

Housing Construction Cooperative

Ukrainian laws allow Housing Construction Cooperative to be formed by individuals or legal entities in cooperation with the local councils. These Cooperatives are eligible to receive support from local councils and banks. Despite the outdated nature of the laws, these may still be used as an additional framework for provision of affordable housing to the IDPs and other conflict affected people.

Legal Instruments

- Housing Code of the Ukrainian SSR, 1983
- Civil Code of Ukraine, 2003
- Template Statute of the Housing and Construction Cooperative, approved by the Resolution of the USSR Council of Ministers (CoM) No. 186 as of 30 April 1985
- Law of Ukraine «On Cooperation» as of 10 July 2003
- Resolution of the USSR CoM and the Ukrainian Republican Council of Trade Unions (URCTU) «On Approval of the Rules of Registration of Citizens Willing to Join Housing and Construction Cooperative» No. 228 as of 5 July 1985
- Resolution of the USSR CoM and the URCTU «On Approval of the Rules of Registration of Citizens in Need of Improvement of Housing Conditions, and Providing Them with Residential Properties in the Ukrainian SSR» No. 470 as of 11 December 1984
- CMU Resolution «On Further Development of the Housing and Construction (Housing) Cooperation» No. 593 as of 20 October 1992

Key Features of the Housing and Construction Cooperative (HCC)

- legal entity established by individuals and/or legal entities
- created under the executive committee of the respective local council
- aims at housing provision to the cooperative's members and members of their families
- may construct multi-story residential buildings, one- and two-units residential mansion houses or multi-units residential blocks of flats with outer buildings
- construction at the expense of the membership fees with a possibility to get a bank loan
- obtains ownership to the constructed/purchased housing
- HCC membership is based on equity participation
- share is a material refundable instalment
- HCC member is entitled to possession and usage, and upon approval of the cooperative – disposal of an apartment occupied by him/her in the cooperative building
- HCC member obtains ownership to an apartment upon payment of its full price and registration of ownership title

Procedure for the HCC Establishment

- on voluntarily basis
- by citizens of Ukraine, foreigners and stateless persons not younger than 16 years old, as well as by legal entities of Ukraine and foreign countries through their representatives
- by decision of the constituent assembly of the cooperative
- at least by three persons
- with adoption of the statute
- subject to state registration

Registration of Citizens Willing to Join HCC

- from 18 years old
- by the executive committee of the respective local council
- local council defines the priority for joining HCC
- is not available for employable individuals not engaged into socially useful work
- *IDPs from among war veterans and their family members, as well as family members of the deceased combatants are registered in a housing queue at a place of their IDP registration, irrespective of how long they reside over there and whether they have property rights to real estate located in NGCA or along the contact line*

Reasons to be Delisted from the Cooperative Queue

- improvement of living conditions, when an individual is provided with a living area within 13,65 m², but not less than an average living area per person in respective settlement (city, town, village)
- resettlement for permanent residence to another city/town/village

Conditions to Get HCC Membership

- permanent residence and registration in a city/town/village
- registration in a unified state register of citizens in need of improvement of living conditions or entitlement to priority admission to the cooperative's membership
- registration in the queue of those willing to join HCC
- in legislation may be specified also other conditions for registering citizens in the queue of those willing to join HCC
- filing a written application, paying entry fee and share

Size of an Apartment

- within 13,65 m² of living area per person, but not less than average living area per person in respective settlement (city, town, village) (e.g., in Kyiv – 9 m², in Sumy – 8 m², in Kharkiv – 7,5 m²)
- the living area should be less than 7,5 m² in Kyiv, 6 m² in Sumy, and 5,5 m² in Kharkiv for a person to be recognized as such who is in need of improvement of living conditions

Allocation of Apartments

- upon decision of the general meeting of HCC members, approved by the executive committee of the respective local council
- number of rooms depends on the number of family members, amount of share and upper limit of living area specified in the Template HCC Statute
- moving in the apartment is allowed upon receipt of the warrant issued by the executive committee of the respective local council
- warrant entitles a person to unlimited use of a separate apartment
- number of HCC members should correspond to a number of flats in the building to be constructed, and in case of construction of a residential mansion houses – has to be specified by the executive committee of the respective local council, but be not be less than 5 persons

Procedure for HCC Establishment and Operation

- persons from the cooperative queue file an application to join the HCC with the executive committee of the respective local council
- the executive committee of the respective local council following the priority rules drafts list of citizens who are joining HCC and their family members
- general meeting of citizens adopts a decision on establishment of HCC
- the executive committee of the respective local council approves a decision on the HCC establishment, list of citizens who are joining HCC and their family members, as well as apartment types
- general meeting of the HCC members approves the HCC statute
- the executive committee of the respective local council registers the HCC statute
- the general meeting of the HCC members elects a board and an audit commission, approves construction project and budget previously agreed with the executive committee and construction company, as well as fixes the amount of the entry fee
- the executive committee of the respective local council orders development of a design and estimates documentation at the expense of HCC funds
- design bureau calculates the cost of the construction of cooperative buildings and apartments
- HCC is entitled to get land plot into unlimited usage for construction purposes
- HCC has a right to get a bank loan for construction
- HCC registers the residential building in the bureau of technical inventarization

- allocation of flats between HCC members is conducted before the residential building is commissioned into operation

Specifics of Issuing Loans to HCC

- HCC down payment – 10% of the construction costs
- bank loan in the amount of 90% of the construction costs for the period of up to 30 years
- loan repayment annually in equal instalments
- in case when HCC purchases ready-built buildings or those after capital repairs its own down payment equals to 15%, while the bank loan is in the amount of 85%
- HCC members, whose total annual costs for loan repayment, including interest rate, are higher than 20% of family's aggregate annual income, can get state preferential loan in the amount of 3% annual rate
- if HCC members have minor children the interest rate decreases: 1 child – 2%, 2 children – 1%, 3 and more children – interest-free
- commercial banks' expenditures for preferential loans are compensated from the state budget in the amount of up to 3% from the amounts of issued loans

Risks

- outdated legislation
- obtaining property rights to an apartment only upon payment of a full share costs and registration of ownership title
- even though apartments belong to HCC members, the building itself is in the HCC ownership
- HCC is liable for its obligations before financial institutions and communal services with all its property
- investment in construction before the latter starts
- increase of construction price
- delay in construction
- absence of the efficient control mechanism over HCC financial and economic activity
- possible abuses with apartments' allocation

Advocacy Points

- to raise awareness of the option within the communities and local councils
- to oblige local self-government authorities to allocate land plots for the construction of cooperative houses
- to specify on the legislative level a unified minimal size of living area per person, irrespective of the statistical data in each separate city/town/village