

Development of tenement house under projects

Actual situation - solutions

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HD stand for housing development

I. The actual situation of housing in Vietnam

1 Investments in housing construction

In the 15 years of renovation, the Government of Vietnam has worked out many socio-economic and cultural policies and paid special attention to improving the life quality of the population, particularly HD.

By the end of 1990, the housing area of Vietnam was about 500 million m², in which the urban area accounted for 81 million m² and rural area 419 million m². The per capita area in the whole country was 7 m².

Estimates show that from 1996 to 2000, Vietnamese urban areas had built a housing area of 40 million m². By the end of 2000, the urban housing area was as much as 147 million m² with the per capita area of 7.7 m², and the rural housing area was about 718 million m² with the per capita area of 12.2 m².

2. Assessments of the housing development

Since 1991, the Government has issued many documents to remove the subsidiary policies and encourage the people to build their own houses. Housing investment policies have also been turned from subsidiary in to encouragement, which stir up the potential of the population in the field of housing.

In the context that Vietnam has been transiting its economic structure from the centralized planned economy to the market-oriented one to accelerate economic growth. Together with the economic growth, the rapid urbanization speed has also brought about many social challenges such as employment, environment, planning, technical infrastructure, social infrastructure, housing, etc.

The rapid population growth in urban areas has reduced land fund, and housing respect have become one of the most burning issues in the society. The imbalance between demand and supply of housing has led to encroach upon the land spontaneously, dispute on land and unintentionally build houses, which breaks the urban landscape and raises the land price. This makes low-income people not have conditions to improve their accommodation.

The vital issue at present is to increase the housing fund while the scarcity of land is grave more and more. Thus, the construction of high rise tenement houses is considered as a short-term optimum solution in Vietnam. The basic advantages of the high rise tenement houses are to let many households live together in the same building and in the same land lot. This is the reason why not only Vietnam but also many countries in the world select the solution to build high rise tenement houses complied with projects. In urban areas, the using demand of high rise tenement houses rapidly increases and at the present, supply is less than demand.

Most blocks of flats in big urban areas such as Hanoi and Ho Chi Minh City were built 30 or 40 years ago under old sub-housing antique models. Most of these buildings belong to the Government possession and they were built in the period that the Government implemented the housing subsidiary regime. These models had contributed to deal with the urgent housing demand of the people in the certain historical period. So far, in the process of transiting into the market economy, many new housing models and new housing styles are emerging and satisfying the increasing requirements of the population.

In the program on HD in the period of 2001-2005 and the housing orientation up to 2020, the Ministry of Construction of Vietnam has affirmed that it gives priorities to develop housing areas in accordance with projects, in which encourages the development of high rise tenement houses with purpose to rapidly increase the housing fund to serve sufficiently the requirement of the population.

In spite of identifying the advantages of HD complied with projects, especially development of high rise tenement houses, but planning, construction and management of this model still contain many issues necessary to be considered. We would like to mention about some issues on the actual situation and solutions in the process of the HD in Vietnam.

II. Actual situation

1. Issues regarding planning and approval of projects and site-clearance

The announcement of detailed planning in districts is usually not clear and lack of adequate development planning. The annual implementation of construction under planning has not been attached to land use planning, which has not yet promoted the potential of HD enterprises. The procedures of investment management process are slow and investors often have to wait long for approval. The procedures of investigation, issuance, and

implementation of projects are too complicated, prolix, and overlapped, which disappoints investors and loses investment opportunities.

Compensation for site-clearance is always the most critical difficulty issue in housing investments due to many reasons, but mainly compensation prices for households who have to displace to another were not practical. In addition, housing fund use to compensation and re-settlement targets is sharply insufficient.

2. Investment capital for construction projects

Over the years, the Government annually reserves its considerable budget to housing development investments. However, in recent years, this budget is ended. The capital for housing development is mainly based on mobilizing from the housing buyer, available assets of enterprises and loans from banks. Also, the Government permit of using one part of the fund collected from housing sales under the possession of the Government to construct the housing fund for rent and part of the fund collected from land-use transfer to invest in some infrastructures of certain housing construction projects for beneficiaries and low-income people. However, the ratio of this fund is not considerable.

In general, most of housing investment and development enterprises are faced on difficult capital. Moreover, legal documents of the Government are not synchronous, scheme of loans are being confronted with many obstacles in procedures and time of investigation.

3. Technical infrastructure

The investment of Government has not synchronized in technical infrastructures and the technical infrastructure ought to be the first step because it is to create conditions for project development.

4. Management, exploitation, and use of after investments

While the regulations on management, exploitation, and use of housing in the market economy has not yet perfected, the HD enterprises organize exploitation services under the regime of single owner and initially gain the belief of customers. However, the management has not yet been in its orbit and troubled in collecting management fees and maintaining works. Thus, management in different areas is varied, which makes customers compare such management, especially in urban areas with different public services. Actually, users of flats have to pay a monthly fee of 100-150,000VND for services such as elevators and fees for public infrastructure.

5. Prices

In the recent time, the new constructed block of tenement areas were focused in big-scale size and area, which mainly satisfied the requirement of high-income people. Average prices were about several hundred million VND. This price is rather high and irrational with the conditions of low-income people. Accordingly, the questions are how to enlarge housing fund and lessen the prices.

III. Policies on development in high rise tenement

1. Preferential policies for enterprises

- To encourage the construction development of high rise tenement, the Government has issued Decree N^o 71/2001/N§-CP dated 5 October 2001 on priority investments in housing construction for sale and rent. The housing projects granted preferential conditions are those regarding high rise tenement (from 5 or more stories in Hanoi and Ho Chi Minh City; and 3 stories for other provinces and cities); and the project with land-use area for high rise tenement are 60 percent and more.

2. Policies on management and use

- Management models of high rise tenement are socialized by mobilizing the participation of the community and households who live in.

- To reduce management fees of high rise tenement to the minimum while ensuring the quality of management service, the Government has institutions for management enterprises such as tax reduction and exemption, receiving preferential interest rates for loans in repair or upgrading buildings, etc. In addition, these enterprises will be allowed to exploit services such as use basements for parking service, etc.

- The Government researches and constructs the management regime of tenement house effectively towards types of own individuals, by the Government or private enterprise.

- 3 April 2003, the Ministry of Construction has issued Decision N^o 10/2003/QD-BXD about management and using regulations of tenement house, in which regulates in detail the using management of common possession; using management of private possession and regulations on serving management expenses of tenement.

3. Preferential policies on capital, tax, and land use

- Owners are allowed to mobilize in advance capital from individuals and organizations who have demands to buy the houses, the Government will consider loans from development support funds, HD fund, or urban development fund.

- To accelerate housing development, enterprises are allowed to exempt the capital of land use for the areas for constructing high rise tenement house, reduce 50% of land use fee for the areas constructing other kinds of housings, thereto, the procedures will be decreasingly burdensome.

4. Policies on replacing old blocks of tenement with new ones

- The degradation of old blocks of tenement influences on the living environment, health, and living of households living in. Thus, Government has decided to upgrade, destroy and rebuild these ones.

- In Hanoi, there are about 300,000 m² in the state of serious degradation, these including over 40 high blocks of tenement are cracked and sunk. In Ho Chi Minh City, there are about 1,000,000 m² in the state of serious degradation, these including over 100 blocks of flats need to rebuild. Many households are living in a flat that lack of minimum furniture and services.

- From this reality, the Government has issued policies on upgrading and re-building degraded blocks of tenement on the basis of creating new conditions and to ensure that households will have better accommodation compare to old one.

5. Housing policies for low-income people

- Nowadays, land fund are reducing and land prices are increasing very fast in urban areas, low-income people could not afford to get land for constructing their own house. Meanwhile, the Government has established the National Housing Fund and housing fund in all of provinces; follow that, many policies are promulgated to increase housing fund and reduce construction prices so that low-income people can reach for new accommodation.

- Objects of granting priorities for purchasing or renting flats are those receiving salaries from the Government budget and Government servants working at enterprises belonging to all economic sectors and students from universities and colleges, workers at industrial factories, etc.

- Sale and rent prices for flats in high rise of tenement are identified in principal of capital preserve, priority items that owners received in accordance with stipulates of the

Government are not brought in prices, therefore, tenement price can make suitable to population, furthermore.