

No. 1190

**ACT ON THE USE, ASSIGNMENT AND REDEMPTION OF STATE-SUBSIDIZED
(ARAVA) RENTAL DWELLINGS AND BUILDINGS**

December 17, 1993

Section 1

Scope of application

This Act applies to the use and assignment of State-subsidized (ARAVA) rental dwellings and buildings and redemption of ARAVA rental dwellings. Exceptions to the restrictions on use and assignment granted by the Council of State or the National Housing Board before this Act enters into force shall, however, remain effective notwithstanding the provisions of this Act.

Section 2

ARAVA rental dwellings and buildings

ARAVA rental dwellings and buildings as referred to in this Act shall be:

- 1) rental dwellings and buildings financed by loan under the Act on Housing Loans, Guarantees and Grants of March 29, 1949 (224/49), the Act on Supporting Housing Construction in Population Centres with State Funds of March 29, 1949 (226/49), the Housing Production Act of December 4, 1953 (488/53), hereinafter the 1953 Housing Production Act, and the Housing Production Act of April 22, 1966 (247/66), hereinafter the 1966 Housing Production Act, provided that the housing loan was not repaid by January 1, 1976;
- 2) rental dwellings and buildings financed by loan under the Act on State-subsidized Housing Loans (ARAVA Loans) of December 17, 1993 (1189/93); and
- 3) rental dwellings and buildings financed with a long-term renovation loan under the Housing Renovation Act of January 19, 1979 (34/79), provided that the loan and the compensation referred to in section 22, paragraph 1, of the Act, have not been repaid.

This Act shall not apply to short-term renovation loans for rental housing granted under the Act on State-subsidized Housing Loans (ARAVA Loans). ARAVA rental buildings as referred to in this Act do not include rental buildings for the renovation of which a housing loan was granted under the 1966 Housing Production Act before January 1, 1980, nor cooperative housing association buildings financed by loan before

January 1, 1980 as cooperatives according to the Cooperative Act (247/54), under the 1953 Housing Production Act and the 1966 Housing Production Act.

If a share in an ARAVA rental housing company confers right of possession to something other than a residential apartment, this Act shall not apply to such a share.

Section 3 *Period of restriction*

Restrictions on ARAVA rental dwellings and buildings shall be valid for the entire period for which the housing loan was granted, notwithstanding any premature repayment of the loan.

The restrictions shall, however, be valid for 45 years as of the date on which the first restrictive entry was made in accordance with the act concerning the granting of the loan, regardless of the loan period, if the loan was granted:

- 1) to build or purchase a rental building or to purchase shares entitling the holder to the possession of a rental dwelling under the 1966 Housing Production Act on January 1, 1980 or thereafter;
- 2) to expand or renovate a rental building under the 1966 Housing Production Act on January 1, 1991 or thereafter; or
- 3) under the Act on State-subsidized Housing Loans (ARAVA Loans).

If the loan was granted under the 1966 Housing Production Act, to expand or renovate a rental building, before January 1, 1991 or under the Housing Renovation Act, the restrictions shall cease provided that the borrower repays the loan in its entirety and also pays to the State Treasury five per cent of the original principal for each past loan year, though not for more than seven loan years.

The restrictions under section 7 on determining the rent shall cease when the housing or ARAVA loan is repaid in accordance with the standard terms of amortization. The loan period of a loan to be paid back in annual payments according to the original loan terms shall, however, be deemed as 30 years if the loan has been repaid prematurely.

Section 4 *Residential use*

An apartment as referred to in this Act shall be used as a rental dwelling.

The apartment can also be used as a residence without the lease referred to in the Tenancy Act (653/87) in the case of people requiring special care and attention.

Social appropriateness and financial need shall be the grounds when residents are chosen for ARAVA rental dwellings. The Council of State shall confirm more detailed grounds for choosing residents and the grounds under which the standard grounds can be deviated from temporarily for a special reason. The relevant local authority shall supervise observance of the grounds confirmed by the Council of State.

The Ministry of the Environment has the right to issue more detailed regulations on the application procedure. The local authority has the right to demand from the borrower any information necessary for supervision.

Section 5

Change in the purpose of use

For a special reason, a local authority can grant a permit for use of a dwelling for a purpose other than a residential one, when the permit concerns a small number of dwellings. A permit can be granted regardless of the remaining net floor area of the dwellings in the building or building complex. Before any change in the purpose of use, the local authority shall inform the State Treasury that a permit has been granted; the State Treasury can then order that the proportion of the State housing loan or ARAVA loan corresponding to the dwelling referred to in the permit shall be repaid. The loan cannot be ordered to be repaid if residential premises are converted into shared-access facilities for residents or to some other use improving the residents' living conditions.

Section 6

Compensation for use contrary to regulations

For the period during which a dwelling is used contrary to sections 4 or 5, the owner can be required, by decision of the provincial administrative court, to pay the State Treasury per calendar month half a per cent of the apartment's acquisition value, adjusted to correspond to the change in the building cost index. If no acquisition value has been confirmed for the apartment separately, this shall be calculated on the acquisition value of the entire building or buildings, in proportion to net floor area. No claim for ordering compensation can be made when three years have passed since such

use contrary to the regulations.

If the compensation ordered for payment would be manifestly unreasonable, it can be reduced when the compensation is set.

Section 7

Rent

For the apartment, tenants can be charged a rent which cannot exceed the amount needed, in addition to other income, to cover expenses arising in financing the ARAVA rental dwellings and connected premises, and in sound real estate management. Such expenses include those arising from

- 1) the purchase or building of real estate and dwellings;
 - 2) upkeep and maintenance of real estate, buildings and dwellings;
 - 3) renovations to upgrade the real estate, buildings and dwellings to correspond to the standard requirements of the time;
 - 4) preparations for the measures referred to in subparagraphs 2 or 3;
 - 5) interest to be paid on the equity referred to in section 10, paragraph 1, subparagraph 1;
- and
- 6) the owner's obligations under the law.

Rents of ARAVA rental buildings and dwellings owned by the same owner can be equalized.

The Ministry of the Environment can issue more detailed regulations on the application of paragraphs 1 and 2. The relevant local authority shall supervise the implementation of principles concerning the maximum amount of rent. The local authority has the right to demand from the borrower any information necessary for supervision.

Otherwise, the provisions of the Tenancy Act shall apply to the rent of ARAVA rental dwellings.

Section 8

Assignment

An ARAVA rental dwelling or shares entitling the holder to the possession of such a dwelling or an ARAVA rental building or shares in an ARAVA rental housing company can be assigned to:

- 1) a local authority;
- 2) an assignee nominated by a local authority, to which an

ARAVA loan for rental housing could be granted; or
3) some other assignee nominated by a local authority which can be deemed to correspond to the assignor of a rental building or shares.

In addition, property can be sold at public auction as prescribed in the bankruptcy regulations or the Execution Act, or as provided in the pledging contract on a pledged share. If the property referred to in paragraph 1 is transferred to a new owner under marital property rights or by bequest or inheritance, or due to the distribution of a joint object or expiry of a legal person, the new owner must forthwith inform the local authority of the acquisition of title. The local authority is entitled to redeem the property within 90 days of having been informed of the transfer of title by paying the transfer price in accordance with section 9.

The State Treasury can issue instructions on the assignment procedure. A local authority shall inform the State Treasury of any assignments that come to its notice.

Section 9 *Assignment price*

The maximum assignment price allowed for an ARAVA rental dwelling or a share entitling the holder to the possession of such a dwelling or for an ARAVA rental building or a share in an ARAVA rental housing company is the assignment compensation calculated according to section 10.

The maximum assignment price allowed for a rental dwelling or a share entitling the holder to the possession of such a dwelling or for a rental building or a share of a rental housing company financed by loan under the Housing Renovation Act is the maximum price calculated according to section 11. If a renovation loan of this kind has been combined with a loan conforming to the 1966 Housing Production Act, paragraph 1 shall, however, apply to the assignment price allowed.

The State Treasury can issue instructions on calculating the assignment price. The assignment price allowed for a rental housing company share or a share entitling the holder to the possession of a dwelling is calculated on the assignment price of the entire stock of shares in proportion to the number of shares.

If the property is sold at public auction, the party on whose behalf the auction is held shall not receive from the sale

more than the permitted assignment price.

The part of the sales price exceeding the permitted assignment price shall be paid to the local authority, which shall remit the funds to the State Treasury forthwith.

Section 10

Calculation of the assignment compensation

The local authority shall determine the sum of the assignment compensation. When this is calculated, the following shall be taken into account:

- 1) the equity invested by the owner of an ARAVA rental dwelling or a share entitling the holder to its possession or of an ARAVA rental building or a share in an ARAVA rental housing company which was needed to finance the confirmed acquisition value of a dwelling or real estate in addition to a State housing loan or ARAVA loan, and a loan approved with higher priority;
- 2) the index adjustment for equity calculated on the basis of coefficients confirmed monthly by Statistics Finland according to the change in the building cost index;
- 3) a State housing loan or ARAVA loan and a loan approved with higher priority insofar as the loan remains the assignor's liability;
- 4) a loan taken to finance renovation or other acceptable costs insofar as it remains the assignor's liability; and
- 5) an increase in equity made to finance renovation or other acceptable costs.

If the assignor has collected in rents amortizations of a loan falling within the scope of acceptable financing but with a priority lower than that of a State housing loan or ARAVA loan, such a loan shall not be taken into consideration when the assignment compensation is calculated. The same applies to any part of such equity for which amortization has been collected in rent.

Section 11

Calculation of a maximum price

The relevant local authority shall determine the maximum price. The maximum price comprises the basic price and an index adjustment added to it, plus any value of improvements, less reductions.

The basic price is the confirmed acquisition value of a

dwelling or a building. The basic price is adjusted according to changes in the building cost index on the basis of coefficients confirmed monthly by Statistics Finland. The value of renovations done in a dwelling or building shall be added to the price calculated at the reasonable current value. With the exception of a value reduction arising from natural wear, any repair costs, a renovation loan transferred to the assignee's responsibility either entirely or partly, or some other loan taken in its stead, and a loan approved with higher priority shall be deducted from the price.

Section 12 *Redemption*

A tenant can redeem the shares in a housing company entitling the holder to the possession of an ARAVA rental dwelling in his possession under the lease for as long as the dwelling is subject to the restrictions on use and assignment under this Act, if the dwelling or building was financed by loan under the acts referred to in section 2, paragraph 1, subparagraphs 1 or 2. It is not, however, possible to redeem shares entitling the holder to the possession of a dwelling financed by loan for use as a rental dwelling of special population groups under the 1966 Housing Production Act or the Act on State-subsidized Housing Loans (ARAVA Loans). Redemption is possible if two years have passed since the building's completion. The owner of the shares shall receive the assignment compensation under section 10.

The redemption of shares entitling the holder to the possession of a dwelling financed by loan for use as a rental dwelling under the 1966 Housing Production Act or financed under the Act on State-subsidized Housing Loans (ARAVA Loans) by a rental dwelling loan and by a loan to purchase a rental dwelling can be carried out only with the owner's consent if the shares are owned by a local authority, joint municipal board or a company owned de facto by a local authority or joint municipal board.

The redemption price of the shares shall be the maximum price calculated according to section 11, plus the remaining State housing loan or ARAVA loan or the proportion of such loan represented by the shares. If the unencumbered redemption price exceeds the price level current in the locality, the local authority can, upon application, reduce the price at most to the current level, but not below the total sum of the State housing loan or ARAVA loan or the proportion of such loan represented by the shares and the sum of assignment com-

pensation.

A loan can be granted for redemption in accordance with section 7, paragraph 2, of the Act on State-subsidized Housing Loans (ARAVA Loans).

The shares eligible for redemption in a housing company as referred to in this section shall be kept by the local authority on behalf of the owner until the shares have been redeemed or the redemption right has expired.

More detailed provisions on redemption will be laid down by decree.

Section 13

Converting a rental building into a housing company building

A rental building which has been financed by loan under the acts referred to in section 2, paragraph 1, subparagraphs 1 or 2, can be converted into a housing company building upon the owner's application. A rental building financed by loan under the 1966 Housing Production Act for use as rental dwellings for special population groups cannot, however, be converted into a housing company building.

The State Treasury shall approve the conversion, and transfer the State housing loan or ARAVA loan.

A rental building owned by a local authority or a limited-liability company mainly owned by a local authority can be converted into a housing company building if the local authority applies for approval of the conversion for particularly weighty reasons and demand for rental housing can nonetheless be met.

Section 14

Nullity

Assignment to a party other than one referred to in sections 8 or 12 shall be null and void.

Section 15

Ineffectiveness of an articles of association provision

A provision in the articles of association of a housing company or a limited-liability company concerning the prior purchase right or redemption right of a company or a shareholder or some other person shall be ineffective until the provi-

sions of section 8 on assignment have ceased to be valid.

Section 16
Exemption from restrictions

The Housing Fund of Finland can, for a special reason and on terms set by it, grant a partial or full exemption upon application from the restrictions under this Act on terms set by it, provided that the State housing loan or ARAVA loan is entirely repaid in respect of the dwelling or building to be exempted.

If it has not been possible to secure the loan receivable by execution, the payment of such receivable shall not be a condition for the exemption from the restrictions.

Section 17
Demolition

The Housing Fund of Finland can, for a special reason and on terms set by it, grant a permit upon application for demolition of a building or dwelling subject to restrictions provided that the State housing loan or ARAVA loan is entirely repaid in respect of the dwelling or building to be demolished, with the exception of the receivable referred to in section 16, paragraph 2.

If the building or dwelling subject to restrictions is demolished without permission, the owner can be made liable, by decision of the provincial administrative court, to pay the compensation referred to in section 6 for the remaining restriction period, but not for more than 20 years. If the amount ordered to be paid would be manifestly unreasonable, it can be reduced when the compensation is ordered.

Section 18
Restrictive entry

The restrictive entry made in land and mortgage registers according to the laws governing lending and on share certificates and in the share register shall be supplemented or amended, or it shall be transferred or deleted, as prescribed in more detail by decree.

Section 19
Calling in a loan

The State Treasury can call in a loan granted by a State

authority and local authorities loans granted by them for immediate repayment entirely or partly if the borrower or the party to whom the loan has been transferred does not comply with this Act or rules or regulations issued under it and the negligence is not minor.

The Housing Fund of Finland can, for weighty reasons, call in a local authority's loan from the State for immediate repayment entirely or partly if the local authority has acted contrary to this Act or rules or regulations issued under it.

Section 20 *Authorities*

Authorities competent under the Act on State-subsidized Housing Loans (ARAVA Loans) shall act as the authorities referred to in this Act.

Section 21 *Appeal*

An applicant who is unsatisfied with a decision taken by the Housing Fund of Finland, the State Treasury, the Municipal Board or a local committee or an official subject to the Board or committee in a matter referred to in this Act or a decree issued under it may request rectification within 14 days of having been informed of the decision. A person applying for a rental dwelling may request rectification on a decision concerning the selection or approval of a tenant. The request for rectification shall be made to the authority that took the decision or to the Municipal Board or local committee, in the case of a decision by an official subject to the Board or committee. Instructions on requesting rectification shall be appended to a decision which can be appealed. The request for rectification shall be processed without delay.

A decision issued by a local authority on a request for rectification can be appealed to the provincial administrative court in the manner provided in the Administrative Appeals Act (154/50). A decision concerning the selection or approval of a tenant cannot be appealed.

A decision by the Housing Fund or the State Treasury under this Act and regulations issued under it cannot be appealed.

Section 22 *Decision notification*

A decision under this Act can be sent to the party concerned by post. The notification shall be deemed to have been made, unless otherwise proven, on the seventh day from the date on which the decision was posted to the address given by the party concerned. A decision concerning the selection or approval of a tenant can, however, be published by placing the minutes of the Municipal Board or local committee for public inspection as prescribed in the Municipal Act (953/76), in which case the notification shall be deemed to have been made on the date on which the decision was put up for public inspection. Otherwise, the provisions of the Act on Notice in Administrative Matters (232/66) shall apply.

Section 23
Supervision

The Ministry of the Environment, the Housing Fund of Finland, the State Treasury and a local authority have the right to supervise compliance with this Act and rules and regulations issued under it. The authorities are entitled to access to any documents necessary for supervision.

Persons authorized by the Housing Fund or State Treasury and municipal authorities have the right, when necessary, to conduct inspections and surveys of buildings and dwellings subject to restrictions, and on the premises of owners and of an owner's representatives, to verify whether this Act and rules and regulations issued under it have been observed. The inspection right also pertains to any necessary ledgers and other documents. When required, the owner or his representative shall be required to submit ledgers and other documents for inspection by an authority or an authorized inspector.

A person conducting inspections, surveys or other supervisory duties may not disclose information obtained in his duty to a third party.

Section 24
Official responsibility

A person who performs duties assigned to him according to this Act or a decree issued under it is responsible for his actions in the same way as a civil servant.

Section 25
More detailed provisions

More detailed provisions on the enforcement of this Act will be issued by decree.

Section 26
Entry into force

This Act comes into force on January 1, 1994.

This Act repeals the following acts and later amendments:

- 1) Act on temporary restrictions pertaining to a rental building financed by housing loan, of December 31, 1975 (1082/75); and
- 2) Act on the Redemption of Rental Dwellings of January 25, 1982 (82/82).

If the condition concerning the use or assignment in a promissory note is more favourable to the borrower than this Act, the condition in the promissory note shall apply.