Transformation in Russian housing: the new key roles of local authorities

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POLICY REVIEW

Transformation in Russian housing: the new key roles of local authorities

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Democratically elected municipal government had no housing role in the Soviet era in Russia, as all housing belonged to the central state and was administered by its local agents. After 1990, a massive privatization of housing was achieved first through the transfer of stock from industrial companies to municipalities and then through no-cost transfer of ownership to the tenants. Despite privatization, a large amount of housing stock has since been unloaded back onto municipalities who now find themselves owners of 11% of all housing in Russia (much more in some regions). The poor quality of stock and the inability of the new owners to meet maintenance costs have led to a growing housing role for local authorities, who have many new responsibilities and expectations from residents, but few resources. Although the situation has parallels in other post-socialist countries, the scale in Russia is greater, and there is no EU aid, nor any tradition either of ownership or collective responsibility. Economic crisis in Europe and a slow down in housing construction in Russia mean that new policies for rental housing are needed. This review considers historic and recent changes in housing policy in the Russian Federation in light of the emerging housing role of municipal governments. In the review, we draw on national data as well a case study of the city of Perm to illustrate the impact of this transformation. Following a national meeting of housing experts in 2011, a new Government Strategy for 2020 has been established and is also discussed.

Keywords: local authorities; municipalities; municipal duties; housing policy; rental housing stock; privatization

Introduction

In the Soviet period, in what is now the Russian Federation (RF), municipal authorities and municipal housing could hardly be said to have existed. Almost all housing belonged to the state and either state authorities or their agencies at
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the local level executed all housing-related activities. The 24 years since 1989 have witnessed seismic changes in tenure structure. This began with ‘no cost’ privatization, involving 53,000 housing units in 1990, leading to 28,557,000 units transferred to private hands by 2010. But an additional and parallel phenomenon has been the creation of municipal authorities, which in recent years have experienced a growing role in housing. In the face of maintenance problems, the offloading of properties by private owners and continued conditions of severe housing need (which the private market has failed to meet), there has been a growing interest in rental housing and in its municipal provision, and there are now about 15 million municipal tenants. In 2012 these trends have culminated in proposals produced for the Russian Ministry of Regional Development towards a 2020 Government Strategy for rental housing, countering the assumption that all change is towards private ownership and proposing a key role for Russian municipalities.

This review considers how and why the importance of municipalities in housing has grown in the RF since the end of the Soviet era. It explains national changes in civic administration and the devolvement of powers and duties to municipalities. It will describe the privatization process relating to housing; the great variations in take-up; the various factors that have led municipalities to become involved in providing housing for rent and some examples of what they have done. Finally, it will give some comparisons with other former eastern block countries and discuss moves currently being made at national level to formalize and recognize the need for rental housing in the Federation and the role of municipalities within it.

Administrative reform in post-Soviet Russia

The general privatization process in Russia began in 1989 when the laws ‘About state enterprise’ (Federal Law, 1987) and ‘About privatization of state and municipal enterprises in the Russian Federation’ (Federal Law, 1991a) were adopted, and became the essence of Russian economic restructuring. In 1992 privatization of enterprises began through employee buyouts and public auctions. By the end of 1993, more than 85% of Russian small enterprises and more than 82,000 Russian state enterprises, or about one third of the total in existence, had been privatized. Privatization of housing was a different process, as will be described later.

During the long Soviet period Russia had only state level policy in all fields, meaning that almost all land and most buildings (whether residential or not) belonged to the state and were managed and maintained by state companies. Municipal authorities held a marginal position, with local public services delivered by state authorities (or their agencies) at the local level. Municipal reforms were part of a broader programme of administrative reforms that started in the early 1990s. The RF consists of 83 regions, called ‘subjects of Federation’. Each region is divided into municipal areas (approximately 1800 in total) and ‘urban okrugs’ (a total of 517 ‘city districts’) (Rosstat, 2012b). Each municipal area is divided into many ‘settlements’.
The municipal areas are supposed to support the ‘settlements’, and have a much larger list of duties and responsibilities. ‘Urban okrugs’ are mostly large cities, with good social and technical infrastructure, which fulfil all municipal duties.

The first time that a description of municipal duties appeared as part of the new Russian governance system was in 1995, under the first (or ‘Old’) Law, ‘On general principles of local self-government in the Russian Federation’ (Federal Law, 1995). So, in the middle of the 1990s, ‘Municipal Law’, ‘Municipal authorities’, new ‘Mayors’, new ‘Municipal Councils’ and councillors, as well as ‘municipal housing stock’ began to become part of Russian life. But it was only after the adoption of the next Federal Law ‘On the general principles of local self-government in the Russian Federation’ (2003), and a long transition period (up till 2010), that the existence of local self-government become a universal characteristic of Russian life. The main goal of municipal reform (ostensibly at least) was the improvement of the everyday life of Russian citizens, and bringing these local authorities closer to citizens by transferring duties, financial resources and property from regional to local authority level.

**Major housing policy and trends in post-Soviet Russia**

At the same time as these administrative changes were taking place, the lives of millions of Russian people were affected by related changes in housing. There was a painful shift from paternalistic to market-based housing policy, with growth of private ownership, dramatic reduction of the rented housing sector and transfer of responsibilities for personal housing conditions from the state to the citizens. (Shomina, 1997; Struyk, 1996). Similar problems were widespread in post-socialist Eastern Europe (see Hegedüs, Lux, & Teller, 2012; Lux, 2003; Tsenkova & Turner, 2004; Turner, Hegedüs, & Tosics, 1992).

Privatization of housing stock, by transfer of what had recently become municipal housing stock to the sitting tenants, started in Russia in 1991 (Kosareva & Struyk, 1993). The Federal authorities provided the legal framework and instructions by means of Federal Laws – ‘On the privatization of housing in the Russian Federation’ (1991b) and ‘On the fundamentals of federal housing policy’ (1992) – and many other state and regional legal documents. Privatization was free of charge and entitles the new proprietors to sell on at a market price. It also implies, however, responsibility for maintenance. As was stressed in the *Country profile on the housing sector of the Russian Federation* (UNECE, 2004, Chapter II), the implicit aim of housing privatization was therefore to shift responsibility for the maintenance of the housing sector to consumers. Given the dishevelled state of most Russian apartment houses, privatization was not attractive to everybody and the process had slowed down significantly by 1994. But through a massive advertising campaign to the Russian people, the image of ownership became increasingly attractive and in 2005–2010 privatization became a more active proposition (Table 1).
Table 1. Privatization of housing stock.

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<tbody>
<tr>
<td>Number of privatized housing units (thousands)</td>
<td>53</td>
<td>12479</td>
<td>17351</td>
<td>23668</td>
<td>27657</td>
<td>28557</td>
</tr>
<tr>
<td>Privatized residential premises (% of total premises subject to privatization)</td>
<td>0.2</td>
<td>36.0</td>
<td>47.0</td>
<td>63.0</td>
<td>73.0</td>
<td>75.0</td>
</tr>
</tbody>
</table>

Source: Rosstat (2010).

In 2011 about 86% of Russian housing stock was private (Rosstat, 2012a). The Government has extended several times (in 2007 and 2010), the deadline beyond which privatization will cease to be free of charge with the deadline extended in 2013 for another two years. At the same time, however, there is discussion as to whether owners of flats might return them to the municipalities, as Russia has become a country of poor owners, who cannot afford property maintenance and taxation.

Although municipal ownership and involvement in housing is a new phenomenon in Russia, the municipalities have already had to accept a variety of different housing-related responsibilities caused by the changing policy context of the last 25 years. This began with an ideological shift from paternalistic to market housing policy; then a policy of municipilization – the transfer of former company housing stock (both industrial and agricultural) to municipalities (very often old and in bad condition); next, the privatization of the state and municipal housing stock and throughout this time inadequate financing for the maintenance of of the remaining municipal housing stock, resulting in its ongoing deterioration.

Challenges for municipalities

Large-scale housing transfers

Under the general programme of privatization described above, huge state industrial companies, as well as small agricultural enterprises, together with a great deal of social infrastructure: housing stock, leisure, sport and medical facilities and kindergartens lost their public status and became the property of private owners (Shomina, 1992). Many of the new private company owners wanted no involvement in this ‘non-production, non-profit’ sphere and were keen to get rid of all these properties. As a result, the privatization and restructuring of industrial enterprises had a particularly extreme impact on urban areas, reshaping not only their labour markets but also their housing services, cultural and sporting facilities and health provision.

The new enterprises were obliged to transfer their housing stock to the relevant municipality ‘in good condition’. In many cities, such housing was not in good condition, but usually there was a local political decision to accept the transfer...
regardless. For example, Perm, a municipality of around one million people in the northern Urals, in between 1993 and 1995, became the owner of 65% of all housing stock in the city as a result of the transfer of company housing. Lexin and co-workers summarized the position in 1996 as follows.

Deteriorating economic conditions in Russia caused a massive one-time transfer of company housing to municipal ownership, and municipalities became the key homeowners in Russia, but usually without adequate financing for maintenance of their housing stock. Municipalities were not in a position to maintain these old houses and did not hurry to take them. At that period many houses were “in between” their former owner (a state enterprise) and new one (a municipality). It takes about three years for this transfer’ (Lexin, Shvetsov, & Freinkman, 1996, p. 65).

In this way, municipalities became the owners of a huge housing stock. This housing has been plagued by extensive problems of neglected maintenance, ineffective management, inefficient use of services and poor physical design. The rate of growth in the municipal stock is shown in Table 2. It shows how, from 1990 to 1997, Russian state company housing stock diminished from 1011 million to 167 million m² while municipal housing stock grew from 611 million to 854 million m².

The municipalization process has still not finished. It continues particularly in the rural municipalities. There are many examples where former plants for processing agricultural products or logging have tried to offload their housing stock but have been unable to do so. To transfer property to municipalities it has to be ‘described’, ‘determined’ and registered by a special State Registration Chamber as municipal property, and this process has a considerable cost for the receiving municipality. Many of the municipalities in small rural settlements cannot afford this. This unregistered housing stock is in effect ‘orphaned’: it belongs to nobody. As a result, it has fallen into a poor condition, and by the time the municipalities take up ownership they usually need a great deal of money to repair and maintain it.

### Current municipal housing stock in Russia

At the end of 2010 about 8500 Russian municipalities owned housing stock and had duties for maintaining it. In spite of privatization and lack of new municipal

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**Table 2. Growth of municipal housing stock, 1990–1998 (million m²).**

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<thead>
<tr>
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<tbody>
<tr>
<td>State (including military and enterprise)</td>
<td>1011</td>
<td>2676</td>
<td>2710</td>
<td>2738</td>
<td>2761</td>
<td></td>
</tr>
<tr>
<td>Municipal</td>
<td>611</td>
<td>823</td>
<td>849</td>
<td>854</td>
<td>806</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>791</td>
<td>1466</td>
<td>1539</td>
<td>1628</td>
<td>1742</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Rosstat (2002).*
Table 3. Municipal housing stock by federal region (Okrugs), % of all housing stock.

<table>
<thead>
<tr>
<th>Federal Okrugs</th>
<th>Quantity of housing stock in 2009 (million m²)</th>
<th>% owned by municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>93</td>
<td>10.3</td>
</tr>
<tr>
<td>North-West</td>
<td>44</td>
<td>13.1</td>
</tr>
<tr>
<td>South</td>
<td>20</td>
<td>4.4</td>
</tr>
<tr>
<td>Volga</td>
<td>81</td>
<td>12.1</td>
</tr>
<tr>
<td>Urals</td>
<td>35</td>
<td>13.0</td>
</tr>
<tr>
<td>Siberian</td>
<td>51</td>
<td>12.5</td>
</tr>
<tr>
<td>Far East</td>
<td>26</td>
<td>19.5</td>
</tr>
<tr>
<td>Total</td>
<td>350</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Source: Rosstat (2012c).

Housing construction, municipal housing stock is about 350 million m²: 281 million m² in urban areas and 69 million m² in rural settlements. About 15 million Russian residents are municipal tenants (author’s estimate), and municipalities must take care of the condition and maintenance of their flats.

Table 3 shows municipal housing stock as a proportion of all housing stock in different regions, as it stood in 2009. The lowest level of municipal housing is in the southern part of Russia, where the main part of the housing stock consists of one-family buildings (cottages). In rural settlements, the number of multi-flat buildings is comparatively small. The privatization process in this part of Russia was very rapid and as a result only 4% of all housing stock is now municipal.

At the same time in the Far East of Russia about a fifth of all housing stock is municipal. The percentage of urban housing stock (and population) there was always higher, the housing conditions poor and privatization slow. Furthermore, in some cities in the Far East, where unemployment is high, owners cannot sell their flats and empty flats – both private and municipal – are common. In specific cities, the proportions vary even more, from 25% in Siberian Novosibirsk and central Lipetsk to 90% in northern Pokachi.

Multiple housing duties

The Russian municipalities had, and have, no comprehensive housing policy of their own. Nevertheless, they are now in practice responsible for the provision of housing-related services like maintenance of the buildings, water supply, heating and waste disposal. Total housing and communal expenditures were about 40%–70% of the budgets of many cities by the end of 1990s. With the great changes in tenure, the list of municipal duties in the housing field has also changed. Some duties disappeared. Municipalities are no longer responsible for the provision of housing stock for all residents, and the maintenance of all residential buildings. But new duties have come into being, such as control over housing conditions, housing markets, maintenance costs and condominium rules.
Amongst these modern housing duties there are three of especial importance. One is responsibility for housing provision at a local level. Municipalities are obliged to create conditions that enable everybody to live in good quality housing. The next is provision of housing for socially disadvantaged groups: for key workers and for orphanages and the third is the organization of public housing allocation. The public (state and municipal) allocation system was created in the 1950s, and up to 2005 a family had to have less than 5 m² of living space per person to be registered on the waiting list. Other criteria did not exist. Now municipalities provide housing only for ‘registered poor families’. Not municipalities but regional authorities determine the level of poverty.

The number of families (including singles), registered to receive dwellings fell from 9.6 million at the end of 1992 (19% of all families) to 2.8 million in 2010 (5%). In spite of this statistical improvement, many families who were registered at the end of the 1980s are still on the waiting list. In Perm, there is a waiting list of 18,000 families. The municipality can provide about 800 flats every year, and about 400 new families are registered annually.²

However, municipalities do not have resources for new housing construction. There are also conflicts and competition between municipalities and state agencies for land for housing construction. In 2010, municipal construction companies delivered only 2.0 million m² out of a total national construction of 58.4 million m². The share of the housing stock constructed by municipal housing companies fell from 9.2% in 2000 to 3.4% in 2010, while private companies constructed 50.0 million m² in 2010, that is, 86.2% of total housing stock (Rosstat, 2011). There have been cases where private developers who have been commissioned to build municipal housing blocks for tenants on waiting lists, have begun but not completed construction. This has led to legal disputes and even criminal charges although the recouping of public funds has been problematic.

There are also other serious municipal housing responsibilities. One of these is for physical planning and local infrastructure: particularly heating, water and sewerage. In practice, some municipalities lack capacity for provision of electricity and water and other necessary infrastructure, and as a result many already constructed houses can be empty for many months. There is a duty to develop local housing-related policy, or at least to implement the housing policy of the state. There is also a duty of control, arbitration and education: local authorities and their special boards inspect the houses and estimate the rate of wear, and they take control of the management and maintenance of private housing stock, as a response to citizens’ demands, as residents cannot rely upon private companies. Finally, wherever they own stock, municipalities have all the duties of a landlord.

Comparison with other transition countries
In many East European transition countries, the housing situation has ostensibly seemed similar to Russia (Hegedűs et al., 2012; Lux, 2003; Struyk, 1996; Tsenkova,
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2000, 2009). Tsenkova (2009) refers to the ‘shock therapy’ of transition from a centrally planned to market-based economy and says how this is reflected in restructuring of national housing systems. But despite the commonalities, there are factors that make the situation in Russia rather different.

First, there is no tradition of ownership. The Russian urban population (three quarters of total population) have no experience of being the ‘owner’ of a flat (particularly old and middle aged people) (Orlov, 2013), while in Eastern European countries residents had the experience of private property up until the middle of the 1940s and many older people have at least some memories of property ownership. Former owners greatly influence the housing policy in such cities as Prague, Riga or Tallinne, where policies of restitution were implemented (Nilsson, 2012). In Russia, restitution was prohibited and after 1990 Russian people became used to having municipal authorities as owners and managers of their housing stock.

Second, there is large-scale deterioration in the housing stock and a high proportion of disrepair. In former socialist countries, the populations vary from 1.3 million (Estonia) to 38 million (Poland), but the population of Russia is 143 million. In Estonia, there are 2500 families on housing waiting lists, and most housing stock is in reasonable repair (Udin, 2008). In Russia, 2.8 million families are waiting to be housed, while a study by Buckley and Tsenkova (2001), placed Russia together with Bulgaria and Lithuania in the lowest position in an overview of 13 former socialist countries for properties lacking basic amenities.

Third, there is no access to EU grants. In many East European countries, municipalities have received grants from the EU for refurbishment of old housing stock and construction of new social housing (Tsenkova, 2012) with the result that the condition of housing stock is much better than in Russia.

Fourth, there is no tradition of collective decision-making. A tradition of ‘Housing Democracy’ in some former socialist countries makes self-organizing of residents and ‘collective decision-making’ about housing maintenance and management issues much easier and more effective. In Russia, problems with democracy in general sustain a lack of housing democracy. Although duties have changed and resources are minimal, local residents do not know, and even do not want to know, about these changes. Many still expect support from their municipal authorities, who therefore have less respect for the residents (Shomina, 2008; Vihavainen, 2009). For many municipalities there is a conflict between their different roles. The municipality as the landlord of municipal housing stock needs extra money for stock maintenance, while the municipality as a city manager does not want to spend its resources in this way. Lack of flexibility in handling the housing stock, furthermore, does not give municipalities scope to provide flats for residents with urgent needs.

Finally, there are also specific management responsibilities and challenges. Housing Management is still one of the key responsibilities of municipalities in Russia. Up to 80% of all municipal flats can be considered to be in a bad condition but
municipalities have insufficient resources for housing refurbishments. About 282.2 thousand multi-family homes (8.8% of the total) need major repairs. During 2011, 35.8 thousand apartment buildings were renovated, representing just 12.7% of the actual need (Rosstat, 2012a). The State Repairing Fund provides some money but the great problem for Russian municipalities is the dispersion of municipal flats. All existing municipal flats are scattered amongst the large multi-flat buildings and the municipality has little influence on the management of these buildings. This problem of fragmentation of ownership of flats is common elsewhere in former Soviet countries. The difference in Russia is the ongoing responsibility for housing maintenance that has caused new problems for municipalities. According to the Housing Code (Russian Federation, 2005), owners of flats must create a Home-owners Association (HOA), and representatives of the municipality should participate in all decision-making. But in practice, this seldom happens. Nevertheless, municipalities have to organize the management of the multi-flat buildings in cases where the owners of the flats have not taken a collective decision about the management of their building and not created an HOA. Further problems impeding housing management are conflicts between owners of flats and municipal tenants, and anti-social behaviour amongst residents.

Many municipalities also try to keep a hold on the management of not just municipal housing stock, but all housing stock in their territory. This is partly an attempt to control financial flows (which are continuous and very large), partly because there are sometimes no private housing management companies in the municipal area, and partly because residents have till now relied on the municipality more than on private companies.

It is clear that many serious municipal housing problems have resulted from state housing policy over the last 20 years following the stimulation and support of only ownership as the key tenure, and disappearance of municipal rental housing stock. This has prevented municipalities from fulfilling many essential duties. However, economic crises in developed countries, and the slowdown of housing construction in Russia, make it obvious that it is necessary to change Russian housing policy. In the last few years, there has been great interest from state institutions in rental housing, including serious discussion about municipal and social housing (Puzanov, 2012), new programmes of not-for-profit housing projects and the creation of the Russian Tenants Association (since 2011 a member of the International Union of Tenants) (Shomina, 2010).

**Conclusion: evolving ideas for policy change in Russia**

There is new interest in rental and municipal housing in Russia with a new understanding that, ‘when there is a grave shortage, . . . the issue of ownership is of secondary importance.’(Malpass & Murie, 1999, p. 3). A number of interesting new
housing rental projects have been created by municipalities (without the right to privatize these flats). These include: municipal rental flats for young families; rental of single-family houses for multi-children families; special housing allowances for private rental tenants for waiting list applicants (up to 50% of rent in the case of official tenancy agreements) and ‘new departmental housing’ – where municipalities in partnership with large enterprises and regional authorities have started construction of new multi-flat buildings consisting of rental flats. These kinds of project have prompted new discussion about the development of rental housing. A group of Russian housing experts\(^4\) have been working on recommendations about rental accommodation for the Russian Government (Government Strategy, 2020). These are some of their key recommendations:

- Rental housing should revert to the tenure structure of municipal housing stock;
- The creation of non-for-profit housing stock with rental flats for those people who cannot afford housing via the market;
- To attract the third sector (not-for profit and limited profit) and private operators as effective partners in addressing the issue of housing needs;
- Municipalities should provide special subsidies for low-income families to rent flats;
- To allow de-privatization (to return privatized flats to municipalities) after the end of the privatization process in 2013, if people cannot afford maintenance of their flat;
- To set up time limits for social (municipal) tenancy agreements (municipal tenancy agreements are currently unlimited);
- To set up special tax reduction for providers of rental flats (particularly for social and non-for-profit providers).

These recommendations have been submitted to the Russian government in the hope that an appropriate proportion of rental housing will be restored to Russian municipalities within a new framework. The transformation of Russian housing policy reflects the transformation of Russian society and the economy, and is causing significant changes in the position and role of local authorities with regard to housing. The newest generation of citizens is more adapted to the market economy. They are more active and have begun to demand a new quality of transparency in municipal management and more involvement in decision-making. In this way, they are seeking to remodel and rehabilitate modern municipal authority in Russia.

This review has shown how a housing policy that had only one strand – that of privatization – has over the last 24 years failed to meet the housing needs of poorer Russian citizens and how in the chasm between political dogma and economic reality for the citizens, municipal authorities have taken on key housing roles, including that of landlords. Housing experts involved with the Government Strategy 2020 consultation, who sought recognition of the value of the municipal housing role, were
however disappointed when, in February 2013, President Vladimir Putin signed the law on extension of free privatization of housing till 2015. This is likely to slow down the first efforts of municipal authorities to keep or create municipal housing stock. But as the endemic problems described throughout this review remain and are likely to persist, there is some likelihood that this position may yet be revised.

Acknowledgements

The data and insights drawn upon in this paper are derived from a project led by Elena Shomina, since 2009, tracing, recording and assessing the role of municipal housing. This work draws on interviews with Russian housing experts and heads of municipal departments of housing policy in different cities. In this article, we make particular use of data from the typical large Russian city Perm (about one million population) and participant-observation in the work of the group of housing experts involved in a project known as ‘Strategy 2020’. The authors would also like to acknowledge the support of Gabriel Chanan and Martti Lujanen.

Notes

1. Moscow and St. Petersburg, because they are ‘subjects of Federation’ in their own right and have very limited local self-government, are not included as municipalities in this study.
2. Interview with the head of Perm Department of Housing Policy, Faina Minkh, 18/02/2011.
3. Interview with the head of Perm Department of Housing Policy, Faina Minkh, 18/02/2011.
4. Including housing experts Nadezda Kosareva, Alexander Puzanov and Elena Shomina.

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