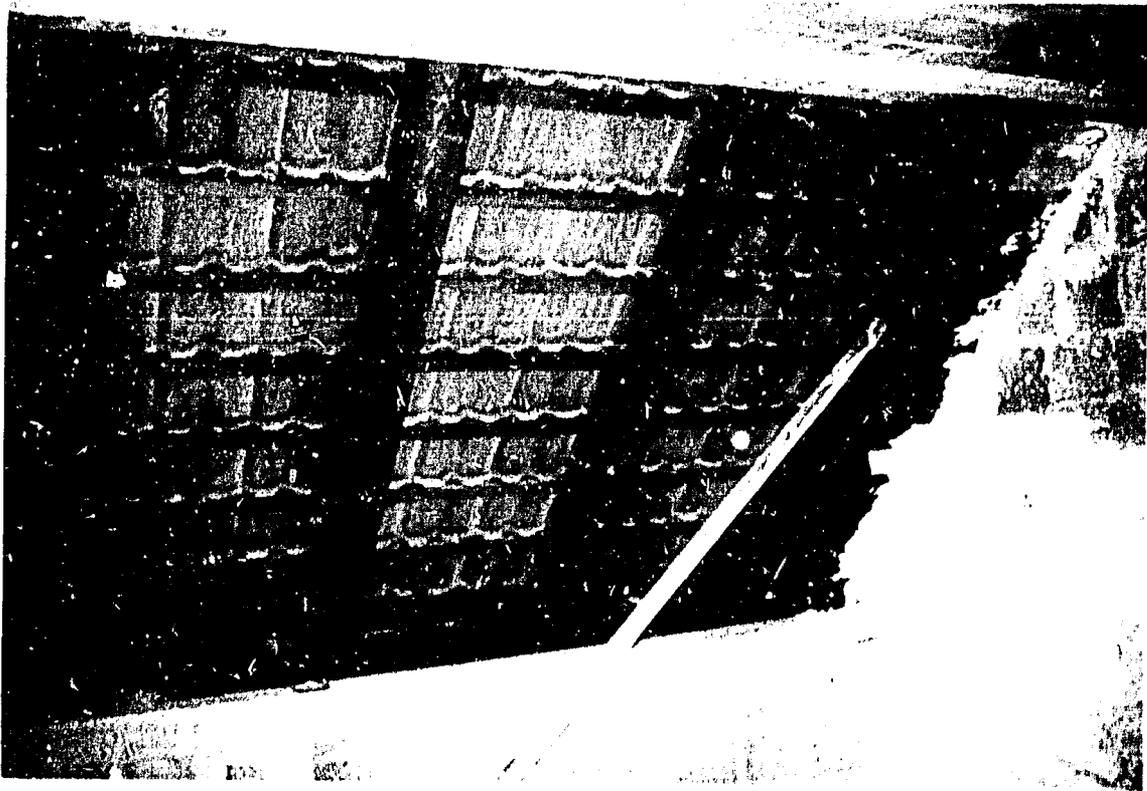
He bought the lot, 1,000 SM in size, from a local state cooperative for SK-28,000, and received documentation of its transfer in the cadastre records. The transfer fee was only SK-500. The necessary utilities, i.e. gas, electricity, sewer, and water were at the lot.

The design came from a catalogue, and he received approval from the municipality that he was allowed to build the design on the lot. His original estimate of construction costs was SK-1,200,000, but he now thinks the materials alone will cost SK-1,000,000. To date, he has spent SK-400,000, which was the money he had saved. He plans to try to obtain the other SK-800,000 through a loan at 6 percent interest from a savings and loan, which is the only lending program he knows of.

In conclusion, Mr. Peregrin said that he is building the house for his children to inherit. What would help him most would be to obtain a long-term loan at a low interest rate.



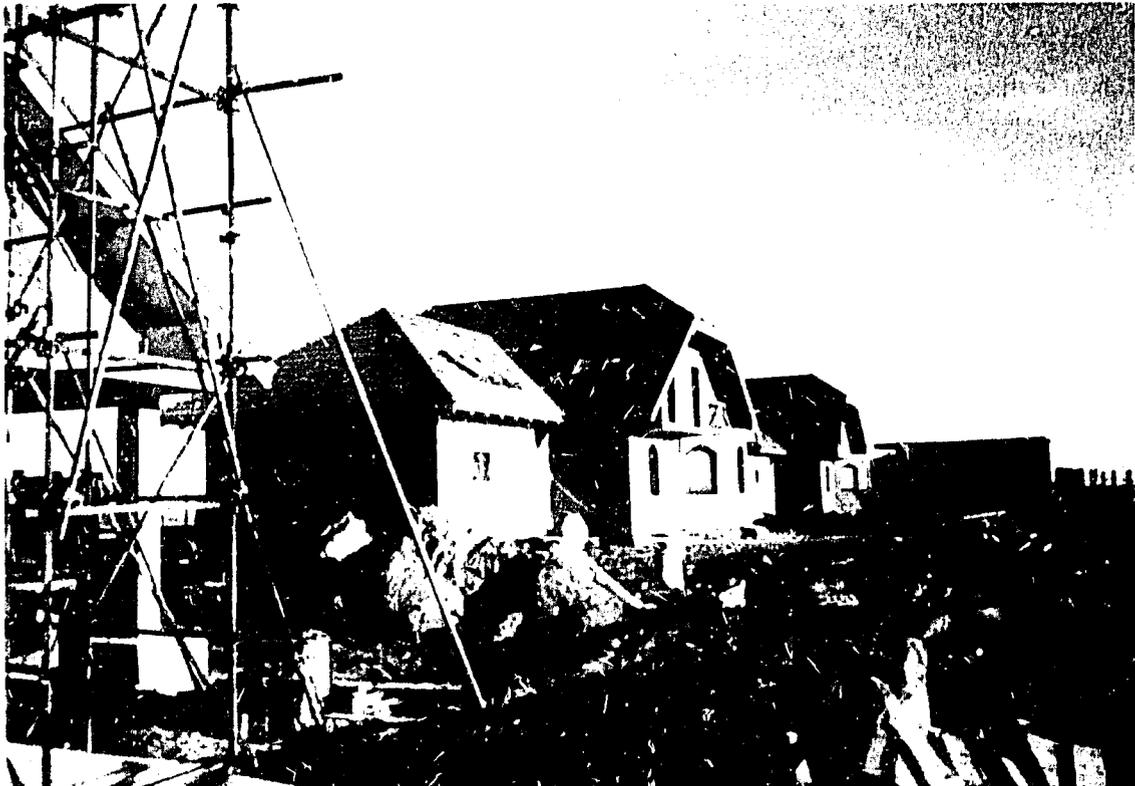
Peregrin House in Lehotka Pod Brehmi



Peregrin House: Roof Details

3:30 pm: Nitra — Inspection of three SFDs under construction in the Klokocina section

The sign on the fence indicated that these three SFDs were being built by the commercial construction firm (Stavebno-Obchodni Spolocnost) "CAMPRI," located at Tehelna 5, 94 901 Nitra (FAX 087-523-879 and TEL 087-411-059). According to the sign, the type of the houses is Klassik 135, the construction period is one year, and "We build with quality and quickly."



CAMPRI Houses in Nitra

4:00 pm: Nitra -- Interview with M. Ruzek, site manager for CAMPRI

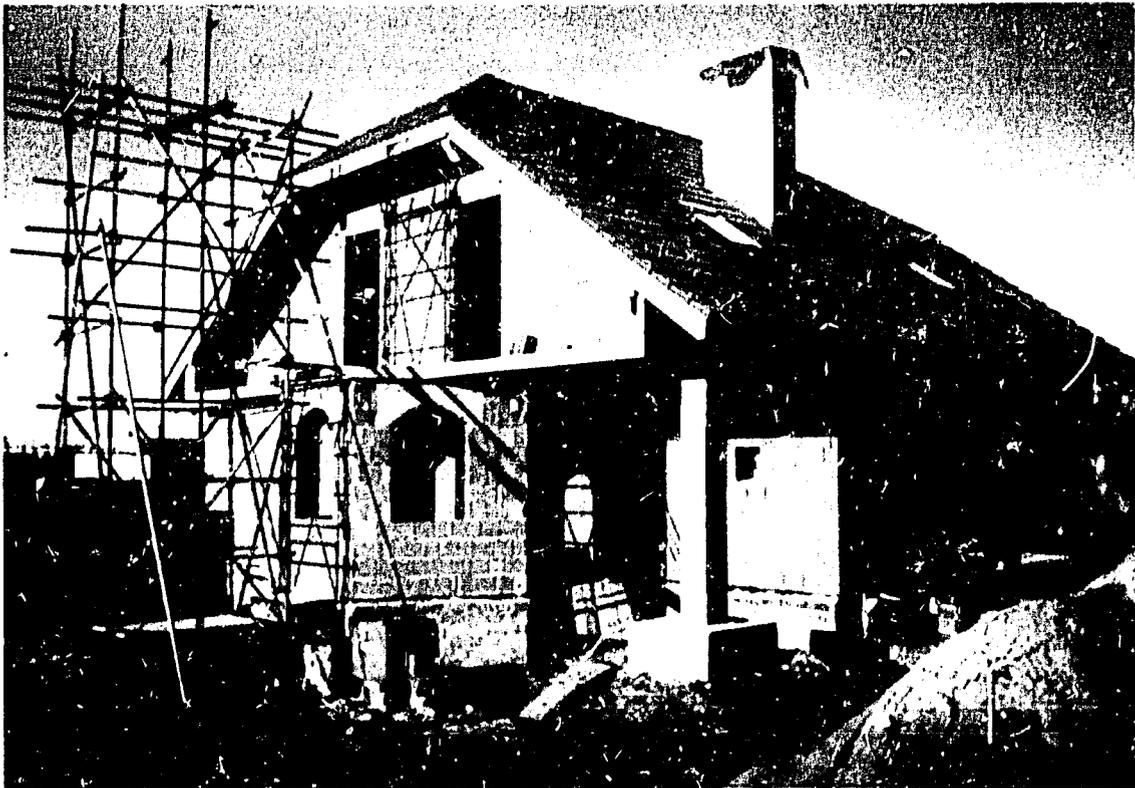
We visited the offices of CAMPRI and found the site manager for the project, Mr. Ruzek, who told us about the project. The site, which was owned by a single individual, will be bisected by a road. There will be lots for 11 SFDs, of which CAMPRI will build five.

The three houses under construction are being built for CAMPRI's president and two of his friends. Each house is 200 SM in size, not including the garage and basement, and costs about SK-3,000,000, depending on finishes. Construction started in August 1994 and can be completed in 12 months, but one owner will not have the money. The company is financing construction from its own resources and is invoicing the owners every six months. The architect is Prodom of Bratislava. CAMPRI was able to get the building permit in two weeks, although the process normally takes two months.

CAMPRI's main trading activity is in construction materials. CAMPRI has not done other private housing, which Mr. Ruzek describes as a bad business. He doesn't think that the profit on these houses will be big, because three houses is a small volume. CAMPRI's main expertise is in building cisterns, because its owners previously worked for a state company that built cisterns.

The materials on the building are mostly Slovak, but the roofs are from a Czech company, Branok. There have been no problems obtaining materials.

The only other private housing development in Nitra known to Mr. Ruzek is the four large SFDs -- also in Klokocina -- being built by the firm "DYNAMIK." (Jelenecka 45, TEL. 087-41-25-62/41-83-75).



CAMPRI Houses in Nitra

4:30 pm: Nitra - Inspection of SFDs and interview with Otto Mladek, home owner

The four SFDs being built by Dynamik are located on Cabanova ulice, a residential street with both detached and attached single-family houses. We talked with Otto Mladek, the owner of #18, the end house of the row of attached houses across the street.

Mr. Mladek spent three years building his house, from 1989 to 1992. He purchased the lot from the city for SK-300, and obtained the design from a catalogue, at a cost of CK-600.

The materials alone for the house, which is 160 SM in size, cost SK-500,000. He is an electrician by profession, but he has also done masonry and carpentry. His father-in-law is a heating specialist. Obtaining materials was not a problem. All were domestic.

To finance his house, he received an outright state grant of CK-150,000, which was an incentive for self construction. He also received a CK-60,000 bank loan with a 20-year term and a 1 percent interest rate.

He estimates that building the same house today would cost SK-1,500,000 for materials alone. Under the old regime, more people were able to build their own houses because of money. A brick which cost SK-6 now costs SK-19.



Nitra: Houses being built by Dynamik on Cabanova St.



Nitra: Owner-built, single-family attached houses on Cabanova St.



Nitra: #18 Cabanova St., built and owned by Otto Mladek

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Saturday, February 4, 1995

9:00 am: Bratislava — Meeting with PhDr. Jozef Papay, head of the construction and trading firm MJM, who is promoting earth construction technology

The earth construction technology was developed by an Australian named Novotny (who I assume was born in Czechoslovakia). He had offered a patent to the United Nations as a way of providing housing in the Third World. In 1990, in the wake of the revolution, he offered the patent to the Czechoslovak government. Dr. Papay was active in politics and agreed to cooperate. He negotiated an agreement with Novotny that was signed by the Ministries of the Economy, of Agriculture, and of Construction. Papay was able to get CK-4,000,000 in government funding for a research institute to study the technology.

This money was wasted. The institute's administrator wanted to avoid the Australian patent, so he spent the money on research, with no results. The Ministry of the Economy never provided the equipment it promised. Papay got SK-750,000 from the Ministry of Agriculture for research by the state company, Intop, but Intop then went bankrupt.

In April 1993, after his return from Australia, Papay formed Eckoliving with eight partners. They contracted with a man named Hilmer, at a price of SK-400,000, to complete the research to such a level as to obtain a technical certificate from the State Technical Institute. Hilmer was successful in obtaining the certificate, but it is in his own name. This presented a major problem for Eckoliving, which had a license to produce, but not to sell.

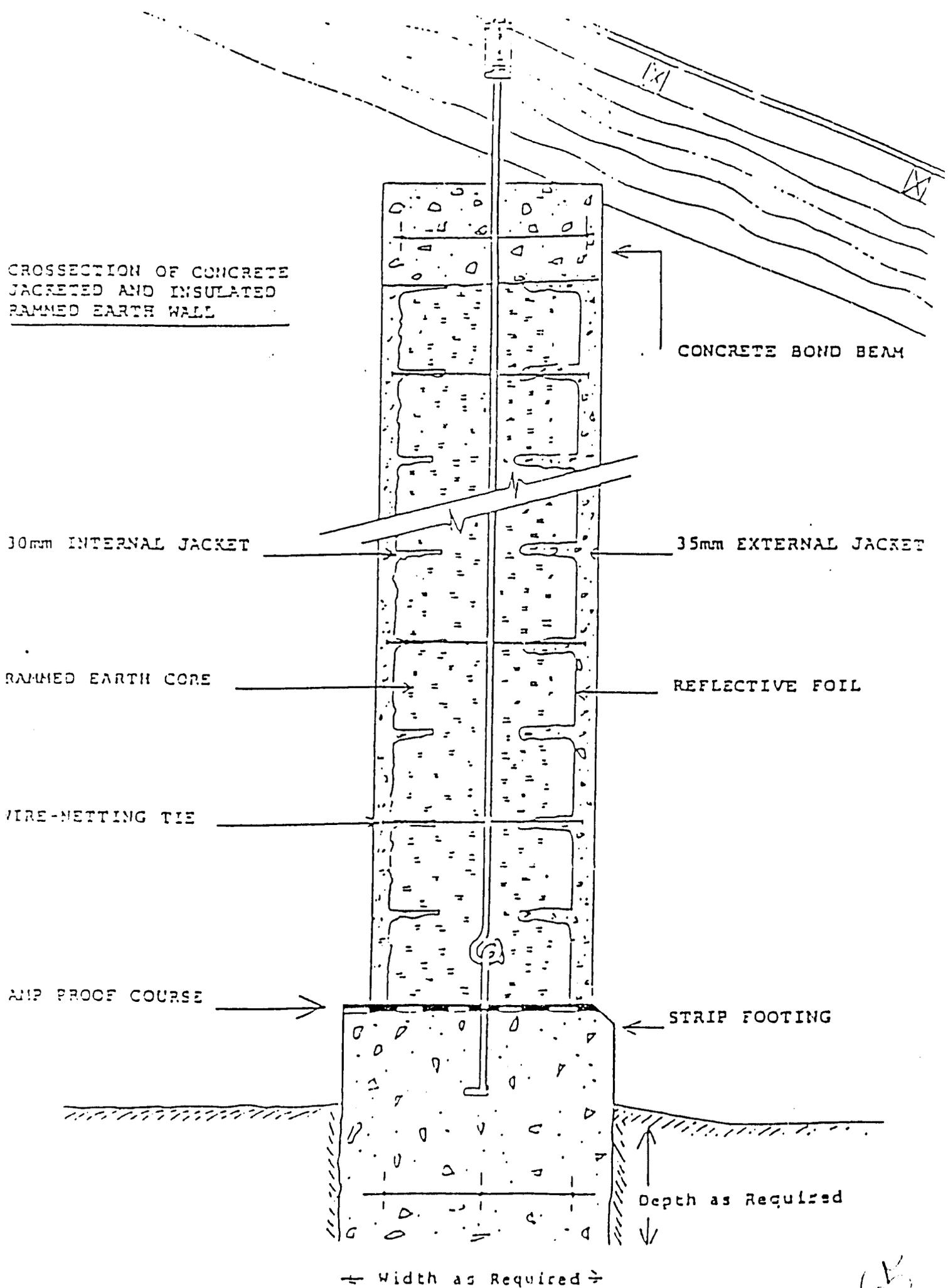
Papay obtained a bank loan of SK-9,000,000 for Eckoliving, which purchased a 17,000 SM parcel of land in the town of Stupava, about 15 kilometers north of Bratislava, for SK-600/SM. Eckoliving invested another SK-6,000,000 in infrastructure, and constructed five semi-detached houses, four of which were built with earth technology, commencing in June 1992. The purchasers paid on a schedule of 25 percent at contract, 30 percent at commencement, 20 percent at the mid-point, 20 percent upon completion, and 5 percent at certificate of occupancy.

An internal problem in June of 1994 caused Papay to leave Eckoliving and form his own construction company. His colleagues mainly wanted to build a big company, and he was more interested in the technology. His personal mission is to improve the technology and spread its use, because of its advantages from both ecological and economic points of view. In January 1995, he applied for a new patent, and the application automatically will be reviewed by the State Technical Institute.

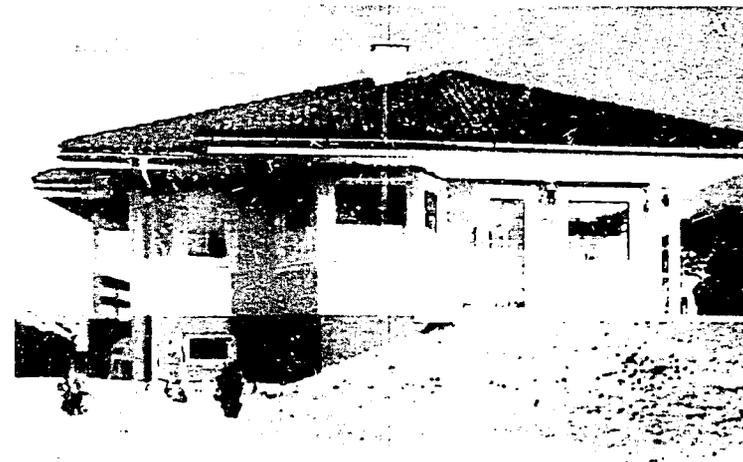
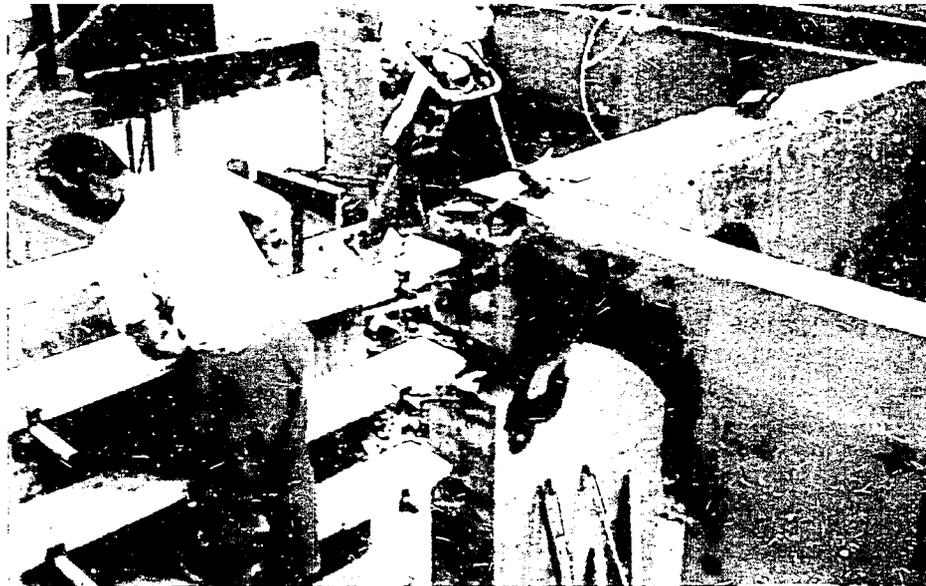
Under the Novotny concept, earth is rammed into jackets made of concrete and sand to form panels for the foundation and vertical walls. The excavated earth is recycled into the panels using special filling and compression equipment. The work goes quickly and a panel can be made in one hour. The panels are lined up to form walls, and the floors and ceiling are traditional technology. (See the following pages.)

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CROSSSECTION OF CONCRETE
JACKETED AND INSULATED
RAMMED EARTH WALL



(25)



Earth



Houses



Technology Technology

13215

HOUSES

Earth technology has economic, ecological, and health advantages. The use of on-site materials reduces energy used in transportation and manufacturing, and the earth houses retain a higher degree of humidity. The Northern Slovakia Brick Co. of Zilina advertises that its materials constitute the lowest-cost housing in Slovakia, i.e., SK-2,700/CM, but a comparable house built with earth technology costs only SK-2,400/CM. (A typical SFD is 700-1,200 CM in size.)

Dr. Papay sees his mission and strength in three areas: apply the technology as widely as possible, train as many people in it as possible, and conduct research on its applications.

10:45 am: Meeting with Dipl. Ing. Marian Kemko, Technical Director of the construction firm STAVHAKO, Bratislava, and Ing. arch. Hajas, Stavhako's partner

Hajas is an architect and specialist in housing. In 1990, he started a firm to construct penthouse units on existing apartment buildings, but the projects were too big, so he entered into a joint venture (JV) with Kemko's firm, Stavhako. Stavhako's main business is building cleaning systems equipment for waste water treatment plants. The JV has already constructed a total of 11 penthouse units on two buildings, both of which were finished in September 1994. Construction of the units was financed by the state company, which still owns the buildings, which then sold the units and recouped the money.

Because the housing company was the middle man, it caused a lot of delay and problems. All change orders and other modifications had to get the approval of the company's board. Because of this experience, they have decided to work on buildings owned by municipalities and purchase the rights to construct on the roofs. They expect to pay SK-1,000/SM for roof rights.

The transfer of the roof rights has been recorded in the cadastre, so the arrangement is in accordance with existing law. Although the concept looks simple, there are a number of problems. The first is that some buildings contain a mix of flats that have been sold with some that are still rented. In such cases, all of the individual owners must approve the penthouse project. Some of the owners are not approving these sales simply because this is the first time in their lives that they can say "no." Local law also requires that any new construction is approved by all neighbors, which is an added problem, since many want to start exercising their prerogatives as owners, even in advance of the actual fact. They have the idea that they will profit from the penthouse area. The JV therefore tries to find buildings with few owners. There was even an incident when someone shot at the workmen.

Existing law allows the construction of the penthouse units, and the construction department of the municipality makes a judgment as to whether the agreement between the JV and the municipality is reasonable. Generally, the city of Bratislava is interested in encouraging the construction of housing.

From a technical point of view, construction is relatively simple. The steel roof framework is fabricated in a work shop and placed on the roof by crane. Other materials are raised with a special exterior elevator. The membrane of the existing flat roof is removed, but the insulation remains. A concrete floor with radiant heating is put down. Heating and plumbing pipes are run up a corner of the stairwell to serve the new units. The steel frames can support two floors on the roof, so that units can be two-story.

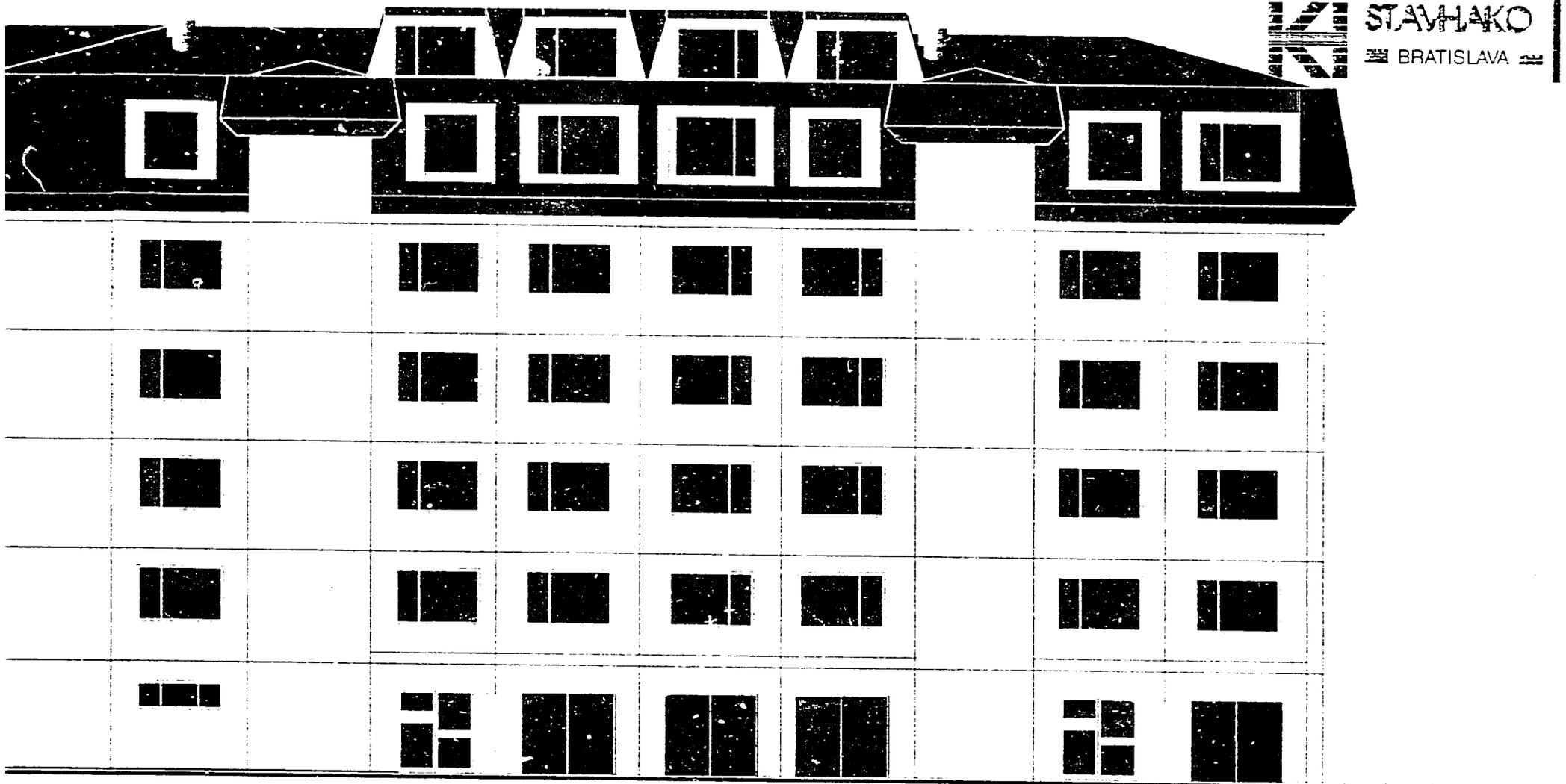
Most buildings already have an elevator shaft, but if one is installed it must serve all floors in the buildings. If the penthouse owners decide to pay for the elevator, the existing occupants receive this upgrade for free. On the two completed projects, no improvements were made to the existing buildings, other than the new roofs.

The JV recently won a tender with a plan to build 400 new roof units in a part of Dubravka. They have one building under contract already, but they have to have a building permit to begin marketing. The gross area of the roof is 800 SM, with 30 SM for stairwells. Either the law or the terms of the tender require that existing tenants have the first option to buy the roof units, then sales are open to anyone residing in the area. The expected sales price is SK-15,000 per usable SM; the price includes the cost of an elevator, an 8 percent profit margin, a 2 percent contingency, and a SK-1,000/SM payment to the municipality for the infrastructure fund. They consider this price to be high, but they could lower the price if they could do three buildings at once. They will develop a payment schedule once they obtain the construction permit. They do not plan to obtain any loans, but rather to finance construction by having purchasers pay one month in advance during each month of the six-month construction schedule. (See plans on following pages.)

The JV also does contract building of SFDs on owners' land. There was a decrease in construction of SFDs after the revolution, but the situation is now improving. Most of the clients are entrepreneurs who have been able to earn enough money in the last three or four years to afford a house or else people who have inherited money. During the old regime, most people who could have houses built had inherited the money. Mr. Hajas has plenty of business, but the companies that have purchased land for large subdivisions have had serious problems obtaining loans.

12:45 pm: Bratislava — Inspection of penthouse unit of Mr. and Mrs. Egri Arpad

While photographing a building with newly constructed penthouse units, we were invited to come up and inspect a unit by the owners, Mr. and Mrs. Egri Arpad, a young couple with a child, who had just moved in. Theirs is a 3½-room unit (three rooms and a small nursery), 75.1SM in size. The purchase price was SK-700,000, which they paid in installments during the construction process. In addition, they paid SK-70,000 for an annuity, presumably for maintenance. The unit appeared to be bright with high quality finishes and appliances. There is no elevator in the building. A metal stairway had been added to extend the existing stairwell an additional floor.



Hlavní inž. projektu: Zodp. projektant: Vypracoval:
 Ing. arch. Matej Hajas Ing. arch. Matej Hajas Ing. arch. Matej Hajas
 investor: STAVHAKO s.r.o. Štefáňského 4 Bratislava

hajas Kópia

Nazov a miesto stavby:
NADSTAVBA BYTOVÉHO DOMU
 Lysakova 2-8 Bratislava

Datum: 01.1995
 Zak. číslo: 4212
 Formát: 2:44
 Mierka: 1:150

Obsah výkresu: **POHĽAD ČELNÝ - VÝCHODNÝ**

Č. výkresu: **7.1** Dátum: 23.03.1995

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Hlavný inž. projektu Zodp. projektant Vypracoval
 Ing. arch. Matej Hajas Ing. arch. Matej Hajas Ing. arch. Matej Hajas
 Investor STAVHAKO s.r.o. Rapašského 4 Bratislava

1:100

Kópia

Názov a miesto stavby
NADSTAVBA BYTOVÉHO DOMU
 Lysáková 2-8 Bratislava

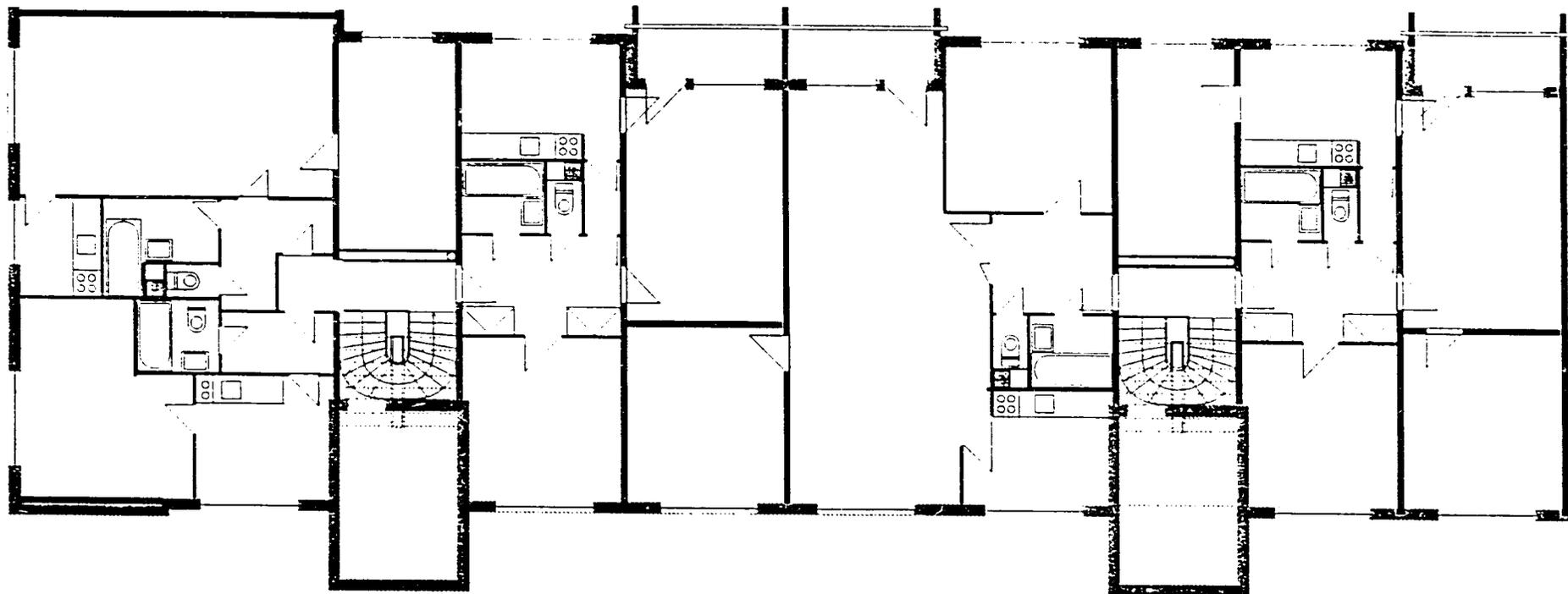
Dátum 08.10.2004
 Zak. číslo 4212
 Formát 1 A4
 Mierka 1 : 150

Obsah
 výkresu REZ B-B (byt s 2 podlažiami)

C výkresu 5.1 Časť
 základná

10

58,7 m² = 763 100,- Sk



29,2 m² = 379 600,- Sk

55,5 m² = 721 500,- Sk

80,5 m² = 1 046 500,- Sk

80,3 m² = 1 043 900,- Sk

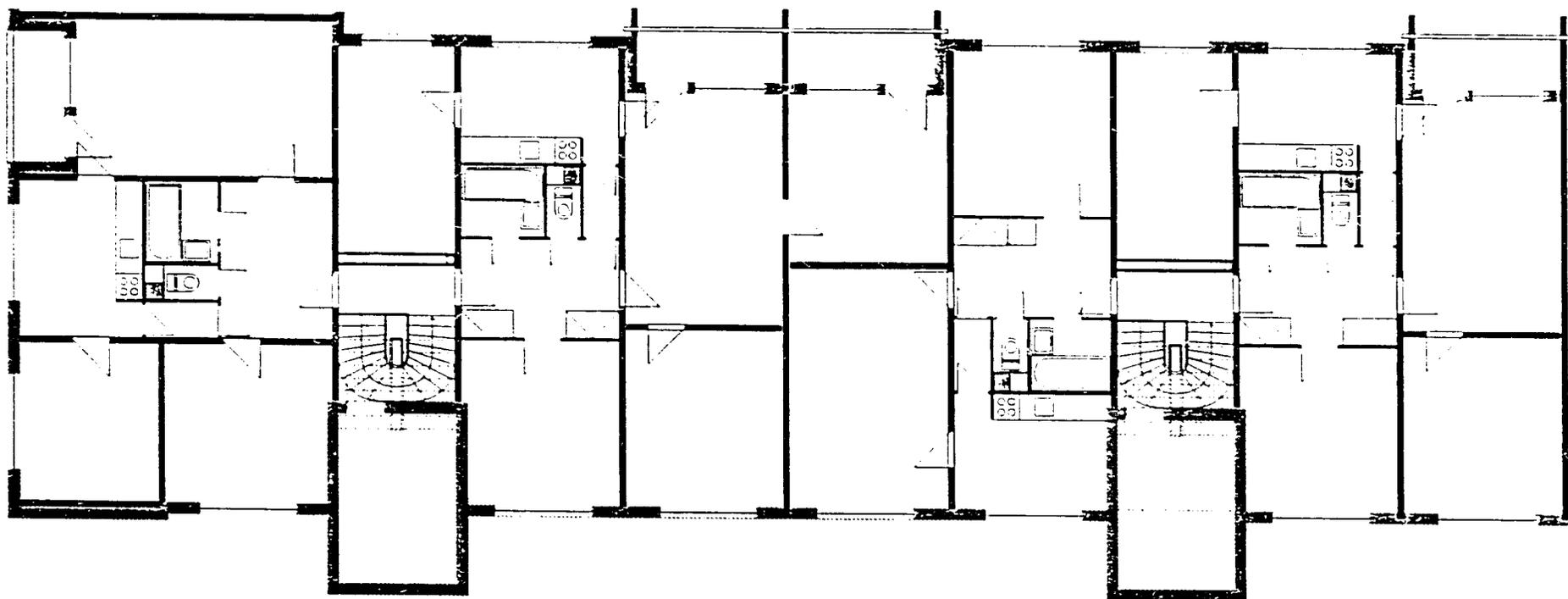


architektonická štúdia
NADSTAVBA BYTOVÉHO DOMU
Lysáková 6 A 8, Bratislava

návrh 1+2+2 3+4

autor: Ing. arch. Matej Hajas, HAJAS s.r.o. Bratislava, júl 1994

71



68,3 m² = 887 300,- Sk

92,5 m² = 1 202 500,- Sk

56,3 m² = 731 900,- Sk

80,3 m² = 1 043 900,- Sk

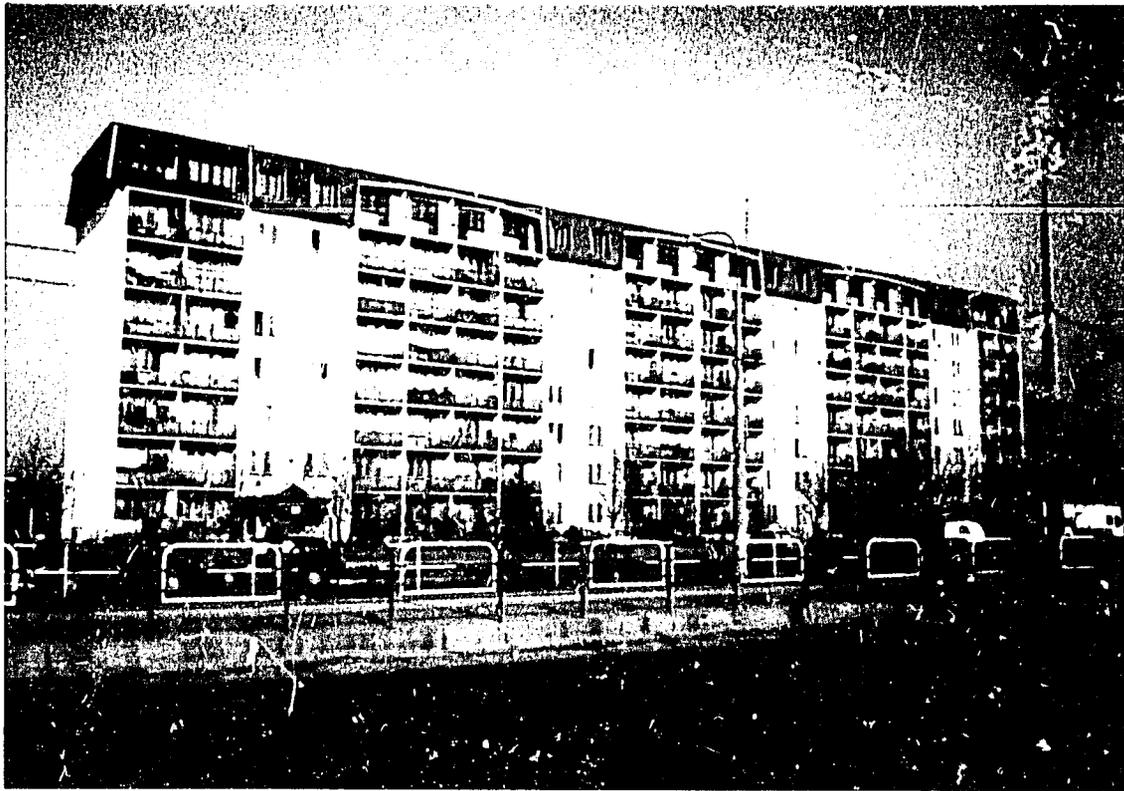


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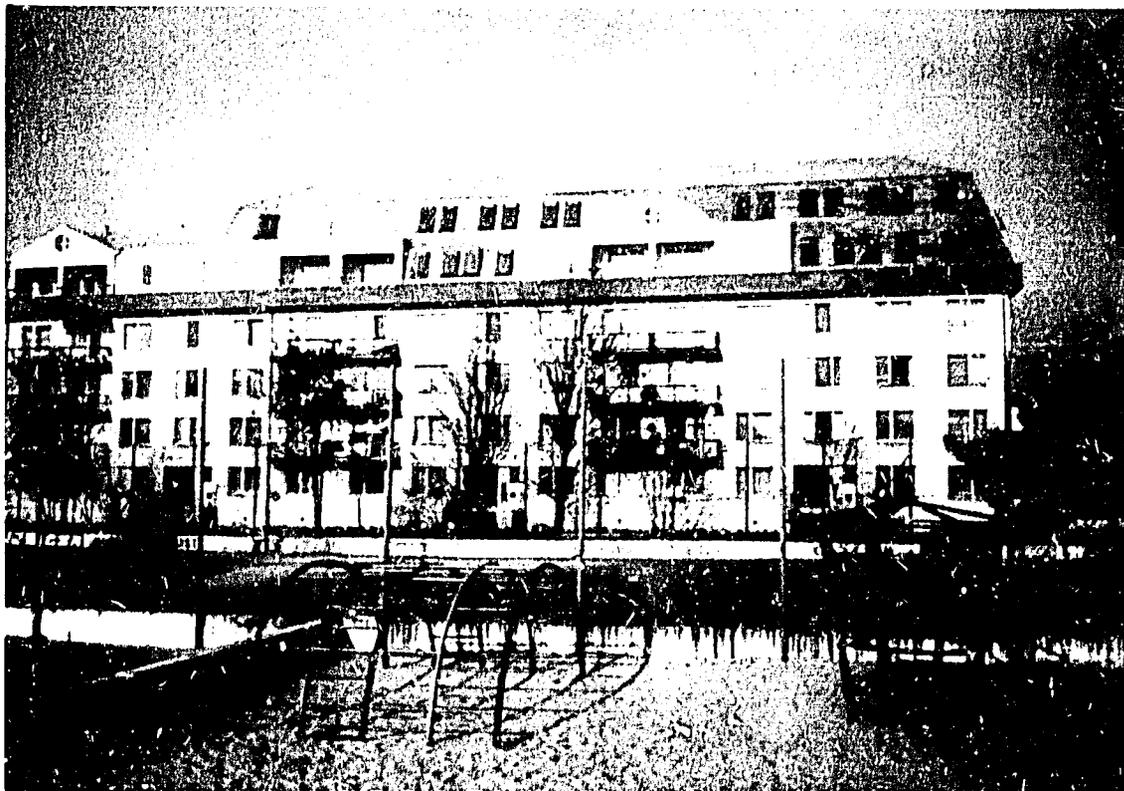
návrh 3+5 2+4

autor Ing. arch. Matej Hajas, HAJAS s.r.o. Bratislava, júl 1994

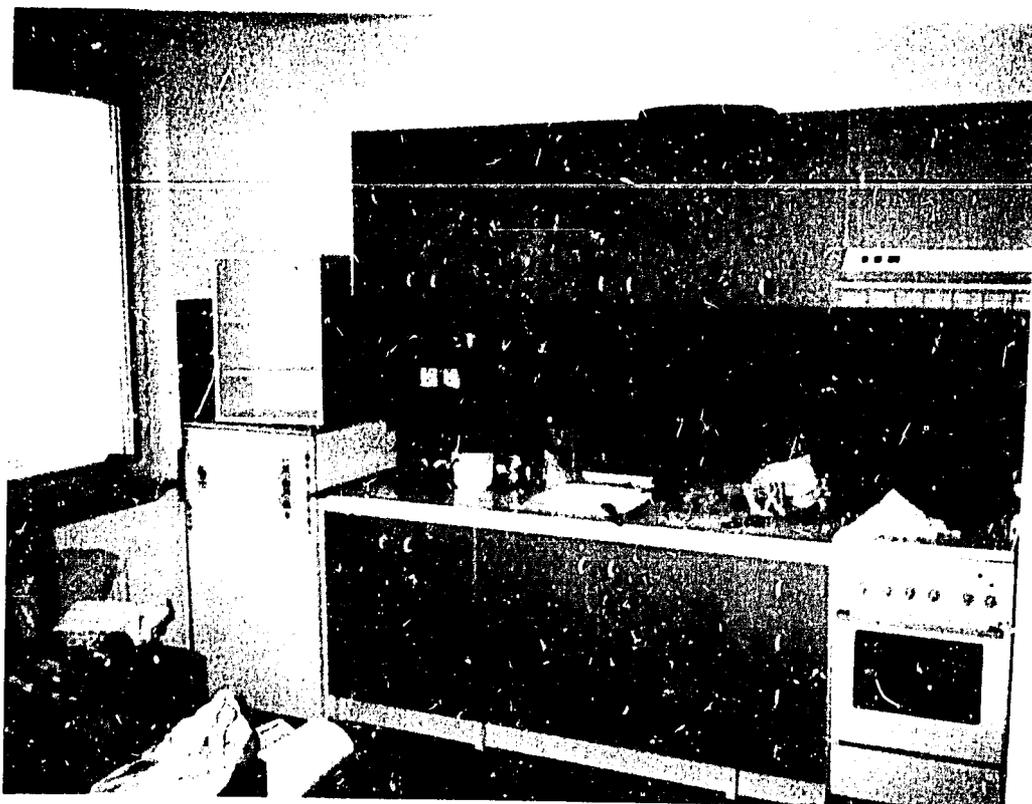
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Penthouse Units developed by Stavhako in Bratislava



Penthouse development in Bratislava with Arpad unit at left



Kitchen of Arpad penthouse unit

2:25 pm: Bratislava — Meeting with Jaroslava Zapletalova, Institute of Housing

The zoning system inherited from the old regime is no longer applicable. It simply instructed architects as to the number of people per hectare and how much should be spent for infrastructure. The cost of heating in Slovakia is much higher than in western countries because of poor insulation and leakage in the buildings. The task is to prepare new zoning and determine the quality of the buildings as well as environmental standards. The Ministry of Environment has the legal authority over zoning, but the Ministry has done nothing in the last five years. In 1994, there was a conference of planning experts to determine what changes were needed in the building law. The Ministry of TCPW has requested information from the municipalities on how many new buildings are planned. Vienna's Building Office gave a presentation to explain the process for permitting, but nothing has happened in Slovakia.

The municipalities have responsibility for planning and zoning, and they should be able to issue a building permit when presented with a plan that meets codes. In Slovakia, however, there is still an extra step in the process, where a state office must determine whether the site is subject to condemnation. This office no longer has a function, but many municipal officials don't know that it should be closed. The task is to educate the municipalities as to what their

responsibilities are. In some cases, construction companies have built projects and ignored the zoning code, but municipal officials are passive. Slovakia needs a demonstration project to show the municipalities how to do it. The city of Kosice has set a good example, but now there is a need for a manual to help other cities.

Under the old regime, Slovakia was divided administratively into three provinces, Bratislava, and 42 cities and towns. Now there is only the state and hundreds of municipalities. There are currently competing proposals to create intermediate administrative units. One proposes the creation of counties (Okres) and one proposes the "Zupa," which is a different organization.

The city of Nove Mesto has adopted a new zoning code, and the university there is preparing a model based on it. Some cities and towns are now opening regional offices to attempt to coordinate regional problems.

Nove Mesto needs some help in organizing a development project. The city has land for 150 houses and has installed the infrastructure. The Slovak American Enterprise Fund will do a five-year loan, and there are two building firms that can invest money. The Slovaks also need a manual to outline the legal issues and procedures for construction penthouse units on the roofs of buildings.

Monday, February 6, 1995

9:45 am: Depart Bratislava

4:45 pm: Arrive Kosice and coordinate interviews

Tuesday, February 7, 1995

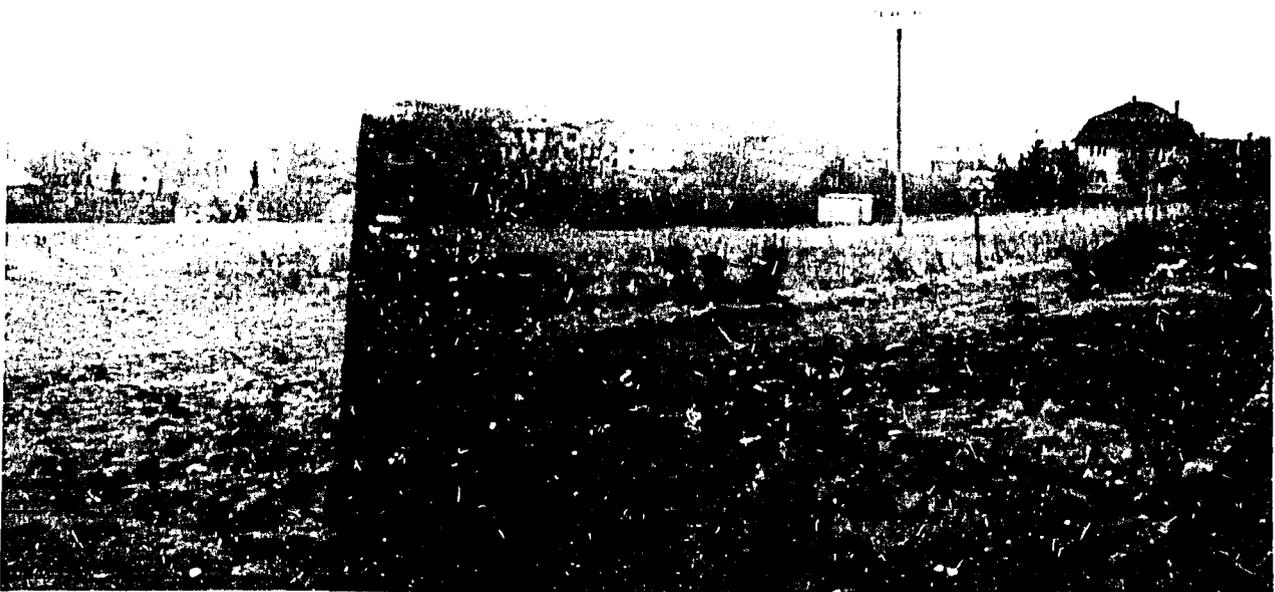
9:00 am: Interview with Dipl. Ing. Dusan Rybar, head of the construction firm IDR, s.r.o. (Note: During the interview, Mr. Rybar received notice that his firm had just won a bid to build 10 shopping centers in Hungary.)

IDR recently worked on a housing complex in Augsburg, Germany, but as the material supplier rather than a developer. Considering the lack of flats (over 8,000 applications in Kosice) and the decrease and even halt of development, Mr. Rybar therefore decided to undertake some housing development in Slovakia. Since Slovakia doesn't have investors, he decided that his company would have to invest in its own projects and take the role of a developer.

IDR has developed a 10-year business plan covering the development of five projects, totalling 548 units in four cities. IDR retained the Kosice branch office of Harvard Capital & Consulting Slovakia to draft the actual plan document. He found Harvard Capital through a friend. The first two projects are scheduled to begin in May 1995, one in Kosice (93-unit apartment complex) and the other in Michalovce (160-unit complex). The units in Kosice will range from 42 SM to 209 SM. The projects will be built without state assistance, on the

basis of private land, private financing, and sales to private purchasers. The Kosice site is 15,000 SM and IDR negotiated its purchase with 130 individuals who had restitution claims on it. The negotiations took one year and IDR paid SK-800/SM.

IDR has no problem handling all of the development activities. The problem with private development is the resources of the banks. They either have no credit sources or the interest rate is too high, from 20-25 percent. IDR, however, has been successful in obtaining from a German/American group a loan of SK-300,000,000 for a 10-year term at 7.5 percent interest. The loan covers 100 percent of the total construction costs for both projects. They will start the civil engineering work on the two sites in May 1995. IDR has entered into partnerships with the professional service firms that are doing the plans. Plan approval took six months. (See project information on the following pages.)

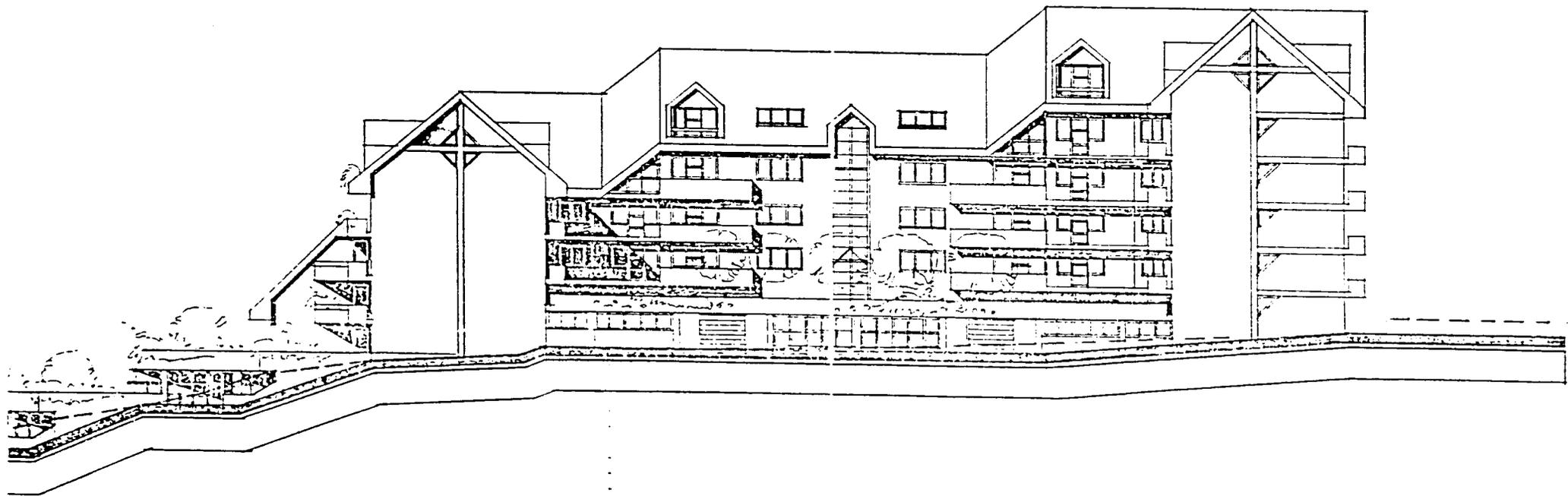


Site for 93 unit IDR project in Kosice

Founded after 1989, IDR was not a state company and now has 60 employees, which swells to 170 during the summer construction season. The company has seven degreed engineers, and the main body of its workers are skilled. Many of the summer employees are students and retirees.

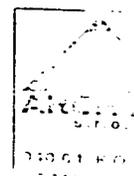
For the 93 units in the Kosice project, IDR already has contracts for 60, which were sold within one month. The complex includes 800 SM of ground floor retail space, and an underground garage with one space for each unit. The units will sell for SK-12,250/SM, and

110



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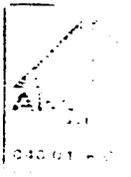
POHLÁD JUŽNÝ





26

POHLED VÝCHODNÝ



The apartment composition:

Type of apartment	Number of Rooms	Number of Apartments	out of that: Attics	Living Area	Used Area
A1	4	15	3	66,74	109,74
A2	1	15	3	22,94	42,89
A3	3	2	–	51,74	86,43
A4	6	5	1	120,88	176,11
A5	4	4	1	65,25	121,43
A6	5	8	2	81,64	123,40
A7	4	4	1	63,36	118,26
A8	5	3	1	87,83	148,10
A9	2	3	1	61,02	102,26
A10	5	4	2	103,50	158,36
A11	6	4	2	125,70	186,96
A12	4	2	–	81,84	153,33
A13	3	6	–	79,48	130,14
A14	4	2	–	93,98	152,55
A15	6	2	–	138,30	203,34
A16	5	2	–	116,10	174,74
A17	3	3	–	79,48	114,84
A18	3	1	–	79,48	104,59
A19	5	7	–	107,66	209,49
A20	1	1	–	48,48	72,31

The total area used by the apartments is 11 561 m². The projected time for completion of this housing complex construction is 18 months.

4. MARKET ANALYSIS

To determine the sales forecast of the apartments of the housing complex RODINA, the firm IDR and consulting company HC&CS carried out market research based on statistical methods and questionnaire research.

Apartment market environment in Slovak republic and Košice region

Economic transformation in Slovakia into a market economy in the period from 1990 – 1994 lead to significant changes in the apartment market. The most important features of these changes were:

- *significant decrease in the apartment construction, documented by the decrease in building production of 30% after the year 1989*
- *increase in the personal ownership of apartments as a secure form of long-term investment*
- *increase in the interest of high-quality living conditions as a social trend reflecting the demand for a living standard similar to developed western countries.*
- *significant differentiation in the incomes of inhabitants has created an opportunity to build alternative forms of housing to compete with the existing dominant blocks of flats in the housing complexes*

payment must either be in advance or some time during the 18-month construction schedule. If payment is in advance, the price is guaranteed. If not, IDR can raise the price by a fixed percentage.

The typical purchaser is a middle manager who wants a higher standard of living. Purchasers are getting the money from the sale of their old flats, and about half are getting loans from savings institutions. Many are people who have worked in Germany, and in some cases a family has chipped in and is buying a unit for a grandmother. A lot of people have savings for which they previously had no investment opportunity.

The project will be a condominium, with each owner owning a flat, a garage space, and part of the land and public areas. By law, the owners must create an association of owners. The estimated total project cost is SK 130,000,000. Land and design costs for the project are 8 percent and 4 percent, respectively, of the total project cost. Profit is not a great motive for IDR. The greater motive of doing the projects is to provide work for the firm. IDR has no competition in Kosice, and its project is the first to be realized. Mr. Rybar is not Rockefeller. He merely wants to accomplish something. His expectations are based on the 8-10 percent profit that a civil engineering firm would earn.

The Michalovce site is 40,000 SM and was owned by a group of lawyers. IDR first talked to the municipality about the best places to build housing, and then negotiated with the owners. The land cost will only be 3.5 percent of the total project cost.

The infrastructure was already present at both sites. IDR hasn't needed any exceptions to zoning for either project, and all materials will be from Slovakia. IDR will use subcontractors for certain special portions of the project, including heating, for example. Harvard Capital did a market study, which is included in the business plan.

Regarding what is needed to assist in creating private housing development, Mr. Rybar suggested the following:

- Provide support to purchasers by creating a mortgage law and providing mortgages.
- Provide good construction financing. Young firms have not had the opportunity to amass a lot of capital in three years. They need a 7.5 percent interest rate, as in America.
- Young and small companies don't have property for bank guarantees, and the banks want from 150-200 percent collateral.
- The banks in Slovakia haven't decided whether they exist for service or profit.

11:00 am: Interview with Ing. arch. Stefan Pacak and Ing. arch. Juraj Koban, of the architecture firm KOPA

KOPA's main line of business is design, but one department is in the real estate business. The firm does all kinds of architecture, but their primary design thrust is in multi-family rather than single-family houses. They have been successful in a few tenders, so multi-family



is their most important activity because they've gotten good results. Mr. Koban is a representative of the Union of Slovak Architects to the International Union of Architects in Paris in the area of housing.

KOPA's interest is in designing multi-family units which are affordable. Before the revolution, 2,000 new units were built each year in Kosice, but now there is no development activity. One of the main problems is the number of restitution claims affecting each site. For example, one of the owners of Mr. Rybar's site lives in Canada. After the revolution, KOPA developed concepts for multi-family buildings which they marketed to co-ops, since a lot of housing activity was done through co-ops. In so doing, they tried to move away from panel construction. The reason was not so much that panel is a bad system, but that it requires the whole building to have a single floor plan and standards, which they would like to change. Their marketing activity did not get far, because the problem arose of who would pay for the project.

Kosice started work on a new zoning plan in May of 1989. After the revolution, the work was stopped because of suggestions to change the whole concept of housing. There was also the problem of financing. Infrastructure had been installed in some areas, but must be rebuilt to suit new types of housing. The city is now preparing sites with infrastructure, which is being financed jointly by the future owners and the utility companies.

KOPA is now completing the plans for a 200-unit multi-family housing complex, known as "Kopa-Girbes," which uses a unique design concept. The developer, STAVOCONSUL spol. s.r.o., obtained a loan to pay for the plans and to install the infrastructure. The site, on the western edge of the city, will be rented from the town for two years, and the unit owners will then purchase the land under their buildings from the city. The projected price of SK-10,000/SM is lower than for a panel building, and is the lowest price for housing in Slovakia. The price includes all costs of design, construction, and the land under the building, as well as profit and 6 percent VAT. (The land cost is SK-1,200/SM, including the cost of infrastructure.) The costs break down as follows:

Land	250
Infrastructure/communications	900
Construction	7,050
Profit, at 15 percent	1,230
VAT, at 6 percent	<u>570</u>
	10,000

The site has radon gas and some geological problems, which had to be avoided in locating the buildings.

The basic design concepts were to minimize the public areas and to maximize the flexibility in the sizes and floor plans of the units. The buildings, therefore, are built with poured-in-place concrete columns, which are located in the exterior walls only, and post-tensioned,

poured-in-place concrete slabs. The buildings have three levels, with no interior corridors. Access to the units is via exterior balconies.

The developer's philosophy is to market the units as shells to be custom finished, and flexibility comes from two elements. First of all, the ceiling heights are six meters, which is intended to provide for a customized interior wooden mezzanine. Secondly, because only the exterior walls are load bearing, a purchaser can take however wide a "slice" of a building that meets his needs. In addition, there is even the opportunity to customize the facade of the unit, within certain guidelines.

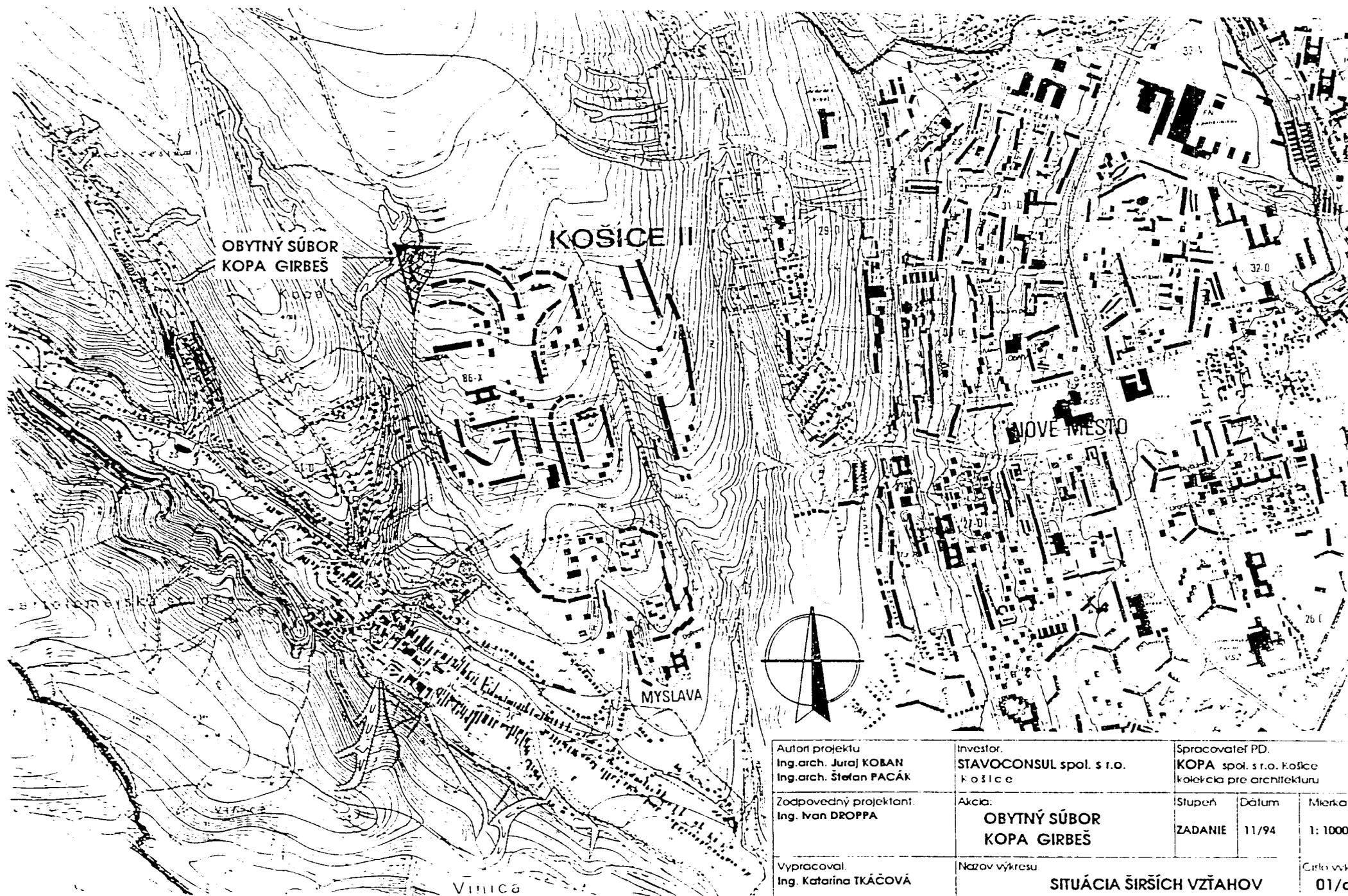
KOPA is working with purchasers on custom designs for their units, but KOPA has also put together a number of standard floor plans. The base price of SK-10,000/SM is for a complete unit, including mezzanine, staircase, bath, WC, and kitchen. It must be noted that this price is calculated by including the area of the mezzanine. With custom designs, the purchaser and the developer sign off on the design and a list of materials before work commences. The concept also allows a purchaser to buy a shell and finish it with his own labor, which combines the advantages of the lower costs generally associated with multi-family buildings with the tradition of self building. (See project information on following pages.)

The municipality set one condition for the sales activity. They want each building to start and finish in the shortest possible time, so they want the project phased. For the first building, the developer's plan was to have 50 units averaging 86 SM in size. In reality, they are ending up with 40 units ranging from 100 to 120 SM. The city in fact will allow only a limited number of flats to be built this year because they are concerned that there won't be enough buyers.

The developer did not do any advertising to market the units. The primary marketing activity involved presentations to the management of several companies in the area, including VSZ and Kassainvest. One purchaser came in simply because he heard about the project. The purchasers have middle management or higher positions in these companies. The project will be either a condominium or a co-op to provide for maintenance. Purchase terms will be 10 percent down and payments of 40 percent, 30 percent, and 20 percent during construction. If an owner wants to use a lease/purchase option, the purchase price will be about 25 percent extra.

Construction of infrastructure and garages, which will temporarily be used as construction sheds, will begin in February 1995. Construction will take 12 months and should be finished in March 1996. Garages will cost extra.

Plan approval took 12 months, because they had to obtain the approval of both city and local officials. There was really no problem, since most officials had a helpful attitude. The main problem is the price of the land, so the city adopted the philosophy of selling only the land under the buildings and will retain ownership of the surrounding areas. Nonetheless, the owners of ground floor units will be able to use the land for terraces. The city is being

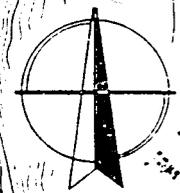


OBYTNÝ SÚBOR
KOPA GIRBEŠ

KOŠICE II

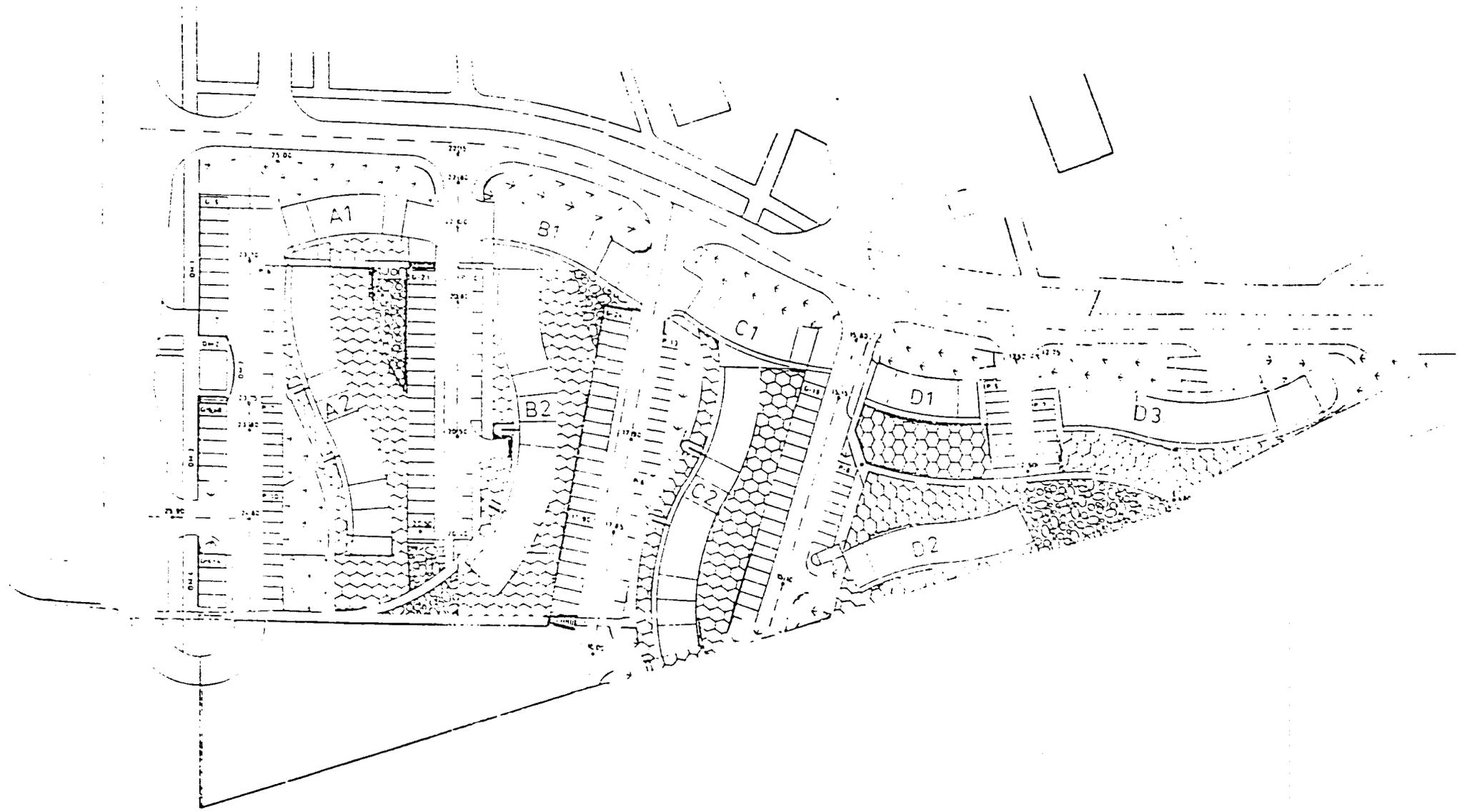
NOVÉ MESTO

MYSLAVA

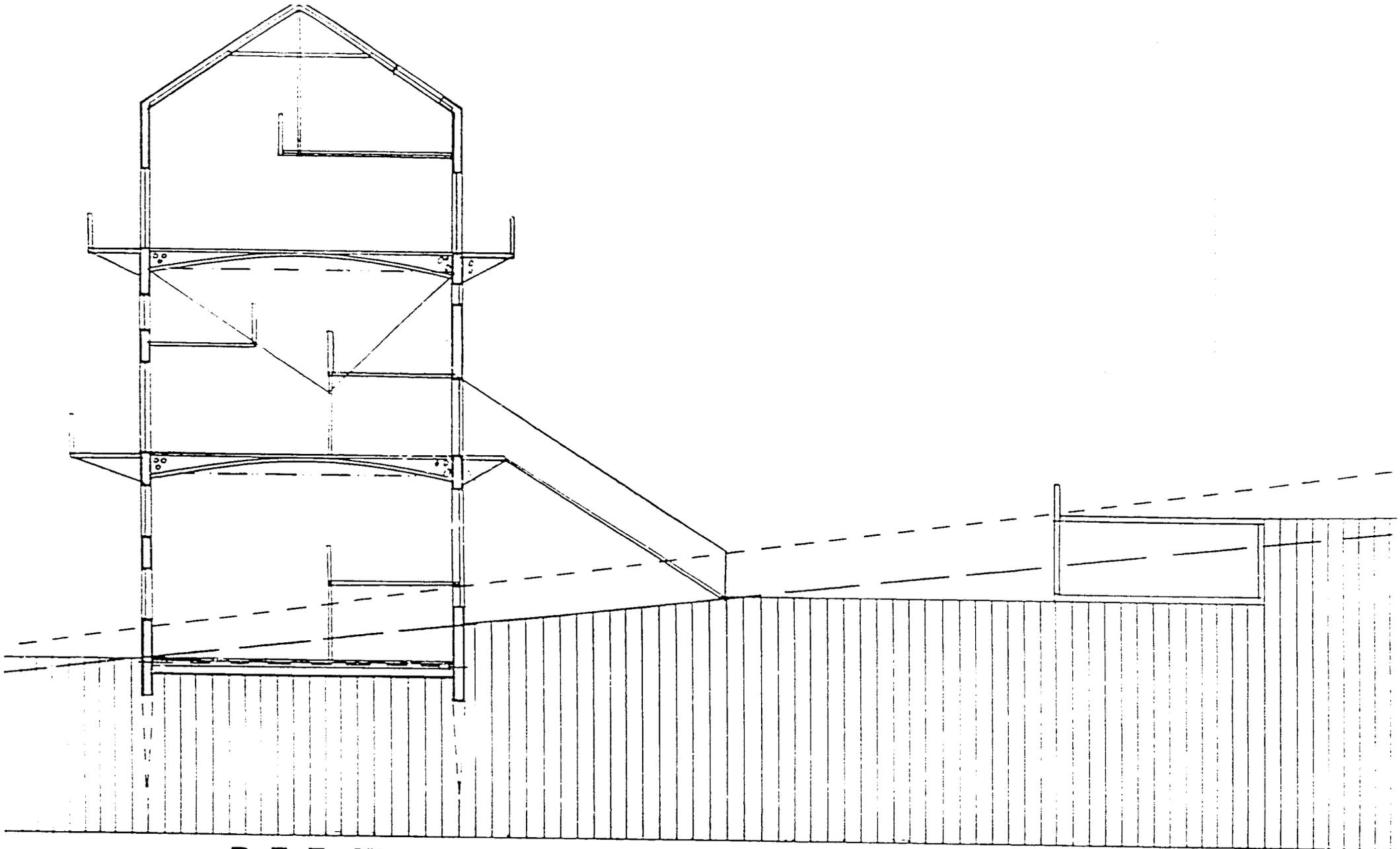


Autor projektu Ing.arch. JURAJ KOBAN Ing.arch. ŠTEFAN PACÁK	Investor STAVOCONSUL spol. s r.o. Košice	Spracovateľ PD. KOPA spol. s r.o. Košice kolektív pre architektúru		
Zodpovedný projektant Ing. IVAN DROPPA	Akcia: OBYTNÝ SÚBOR KOPA GIRBEŠ	Stupeň ZADANIE	Dátum 11/94	Mierka 1: 10000
Vypracoval Ing. KATARÍNA TKÁČOVÁ	Nazov výkresu SITUÁCIA ŠIRŠÍCH VZŤAHOV			Číslo výk. 01/a

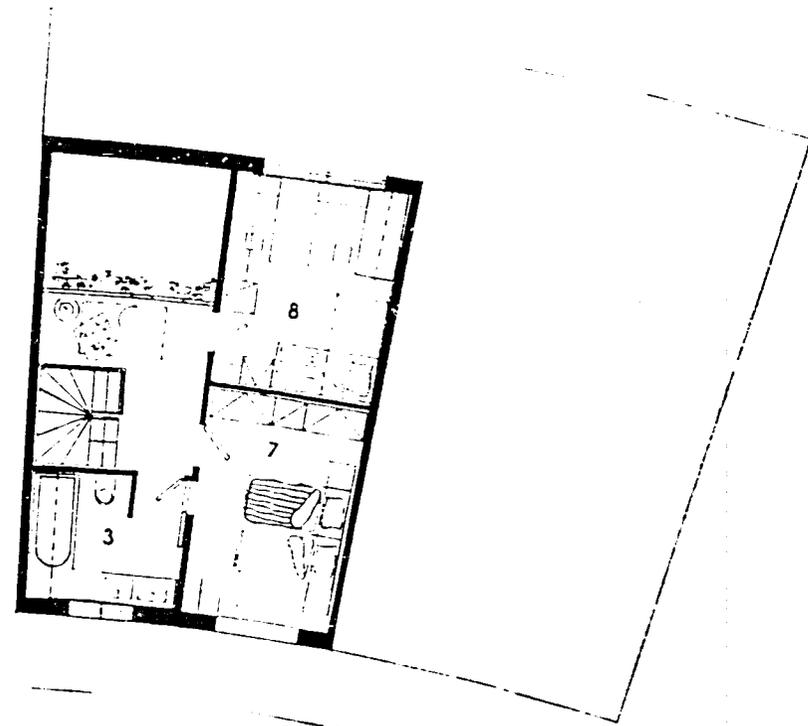
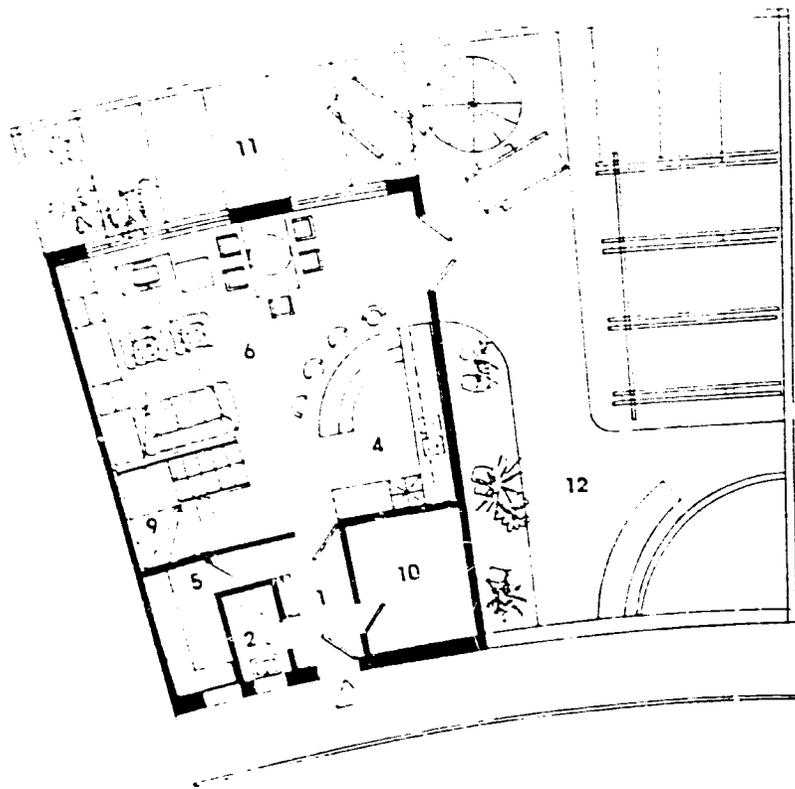
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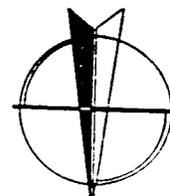
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R E Z VI

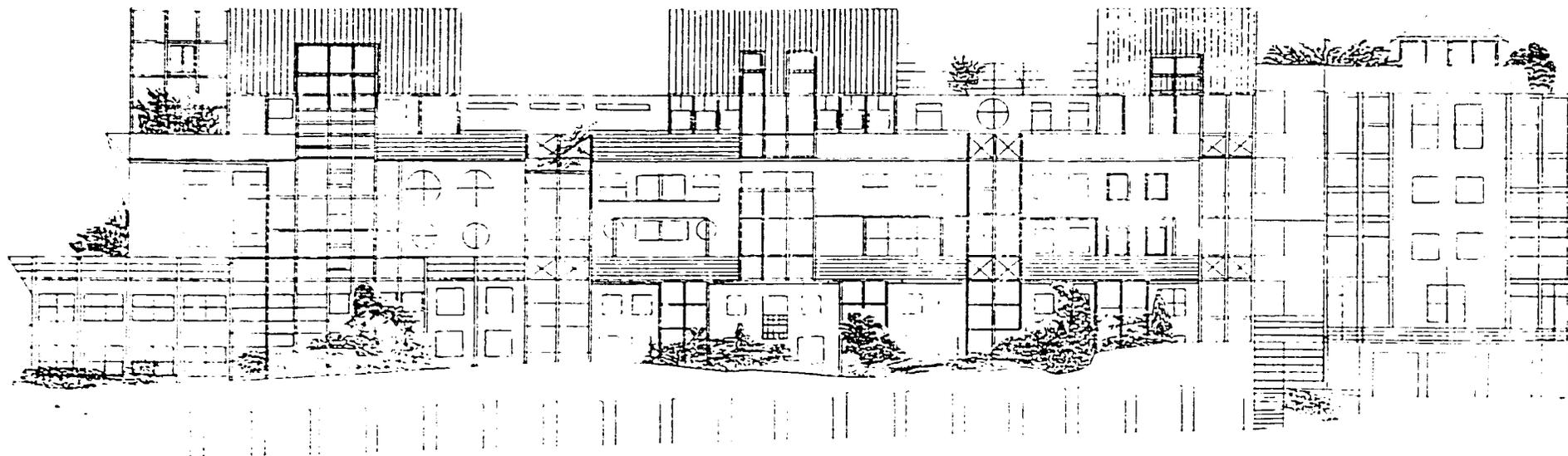


Byt	č.1	
1	Zádvrie	1,95 m ²
2	WC	1,53 m ²
3	Kúpeľňa	6,72 m ²
4	Kuchyňa	8,00 m ²
5	Komora	2,40 m ²
6	Obývací izba	22,00 m ²
7	Spálňa rodičov	12,60 m ²
8	Izba deťí	13,10 m ²
9	Schodište	4,30 m ²
10	Šatník	4,80 m ²
11	Loggia	17,50 m ²
12	Terasa	73,00 m ²
	Úžitková plocha	77,40 m ²
	Obytná plocha	49,70 m ²
	Príslušenstvo	27,70 m ²
	Terasa, loggia	90,50 m ²



Autor projektu Ing. arch. JuraJ KOBAN Ing. arch. Štefan PACÁK	Investor: STAVOCONSUL spol. s r.o. Košice	Spracovateľ PD KOPA kolektív personalistickej architektúry, Košice
Zodpovedný projektant Ing. Ivan DROPPA	Akcia OBYTNÝ SÚBOR KOPA GIRBEŠ	Stupeň Datum Mierka ZADANIE 11/94 1:100
Vypracoval Ing. arch. Beata ŽIARANOVÁ	Narov. výkresu PODORYS MEZONETOVÉHO BLOKU S TERASOU NA VSTUPNOM PODLAŽÍ	Číslo výkru 24

130



Autor projektu Ing arch. JuraĽ KOBAN Ing arch. Štefan PACÁK	Investor STAVOCONSUL spol. s r.o. Košice	Spracovateľ PD KOPA kolektív. projektov. a architektúry Košice		
Zodpovedný projektant Ing. Nan DROPPA	Akcia OBYTNÝ SÚBOR KOPA GIRBEŠ	Štupen ZADANIE	Datum 11/94	Mierka 1:100
Vypracoval Ing arch Beata ŽIARANOVÁ	Nazov výresu CHARAKTERISTICKÝ POHĽAD NA OBYTNÝ BLOK			Číslo vkr. 34

generous, but it had to be realistic. The city had a rule that the base price of the land was SK-4,000/SM, but they got it down to SK-1,200/SM. Even this price was more than that for an SFD, which is about SK-800 to SK-1,000/SM. The city will end up getting about SK-300/SM for the site as a whole.

The developer tried for financing from the U.S., Hong Kong, and Germany, and has ended up with a group from France.

As to what is needed to stimulate the private housing development in Slovakia, the primary need is for mortgage banks. There is also a strong need for information on comparative building materials and systems. KOPA itself is interested in building multi-family buildings out of wood. As to whether Slovaks will accept wooden construction, the issues are price and marketing. Mr. Koban noted that, at first, none of the purchasers at Kopa-Girbes wanted wooden mezzanines, but KOPA told a small lie and represented the wooden style as a special Canadian design, since one of their engineers spent two years in Canada. As a result, 80 percent of the purchasers have chosen wooden mezzanines, which are less expensive. This has created a minor problem, since the purchasers are also asking for wooden partition walls, and the least expensive partition walls are brick. Two things can persuade clients: drawings of the concept and specific details.

2:00 pm: Meeting with Ing. Maria Purdesova, Manager, and Ing. Gabriela Hiszemova, Manager, of INVESTCONSUL (INC)

STAVOCONSUL (STC) was a state company engaged in housing construction for more than 20 years, building about 3,500 units per year all over Czechoslovakia. It became private three years ago, and the number of employees went from 6,500 to about 1,100. INC is a subsidiary formed as an investment company. STC is engaged in civil engineering and construction.

Management realized that things had to be done differently in the private market. The private market consists of three categories: social housing, middle-standard housing (which is dependent on construction and mortgage loans), and high-standard housing (which is a weak market). STC is now attempting to find the most suitable types of housing for each category at this time. Although the market in the third category is the narrowest, this is the only type of housing that can be done at present. The Kopa-Girbes project has been designed for this category, because wealthy people can find the money to purchase and they can pay all costs during the construction period.

Before the revolution, 2,000 to 2,400 units were built each year in Kosice, in established housing estates. The last government money came in 1989, and 2,000 units were left unfinished. Any money that has come from the state subsequently has been invested by the city in rehabilitating existing buildings.

STC had to find a system without state subsidies, so STC itself is paying for the preparation of plans, using its own or borrowed funds. STC is using its own step-by-step marketing strategy to find potential owners of new units, who are capable of paying for the units on a real time basis, i.e., the whole price by the end of the construction period.

STC would like to become involved in the second category of housing, but this depends on the availability of suitable loans. The average salary of people in this category is SK-9,000 to SK-10,000 per month, and the cost of a four-room apartment of about 80 SM is about SK-800,000, or SK-10,000/SM. Most of the families in this category are waiting for mortgages to become available. Prices in Kosice are relatively low compared to Bratislava, where prices are between SK-14,000 and 22,000/SM, because there is a lot of foreign money. An average married couple probably earns about SK-15,000 per month and could afford to pay one third for housing. (Note: The monthly payment on a 30-year mortgage of SK-800,000 at 7 percent would be SK-5,322.)

One way that the state could help stimulate private housing development would be to subsidize interest rates, so that a home owner would pay only 7 percent.

Once the housing complex designed by KOPA proves itself, STC will look for more sites. STC hasn't built any SFDs because the people with sites normally don't have enough money. STC's profit on the KOPA project will be nearly nothing, because their only goal is to cover the costs so they can continue as a company. (Note: The KOPA principals said that there was a 15 percent profit margin in the price for the Kopa-Girbes units.)

Right now the only option that STC has is to work in Ukraine and Russia, where their profit is from 3.5 to 5 percent. Most of their payment for Ukraine and Russia is by barter, primarily in the form of building materials.

2:45 pm: Meeting with Ing. Boris Holuby, General Director of STC, and Dipl. Ing. Vladimir Rusnak, Director, of INC

One possible role for USAID assistance would be training and consulting in the area of financing and organization of the financial part of a housing proposal. Slovak banks do not have enough experience in the field of finance and loans, and they lack specialists who are capable of underwriting projects.

No training in construction is needed, but rather in the area of financing models. There is no tradition of marketing a project before the investment.

Presently STC does 90-95 percent of its business in Ukraine and Russia, and much of its payment is in building materials. Once the Russians were late on a \$3,000,000 payment, so STC had to get a loan at a very high interest rate and lost all its profit on the job.

Qd

To finance the Kopa-Girbes project, STC's plan is to obtain a loan from a commercial bank, but only for a short term, and pay off the loan as the units are finished. Last year, STC offered some projects to the Slovak American Enterprise Fund, but nothing has been done. The main problem is financing. Loan terms are only one year, which is short, so STC tries to find sources through middle men, and hopes that the middle men are honest. STC is currently bidding on a \$1,800,000 contract to build SFDs, and may enter into a joint venture with a foreign company. It uses all possibilities of cooperation to try to make a deal.

Wednesday, February 8, 1995

8:00 am: Kosice — Meeting with Ing. arch. Ludmila Bohusova, Deputy City Architect

Her offices prepares plots and sites for development. They prepare zone plans and regulatory plans, which establish the conditions and possibilities for housing development. The city has enough sites for SFDs, but there are two problems with them. All sites for SFDs are owned by individuals, and on only a small part is there any infrastructure. If anyone wants to build SFDs, he has to provide the infrastructure.

The situation for multi-family is better, because there are sites where it is possible to connect to the existing infrastructure. One of these sites is the one that KOPA is developing, where the first part of the project has been planned. Another prime site for multi-family is at Tahanovce, in the northern part of the city, where the main part of the infrastructure is finished, and merely needs to be connected to the mains. Except for these two areas, there are no other possibilities for multi-family construction.

Tahanovce is an existing housing estate; it also contains some unfinished buildings. It can accommodate an additional 2,000 units. The city in general wants to get away from the traditional panel construction and to make the housing estates more human. They have looked at plans for five-story buildings or detached and semi-detached houses with high density to use the site effectively. They have had inquiries to build villas there, but this use isn't suitable because of the low density. The city would like to prepare a parcel for villas in a wooded area, but this prevents a problem of taking the land from forest use. The state is not exerting any pressure to increase density, but the city feels pressure from the economic situation.

The expansion of the city to the west is more suitable. A study has just been finished regarding how to use sites there and connect them to existing infrastructure, especially the water supply. The city has no money for infrastructure. If it did, the ideal situation would be to finish the sites and sell them. This would be in the western part of the city.

If an investment company came to Kosice, the city would be able to offer land for housing development. A factor limiting development, however, is the state Agricultural Fund. The city would have to make a payment to convert agricultural lands to housing, but it has some reserves for this purpose.

Regarding whether a private developer could purchase land from the city, the initial concern is the restitution process, which the city is finishing. The chief consideration is that the city is required to sell land through tender. The city wouldn't agree to sell the KOPA site, but solved the problem through a type of cooperative arrangement, by which the city contributed the land. The city in general doesn't like to sell sites. It wishes to participate. It is possible to do a negotiated sale of a site, but only the city council has the authority to conclude the deal.

There have been no new housing units finished since 1989, before which 2,000 were built each year. At a recent staff meeting, the shortage of units was quantified at 3,000. Mrs. Bohusova, however, believes that the number is 9,000. The standard of the existing units is also an issue. Funding from the state is not reliable. The lack of a system of loans and mortgages makes housing a major problem for young people. The only way to obtain a loan at present is through a building loan association.

The staff meeting also discussed the possibility of penthouses, and how investors can put in money. Penthouse units are one way to solve the housing shortage, and the process is simplest when the city owns the whole building.

A private market for flat units has not yet developed, although Mrs. Bohusova estimates a one-room flat to be worth SK-150,000 and a three-room flat to be worth SK-350,000. The city has 300-400 unfinished units, and it is trying to find the money to finish them.

10:35 am: City of Humenne — Interview with Dipl. Ing. Lubomir Majernik, Commercial Director of Chemkostav HSV

In addition to his position with Chemkostav, Mr. Majernik is the head of housing development and zoning plans in the city government. In the fourth quarter of 1994, they developed a concept of a housing policy for the city to the year 2000. There is a big demand for housing in general and for sites for individual building. The city has prepared two areas for a total of 80 SFDs, and this year (1995) it plans to construct the infrastructure. About 20 percent of the funding will come from the state, and the remainder will come from Chemostav and another private company. Chemostav is making the investment because it wants to have the opportunity to construct the houses. Mr. Majernik was in America and consulted with a broker. He wishes to set the stage for future work like is done in America; Chemkostav is a pioneer.

Some legal problems with ownership of the two sites have already been encountered because of restitution. The sites were owned by the municipality and now are owned by the former owners. There is also a lack of investment because interest rates are so high from domestic financing sources. If it is necessary to buy the land from the former owners, the project will not work, because the private owners want three times more than does the municipality, which wants SK-150/SM.

Part of the approvals were obtained in December, but not the building permit, because of the restitution problems. Construction of the infrastructure therefore has not been started.

Humenne has 230 unfinished units in multi-family buildings, owned by the municipality. About 160 of these units are around 40 SM in size and are designated for retired people. They will not be finished in 1995 because of lack of money. For the remaining 70 units, Chemostav is preparing a plan to fund the completion of construction, which they will discuss with the municipality in March 1995. Their concept is that the purchasers will have 10 years to pay for the flats. Half of the financing will be provided by Chemostav and half will come from a bank loan with a high interest rate. Other companies also want to do the construction work, so the city will have to issue a tender. The city has promised the money by the end of May, and it's now in the budget.

To Mr. Majernik's knowledge, there are no private housing projects underway in Humenne. He estimates that the price of a house of 70-100 SM would be about SK-800,000 without the land. Regarding the sites for the 80 units, the city has agreed that the land is basically free.

Chemostav has stopped its marketing activities regarding the two sites. It plans to build a few SFDs on a turnkey basis to determine whether there is sufficient demand for turnkey or whether it should just build shells. The demand will depend on individual's ability to finance the price.

The city is a serious partner, but they have problems of their own making. The city government simply hasn't been prepared for the responsibility. Part of the problem is the mentality of the people, who worry that the developer might be getting rich. Each person in the city administration has a gray average mentality, and if someone thinks another way, the city people say that the proposal is not good for the city.

Chemostav tried to prepare a new 110-unit multi-family project in Kosice with the cooperation of the city administration, but at the end the bank stepped back. The administration remains interested, but the company can't finance the project by itself. It has 680 employees and adds another 600 during the summer. It constructs housing in Germany, Ukraine, Russia, Hungary, and the Czechlands. Their Czech work is in equal portions for the state, for private investors, and for German investors. Chemostav works as a subcontractor in the Czechlands, because Czech law won't allow them to work as a general contractor.

As for what is holding back more private housing in Slovakia, the last two years show that the banks did not do right in the market. They invested in the wrong things, for example, building bank buildings. Every town in Slovakia now has a new bank building. To have done right, the banks should not have used their investment funds to construct their own facilities.

A second major problem is the slow rate of privatization. The banks are investing in state enterprises, which are now bankrupt. Chemostav was a state company, but it was lucky enough to become private in five months and the state day by day took it off the dole. It has

now survived for four years, and it works abroad. Chemostav could be more successful in getting international contracts if it could get better cooperation from banks in obtaining contract guarantees.

As to how USAID could assist the process, there are two areas. First, the city administration is responsible for housing development, but it is necessary to increase their legal sophistication. Second, there are enough people and companies qualified to build housing, but there is a lack of investment sources.

A friend of Mr. Majernik's in America works for a bank. He is very busy in the evenings visiting homes and offering loans. American banks are service oriented. To obtain a loan in Slovakia, even with a 24 percent interest rate, a company must provide 150 percent collateral or a 100 percent finance guarantee. The banks really don't have enough money for loans, but the bank directors want to keep their jobs so they give money to state enterprises, which amounts to making a loan to another bank. Resources for projects therefore are diverted.

Banks can't recoup their bad investments, so they own a lot of property that has been put up as collateral. No one in Slovakia, however, can pay the prices that the banks want.

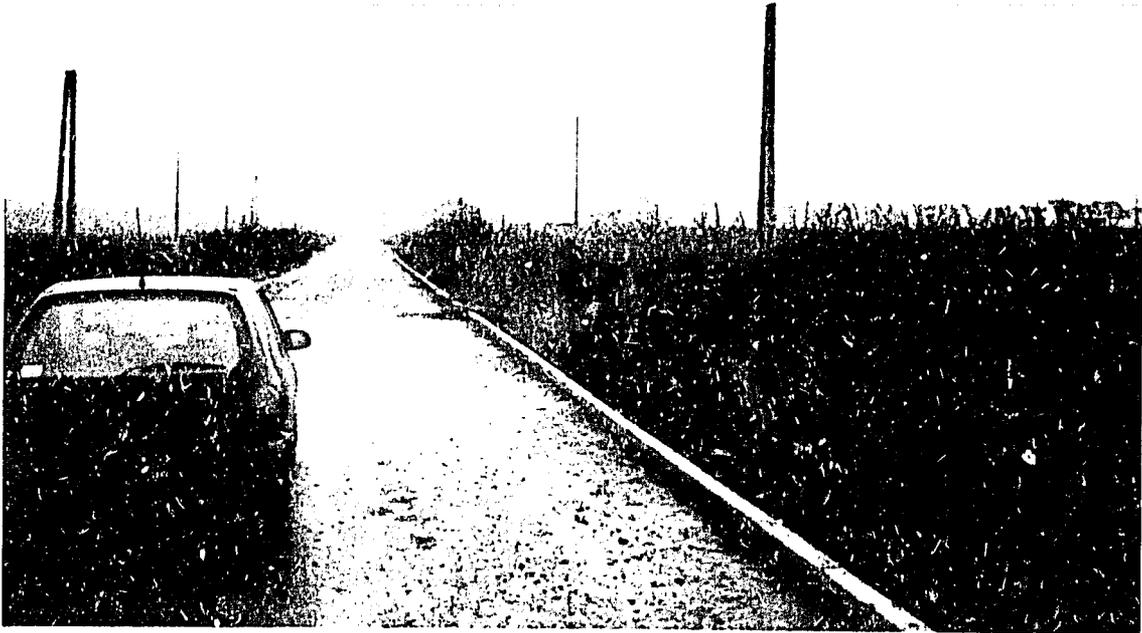
Of the 6,000 SFDs in Humenne, only three were built by Chemkostav. Almost all others were built by their owners. Slovaks are hard workers.

1:00 pm: City of Michalovce — Inspection of a large area of detached and semi-detached houses, located on the northeast edge of the city. The area has a substantial number of sites where the streets, curbs, and street lights are already present.

1:30 pm: City of Michalovce — Interview with Milan Adam, Head of Department of Environment, Zone Plans and Development, city administration

The housing development in the northeast area has all been accomplished since 1989, although the sites were prepared before 1989. Since then, 163 houses have been built, and the zone plan contains approximately 140 additional small sites, but the infrastructure for these is not yet finished. Also, there are now restitution problems, which the city is solving in court. The city will continue to install the infrastructure as funds are obtained.

Before the revolution, the sites were sold for a nominal price by the city. Now the city charges "market price," which it derives from the cost of the land and the cost of the infrastructure. The city, however, is not recovering the infrastructure costs, which it received from the state. Mr. Adam does not know the cost of the infrastructure attributable to each house.



Michalovce: Prepared sites in northeast part of city



Michalovce: Self built houses

Almost all (98 percent) of the houses were built by the owners with their own labor. The houses were financed through savings, through good loans that were available under the old regime, and through a state grant.

There are no other sites like the northeast site. The city is now preparing a new housing estate, "SNP," which combines single-family and multi-family dwellings. Private developers would like to build there, and the city would continue to develop the land, but it needs starter capital, which it doesn't have. There is a big demand for both single-family and multi-family housing, and the city is trying to prepare land. His department is preparing sites in the zoning plan, but they have to go step by step.



Michalovce: Self built houses



Michalovce: Self built houses

3:05 pm: Michalovce -- Interview with Ing. Maria Sabova, proprietor of the real estate agency "REALIS"

The agency does sales, leases, and auctions. Fewer than 180 flats have been privatized in Michalovce. Privatization sales started in October 1994, and now buildings containing private units cannot be sold in their entirety to co-ops. It's hard to say what the market price would be, but her estimate is SK-160,000 for a one-room unit, 50 SM in size at a high standard. An average 1½-room unit might sell for SK-100,000, and an average two-room for SK-140,000.

Single-family houses are located in the city center and in the suburbs. The northeast area was started under the old regime. It is not considered to be attractive because it had been a garbage dump and the only sites are small ones for semi-detached houses. The agency sold one house there for SK-1,400,000. One owner is asking SK-2,000,000 for an unfinished house. Some people got caught short. They started to build under the old regime, when it was possible to get loans, but have not been able to finish because of price escalations.

The most attractive areas in Michalovce are the oldest. In 1994, one SFD sold for SK-1,900,000. It had a basement, an attic, and two and four rooms on the first and second floors. One house that had a sauna and three kitchens sold for SK-5,000,000. Less expensive houses have sold for SK-900,000. Ms. Sabova sold one SFD site, about 700 to 800 SM in

size, for SK-500,000. A private commercial site in the city center is for sale for SK-2000/SM.

There are various types of purchasers. First, Michalovce is close to the Ukrainian border, so there is black market money. Second, some houses are being bought by Ukrainians, which they do through middle men, since, under the law, they can't own real estate. Other categories are entrepreneurs and older people who have been living in big cities and want to return home. Finally, there are people who have worked in America for the last two years and have earned some money.

Everyone now wants a single-family house. Construction started at the SNP housing estate in 1986, but was not finished. The unfinished buildings have been looted. The new zone plan has the SNP site designated for less dense multi-family buildings. Yesterday, she talked with a client who would like to construct penthouse units, but the problem is that the land under the buildings has restitution problems.

The main problems with private housing development in Slovakia are that people have little money and work. They need to be able to get good loans without a high interest rate. The Czech government has a number of programs in the housing area, but these are still needed in Slovakia.

Ms. Sabova is a civil engineering graduate and has worked in the real estate agency for 1½ years. Her associate is a lawyer.

Thursday, February 9, 1995

9:45 am: Kosice — Meeting with Stefan Andrejko, Deputy Mayor of the City of Kosice

Mr. Andrejko is in charge of housing, culture, and sport. The housing shortage in Kosice amounts to 5,000 units, which is a problem that must be solved immediately. An additional problem is the standard of living. The city gets some funds from the state, but it is not for housing development. The city did not spend SK-40,000,000 from last year's budget, so it has to spend it by May 1995 on housing. These funds will be targeted to the unfinished units in the Tahanovce housing estate, but the city still has a legal problem with the construction company that started the work and is now bankrupt. The city wants to finish about 100 flats, which will be sold under the 1993 law.

In the future, it is expected that some company or developer would like to develop housing, and the city would like to participate in the process as a partner, with its land as its contribution, or else to sell the land at a nominal price. The city has made an agreement to sell land for SK-1,080/SM to one housing developer who wants to build 60 flats. In this case, the infrastructure exists and just needs to be connected to the mains. The city, however, has not started to solve the problem of installing infrastructure in new sites.

The city is now preparing a study of possible housing development at a new site, which is located in an interesting area. The city wants to see high standard units there — suitable for future ambassadors — and expects them to be built by private developers.

Regarding USAID assistance programs, Mr. Andrejko expects that all of the existing programs will help Slovakia, especially seminars and training, which impart knowledge that will be valuable for the future. As far as he is concerned, however, he would like to see the United States do something very specific on a real-time basis, that might symbolize the new era after the Velvet Revolution and let the Slovak people feel the influence of U.S. assistance. For example, the U.S. could take one small part of a housing estate and build a market place or a hockey stadium, which would have economic value. The people now living would appreciate this, especially those that only have a few years of productive life left and would like to benefit from U.S. knowledge. Another suggestion would be to build a planned residential community, which would be very visible help.

11:00 am: Village of Turna nad Bodvou, about 35 kilometers west of Kosice

Inspection of an area of SFDs under construction across the main road from the bulk of the village.



Self built houses in Turna nad Bodvou

11:25 am: Turna nad Bodvou — Interview with Alexander Varga, Village Manager

The population of the village is 2,894. The village wants to do a new zone plan, and the area that we inspected is a mistake because the infrastructure is not complete. No more houses will be built there, and some have stopped construction because of this. The owners there are asking that the village finish the infrastructure, but the village is making clear that only the existing houses will be serviced. The houses currently have water and electricity, and are using septic systems. The village wants to finish the sewers and gas service. The village plans to do the work with state financing, but is also trying to find its own funding.

The people building the houses are those who have lived in Turna or the surrounding area. Turna is a regional center; it has a school.

The village has five or six other sites available for SFDs, which are priced at SK-70/SM. The village policy is not to do business, but to support individual housing development by creating the right conditions. The village has also planned a few new areas, which can't be used for agriculture, for individual housing construction. These areas presently are somewhat wet, but the infrastructure will help remove the water.

Many of the houses in the village center are over 100 years old. In doing the new zone plan, the administration identified a few buildings for demolition. The village would like to redevelop these old areas, since they have infrastructure. Indeed, 50 houses in the village center are vacant, and the administration wants to create the conditions to get them renovated. Most of these are privately owned and their owners would like to sell them. Last year, three houses were sold to people from Kosice, who have renovated the houses, are in occupancy, and commute to Kosice. The other owners are hoping to find more wealthy people to buy their houses.

Individual builders get the designs for their houses from catalogues. The village reviewed the plans, even though a state body, the Department of the Environment, has the official approval authority. Inspections of construction are done by the utility companies, but the village also inspects construction on an informal basis. The certificate of occupancy is issued by the state. Fees for permits or certificates are negligible, SK-500 to SK-1,000. It costs from SK-600,000 to SK-800,000 to purchase the materials to build an SFD. The finished house has a value of SK-1,000,000 to SK-1,500,000. The owners normally finance construction of their houses with their savings and income from their jobs. Some get help from their parents, and some take loans, but only for a small amount because of the high interest rate. An owner normally spends 2-3 years building a house.

The village is undertaking a number of activities to make it more attractive as a place to live and for private housing development. In addition to preparing infrastructure, the village plans to improve the phone lines by next year, especially for the benefit of people with businesses. The administration is also taking part in meetings and shows to promote the visibility of the village. One goal is to persuade people who moved to Kosice to return. The town now is

participating in a joint venture to build a baking plant, primarily to earn money to invest in infrastructure.

For 1995, the village has an operating budget of SK-7,000,000. Of this amount, between SK-500,000 and SK-600,000 is obtained through real estate taxes. Although the village administration has the authority to increase taxes, it hasn't done so. The typical annual real estate tax for an SFD located on a 1,000 SM site is less than SK-1,000. The village receives about SK-3,000,000 from the state, and obtains the remainder of its revenue through various sources, including lease income. SK-500,000 is received from providing services to some housing complexes that the village built. The village also has a good relationship with local companies, which make grants and provide services.

Although the basic policy was to promote individual development, the village started three housing projects four years ago and has completed 56 units in the last two years. The village is now planning an additional project with 24 units. Although the village is acting as a developer and takes bids for the construction work, it has no profit motive and only wants to recover its costs.

The village does not have a lot of sites for private housing development, but if a company wanted to build a plant, it would be able to find land. After agreement on its new zone plan, the village plans to buy land for new housing development. There is no minimum price for a piece of land. The price is set in each case by the village council.

In the last four years, the village has made SK-107,000,000 in capital investments, which is equal to the amount invested over the last 17 years of the old regime. The money went for new sewer and gas mains, the multi-family projects, and new school buildings.

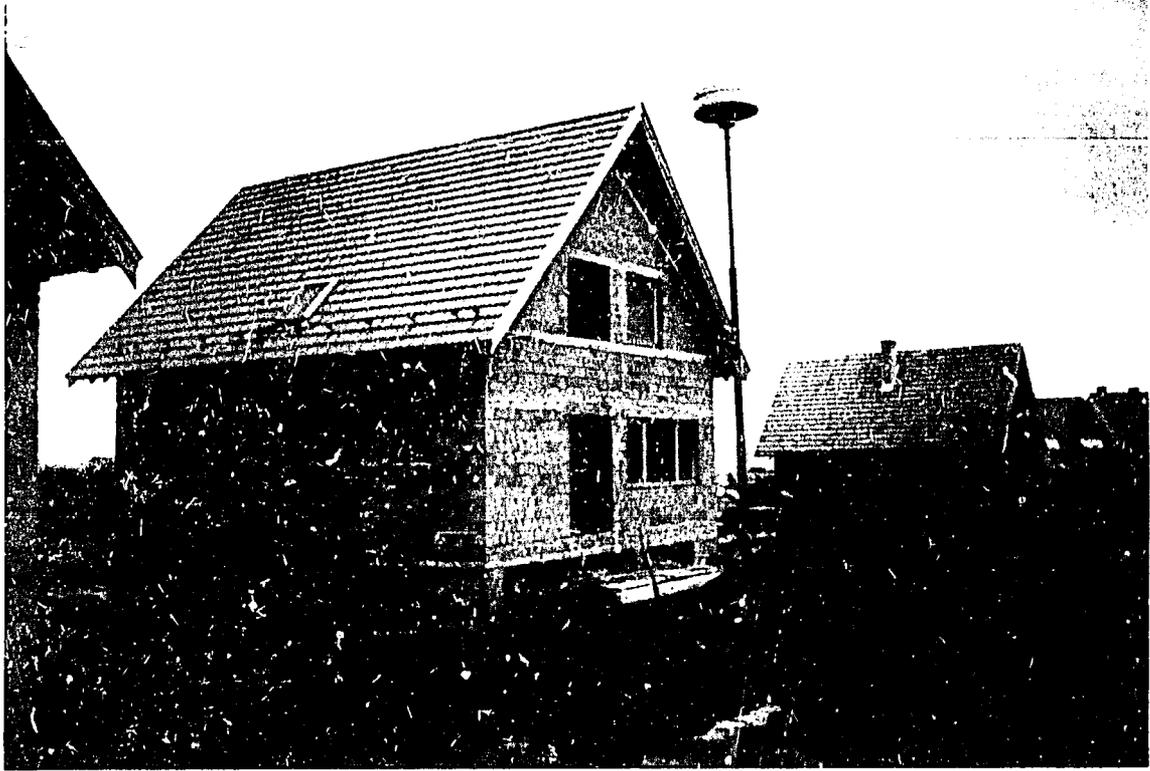
Mr. Varga has been village manager from three years. He studied chemistry. His wife is a materials accountant in the local cement plant, which will be privatized within a few months. The plant has been earning profits. Each village council member has a single task: to find money and investments not only for the village budget, but for private projects as well.

The village has a lot of Gypsies, and the administration is trying to help them build simple units. The village would build the shells using clay — a traditional material — and let the owners do the finishing. The local Gypsy leaders have agreed on the program.

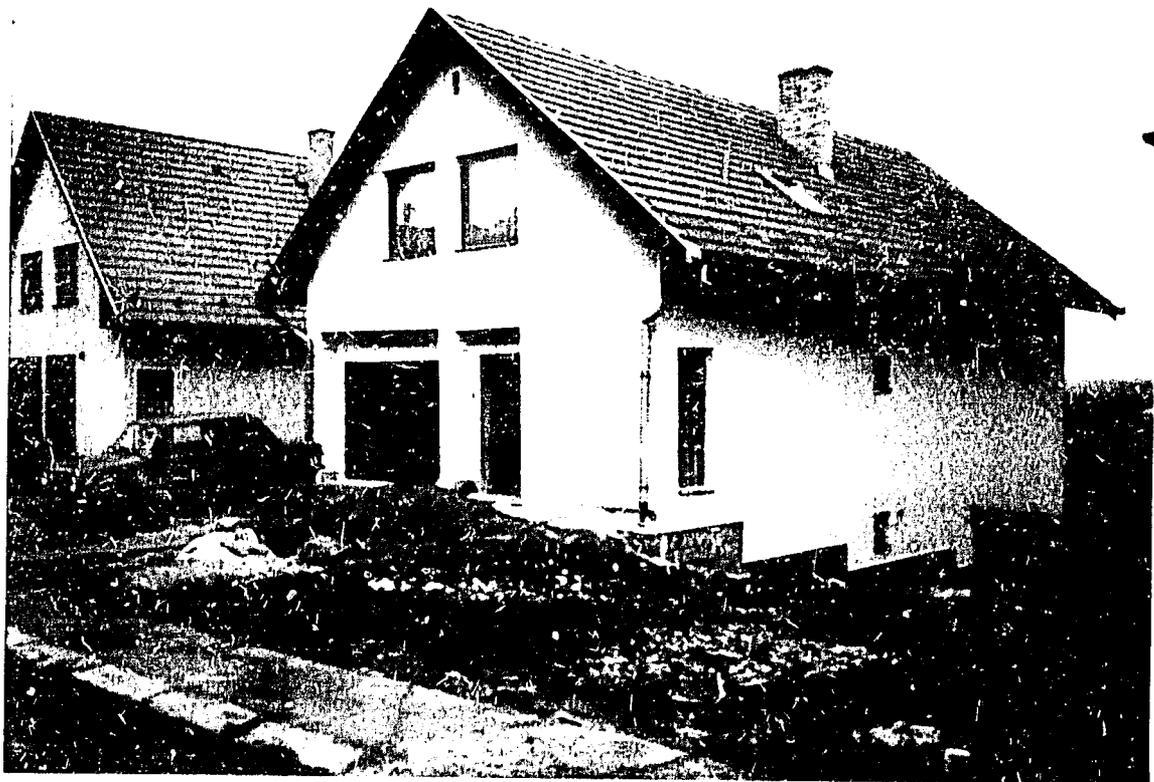
3:00 pm: Rimavska Sobota

We inspected an area of new SFDs located on the north side of the main road coming into the city from the east. Some houses were complete, and some were being built by professional contractors. One worker provided the information that the land for the houses was provided by the city in 1989 and most are being built by their owners.

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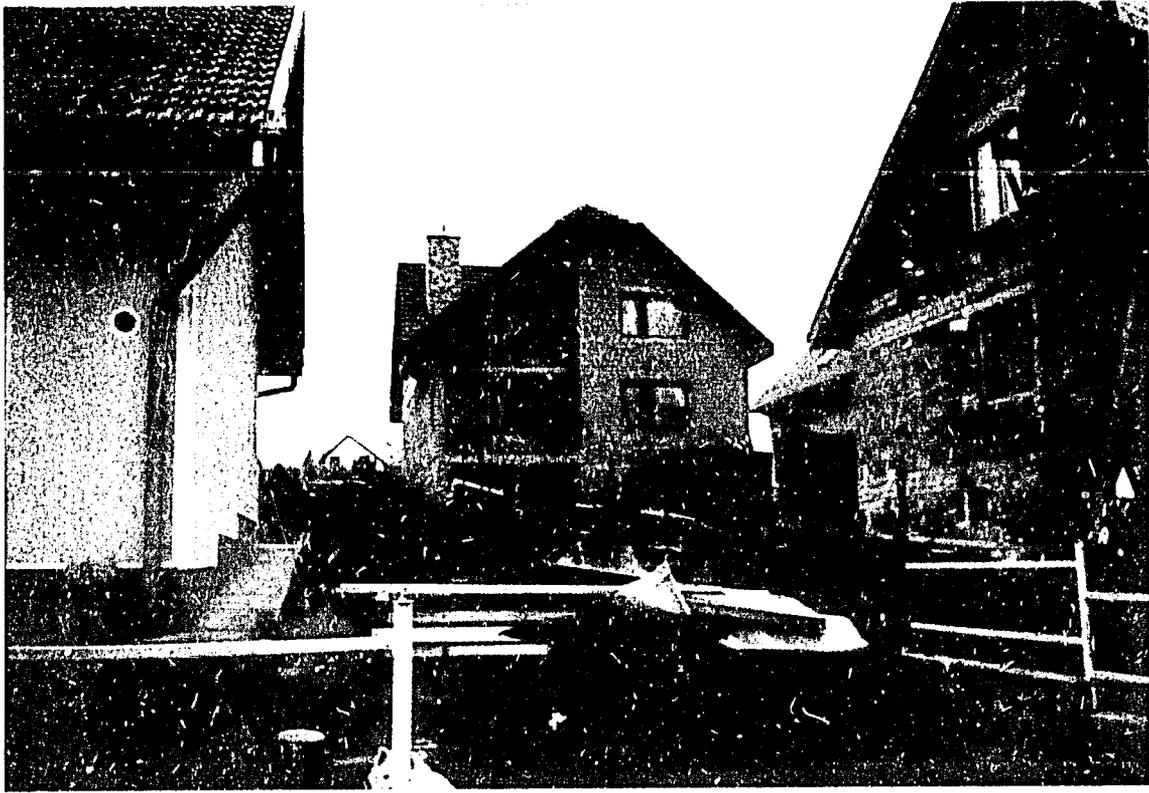


Rimavska Sobota



Rimavska Sobota

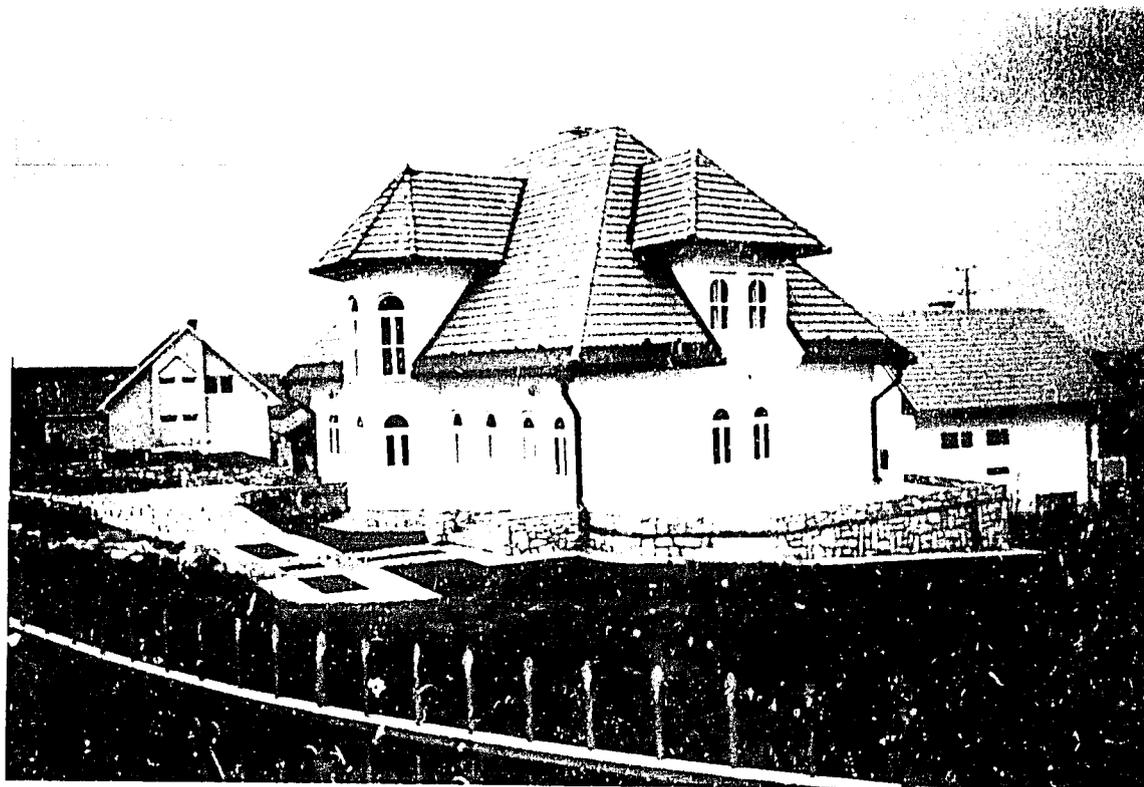
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Rimavska Sobota



Rimavska Sobota



Rimavska Sobota

Friday, February 10, 1995: Bratislava

10:00 am: Meeting with George Williams at USAID mission

1:00 pm: Meeting at the Institute of Housing with Ing. Jozef Varta, Mayor, City of Nove Mesto, JUDr. Marian Brezovak, City Manager, and Jaroslava Zapletalova

Mr. Varta explained he wished to learn how the city should cooperate on developing housing. He would like to create a model as to how housing developments should be organized and what the principles of public/private cooperation are. He had read and understood the outline that I developed regarding the steps and players in the real estate development process. The city expects that investment resources will be available from both local and foreign sources, and the city would like to find a way to exploit all in one project.

The plan is to develop up to 120 houses on 3.9 hectares of land, which is now partially occupied. A new zone plan to cover this area is being processed, and most of the infrastructure is present. The city is open to contribute some land, and two construction companies have expressed their interest in putting in some money, as has the Slovak American Enterprise Fund.

I began an explanation of the real estate development process in America, but stopped when I realized that the information was too basic for their purposes. I suggested that the city

attempt to separate its three roles as owner, land planner, and approval authority. I also suggested that there be a single project director to coordinate all aspects of the project. Finally, I noted the principals of risk and reward, and pointed out that the ownership group would have to bear these in equal measures. The mayor replied that his objective was to reduce risk as much as possible. I noted this could be accomplished through a corporation or other entity with limited liability. If so, however, the risk would then be transferred to the construction companies.

I left the meeting with the impression that, due to inexperience and lack of confidence, the mayor is looking for a foolproof formula. The mayor stated, however, that the meeting had affirmed to them that they basically knew what they were doing. In my opinion, their next step should be the hard negotiations over roles and risks in the project.

2:00 pm: Bratislava — Meeting with Dipl. Ing. Mikulas Bakay, Head, Division of Public Works, Ministry of TCPW

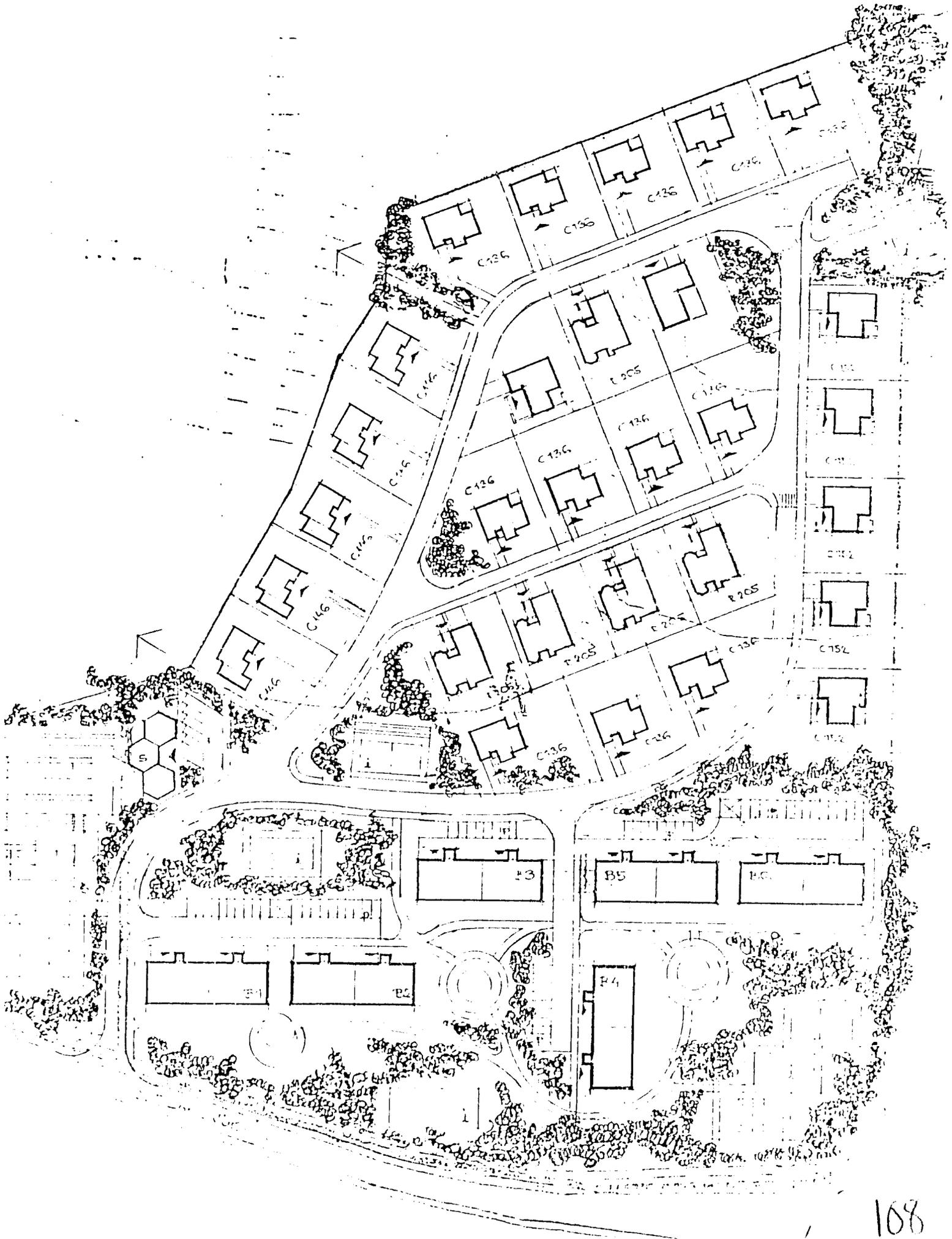
4:00 pm: Bratislava — Meeting with Ing. Jozef Machala, Ing. Stefan Lieskovsky and Ing. Karol Lucansky, principals of the construction company, FOMALL spol. s.r.o. of Banska Bystrica

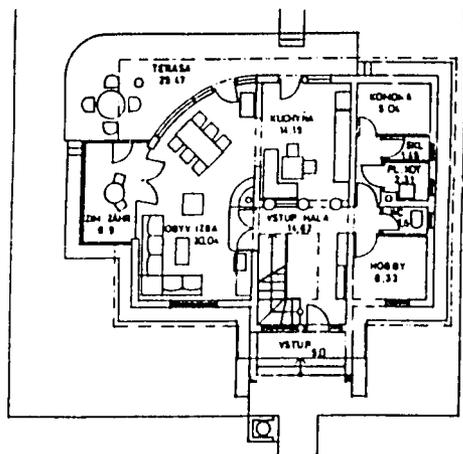
FOMALL is a commercial as well as a construction company, and can do any type of construction, including the engineering and preparation of plans. The retarded condition of housing development is not due to a lack of labor or materials, but is a question of financing. The middle class does not have the money to fuel housing development.

Slovakia suffers from a lack of tradition. Under socialism, the cost of an SFD, of between 125 and 200 SM, in shell condition was SK-300,000, of which 40 percent could be obtained as a grant. In 1995, the expenditure for the same shell is between SK-2,000,000 and SK-2,500,000. Current procedures to obtain a loan are not like the old ones, and the people don't yet trust them.

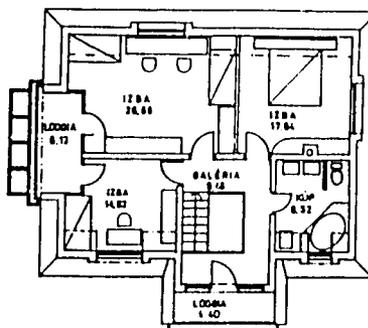
Although SFDs are generally beyond the means of the middle class, the upper stratum can afford them. A land owner in Banska who obtained his piece through restitution has joined with others to do a study for an American-style subdivision. A mix of detached and semi-detached houses has been chosen from a catalogue with 130 different types. The selected types of housing are typical of the architecture in central Slovakia. (See following pages for project plans.)

FOMALL intends to finance the project through loans or equity from a foreign investor and by having the purchase price paid in installments during construction. Installments are necessary because no one can pay in advance. The finishes and other details of each house, along with the payment schedule, will be negotiated in advance, and construction will be on a turn-key basis. The city will contribute a portion of the infrastructure, and a portion will be attributed to the price of each house.





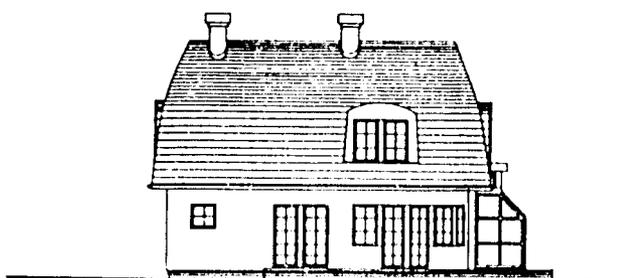
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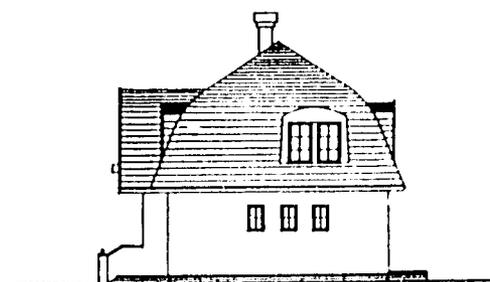
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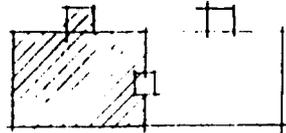


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AURIS a.s.

AURIS a. s. Rudlovska cesta č. 53, 974 94 Banská Bystrica, Slovenská republika

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SMER POHĀDU



POHĀD ČELNÝ, M = 1:200

The foreign investor is German, and the first problem that FOMALL faces is the percentage of the road and infrastructure costs that will be contributed by the town and the investor. The core of the negotiations is the mix of debt and equity to be contributed by the Germans. They are assuming that during construction the land will remain with the present owner, and that he will be paid as the houses are sold. The projected sales prices of the houses are between SK-3,000,000 and SK-3,500,000.

FOMALL is primarily a construction company. One of its recent projects is the city jail for Banska. It is competent to do any type of project and is getting into housing because it anticipates that there will be a market for SFDs among wealthy people. FOMALL also has prepared plans for penthouses and social infrastructure facilities such as clubhouses. It is starting a nine-unit penthouse project with an expected completion date of December 1995. The costs of SK-10,000 to SK-11,000/SM will cover the construction of the new units and the renovation of the base building. None of the units has been sold, but FOMALL has confirmed interest in 80 percent of the units.

FOMALL can provide everything necessary in the construction process — licenses, approvals, delivery of materials — and it can solve all technical problems. USAID can best assist by facilitating access to western investment and credits. Interest rates on domestic loans are “cruel,” and companies like FOMALL want to demonstrate their quality and professionalism to foreign providers of capital.

6:10 pm: Bratislava — Meeting with Dr. Jozef Ruzansky and Ing. Peter Lispuch, members — board of directors — Private Construction Contractors’ Association of Slovakia

Final note: CITY CORP. AGENTURA, which assisted in the field work for the survey, is marketing a 20-unit, brick, multi-family project in the Kramare section of Bratislava, being developed by the company IURIS spol. s.r.o. Unit sizes range from 69 SM to 160 SM, and prices from SK-953,219 to SK-3,851,479. The project was not inspected, but relevant information from the marketing brochure is attached as the last pages of this Appendix.

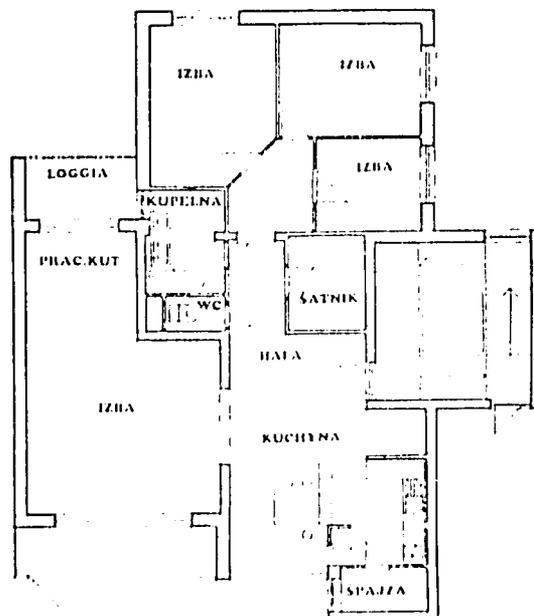
7:10 pm: Depart Bratislava for Vienna

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Výstavba tehlových

bytov

na Kramároch



URIS spol. s r.o. , tel. 362 282, 362 403

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luxusných, nadštandardných bytov na

KRAMÁROCH

KRAMÁRE - jedna z najatraktívnejších častí Bratislavy, spadajúca do širšieho centra mesta, nachádzajúca sa na JZ úpätí Koliby. Poloha stavebného pozemku je v tesnej blízkosti lesoparku a architektonicko-urbanistické riešenie bytového domu je orientované s výhľadom na lesopark a Horský park.

Bytový dom, ktorý je prístupný z dvoch komunikácií **M a g u r s k e j** a **R o z v o d n e j** ulice vytvárajú dve samostatné sekcie - blok A1 a blok A2, pozostávajúce z 8 podlaží:

- S-1, S-2, P, I. - V. poschodie.

Celkovo je v objekte 20 luxusne riešených bytových jednotiek, 22 garáží z toho 9 samostatných murovaných garáží, alebo dvojgaráží so vstupom z ulice a zbytok garážové boxy nachádzajúce sa na S-1, S-2 podlaží, ktoré sú prístupné priamo z bytu schodiskom alebo výťahom. Vstup do podzemných garáží je zabezpečený identifikačnou kartou!

Podlahová plocha bytov je od 69 m² po 160 m²

3 x 1 izbové

4 x 2 izbové

12 x 4 izbové

1 x 5 izbový

- s rozličným dispozično-prevádzkovým a veľkostným riešením. Byty majú okrem izieb, kuchyne, haly, kúpelne, hygienického zariadenia veľké loggie.

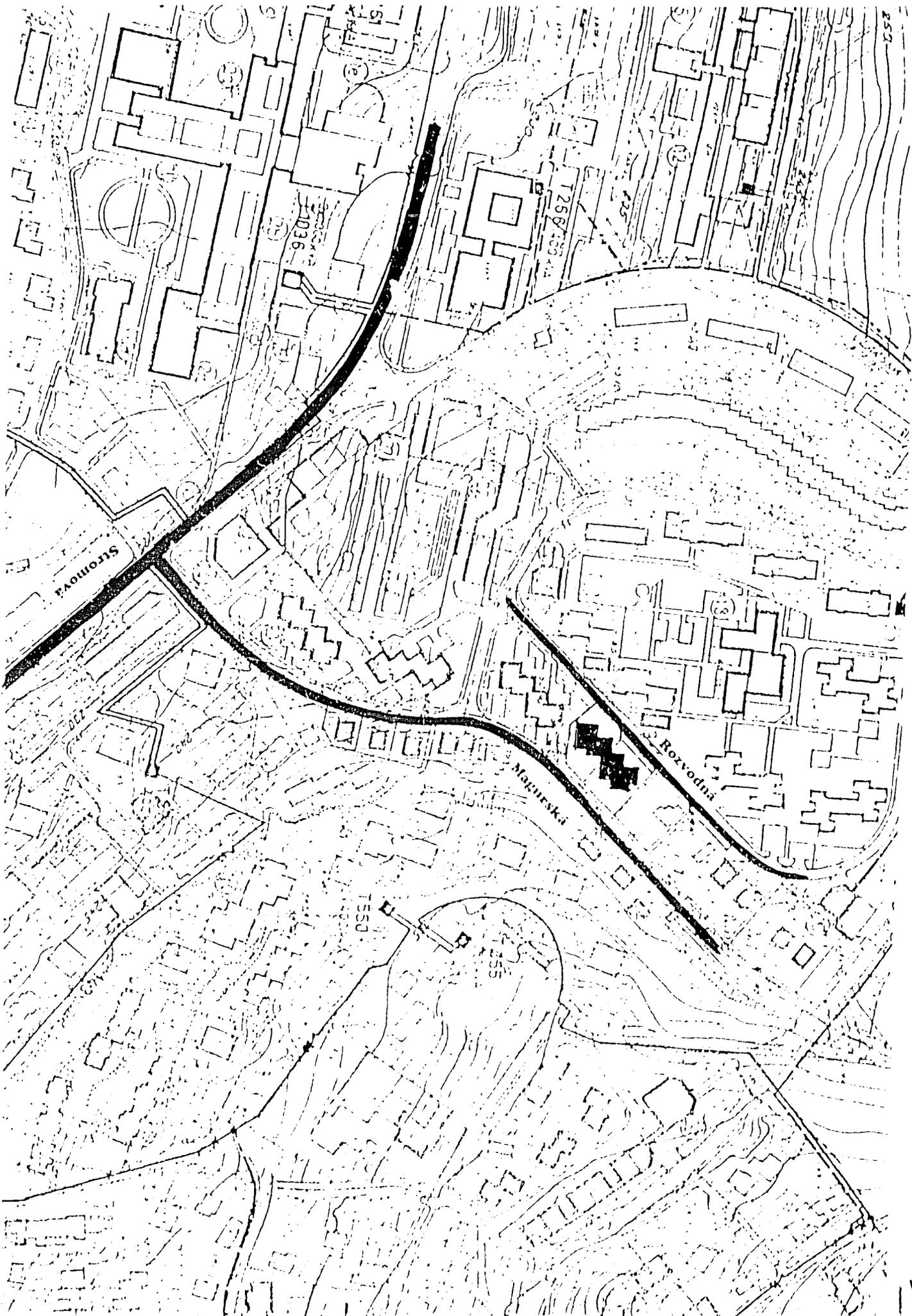
Spotreba vody, el. energie je meraná individuálne pre každý byt. Okná a vonkajšie dvere sú plastové, obvodové murivo z tehál POROTHERM - WIENERBERGER s vysokým tepelným odporom. Strecha je plochá s atikou v spáde s obložením bonského šindľa.

Spôsob predaja bytov

Spoločnosť SLOVAK - SOL s r.o., uzavrie prostredníctvom firmy IURIS spol. s r.o. zmluvu o obstaraní vecí so zákazníkom na konkrétny byt s na konkrétny byt s prípadnými individuálnymi úpravami bytu, ktoré budú riešené dodatkom k zmluve o obstaraní vecí.

Spôsob platby je zálohový v nasledovných splátkach:

- 30% z celkovej sumy do 15 dní odo dňa podpísania zmluvy o obstaraní vecí ,
- druhá a tretia splátka vo výške 30% z celkovej sumy,
- a zostávajúca časť vo výške ceny 10% ako aj 6% DPH bude uhradená do 30 dní po vydaní kolaudačného rozhodnutia. V tejto lehote sú zmluvné strany povinné uzavrieť kúpno-predajnú zmluvu na predmet obstarania a podať návrh na vklad vlastníckeho práva do katastra nehnuteľností.



S. Stronova

Mazurska

S. Rozvodna

TSSD

TSSD

1036

1268

853

NE

Byt č. 17

Blok A2

veľkosť

4-izbový / 134,27 m²

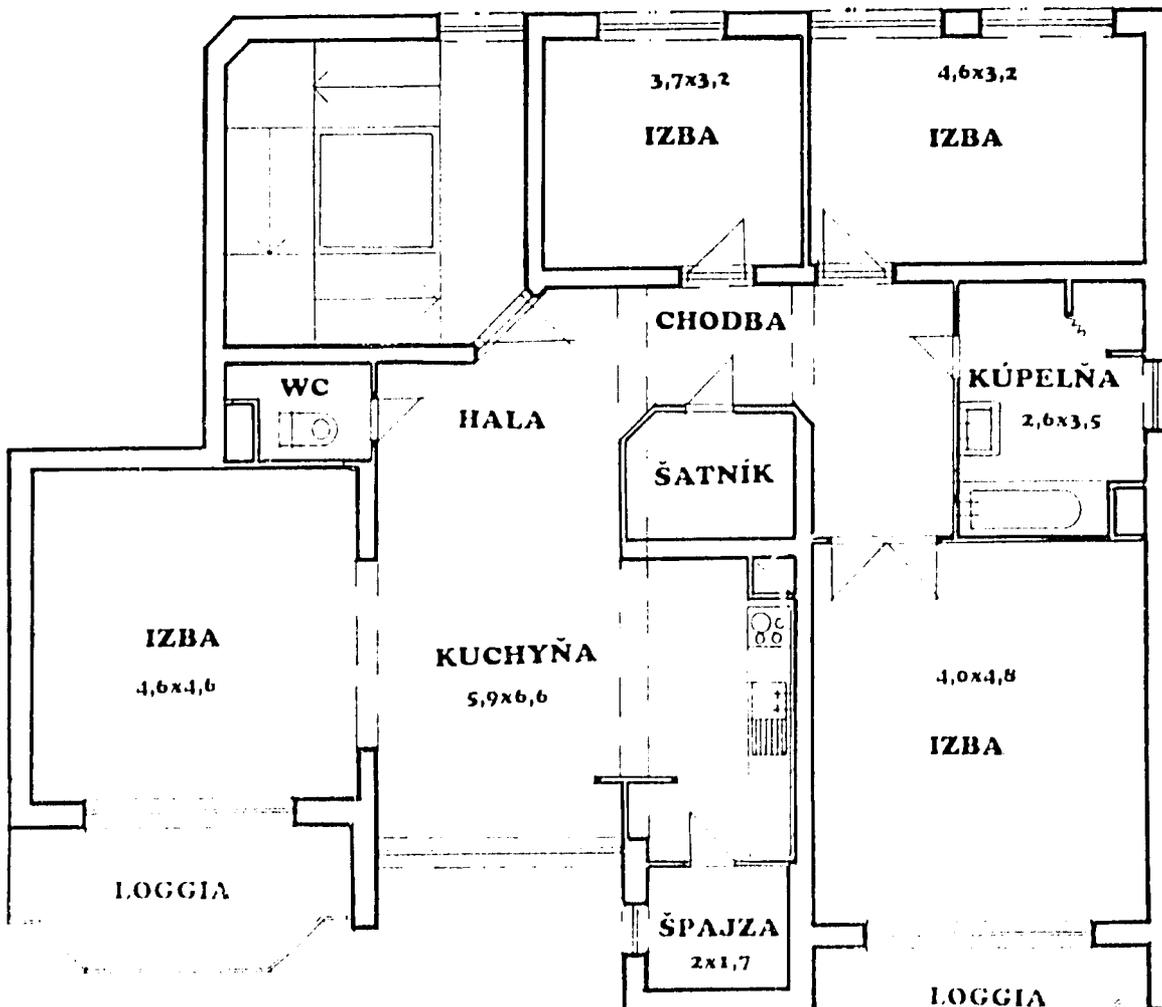
loggia 13,97 m²

poschodie

2.NP

cena

2,064,029,- Sk



Byt č. 8

Blok A1

veľkosť

4-izbový / 120,29 m²

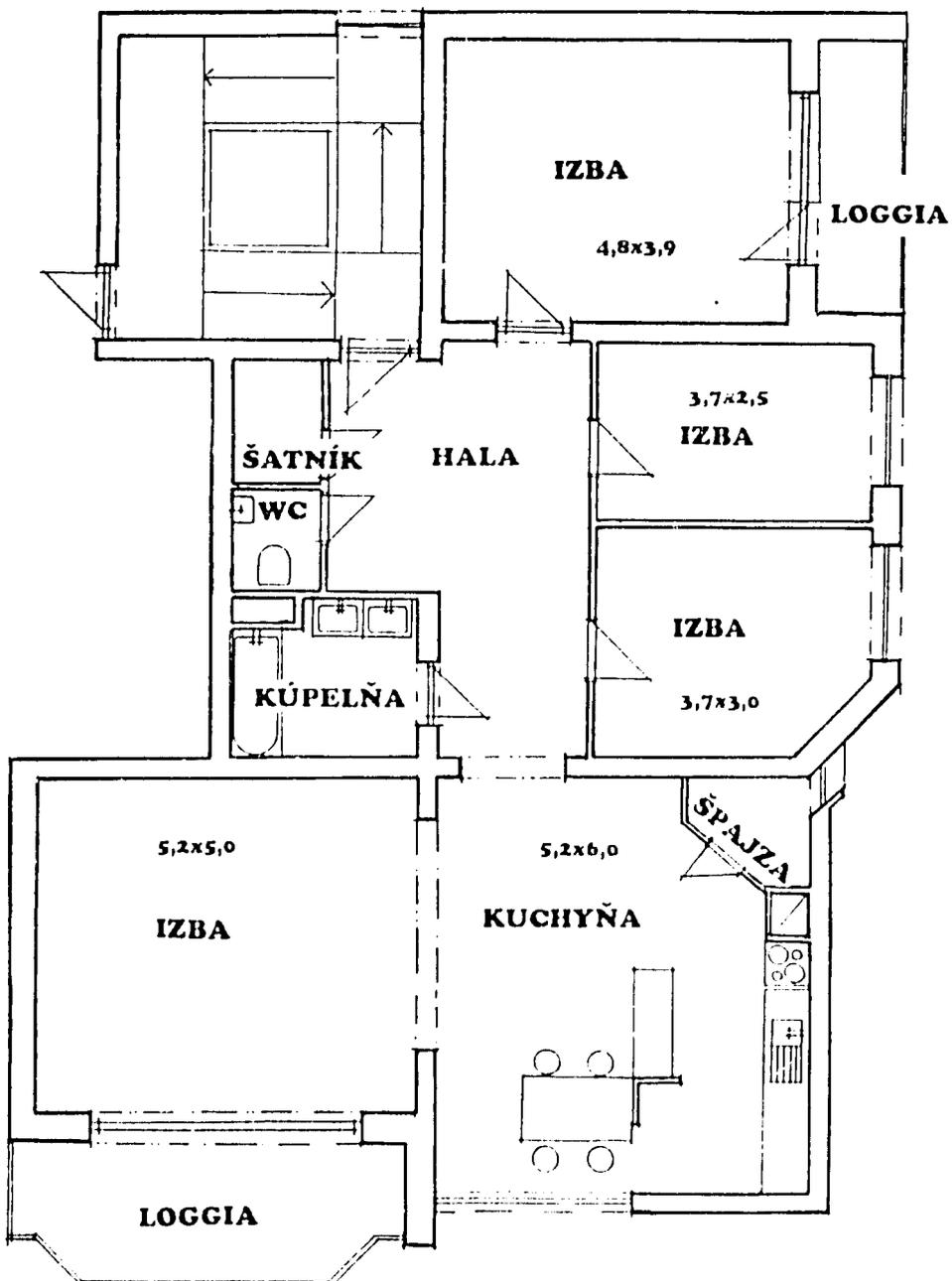
loggia 14,22 m²

poschodie

2.NP

cena

2.026.238,- Sk



PREHLAD JEDNOTLIVÝCH TYPOV BYTOV

Byt č.	veľkosť	podlahová plocha	terasa loggia	celková plocha	celková cena	Nachádza sa	
						sekcia	na podlaží
1	1-izbový	76,37	10,21	86,58	1 030 431 Sk	A1	S1
2	1-izbový	67,99	9,72	77,71	953 219 Sk	A1	S1
3	2-izbový	94,30	10,21	104,51	1 337 758 Sk	A1	P
4	1-izbový	67,99	9,72	77,71	1 014 996 Sk	A1	P
5	4-izbový	126,61	14,85	141,46	1 987 935 Sk	A1	1NP
6	4-izbový	120,29	14,22	134,51	1 919 710 Sk	A1	1NP
7	4-izbový	126,61	14,85	141,46	2 101 597 Sk	A1	2NP
8	4-izbový	120,29	14,22	134,51	2 026 238 Sk	A1	2NP
9	4-izbový	126,61	14,85	141,46	2 212 111 Sk	A1	3NP
10	4-izbový	120,29	14,22	134,51	2 132 766 Sk	A1	3NP
11	4-izbový	126,61	14,85	141,46	2 330 495 Sk	A1	4NP
12	4-izbový	120,29	14,22	134,51	2 239 294 Sk	A1	4NP
13	5-izbový	161,62	86,22	247,84	3 851 479 Sk	A1	5NP
14	2-izbový	104,06	13,97	118,03	1 447 141 Sk	A2	S1
15	2-izbový	107,21	13,97	121,18	1 516 311 Sk	A2	P
16	4-izbový	134,27	13,97	148,24	1 959 958 Sk	A2	1NP
17	4-izbový	134,27	13,97	148,24	2 064 029 Sk	A2	2NP
18	4-izbový	134,27	13,97	148,24	2 210 798 Sk	A2	3NP
19	4-izbový	134,27	13,97	148,24	2 357 567 Sk	A2	4NP
20	2-izbový	81,56	78,17	159,73	2 203 354 Sk	A2	5NP