Housing Reform in the Russian Federation

A Review of Three Cities and their Transition to a Market Economy

March 1992

OFFICE OF
HOUSING AND URBAN
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A Review of Three Cities and their Transition to a Market Economy

March 1992

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U.S. Agency for International Development

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Abstract

This report is based on interviews and observations during a March 1992 visit by the authors and Ludmila Lapshina (translator) to three cities in the Russian Federation -- Moscow, Ekaterinburg (Sverdlovsk) and Novosibirsk. The purpose of the visit was to provide USAID officials with essential background information on the housing sector to determine if U.S. technical assistance to these cities in this sector was appropriate and, if so, what form it could take. The team's understanding was that the assistance program would include the stationing of resident expert advisors in the cities.

The paper is divided into two broad parts. Part One reviews some major crosscutting trends and issues observed in the three cities. Part Two provides a more detailed report on each city. The city reports are divided into a brief background description of the general state of the housing market and the trends in the city's growth; the structure of the municipal government; the capacity of the city to manage change; the principal constraints to private provision of housing; and, the major problems in the housing sector on which the city needs to focus.
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Part I: Overview of the Housing Sector in Post-Communist Russia and Major Areas of Reform

The overriding impression obtained from visiting municipalities in the Russian Federation and talking with those active in the housing sector is that broad-based change is clearly underway. This is most visible in the implementation of programs for privatizing the existing State rental units and in the construction of single-family housing (which had been forbidden since 1961 in cities of over 100,000 population). But our sense is that, particularly outside of Moscow, reform is deeply rooted, and the cities are anxious to move forward -- in part driven by budgetary exigencies. This part offers some summary observations based on the three city-specific reports that follow in the next part. We have tried not to overstate the degree of commonality in what we observed. However, in attempting to describe regularities in an inherently fluid and somewhat chaotic situation, the temptation to impose order may have been too great for us from time to time.

Comparison of Early Experience of Reform With That in Eastern Europe

As the Russian Federation begins the transition to a market system in housing, the problems encountered are similar to those faced by many Eastern European countries. Creating a housing finance system that provides construction and mortgage financing at market rates, and a rental housing market that charges rents sufficient to cover at least the operating costs of the housing are just two examples of the problems that must be overcome.

But while many of the problems are similar, the early results of reform have been quite different. One big reason is that the Russian housing system was more rigid than that of other countries in Eastern Europe. For example, between 1961 and 1989, single family construction was not permitted in cities over 100,000 in the former Soviet Union. To our knowledge, a similar prohibition on single-family construction was never imposed in the large cities of Eastern Europe.

Another example of the rigidity of the Russian system is the substantial participation by the State in housing relative to Eastern Europe. Over 75 percent of the housing stock in large Russian cities -- 90 percent in Moscow -- is controlled by the State, compared to, for example, about 50 percent in Budapest, and only 20 percent in Sofia.
A comparison of cuts in the central budget for housing shows that Russian cities have sustained deeper reductions much more quickly than cities in Hungary, Czechoslovakia and Bulgaria, where municipalities were insulated from large budget reductions during the first year of reforms. In many cases, Russian cities have had to adjust to decreases of 25 to 50 percent in housing funds during the first few months of reform (if the beginning of reform is dated as January 1992).

The Existing Housing Stock

**General Description:** Ownership of the housing stock in Russia is divided into five principal forms: State-owned municipal housing; State-owned agency or enterprise housing; cooperative housing; housing owned by public organizations; and, privately-owned housing. State-owned municipal housing is owned and managed by the city, whereas State-owned departmental or enterprise housing is managed by agencies and enterprises that provide housing directly for their employees. Cooperative housing is owned and operated by groups such as farm or house building-cooperatives. Public organization housing is run by groups such as trade unions, while privately-owned housing is housing owned by individuals.

Of the five forms of ownership, the dominant one in large cities is State-owned housing, both municipal and departmental (Table 1). This is due, in large part, to the inability of small organizations and individuals to obtain financing and land on which to build housing. As municipal governments proceed with privatization, the percentage share of State-owned housing will decrease, while the percentage of privately-owned and cooperative housing will rise.

One of the most striking characteristics of the existing housing stock in Russia is the significant shortage. In the three cities visited, officials complained of long waiting lists, with some taking as long as 20 to 25 years before a family could be allocated a unit. For example, in Ekaterinburg the waiting list for municipal housing is reportedly 16,000 households (about 12 percent of the municipal housing stock) with allocation of units now going to households registering in 1967. The severity of this problem may be overstated, to the extent people are not removed from the waiting list after receiving a unit -- either formally or informally.

**Housing Management:** An area requiring substantial reform is the management and maintenance of the existing housing stock. While maintenance of housing has always been
underfunded leading to deterioration and premature obsolescence, recent price increases for replacement parts and slashes from the central budget for maintenance have further exacerbated

TABLE 1

Distribution of Dwelling Stock by Type of Ownership in 1990
(as a percentage of total floor space)

<table>
<thead>
<tr>
<th>Form of Ownership</th>
<th>Russian Federation</th>
<th>Moscow (Sverdlovsk)</th>
<th>Ekaterinburg</th>
<th>Novosibirsk</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- municipalities/local soviets</td>
<td>25.2</td>
<td>72.1</td>
<td>33.9</td>
<td>45.6</td>
</tr>
<tr>
<td>-- ministries &amp; agencies</td>
<td>41.7</td>
<td>18.2</td>
<td>53.4</td>
<td>34.8</td>
</tr>
<tr>
<td>Public organizations</td>
<td>2.9</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>House-building cooperatives</td>
<td>3.8</td>
<td>9.3</td>
<td>8.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Private individuals</td>
<td>26.4</td>
<td>0.3</td>
<td>4.0</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Source: [2]

this problem. The Russian Federation estimated that around rub 78 billion would be needed for the maintenance budget in 1992; however, estimates now are that only rub 22 billion will be provided. This uncertainty in the availability of resources is also making it difficult for project managers to plan badly needed repairs. To make matters worse, rents continue to be capped at their 1928 rate! This problem would be eased if a housing reform law relaxing this ceiling is passed and implemented by the Russian Federation.

For obvious reasons, city officials are keenly interested in showing improvements in the maintenance of the housing stock and the efficiency with which services are provided. Improvements in this area would lead to better living conditions for residents and, hence, increase their satisfaction. If tenants experience a visible improvement in their standard of living, rent increases may be more palatable.

**New Construction**

New residential construction in Russia appears to be collapsing. Funding from the central budget to the large construction firms has been cut dramatically, leading to decreases of 25 to 35 percent in the number of newly completed units, with even deeper reductions in the number
of new housing starts. This coupled with the fact that localities have limited means to raise revenues continues to leave a large gap in the amount required for building new housing.

As noted earlier, the State has played the dominant role in the provision of housing, with control held locally by a committee on capital construction. This committee acts as a "unified customer" for the city and enterprises, prioritizing requests for project development and managing the actual construction.

At the same time, small contractors and "self-help" families have begun building single-family houses in cities outside of Moscow in significant numbers. This nascent shift in housing development -- both the type of housing being built and those doing the building -- is a key development and probably a harbinger of much greater changes in housing development.

**Infrastructure and Housing Finance:** To support a viable housing market, a stable financial system that efficiently channels resources for the development of infrastructure and the construction and purchase of housing is critical. Infrastructure development has traditionally been financed up-front from the central budget, either through the municipality or through state-owned enterprises. But with sharp cutbacks from the center, cities are scrambling to find alternatives and are anxious to reform this system.

In the area of housing finance, while the local capital construction committees have been able to receive some bank loans to construct housing, affordable take-out mortgage financing is desperately needed for households to purchase the housing and for owners of recently-privatized housing to be able to sell. Some mortgage financing is available through the State Savings Bank or Sberbank. But its interest rate of 20 percent or more is high by Russian standards, and a shift to a new loan instrument better suited to inflationary conditions is needed.

Reform in this area must first come at the Russian Federation level with the creation of a functioning banking system that establishes, among other criteria, proper loan underwriting, origination, and servicing procedures. Also, laws and regulations governing forbearance and foreclosure need to be developed or clarified.

**Land management:** In the area of land management, it continues to be the case that the master plan guides the overall development of the city. But unlike in previous years, when formation of the plan was controlled by Moscow, cities now have greater freedom to redesign the plan. Many cities appear to be taking the opportunity to redesign according to their perceived
needs, one of which seems to be a near-universal interest in increasing the allocation of land for single-family dwellings. Many city officials felt, however, that they did not have much land within the city boundary to allocate for single-family construction so that most of the low-density housing is being allocated sites in suburban areas (i.e., territories outside the city proper which are administratively subordinated to the city). Based on our observations, it appeared that there was land available within the city, suggesting that the concept of in-fill was not a common one.

Land and property registration and valuation are also areas requiring substantial reform. Previously, registration and valuation of land were not considered important, since ownership was held by the State and could not be transferred. But with privatization of the housing stock a major economic reform policy of the Russian Federation, modern techniques in property valuation are critical for successful implementation. Similar pressures exist for creation or improvement of land registration systems.

**Technical Issues, Materials and Labor**

Recent articles have placed at least partial blame for problems in housing on shortages of materials and labor and on the inadequacies of Russian building technology. Based on our observations in the three cities, this assessment does not appear to be fully accurate. With unemployment rising, in particular in the housing sector, there is reportedly a sufficient supply of labor to meet the demand for this input. And as far as reported shortages of building materials, a recent State Department report on prices in Moscow stated that there was, in fact, a large supply of construction materials, but that there is not much demand because of reduced construction. Those interviewed outside of Moscow cited spot shortages in specific items, but no general problems of availability, although quality is often a problem.

It is true that improvements in technology could improve the quality of housing and reduce its cost. One such improvement often echoed by officials was the desire to meter individual units to charge households for actual usage of utilities. Meters currently exist, but measure only individual consumption of electricity, not gas and water.

The development of micro-utility systems is another area of technological improvement sought by city officials. This will be particularly important as development of single-family housing becomes more frequent. Needed are water heaters, heating systems, and individual unit sewage disposal. If individual single-family houses were separately connected to the city's
central heating system, for example, the cost of construction and operations would be substantial and make single-family housing much less affordable.

Status of Privatization

Since the first of this year, privatization has been initiated or its pace increased in many cities. But even though more households are privatizing their units, most remain reluctant to do so. City officials cite an uncertainty over the cost of property taxes (which will be implemented in 1992) and the cost of maintenance as two big reasons for the dampening of potential homeowners' interest.

One interesting development is in the way the cities are implementing the privatization law. Moscow’s policy has been, by far, the most radical permitting residents to privatize their housing free-of-charge. The other cities visited seem to be following the law more closely by charging for space above the minimum established by the Federation that is to be given away free-of-charge. ¹

For the most part, city officials displayed a general ambivalence toward privatization of the State-owned municipal stock. Some saw loss of the stock (and the city’s right to allocate it) as an important diminution in the city’s powers. Others, primarily the "new structure" reformers, are more anxious to privatize and reduce the city’s financial burden.

Institutional Structure: the Old vs. New Structure

Earlier sections have discussed some of the problems Russian cities are facing in their transition to a market housing system. But even if solutions to these problems can be found, it is by no means clear that the current institutional structure will permit implementation of the needed reforms.

Based on our observations, it appears that much of the old structure remains largely responsible for administering housing programs. This is particularly true for the city of Moscow, where a large, uncoordinated bureaucracy controls the housing sector. Institutional problems arise when implementation of housing is controlled by old structure government agencies, while development of reforms is controlled by newly created city organizations. For example, in the

¹ The July 4, 1991 Law on Privatization of Housing and Land establishes that the average value in the city of no less than 18 square meters per person and 9 square meters per family, adjusted for quality, shall be provided free-of-charge to anyone privatizing their apartment.
cities we visited the housing privatization office is separate from the office responsible for housing maintenance, and these offices are both separate from the one in charge of housing construction.

Other reformers are found in the representative city council (or city soviet). Importantly, there is a trend by the city soviets to elect a "small soviet", which is composed of a fraction of the total deputies and which can act more efficiently. Still, these organizations generally do not have the same power and responsibilities as the city government, which has exclusive control over the operations of housing programs.

It is still too early to tell whether such a division of power and responsibility can lead to implementation of real reforms. What can be said is that such tension may hinder the speed by which reforms are implemented and that the road to a market system in housing will be long and difficult.
Part II:  Reports on Three Cities -- Moscow, Ekaterinburg, Novosibirsk
MOSCOW

Background

**Demographic, urbanization and economic development:** At the beginning of 1991, the population of the city of Moscow was around 9 million. An additional 6.7 million people lived in the region (or oblast, in Russian) surrounding Moscow (Table 2). Between 1979 and 1989, the total population for the city of Moscow grew 10.6 percent, nearly 3.5 percentage points more than the rate of growth for the entire Russian Soviet Federal Socialist Republic, now known as the Russian Federation (RF) during that same period.

The population density of Moscow is much higher than of other cities visited by the team. In 1990, over 334 persons/square kilometer resided in both the city and region. This compares to 24.3 persons/sq. km. in Ekaterinburg and only 23.8 persons/sq. km. in Novosibirsk. But despite this relatively high population density, it appears that much land remains underutilized and available for development.

As the center of the old USSR and the current capital of the RF, Moscow is dependent much more on government and service-related employment rather than industry. Unlike the cities of Ekaterinburg and Novosibirsk, where four out of every ten people are involved in industry, only about a quarter of the city’s workers are employed in this sector (Table 3). During the period 1980 to 1990, the share of the total workforce employed in the services sector grew, while that of the industrial and construction sector declined. Despite this, industry still is the leading employer in Moscow, with employment in this area comprising nearly 24 percent of the workforce. The next important area is science services with over 20 percent. This reflects the fact that many large scientific and research institutes are centralized in the city of Moscow.

**Housing and infrastructure characteristics:** By the end of 1990, the number of dwelling units in Moscow totalled approximately 2.9 million. These dwellings are divided into five types of housing: units owned by municipalities; units owned by ministries, enterprises and organizations of the RF; units owned by public organizations (such as trade unions); units owned by house-building cooperatives (HBC) and housing cooperatives (HCs); and privately-owned housing. At the end of 1991, ownership of the State-owned municipal stock was transferred to the municipalities.
Based on the size of the total floor space (the main statistical parameter used in the former Soviet Union to measure the size of the housing stock), over 90 percent of the Moscow housing stock was State-owned by the end of 1990 (Table 1). Of this amount, more than 72 percent was controlled by the municipality, with a little over 18 percent owned by ministries and enterprises and organizations of the RF. A little more than 9 percent of the stock was owned by HBCs and HCs, with less than .5 percent held either by public organizations or private persons.

As with all other large cities in the RF, Moscow has a very long waiting list to receive housing. By the end of 1990, 360,000 households were on this list. This represented about 12% of the total number of units available in Moscow.
### Table 3

Distribution of Average Annual Number of Workers and Employees by Branch of the National Economy in Moscow, 1980-90

(in percent)

<table>
<thead>
<tr>
<th>Branch</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>25.9%</td>
<td>23.6%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Construction</td>
<td>10.9%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>8.1%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Communication</td>
<td>1.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Trade, Restaurants, etc.</td>
<td>9.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Information and statistical services</td>
<td>0.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other &quot;material industries&quot;</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Housing utilities and maintenance</td>
<td>4.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Health service, social welfare</td>
<td>5.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Education</td>
<td>5.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Culture</td>
<td>1.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Art</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Science and associated services</td>
<td>19.6%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Banking and state insurance</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Management staff of state, industrial,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cooperative, and public organizations</td>
<td>4.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Total workers and employees (in thousands)</td>
<td>5,209</td>
<td>4,684</td>
</tr>
</tbody>
</table>

Source: "Moscow in 1990, Development of Economic and Social Spheres." Moscow City Committee on Statistics (Mosgorkomstat), 1991.

Living space per person in Moscow is relatively abundant, compared to other large Russian cities. In 1989, Moscow residents had on average 17.7 sq. meters/person, nearly 2 sq. meters/person more than residents in Ekaterinburg and over 3.5 sq. meters/person more than those in Novosibirsk (Table 4). The average living space increased by about 8 percent between 1980 and 1989. But despite these figures, average living space is still rather limited. The 1989 figure of 17.7 sq. meters/person equals about 180 sq. ft./person, so that a family of four lived, on average, in a 720 sq. foot apartment.

Despite its appearance, the Moscow housing stock is rather young. Over 88 percent of the stock was built after 1955, with only 3 percent built before 1917. Maintenance of this stock
is managed by about 480 housing repair and maintenance departments (HRMD), with each one managing, on average, about 6,000 units.

Table 4
Average Living Space Per Person In Selected Major Cities, 1980 and 1989
(square meters per person)

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1989</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow a/</td>
<td>16.4</td>
<td>17.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Ekaterinburg b/</td>
<td>15.3 c/</td>
<td>15.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Novosibirsk</td>
<td>13.1</td>
<td>14.1</td>
<td>7.6</td>
</tr>
<tr>
<td>St. Petersburg a/</td>
<td>16.1</td>
<td>17.3</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Notes:
a/ includes administratively subordinated territory
b/ excludes administratively subordinated territory
c/ figure for 1986

Sources: [1,5,6,7]

In terms of utilities, units in Moscow are quite well equipped relative to housing in the RF as a whole. Virtually every publicly-owned unit has piped water, sewer connection, central heating, bath/shower facilities, and hot water (Table 5). A much smaller percentage of privately-owned units have such utilities. Indeed, just a little over one-fourth of privately-owned units have piped water, and an even smaller percentage (14.5 percent) have sewer connections and (10 percent) bath/shower facilities. This is due in large part to the fact that many of the privately-owned homes in Moscow were built during the tsarist period (prior to 1918) before the Second Revolution; private ownership was essentially prohibited after that time.

Over 60 percent of the residential housing stock in Moscow is greater than 4 stories, 70 percent of which have an elevator (Table 6). For the RF as a whole, only 1.2 percent of the residential housing stock is greater than 4 stories, with only 32 percent of those equipped with an elevator.
### Table 5
Units in State, Public, House-Building (HDC) and Housing Cooperatives (HC)
Equipped With Certain Utility Services
(1990 data in percent)

<table>
<thead>
<tr>
<th>Type of Utility</th>
<th>Russian Federation</th>
<th>Moscow *</th>
<th>Ekaterinburg (Sverdlovsk)</th>
<th>Novosibirsk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piped Water</td>
<td>84.5</td>
<td>100.0</td>
<td>97.4</td>
<td>97.9</td>
</tr>
<tr>
<td>Sewerage</td>
<td>80.9</td>
<td>100.0</td>
<td>97.1</td>
<td>97.3</td>
</tr>
<tr>
<td>Central Heating</td>
<td>81.2</td>
<td>99.8</td>
<td>96.7</td>
<td>97.2</td>
</tr>
<tr>
<td>Bath (shower)</td>
<td>76.7</td>
<td>99.4</td>
<td>94.0</td>
<td>93.2</td>
</tr>
<tr>
<td>Gas</td>
<td>73.6</td>
<td>66.4</td>
<td>80.0</td>
<td>NA</td>
</tr>
<tr>
<td>Hot Water Supply</td>
<td>67.7</td>
<td>97.3</td>
<td>94.9</td>
<td>94.5</td>
</tr>
<tr>
<td>Electric Ranges</td>
<td>16.5</td>
<td>33.5</td>
<td>16.4</td>
<td>84.5</td>
</tr>
</tbody>
</table>

* including units administered by the city soviet

### Units in Private Residential Houses
Equipped With Certain Utility Services
(1990 data in percent)

<table>
<thead>
<tr>
<th>Type of Utility</th>
<th>Russian Federation</th>
<th>Moscow</th>
<th>Ekaterinburg (Sverdlovsk)</th>
<th>Novosibirsk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piped Water</td>
<td>17.1</td>
<td>26.1</td>
<td>8.8</td>
<td>30.0</td>
</tr>
<tr>
<td>Sewerage</td>
<td>11.1</td>
<td>14.5</td>
<td>2.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Central Heating</td>
<td>31.2</td>
<td>43.6</td>
<td>40.3</td>
<td>43.3</td>
</tr>
<tr>
<td>Bath (shower)</td>
<td>6.5</td>
<td>10.0</td>
<td>2.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Gas</td>
<td>50.7</td>
<td>55.5</td>
<td>42.5</td>
<td>21.1</td>
</tr>
<tr>
<td>Hot Water Supply</td>
<td>6.4</td>
<td>10.0</td>
<td>2.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Electric Ranges</td>
<td>0.2</td>
<td>--</td>
<td>0.1</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: [2]
Table 6
Five-Story Buildings in State, Public, House-Building (HBC) and Housing Cooperatives (HC)
(1990 data in percent)

<table>
<thead>
<tr>
<th></th>
<th>Russian Federation</th>
<th>Moscow *</th>
<th>Ekaterinburg (Sverdlovsk)</th>
<th>Novosibirsk</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-story and over residential houses as a % of all residential houses</td>
<td>1.2</td>
<td>60.4</td>
<td>13.7</td>
<td>5.5</td>
</tr>
<tr>
<td>% of 5-story and over residential houses with an elevator</td>
<td>31.5</td>
<td>69.6</td>
<td>38.9</td>
<td>34.0</td>
</tr>
</tbody>
</table>

* including units administered by the city soviet

Source: [2]

Institutional Structure of Municipal Government

Not unlike the structure of the U.S. government, the structure of the Moscow municipal government is divided into two parts: an executive branch, termed the Moscow government, and a representative city council (the Mossoviet), made up of roughly 500 elected officials (Figure 1). The city council has the power to pass laws, but in practice it is unable to compel the administration to implement them.

Moscow Government: The Mayor of Moscow is Gavriel Popov. The number two person and head of the Moscow city government is Vice Mayor or Premier Uri Luzhkov. Underneath them, the government divides into five first deputy premiers, ten members of the government (prefects) that control the administrative districts, two deputy premiers, and seven ministers of the government. Together, this group and the organizations they head serve as the policy making and management body for all local housing services, including construction, maintenance, privatization, etc.

1. First Deputy Premiers. The five first deputy premiers of the Moscow government head five departments or "complexes": (i) the City Economy complex, headed by Mr. B. Nikolskiy; (ii) the Long-term City Development complex, headed by Mr. V. Resin;
(iii) the Social Security/Protection complex, headed by Mr. V. Korobchenko; (iv) the Economic Reforms complex, headed by Mr. K. Buravlev; and (v) the Territorial Management complex, headed by Mr. E. Bakirov. Three of these five complexes are responsible for housing. This division of responsibility creates a significant inefficiency in housing development and management for the city, and could prove to be a constraint on improving the housing system in Moscow. The complexes responsible for housing are the following:

a) The City Economy complex includes the Moscow Engineering Committee (Mosinzhkomitet), headed by Mr. A. Matrosov, which is responsible for the maintenance and repair of houses and infrastructure. It is also responsible for tracking data on housing occupancy and collecting rents.

b) The Long-term City Development complex includes the Moscow Land Committee (Moskomzem), headed by Mr. V. Astdaturov, which is responsible for managing and registering land developed in Moscow. The complex also includes the Moscow Construction Committee (Mosstroikomitet), which is also chaired by Mr. V. Resin. This is a very large agency (approximately 76,000 employees, including construction workers), which is responsible for the state-owned housing construction industry in Moscow. Finally, it includes the Architectural and Planning Board (Glavmosarkitektura), directed by Mr. Vavakin, which is responsible for architectural design and city planning.

c) The Social Security/Protection complex includes the Housing Committee (Moszhilkomitet), chaired by Mr. P. Saprykin, which is responsible for the allocation, registration and distribution of the municipal housing stock and the implementation of housing privatization. The head of the privatization office is Mr. N. Maslov, who has been entrusted by Premier Luzhkov to push privatization forward.

2. Administrative districts. The 10 administrative areas are headed by prefects. These districts are divided further into 124 municipalities, which control the daily operations for the residential, not industrial, zones of Moscow.

City Council: As noted earlier, the city council (Mossoviet) is composed of approximately 500 deputies who are elected for a term of five years. The first free election was
held in 1990. Moscow also has a "small" city council composed of about 100 members from the large city council. The small city council is continually in session, while the large city council meets only episodically.

The relationship between the city council and Moscow government has been very strained over the last six to nine months. The city council has been increasingly concerned by the power exerted by the Moscow government without regard to the city council’s wishes. This has been particularly true in the rules regarding the privatization of the housing stock. The team was also told by members of the housing committee of the Mossoviet that the government is establishing an increasing number of "off-budget" accounts that are beyond the review of the city council.

Management/Administrative Capacity and Strategies for Development

Judgements in this area are extremely difficult, given the limited time available for information gathering. The team’s impression is that housing responsibilities within the Moscow municipal government are poorly organized. The segmentation of housing development from maintenance, and both of these functions from unit allocation, is inefficient and makes it difficult to place responsibility for poor performance. Moreover, the housing privatization office is separate from both the development and maintenance functions, presumably making the initiation of reforms in these areas more problematic. All of this suggests that serious consideration be given to unifying these responsibilities.

A further organizational problem is the separation of responsibilities for land from those of property. In this case, the segmentation follows Russian law and so is much more fundamental. Additionally, it would be unreasonable to attempt to separate issues of residential land use and zoning from parallel issues for other economic and social activities. Thus, while it may be reasonable for the land agency (Moskomzem) to continue as a separate entity, there appears to be the need for better coordination between land and property planning within the shelter sector.

The master plan for the municipality, developed over the past three or four years by the Master Plan Institute, was not prepared on the basis of a market economy. That is, the plan was not driven by the projected requirements for infrastructure, housing, transportation, and commercial and industrial facilities indicated by the future economic functions and development.
of the region under market conditions. Therefore, at the moment there is no realistic strategy for
development of the region.

**Principal Constraints to Facilitating the Private Provision of Housing**

**Land management:** This area of housing-related operations is one of the principal
constraints in moving to a market-based system. Substantial reform will be needed in this area
before a true private sector can be established.

A mechanism to register land rights essentially does not exist, in particular for privatized
housing. Indeed, the last available plat map on which to base a registration system for Moscow
dates back to 1937! Without a system of land registration, land titling is impossible. Moskomzem, the bureau responsible for land management, says that they are working with
outside firms to develop a computerized data system for registering land.

Under current law, land is treated separately from property. To transfer land under
privatization would mean it would need to be treated as real estate. This would require a revision
to Russia’s land law.

An arcane and complicated system, the approval process for development of Moscow’s
land needs substantial revision. An organization or person wishing to develop land must obtain
approvals from many departments within the government. After a developer receives all the
necessary approvals, a decree must be issued by the Moscow government. The city council
(Mossoviet) then has the opportunity to veto the development. We were told that approval for
some developments could take decades, while others, such as the McDonald’s Restaurant, could
take as little as two months.

Under the old Soviet system, land in Moscow never had value since it could never be
transferred. This is still the case today. Indeed, among the officials to whom the team spoke
there appeared to be difficulty even comprehending the concept that land could have value.
Transfer of leaseholds are possible, however, and officials do say that a few tenders have been
conducted.

Valuation of dwelling units is still difficult but should become easier over time. Already,
there have been free market auctions for the sale of high-income units. In addition, privatized
units can now be sold freely, so information on their market value should start to become
available as more transactions occur.
Finance: For construction period financing the old system whereby residential construction was financed directly from the budget remains substantially in effect. The principal developments in the past several months in this regard are:

1. The RF has dramatically reduced subsidies to municipalities so that the level of construction has been sharply reduced.

2. The central bank has made a large loan to Moscow City Government to support continued housing development. An expectation by government in making this loan is that the construction enterprise be broken up into competing sectors.

3. Commercial banks have initiated construction period financing on a very limited basis at interest rates of 30 to 40 percent for some types of non-residential construction.

It continues to be the case that little mortgage lending occurs in the RF. Sberbank continues to be the institution making loans for projects developed by house building cooperatives (HBCs). However, the bank raised its lending rate to 15 percent last year and to 20 percent beginning in January 1992. These higher rates coupled with very large price increases are discouraging some households who have been allocated units in these projects from being able to purchase them. The commercial banks have made little effort to undertake mortgage lending.

Premier Luzhkov has assigned the Moscow housing privatization office the responsibility of developing the mortgage finance system for the city. Even though this work has just begun, one outcome may be that new financial institutions will be established to handle the banking function in light of the inability of the existing banking system to address it.

Development of residential infrastructure continues to be financed completely in the budget. Plans have been formulated within the City Administration by elements in Mosinzhkomitet for charging full cost for infrastructure services, but these proposals have been rejected thus far on political grounds.

Project planning, materials, manpower availability: This is most likely not a major constraint to facilitating private housing. We have heard of difficulties obtaining construction materials. But as prices rise for these goods, so should their supply. Overall, manpower availability appears adequate, given the substantial number of workers in the state construction
industry. However, these workers will probably require substantial training in modern building construction and maintenance techniques.

**Construction of housing:** The team was told that, under the current Moscow city master plan, there is no available land for private development. This means that it is currently impossible, for example, for a small developer to obtain a small site and develop single-family housing. To do so, the developer would have to go outside the city of Moscow to the suburbs. Control of this land falls to the Moscow region (or oblast), which is outside the control of the city. The officials at Moskomzem told the team that there is a draft master plan including both the city and region land, should the RF permit Moscow to annex the city suburbs.

**Allocation, management and privatization of the housing stock:** Privatization of the municipal housing stock has accelerated sharply since the beginning of 1992, with the decree by Mayor Popov in January that housing would be conveyed to sitting tenants without charge. In February, ownership of about 25,000 units was transferred. The "purchaser" receives a certificate of ownership from Moszhilkomitet in this process, which is supposed to be sufficient to prove ownership; but the household can have the certificate notarized if it wishes. The household is charged a modest fee (400 rubles) for this transaction. It is important to note, however, that there is at present no condominium law in existence to regulate the operation of buildings fully under private ownership or mixed private-municipal ownership.

Management of the housing stock remains as under the old regime. The resources available to support maintenance are in danger of being cut sharply because the rents on commercial space, which formerly were controlled by the housing repair and maintenance departments (HRMD), are now received under contract by the Moscow Property Committee (concerned with non-residential property); and the exact distribution of these funds is unclear. For maintenance on privatized units, fees during the transition period (at least in 1992) are the same as on public units; after the transition, fees on privatized units will have to be raised to make up for the loss of government subsidies.

In an interesting development, about half of the departmental housing, i.e., housing formerly owned by All-Union ministries and other organizations, has been transferred to the City. The privatization office believes that new management forms could be introduced into these buildings under the existing law, assuming this was agreed to by the city council (Mossoviet).
Lastly, a small share of the total housing stock is now being allocated through market mechanisms, including auctions and semi-organized exchanges of apartments. It is reported that about forty brokers are now operating; it is also reported that there is a great need for formal training of brokers.

Summary of Major Problems in Housing Identified by the City

During our discussion with city officials, many problems in the Moscow housing sector were enunciated. The following, in no particular order, is a list of these issues deemed by those officials as the most significant or having the highest priority for resolution.

1. **A law on condominiums.** As privatization of apartments becomes more prevalent, clarifying issues such as who is responsible for the common space and common equipment in apartment buildings is critical. This problem, however, may be more appropriately handled at the Federation rather than local level.

2. **Housing management and maintenance.** Rapid deterioration of apartments along with a shrinking maintenance budget have made housing management one of the city’s highest priorities. The city is very interested in experimenting with alternative forms of management, including private management, to bring some improvement in residents’ living condition.

3. **Mortgage finance.** Mortgage finance to help residents purchase housing is virtually nonexistent and, hence, a major barrier to privatization. Like development of a condominium law, resolution of this is highly dependent on reforms at the Federation level.

4. **Valuation of land and property.** Valuation has become a major problem for two reasons: 1) implementation of the property tax this year will require a method for determining property value on which to assess the taxes; and, 2) as privatization of property begins to pick up, a way for approximating a "market price" will be needed until more transactions have been completed.

5. **Procedures and systems for transfer of property and land.** The city is still operating with essentially no method for recording and registering the transfer of privatized property and land. This is another major problem that requires resolution if privatization of land and property is to be a success.
6. **Privatization law.** Officials were concerned about the equity of the existing law on privatization and expressed an interest in reexamining its fairness.

7. **Structure of the housing construction and maintenance system.** Diffuse responsibilities for the construction and maintenance of housing has created a confusing and inefficient system that does not hold program managers adequately accountable for their actions.
EKATERINBURG
(Sverdlovsk)

Background

Until December 1990, Ekaterinburg, located in a long valley in the central Ural Mountains, was closed to foreign visitors because of its importance as a center for the production of armaments for the Soviet military. Due to its recent status as an open city, it has a minuscule foreign community. In addition, the concentration of its industry on armaments is spelling serious economic troubles for the region since the slashing of the defense budget of the Russian Federation.

Demographic, urbanization and economic trends: Ekaterinburg is a city of about 1.4 million people located within the larger region of Sverdlovsk. The population of the region outside of the city and its administratively subordinated territories is 3.3 million (Table 2). During the decade 1979-1989 the population of the City, including its subordinated territories, increased by 12.5 percent, a bit faster than Moscow (10.5 percent), St. Petersburg (9.5) and Novosibirsk (9.5). On the other hand, the population of the Ekaterinburg region excluding the City only grew 3.4 percent over the period. Thus, the City’s share of the region’s total population increased slightly from 28 to 30 percent.

The population density in the region (including the city) is quite low at 24 persons per sq. km. Comparable figures for Moscow and St. Petersburg are 334 and 78, respectively (Table 2). Casual observation suggests much underutilized land within the city.

The central fact of life in this region is the sharp reduction in State purchases of the military equipment whose production has been its primary economic activity. As shown in Table 7, total employment in the region was about 2.2 million in 1989, down about 4 percent since 1985. Over 40 percent of jobs were concentrated in industrial production. The next most important activity—construction—accounted for only 10 percent of employment.

The team was told that over the next several months losses of fifty to seventy thousand jobs were expected. Plans are being made for some of these workers to be sent outside of the region for work for the next couple of years on a "shift" basis (periods of intense work interspersed with trips home) while economic restructuring takes place. Obviously, the full
impact of the reduction in defense orders will not be clear for some time, but it could profoundly reduce the demand for new housing over the next several years; it has already reportedly crippled the state residential construction complex.

Table 7
Distribution of Average Annual Number of Workers and Employees by Branch of the National Economy in Ekaterinburg, 1985-89
(in percent)

<table>
<thead>
<tr>
<th>Branch</th>
<th>1985</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>44.1</td>
<td>43.3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Construction</td>
<td>8.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Transportation</td>
<td>7.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Communication</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Trade, Restaurants, etc.</td>
<td>7.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Information and statistical services</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Other &quot;material industries&quot;</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Housing utilities and maintenance</td>
<td>4.1</td>
<td>4.4</td>
</tr>
<tr>
<td>Health service, social welfare</td>
<td>5.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Education</td>
<td>7.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Culture</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Art</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Science and associated services</td>
<td>3.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Banking and state insurance</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Management staff of state, industrial,</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>cooperative, and public organizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total workers and employees (in thousands)</td>
<td>2,273</td>
<td>2,176</td>
</tr>
</tbody>
</table>

* less than 0.5 percent

Source: City of Ekaterinburg

**Housing and infrastructure characteristics:** As shown in Table 1, 87 percent of the dwelling space in Ekaterinburg is owned by the state, with well over half of this (53 percent of the total, or 62 percent of state housing) being the property of local enterprises. The city now owns the rest of the public stock. Among the balance of the housing stock, the majority is
accounted for by house-building and consumer cooperatives (9 percent of the total). Privately owned units account for only 4 percent of the stock.

Data on living space per person—a key housing indicator in Russia—show that while conditions have improved in Ekaterinburg, space is still not abundant. In the city proper, in 1989 there was still only 15.9 sq. meters per person, an increase of .6 sq.m. since 1986. The populations of Moscow and St. Petersburg enjoy significantly more space, while in Novosibirsk they do with somewhat less (Table 4).

There is an extremely long waiting period for housing in Ekaterinburg. The waiting list for municipal housing is 16,000 households (equivalent to about 12 percent of the municipal housing stock), and the total number of households waiting for municipal and departmental stock (mostly housing belonging to enterprises) is 120,000 (equivalent to 35 percent of all state housing). The enterprises are now allocating units to households who registered in 1976; the city to those registering in 1967. About 10 percent of the city’s population lives in communal dwellings (in which kitchen and bathroom facilities are shared) and an additional 10 percent lives in hostels.

The age of the housing stock is quite young. As of 1989, in the region, including the city, 47 percent of the stock had been constructed since 1971, and an additional 22 percent between 1961 and 1970. Only 14 percent of the stock was built prior to 1950.

Compared with the Russian Federation overall, Ekaterinburg’s state-owned housing is well-equipped, no doubt owing to the region’s privileged status as an arms producer. As shown in Table 5, in terms of infrastructure services, central heating, and the presence of a bath or shower in the units, dwellings in this region are substantially better served that those in the balance of the Federation. In this pattern, it resembles Novosibirsk—another favored city of the same size. On the other hand, its privately owned units are generally in poorer condition than

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2 Living space is total dwelling space less the space of the kitchen and bathroom. A rough conversion factor between living and total space in 1.5.

3 Note that under the previous system there was a special list for veterans of World War II and other high priority categories. For this group the waiting time for enterprise housing was about five years when the system was discontinued last year. One reason for this shorter period was that enterprises were required to set aside ten percent of the units for those on the high priority list, and another five percent for retired military personnel.
the balance of the stock. For example, only 9 percent of Ekaterinburg’s private housing enjoys piped water, compared with 21 percent in the major cities of the RF overall. Similarly, 42 percent is served with gas, compared with 56 percent in the major RF cities.

Compared with Novosibirsk, Ekaterinburg has an unusually large share of its housing in buildings at least five stories in height. Relative to Moscow, however, it has a comparatively small share (Table 6). In general, these buildings have about the same equipment—as measured by the presence of garbage chutes and elevators—regardless of location.

The team was also told by the City Soviet that a recent field survey of the municipally-owned housing found that the official statistics significantly underestimated the total number of units badly needing rehabilitation: the true count was about 1 million units, compared with a figure of 300,000 in the official statistics. The correct figures indicate that about 25 percent of the municipal housing stock is badly in need of rehabilitation.

Institutional Structure of Municipal Government

The city of Ekaterinburg is within the administrative region or oblast of Sverdlovsk. While the extent of control of the oblast over the city’s affairs is subject to heated debate between the two bodies at this time, the city is definitely controlling its own housing policy and programs.

The city’s administrative structure has just been reorganized and is still unsettled. Its new form is shown in Figure 2. As evident from the figure, the structure is quite simple, with the mayor being supported by the first deputy mayor (a post now vacant) and five deputy mayors. Responsibility for housing is lodged mainly under the Deputy Mayor for Capital Construction, Victor Popov. This complex includes housing construction, housing maintenance, and housing allocation. However, the agency responsible for housing privatization is under the Deputy Mayor for Economics. The Chief Architect, who clearly has great influence on the type of housing actually being constructed, reports directly to the Mayor; however, in principle at least, his recommendations can be thwarted by the Deputy Mayor for Capital Construction who must find the funds for these projects within his budget.

Like the city administration, the city Soviet also has recently been reorganized. Moreover, new elections will be held this year as required under a Presidential decree because of the dissatisfaction with the number of communists serving as deputies in many local Soviets.
FIGURE 2

INSTITUTIONAL STRUCTURE OF HOUSING ADMINISTRATION
IN THE CITY OF EKATERINBURG
(As of March 1992)

Mayor
A.M. Cherwetskey

Chief Architect

Mayor's staff: Public Relations, Foreign Relations, Press Center, etc.

First Deputy Mayor

Social Protection

Economics

Utility Services

Capital Construction, including housing

Trade and Foodstuffs

Commission on Municipal Property

Agency for Housing Privatization

Capital Construction

Housing Maintainence

Housing Accounts & Allocations

Land Office
The Soviet is a large body, consisting of about 200 deputies. Because of the unwieldy nature of this body, the day-to-day affairs are being handled by a small Soviet of 20 deputies, plus four committees which are composed of members drawn from both the big and small Soviets. The big Soviet will be called to approve the annual budget. The four committees dealing with housing and related infrastructure are:

- housing and utilities
- town planning
- industry and transportation
- elimination of poor housing and housing allocation.

The City Soviet, along with two district soviets, has established the Municipal Fund for City Development, a stock company engaged in commercial activities. A share of this firm's profits are channeled into improving the housing situation (this is described further below). As noted, these administrative arrangements are new and their efficacy is still being determined. The City is divided into seven districts. Two of these districts are composed exclusively of the production and associated residential facilities of extremely large kombinats, or state-owned enterprises.

The City distinguishes between two territorial areas which it administers. The City proper is one area. It is surrounded by a suburban ring of land which is referred to as being administratively subordinate to the City. This area is administered by the City, not the oblast. The subordinate territories are the site of most of the construction of single-family housing.

Management/Administrative Capacity and Strategies for Development

The City appears not to have a clear strategy for development. Given the shock to the local economy from the dramatic turn down in defense expenditures, this is not surprising. The city's Master Plan is indicative of the current state of affairs. The new Master Plan, developed by a group of local institutions (as opposed to the 1972 plan which was prepared in Moscow), does not take into account the economic changes underway--either the likely reduction in the size of the economy or the probable change in the composition of the economic base.

On the other hand, the City seems to have restructured its administration to be more effective in operating in the changed environment. The senior people from the City administration with whom the team met were knowledgeable and self-confident. Many of the
City's basic administrative systems--including land and property records--are reportedly in relatively good condition and work is underway to improve them. In short, management and administrative capacity appears substantial.

**Principal Constraints to Facilitating the Private Provision of Housing**

**Land management:** As in other Russian cities, land use is determined through the Master Plan. The last Plan was produced in 1972 in Moscow. The Plan set out strong guidelines, but detailed implementation was left to the City's administrative districts. A new Master Plan is about to be introduced and it appears that it will be more centrally administered. For housing, one of the principal parameters in the Plan is the residential density requirements. Some of the people with whom the team met argued that the density requirements are sufficiently high within the City as to prohibit the construction of single-family detached or other low-density housing. However, the Chief Architect believes that he can design single-family housing projects that will meet these requirements and indeed the team was shown one project of very high quality single-family units under construction in the city. The Master Plan does not apply to the subordinated territories, where a modest but significant volume of low-density housing is being constructed (see below).

The housing development approval process is similar to that in other Russian cities. The system is geared to dealing with the large construction kombinats, who construct housing both for the municipality and state enterprises. Plans must be consistent with the Master Plan. Actual land allocations are made by the Department of Architecture and Town Planning (Glavsverdarchitecture).

There are, however, two channels through which an individual household can obtain a plot on which to build. In the first, an enterprise requests a site on which individual homes can be constructed for its workers. The enterprise provides infrastructure services to the site and allocates the plots to its employees. In the second, a family makes the request directly to the City. If the request is approved, the City will ask an enterprise to allocate a plot in a development to the family. The Chief Architect reported that under the current economic circumstances some enterprises are not fulfilling their promise to provide full infrastructure services, and the houses are being erected with minimal services.
To date land has been allocated to families through a perpetual lease. No payments have been made for the leases. The City plans to begin charging rents shortly, but the rents will be limited to no more than the property tax (which will be introduced in the fall of 1992). Consistent with the existing law, land has not been sold to date; moreover, the city has not confronted the problem of valuing land parcels. However, the city plans to use both auctions and tenders for selling land, which should begin to provide some information on land values.

In contrast to the lack of information on land values, information on property values should be more abundant. Around ten firms are reportedly holding regular auctions of dwellings; two firms together were reportedly auctioning around 30 units per month.

Compared to Moscow, Ekaterinburg reportedly has a strong foundation for the further development of cadastral and registration systems. The team was informed, but did not verify, that in the City all land boundaries are on plat maps, but that there is only limited information on the soil quality, land use, and the type of entity controlling the land. The City’s land register is kept in the office, Glavsverdarchitecture. For the subordinated territory, the information on parcels is reportedly more complete but the mapping is only partial. Work was reported to be underway on both the City and territorial record systems.

Consistent with general practice, the "transfer contract" executed for privatized rental units is recorded in Glavsverdarchitecture; notarization of the contract is not needed for it to be valid.

**Housing and Infrastructure Finance:** In terms of construction period financing, the old system remains substantially in effect, under which residential construction was financed directly from the national budget. The principal developments in the past several months in this regard are:

1. A dramatic reduction in subsidies from the RF to municipalities so that the level of construction has been sharply reduced.
2. The City’s enterprises, which financed and allocated the majority of housing construction, are not placing orders for new housing with the City’s Committee for Capital Construction because of their own economic difficulties.

Mortgage financing is available for house building cooperatives at rates similar to those in other cities. For the new single-family housing in the subdivisions sponsored by enterprises,
loans were being made by state savings banks to the owners at interest rates of 28-35 percent; loan repayment is guaranteed by the enterprise.

The Municipal Fund for City Development (mentioned above) has plans to set up a bank that will engage in mortgage lending, pending clarifying legislation in this area. It believes that because the region is underserved with retail banking services it should be able to compete successfully for deposits (more details on the Fund are given below).

It continues to be the case that infrastructure extensions are completely financed by the City. The lack of adequate finance for such extensions was universally cited as a major problem. Thus far, the City has not considered long-term financing schemes for this purpose, and indeed seemed quite skeptical about them.

Charges for residential utility services have been increased sharply in the past several months and additional increases are expected. The lack of metering (even the existence of appropriate devices) was repeatedly cited as a problem in controlling usage.

**Housing construction:** The residential construction industry in Ekaterinburg is in a state of extreme flux and uncertainty, with the old kombinats struggling to maintain their position while new builders and funding structures are emerging.

The Chief Architect described the former system of residential construction, under which municipal or enterprise funding was used to contract with the kombinats, as "crumbling." He portrayed a situation in which, in an attempt to keep their workers busy, the kombinats were devoting a good deal of their productive capacity to contracts on the collective farms and agricultural cooperatives in the region, often on barter terms for food. New contracts for housing from the City and enterprises are practically non-existent because of the financial problems both face. Production is now being maintained by orders already on the books and the completion of buildings already under construction.

Design institutes are reportedly breaking up. The preference is now to hire independent engineers and architects.

At the same time, a small but significant volume of low density, single-family housing is being constructed. However, unlike in St. Petersburg, this is not from the conversion of temporary dwellings on garden plots into permanent structures. The team was informed that 200-300 units had or were being built in the city plus another 1,600 in the subordinated territory.
Much of this housing is in new subdivisions in which enterprises were, in principle, to provide infrastructure services. The balance of units are on in-fill plots in areas containing single-family units built many years ago. According to the Chief Architect, none of the units are being served by the central heating or sewerage systems. The importance of the construction of these units seems to go beyond their numbers in indicating a shift in the thinking of at least some City officials to respond to popular demand for such housing.

One serious question arose about the single family houses being constructed under sponsorship of the enterprises: they appear to be very large and luxurious by Russian standards and clearly not affordable by more than the top few percent of the population. This observation is based on viewing only a single construction site and glancing at plans; but there may be a concern that by building the first units for a very thin market, the units could well not be sold and discourage the production of additional units. There was little evidence of market research being done to justify the units being developed.

Housing construction suffers from sharp increases in the price of materials. Increases of 15 to 18 times in the past year were cited by knowledgeable people. Apparently most materials are now available at these prices. There is no shortage of labor presently, consistent with the cut back in residential construction levels.

There are two noteworthy initiatives in the construction area. First, the Municipal Fund for City Development has been formed as a non-profit entity. The City Soviet and two district Soviets contributed equity totaling rub 15 million. Additional sources of income are 70 percent of the revenues generated from the privatization of municipal housing and 15 percent of the revenue from the privatization of commercial space. The objective of the fund is the rehabilitation of badly deteriorating housing and the development of residential properties in the subordinated territories. The idea is for a profit-oriented subsidiary of the Fund (Uralinvest) to make commercial investments with the available equity (and possibly bank loans) and to use the profits from these investments to achieve the Fund’s aims. The Fund also intends to establish the Bank for Territorial Development, a depository institution which will do mortgage and other residential lending. The director of the Fund believes the new bank will be successful in competing for deposits by offering attractive interest rates and good service in a community underserved with banking services. Both Uralinvest and the bank will permit the Fund to
leverage its resources. The financial arrangements among the three elements were not made clear to the team, and they may not be fully thought out at this time. This venture is being staffed by young and enthusiastic professionals drawn largely from the City's Kirovsky District, the prime mover for the Fund.

The second initiative is a joint stock company that will specialize in the rehabilitation of large panel residential structures—the Municipal Enterprise for Rehabilitation of the Existing Housing Stock. The executive director, Yurey Kivovitch, worked with a French team that did thorough technical analyses of alternatives for rehabilitating these projects. The Enterprise is now looking for orders from the City and capital from investors to permit it to purchase the equipment necessary for using the techniques identified by the French team.

**Allocation, management, and privatization of the housing stock:** Housing allocation has already been largely discussed under previous sections. One additional point worth noting is that state construction enterprises are now permitted to and are selling 10 percent of the units they produce on the open market.

Management of the existing stock is organized at the district level and still follows the old regime with no innovations. In 1991 the city allocated about rub 150 million for maintenance of the municipal housing stock. This compares with rent collections for the same stock of about rub 6 million. Undermaintenance is viewed as a major problem, as is the drain on the budget of the current level of subsidies.

The City Soviet passed the law on privatization on January 8, 1992. City staff attended training on the privatization process organized by the Ministry of Architecture and Construction in November, 1991 and the information obtained there was instrumental in shaping the resulting City legislation. By the end of February, about 200 tenants of municipal housing had received a certificate of transfer for their unit, and applications for about another 3,000 tenants were in various stages of processing (there is, under the RF law, a maximum processing time of two months). Departmental (enterprise) housing is subject to the same privatization terms as municipal housing, but there have been very few applications thus far, owing in part to the fact that training for enterprise staff in these procedures began only in January and to a lack of advertising by the enterprises about the possibility of private purchase. Several persons expressed
the idea that potential purchasers were waiting to see how large the property tax bill on their unit might be before making the purchase decision.4

Unlike Moscow, Ekaterinburg is charging purchasers for the floor space in their unit above the standard quantity that the tenant is to receive without charge.5 Tenants are to receive free 18 square meters for each person in the household plus 9 square meters for the household. The general procedure for determining the cost of the extra space is fairly complex.6 The average price of a square meter of extra space to be purchased is rub 463, and depending on when the unit was constructed, its quality, and location, it can range from rub 170 to 1,000 per square meter; for a new unit it is rub 1,100 per meter. The team was told that in the free market for flats, the price per square meter is about rub 5,000.

Because the standard for space being given to tenants free is quite generous, only 10-15 percent of those purchasing are having to make a payment for "extra space." Purchasers are charged a rub 700 fee by the City for processing their application. The relatively high price charged for extra space in new units, which are reportedly larger than older ones on average, is discouraging tenants from purchasing them.

4 Initially, at least, the property tax will be levied on the value of the unit, computed on the cost basis described in the next paragraph. The tax rate proposed is 0.1 percent. Given the small revenues involved, the City may well increase the tax rate before implementation of the tax in the fall of 1992.

5 Tenants who occupy units with less floor space than the norm are not being compensated.

6 It begins with "balance cost," which is the total cost of construction at the time of construction adjusted from time to time for increases in construction costs (land is not valued in costs). There is then some adjustment for depreciation and the adjusted cost of commercial space in the building is deducted. This figure is adjusted by a set of coefficients to capture the variation in location and quality of the building. This total cost figure is divided by the remaining gross floor space in the building to obtain a rub/sq.m. figure, C. The tenant’s payment is computed as follows:

\[
\text{PAY} = \left( C \times TS \right) - C \left( \left( 18 \times P \right) + 9 \right) - D
\]

where,

- \(\text{PAY}\) is the purchaser’s payment for space above the norm
- \(\text{TS}\) is the total square meters in the flat
- \(P\) is the number of persons in the household who wish to participate in the privatization
- \(D\) is a set of special benefits defined in rubles for such persons as veterans of World War II, persons whose private units were demolished for various reasons, the handicapped, and others.
Summary of Major Problems in Housing Identified by the City

Based on discussions with a substantial number of officials of the administrative structure, members of the city Soviet and a few entrepreneurs, the following problems emerged as the highest priority.

1. **Residential infrastructure.** Decreases in funding from the central budget have forced the city to examine options to the direct financing for development of residential infrastructure.

2. **Housing finance.** As in Moscow, city officials noted that mortgage financing essentially does not exist to help residents purchase flats and houses. They expressed a strong desire to address this problem to facilitate privatization and (in the future) rehabilitation of privatized units.

3. **Development of new single-family housing.** City officials appear eager to increase low-density, single-family housing in the city to increase the living condition of the citizenry. But due to previous restrictions on the development of such housing in the city, architects and construction firms lack the basic knowledge and experience to develop these units.

4. **Valuation of land and property.** This is a problem for the same reasons it is one in Moscow: 1) implementation of the property tax will require an assessment of value; and, 2) the need to establish a "market price" to permit sales of units.

5. **Housing management and maintenance.** As in Moscow, the efficiency of the management and maintenance of the existing municipal and departmental housing stock is big problem and one which the city would like to address.

6. **Property and land registration and cadastre systems.** While the quality of these systems did not appear to be as poor as in Moscow, refinements to them could still be made to help minimize potential obstacles to privatization.

7. **Municipal Fund for City Development.** Without guidance from qualified people with the appropriate financial skills, this innovative, market-oriented initiative could be doomed to failure. Several officials concerned with its success expressed a strong interest in receiving technical support.
NOVOSIBIRSK

Background

Demographic, urbanization and economic development: Founded only 99 years ago, Novosibirsk is the largest city in Siberia with a population of 1.5 million people (Table 2). It has been one of the fastest growing cities in Russia this century, doubling its population every ten years in its early development. Novosibirsk is also the third largest city in area in the former Soviet Union behind Moscow and St. Petersburg.

Like Ekaterinburg, Novosibirsk is expected to experience a substantial increase in unemployment as industries begin to shut down over the next few years due to large cuts in the defense budget. Local officials are estimating that from 50,000 to 70,000 workers could be laid off within the next six to nine months.

Novosibirsk's most rapid growth came during World War II, as many industries were relocated there during the German occupation of the western parts of the Soviet Union. More recently, Novosibirsk grew 9.5 percent between 1979 and 1989. This was 2.3 percentage points greater than for the RSFSR (now Russian Federation (RF)) as a whole during the same period.

Novosibirsk is an important regional center for trade and a major transportation cross roads -- both the trans-Siberian railroad and highway cross the Ob river in Novosibirsk. The city could also become an important intersection for air travel, if construction of a planned international airport is ever completed.

According to the chief architect, planning of the city has not been conducted in a "rational" manner, in part owing to its hurried expansion as an industrial center during World War II. Since rapid development of industry had priority over housing, manufacturing plants were allowed to locate virtually anywhere regardless of their impact on the environment. As a result, many environmental problems are now emerging which could lead to costly relocation of the plants and/or residential settlements.

The city is requesting to annex land from the regional government (or oblast) for expanding residential areas. According to the chief architect, this new residential development is expected to be primarily low-density construction and to add about 22 million square meters of new housing.
Close to 40 percent of all workers in Novosibirsk are employed in industry, similar to the distribution in Ekaterinburg (Table 8). The next sector of the economy employing the most people is construction (11.5 percent) followed closely by science (9.7 percent). Such a relatively high percentage of employment in the science sector reflects the fact that Novosibirsk has a large district, the Akademgorodok (or Academic City, population 120,000), which is the scientific center of Siberia and one of the RF's premier research facilities.

**Housing and infrastructure characteristics:** The number of dwelling units in Novosibirsk totalled 350,400 by the end of 1990, giving an average of about 4 persons per unit. Based on the size of the total floor space, a little more than 80 percent of the Novosibirsk housing stock was State-owned by the end of 1990 -- less than the amounts of State-owned stock in both Moscow and Ekaterinburg (Table 1). Of the total stock, 45.6 percent was controlled by the municipality, with 34.8 percent owned by ministries and enterprises and organizations. 8.5 percent of the stock was owned by house building cooperatives and housing cooperatives, with over 11 percent held either by public organizations or private persons, more than twice the amount of privately-owned stock in the other cities.

The extent of crowding is greater in Novosibirsk than in the other cities visited by the team. Table 4 compares the average living space per person in Novosibirsk with that of Moscow, Ekaterinburg, and St. Petersburg. While the per capita living space in Novosibirsk increased 1 square meter (or 7.6 percent) between 1980 and 1989, this was still 20.3 percent less living space than the average in Moscow, and 11.3 percent less than in Ekaterinburg.

According to city officials, over 125,000 households are on the waiting list to receive housing. This means that about one in four households are waiting for housing in Novosibirsk. Sixty nine percent (86,197) of these households are on the waiting list for housing provided by enterprises and organizations, with the remainder waiting for municipal housing. City officials said that housing is now being allocated for those put on the "regular" list in 1972.  

Most of the housing stock in Novosibirsk is quite young, as one might expect from a new city. According to data provided by the city, only 25 percent of the housing stock was built prior

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Footnote: 7 There is also a "beneficial" waiting list kept for the disabled, veterans of war, large families, etc. The average waiting time for those on this list is only 5 to 10 years.
to 1961, with most of this (83 percent) being privately-owned single-family dwellings constructed during World War II. Roughly half of the housing stock has been built since 1970.

Table 8
Distribution of Average Annual Number of Workers and Employees by Branch of the National Economy in Novosibirsk, 1980-90 (in percent)

<table>
<thead>
<tr>
<th>Branch</th>
<th>1980</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>40.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Agriculture *</td>
<td>*</td>
<td>0.9</td>
</tr>
<tr>
<td>Construction</td>
<td>10.6</td>
<td>11.5</td>
</tr>
<tr>
<td>Transportation</td>
<td>10.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Communication</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Trade, Restaurants, etc.</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Information and statistical services *</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Other &quot;material industries&quot; *</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Housing utilities and maintenance</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Health service, social welfare</td>
<td>5.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Education</td>
<td>6.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Culture</td>
<td>0.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Art</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Science and associated services</td>
<td>9.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Banking and state insurance</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Management staff of state, industrial,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cooperative, and public organizations</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total workers and employees (in thousands)</strong></td>
<td>734</td>
<td>679</td>
</tr>
</tbody>
</table>

* less than 0.5 percent

Source: City of Novosibirsk

With the exception of privately-owned housing, other types of housing (i.e., municipal, enterprise, cooperative) are well-equipped, reflecting the privileged status of the city as an industrial and academic center. Ninety eight percent of the housing is equipped with piped water, and ninety seven percent has connections to central sewer and heating (Table 5 -- top). A large share (85 percent) of the households have electric ranges, not a common appliance in Russian households.
On the other hand, most of the privately-owned housing is in very poor condition, with only a few having electricity and piped water or sewer (Table 5 -- bottom). Much of this housing is located in a flood plain and was often flooded by the river Ob during the spring thaws, until the river was damned above the city in the 1970s. The city has a plan to resettle these households to new apartment complexes, but is lagging significantly behind schedule having completed only one of the four buildings needed for resettlement.

As with the municipal stock in other cities, "ownership" of state housing was recently transferred to the municipalities. In short, this means that municipalities are now responsible for funding the maintenance and repair of this stock. The maintenance of the stock is managed by 70 microdistricts within 10 administrative districts in the city, with each microdistrict managing, on average, about 5,000 units.

**Institutional Structure of Municipal Government**

As with other cities in Russia, the Novosibirsk municipal government is divided between an executive and a representative branch. The executive branch, termed the "government," essentially controls all daily operations of the city. The government may also issue decrees or propose laws for consideration by the representative branch. The representative branch, called the city soviet or council, is a body of 150 deputies popularly elected by the people. Its role is restricted to formulation of legislation but, even here, their function is quite limited. While the city council may adopt its own legislation, its main function appears to be considering and vetoing laws proposed by the government. It was apparent that, of the two, the mayor and his staff dominated policy making and implementation.

**Novosibirsk Government:** The Mayor of Novosibirsk is Mr. Ivan Indinok. While many of the remaining members of the government have yet to be appointed, a draft organizational structure has been proposed (Figure 3). Together, this group is responsible for policy making and managing all local services. After the mayor, there are two first deputy mayors, one responsible for broader economic reform issues, including privatization of housing. The other first deputy mayor is in charge of social policy and, as of the team’s visit, had not been chosen.

In addition to the two first deputy mayors there are six deputy mayors, each having about equal rank to the first deputies. As of the team’s visit, none of the deputy mayors had been selected. Only one of these, the Deputy Mayor for Architecture, Construction and Utility
FIGURE 3
INSTITUTIONAL STRUCTURE OF HOUSING ADMINISTRATION IN THE CITY OF NOVOSIBIRSK (as of March 1992)

First Deputy Mayor for Social Policy
Vacant

First Deputy Mayor for Economy
V. Tolokonski

Deputy Mayor for Commercial Property
Vacant

Deputy Mayor for Architecture, Construction,
Utility Services

Deputy Mayor for Energy, & Engineering
Vacant

Deputy Mayor for Transport
Vacant

Deputy Mayor for Health
Vacant

Deputy Mayor for Civil Defense
Vacant

Committee on Housing Issues
A. Kornielov

Agency on Privatization
I. Labur

Department of Architecture & City Planning
German Tyulenin

Department of Capital Construction
Nikolay Filatov

Committee for Housing Facilities & Public Utilities
M. Mitayev

City Council
150 Deputies

City Council
22 Deputies

Commission of Maintenance, Priv. Construction

Commission on Town Planning & Housing Allocation
K. Hzeleznov
Services is responsible for housing, suggesting a better, more centralized structure over housing policy than in Moscow. Under this deputy are three important committees or departments: the Department of Architecture and City Planning, headed by Mr. G. Tyulenin; the Department of Capital Construction, headed by Mr. N. Filatov; and the Committee for Housing Facilities and Public Utilities, which includes the housing maintenance and repair function, headed by Mr. M. Mityaev. As noted earlier, the maintenance services are provided through 10 administrative districts, which are further divided into 70 microdistricts.

City Council: The city council, or city soviet, is composed of 150 deputies who are elected for a term of five years; the first free elections were held in 1990. Novosibirsk also has a "small" city council composed of 22 deputies of the large city council, who were elected only three months ago by the executive committee of the large city council. The small city council, which replaced the presidium under the old structure, is continually in session, while the large city council convenes only episodically.

The city soviet divides itself into a number of commissions that consider policies put forth and implemented by the government. Two of these commissions -- the Commission on Maintenance, Privatization and Construction, and the Commission on Town Planning and the Allocation of Housing -- are responsible for housing issues. A third -- the Commission on Land -- is temporary and will soon be folded into the Commission on Town Planning.

Management/Administrative Capacity and Strategies for Development

As with the other cities, an assessment of the city's administrative capacity is difficult, given the limited time available. The first impression is, however, that housing responsibilities within the municipal government are better organized and less divided than in Moscow, but still could be improved. While different committees are responsible for land management, housing construction, and maintenance, all the committees fall under the Deputy Mayor for Architecture, Construction, and Utility Services. As in Ekaterinburg and Moscow, the Committee on Allocation and the Agency for Privatization still remain separate from these other functions, falling under the First Deputy Mayor for the Economy. Again, this will make implementation of reforms more difficult than if these functions were centralized under one deputy mayor.
Principal Constraints to Facilitating the Private Provision of Housing

**Land management:** A system to register land appears to be at least somewhat more developed in Novosibirsk than in Moscow, but still not very sophisticated. Currently, the main means for transferring land use is through the large state-owned enterprises. Once an enterprise has been allocated a plot of land, either for itself or on behalf of its employees, the plot is registered by the cadastre department within the Committee on Architecture and Town Planning. A certificate of perpetual use is issued to the enterprise by the Committee on Architecture once the transfer is completed. If the enterprise then leases the land to its employees, each plot of land will be reregistered with the city and individual certificates of use will be issued. The level of comprehensiveness, sophistication, and accuracy of this recordation system was not determined, but it is expected to be less than adequate.

As noted before, the prevalent means by which land is transferred is through state-owned enterprises. Since priority for applications for plots of land are given first to the employees of the enterprise, those who do not work for a large enterprise do not have as much accessibility to new housing. Given this, there appears to be a strong interest among city officials to transfer use of plots directly to private individuals and encourage development of more single-family housing.

One problem with this new approach will be the financing of infrastructure. Enterprises will often finance and develop the infrastructure on the plots of land intended for their employees. It is not clear, however, whether the municipality currently has the means to develop the infrastructure on subdivisions intended for private, single-family use.

Under the new system, the process for transferring land is controlled mainly by the mayor and chief architect of the city. Since this process has recently been developed, however, not many transactions have occurred and so an accurate assessment of the efficiency of this process could not be made.

After a potentially lengthy process for reviewing land transfers, the mayor may approve the final plan and issue a decree for consent by the city council. It is clear that this is a very political process and the potential for misuse and inefficient allocation of land is great.

The last master plan for Novosibirsk was drawn in 1985. In the past, the development of the plan was controlled almost exclusively by Moscow. It never had citizen input, nor was
it developed with projected requirements for infrastructure, housing, transportation, commercial
and industrial facilities assuming development of the region under market-like conditions. A
group of academics to whom the team spoke faulted the master plan for not employing several
efficient economic scenarios as the basis for planning.

The city is currently revising its master plan to incorporate more low-density and single-
family construction and to address growing environmental problems caused by industry. But
these efforts could be hampered by what city officials claimed to be an inflexible master plan,
with changes possible only at the margins. It appears that development of this revised plan is
being held very closely by the mayor and chief architect. At the moment, prospects that the plan
will be drawn assuming implementation of a market economy do not appear likely.

Under the old Soviet system, land did not have a value since ownership could never be
transferred from state control. City officials note that, in order to begin to establish land value
for purposes of sale and transfer, a revision to Russia’s land law is needed. An interesting
practice that the city was using to derive a quasi-value for land was to estimate the costs of the
engineering infrastructure services provided to the land.

As far as the valuation of dwelling units, a few dozen private auctions have been
organized since 1991, and the city is planning to conduct an auction in the third quarter of this
year for units built by the Committee on Capital Construction (as the unified customer for some
enterprises and the municipality). The municipality may auction up to 10 percent of the new
units built by the State enterprises, per President Yeltsin’s December decree. If these auctions
become more frequent, better information on the market value of dwellings should occur.

**Housing and Infrastructure Finance:** Construction period financing for municipal
housing has all but dried up, for the moment. Localities are now required to fund their housing
projects from their own resources, since most construction subsidies from the central budget have
been eliminated. The problem for cities such as Novosibirsk is that they do not have the means
to finance construction of their projects. There may be some financing provided by enterprises,
but their housing will be directed primarily at their employees. Commercial banks are apparently
providing construction period financing, but have yet to extend it for periods longer than a year
and are charging interest rates of 25-40 percent. The Committee on Capital Construction reported
taking some loans from the commercial banks.
Mortgage lending in Novosibirsk, as in the rest of the Russian Federation, remains very limited. Sberbank continues to be the institution making mortgage loans for projects developed by house building cooperatives (HBCs). The HBCs are required to make a 20 percent downpayment, with the balance provided by Sberbank. The rate for these loans is normally 15 percent. But the city has committed to implement a decree issued by President Yeltsin, which will allow the coops to purchase housing built before 1992 at a reduced price and to receive credit at a reduced rate of interest.

Infrastructure development is primarily dependent upon financing from the central government or from State enterprises. Novosibirsk has now introduced a nominal (50 rubles/100 sq. meter) one-time fee to help cover the cost of infrastructure development. When one official was questioned whether the city had thought of alternative ways to finance infrastructure -- such as charging households a fee over time to pay the full cost -- he responded that the city would not want to have the population bear the cost of infrastructure. Other officials, however, were very interested in exploring alternative forms of financing.

Project planning, materials, manpower availability: The team heard again the problems of shortages of construction resources, but this should not be a major bottleneck to facilitate provision of housing. Novosibirsk is located close to many natural resources. Construction materials should become more available as soon as the economy begins to open up, artificial constraints resulting from "planned" targets of production dissolve, and alternative construction materials, such as wood, become more accepted.

As noted earlier, Novosibirsk is facing a potentially dramatic increase in unemployment. City officials said that residential construction is running at only one-third capacity (but many of the workers have been moved to commercial and industrial construction projects). The overall increase in unemployment along with the softness in residential construction in particular should ensure that a large pool of manpower will be available for housing construction. Of course many of these workers may require substantial training in modern building construction techniques.

One interesting development has been the formation of a design institute -- Gorprojekt -- that provides consulting services to enterprises on subdivision and housing design layouts. The interesting point is that this institute is a self-financing bureau within the Committee on Architecture and Town Planning.
**Construction of housing:** Based on discussions with city officials, the constraints in housing construction are not so much due to a lack of available land, but lack of financing for constructing the house, preparing the site, and developing the infrastructure. The Chairman of the Construction Committee said that the construction complex, while capable of producing 700-800,000 sq. meters of housing per year is producing less than 25 percent of that amount.

Small private construction firms are still very rare in Novosibirsk. The team did visit a very small firm with two employees -- Eko-Dom -- that is trying to develop a method of producing homes in a resource-efficient manner. This technology assumes that many small firms would be formed to construct individual cottage units.

A few obstacles constraining development of affordable housing echoed by officials dealt with certain attitudes of the public. For example, there is a belief that new low-density dwellings should be connected to the trunk infrastructure, including the city's central heating. This can be much more expensive -- especially for heating -- than decentralized utilities. Another attitude about construction that constrains development is the refusal to use certain, more affordable forms of construction. For example, many people believe that brick is the only material that should be used to build a house and have not accepted the "sandwich" style of construction found in the U.S.

The chief architect cited unauthorized "self-construction" as his "worst problem." Many households are reportedly deciding to ignore the normal process of allocation and registration of land and simply building their houses where they want.

**Allocation, management and privatization of the housing stock:** Allocation of the municipal housing stock is formally controlled by long waiting lists. Housing built by state-owned enterprises is also allocated by waiting list, but this list is managed by the enterprise. In this case, the housing is intended first for employees of the enterprise. Of course anytime such an allocation system exists there will be an informal network of allotting housing based simply on connections through work, party, family and friends.

Maintenance of the municipal housing stock is managed by the district and microdistrict offices, with repairs on major equipment often contracted to other State-run companies. Rents are paid to the state savings bank, with the building management recording the payment and
following up on delinquencies. It was not clear, however, whether the rent collection is all that closely monitored and controlled, since residents who do not pay are rarely, if ever, evicted.

A project (defined as a separate micro-district) with 2,400 units visited by the team employed 46 workers. This included 14 administrative staff and 32 maintenance workers. In this project residents are responsible for such work as painting their unit, making minor repairs to walls, floors, ceilings, etc. The maintenance company is responsible for such things as electrical work, sanitary equipment, heating system, roof repairs, maintenance of common areas.

Tenant complaints are lodged with the property management enterprise, who log the time of complaint and very brief description of the problem into a book. The target time to complete the repair is 24 hours. If the repair is small, the building maintenance workers will repair it. For larger repairs, they may either call the district maintenance office or companies in other districts to do the work; for very large repairs, such as major roof repair, they may issue a tender for the work. Emergency repairs after hours are directed to the district office for resolution. Microdistricts have their own budget and are charged for services performed by the district office or other departments. For very large repairs, building managers may issue a tender.

Budgeting for utilities, current maintenance and major repairs of the municipal housing stock is quite complex and currently in a state of flux. Under the former structure, the budget would filter down from the planners in Moscow to the district and microdistrict levels. Now, with prices increasing and the budget from central government being reduced, the repair and maintenance departments are in serious trouble. The Chairman of the Utility Services Committee in Novosibirsk told the team that his office is bankrupt and owes rub 40 million for completed repairs. It is clear that much restructuring is needed to improve the financing of housing maintenance and repair. The city seems very eager to privatize much of this function.

As for privatization of the housing stock, 5,000 applications have been submitted by households to purchase municipal housing. Contracts have already been prepared to transfer 637 municipal properties to private ownership. In addition, the city is also processing about 200 applications for privatization of departmental housing; most of these are in smaller departments. Large departments process privatization applications for their stock themselves.

Novosibirsk has decided to provide free of charge the standard 18 square meters of housing per individual, but give an additional 9 square meters, for a total of 18 square meters,
for the household. This has resulted in roughly 85 percent of the privatized housing being transferred free of charge. For housing transferred in excess of the free of charge amount, a fee between rub 140 to rub 400 per sq. meter for housing is charged, depending on certain quality ranking factors. This differs from Moscow, where all housing is transferred free of charge, and Ekaterinburg, where the range was between rub 100 to rub 1100.

Each of the ten administrative districts has a branch office of the agency of privatization. These offices gather the necessary documents, make the calculation of the transfer cost, and collect a small fee of rub 490 for the transaction. Once the city and purchaser agree on the price, the sale is registered by the privatization agency. This agency also issues three copies of an ownership certificate: one copy to the owner, one to the seller, and a third retained by the agency.

The seller’s copy of the certificate is then supposed to be transferred to the statistical bureau responsible for registration of all property. It appears, however, that this bureau has not been receiving a copy of the ownership registration form, since it reportedly charges the seller a high fee to record the transaction!

As in other cities, a factor that may be restraining privatization is the uncertainty held by residents about the amount of property tax they will be required to pay. The current proposal assesses 0.1 percent of some cost whose calculation, it appears, is determined by the city.

Summary of Major Problems in Housing Identified by the City

The following is the list of problems highlighted by Novosibirsk city officials as their top priorities for addressing:

1. **Condominium law.** As in Moscow, city officials identified the lack of a condominium law as a major problem, but recognized that this issue must be resolved at the Federation level.

2. **Housing maintenance.** The efficiency of the management and maintenance of the housing stock is also a major problem in Novosibirsk and one of their top priorities for resolving. The city is also interested in experimenting with private management companies.

3. **Management information systems.** Inadequate information on the housing stock and on residents in the housing has lead to poor management decisions and misallocation of resources. The city is very interested in receiving appropriate computer hardware and software to help them better manage their inventory.
4. **Residential infrastructure.** As in Ekaterinburg, similar reductions in funding from the central budget are compelling officials in Novosibirsk to search for alternatives to direct financing of residential infrastructure.

5. **Housing finance.** The lack of financing to permit purchase of flats and houses is a problem also facing Novosibirsk officials in their efforts to privatize the housing stock.

6. **Valuation of land and property.** Implementation of the property tax and the need to establish a "market price" to permit sales of units have made valuation of land and property an important problem in Novosibirsk as well.
REFERENCES


