

ALTERATION WORK IN APARTMENTS IN RIGHT-OF-OCCUPANCY HOUSING

Living in a right-of-occupancy apartment gives you a great opportunity to influence matters related to your home. For example, it is possible to make alterations in the apartment.

The possibilities of making alterations in an apartment are only limited by the fact that the apartment must also fulfill the needs of the next residents. Therefore, any alterations that make the apartment less livable cannot be allowed.

The holder of occupancy right will be compensated for the upkeep work when he/she gives up the occupancy right. However, it is not possible to add a huge sum of compensation to the assignment price of the apartment, as the prices for apartments of similar size and type must not differ too much. The main principle is that it is possible to make alterations, but the compensation to be paid for them is limited by the sum of euros as well as by the time that has passed since the alterations were made.

The Right-of-Occupancy Housing Act as concerns alterations:

(650/1990 chapter 3)

11 § Holder`s right to upkeep work and alterations

The holder of occupancy rights shall be entitled to perform upkeep work and alterations in the apartment as provided in this section. The holder shall notify the owner of the building in advance of any upkeep work or alterations of major significance.

The holder shall not undertake the following operations without the owner`s permission:

- 1) any measure that might damage the building or cause other inconvenience to the owner of the building or the holder of any other apartment or facilities,
- 2) any measure that might affect the building`s bearing structures, insulation, plumbing, electrical wiring, gas pipes or similar systems or air conditioning system,
- 3) any upkeep work for which the holder intends to claim compensation under section 12 below.

The owner of the building shall have the right to ensure that any upkeep work or alterations to the apartment are performed without damaging the building and in accordance with good building practice.

12 § Holder`s right to compensation for upkeep work:

A holder of occupancy right who has performed necessary upkeep work in his apartment with the owner`s permission shall be entitled to reasonable compensation therefor from the owner.

The act stipulates the following on how the upkeep and alteration work that has been performed should be taken into account when calculating the price for assignment of the right of occupancy. In **chapter 5, section 24 §:**

The maximum price shall include...

- 3) the value at the time of assignment of any reasonable improvements made in the apartment by the assignor or previous holders of occupancy rights and financed by them during their occupancy. In determining the value of improvements, their cost, the time at which they were made, their residual value and other considerations shall be taken into account.

The maximum price referred to in the paragraph above shall be approved by the local authority.

Acceptable alterations and having them made

During construction and afterwards, such changes cannot be made to the apartment that would decrease its value, reduce the building's soundproofing, increase the usage costs of the property, impair the building's frame or its heating, plumbing, insulation or electrical wiring or otherwise make the apartment less livable. The impact of the alterations on the apartment's livability must also be viewed with consideration for the people who will live in the apartment later.

The holder of the occupancy right must get the owner's permission in advance for any significant alteration work. These have been listed in the Right of Occupancy Act, chapter 3, section 11 § as quoted above. Please take special note of the fact that an advance permission for alterations is always required, if the holder of the occupancy right wishes to be compensated later for the improvements.

The following alterations are acceptable in a right-of-occupancy apartment:

Kitchen appliances

- replacing the stove with a different type of stove is acceptable
- replacing the refrigerator and freezer with new ones is acceptable

Wall surface treatment

- papering a painted wall surface or vice versa is acceptable
- having tiles installed in the bathroom/toilet is acceptable

Flooring

- replacing one type of flooring with a different type of flooring is acceptable

Technical appliances

- changing the type of appliance and adding new ones is acceptable

Other alterations

- moving or removing walls is not acceptable
- other alterations are evaluated on a case by case basis by the owner of the property

Having alterations made and their costs

The holder of the occupancy right is always liable to pay for all the extra costs incurred by the alterations. The alterations must not cause any extra costs to the housing company or the other residents of the building.

The owner of the building may require that demanding work must be carried out by certified professionals. If the work makes changes to electrical wiring and ventilation, the changes must often be approved by authorities: in this case, a change plan must be drawn and delivered to the authorities. The costs of these plans are also to be paid by the holder of the occupancy right.

If alterations are made during the construction of the building, the housing company will decide on a house-by-house basis

- 1) whether the holder of occupancy right will have business directly with the contractor or
- 2) whether the alterations will be ordered through the contractee, who will invoice the holder of the occupancy right.

Compensating the holder of occupancy right for apartment improvements

The maximum assignment price for the occupancy right will include the value, at the time of assignment, of any reasonable improvements made in the apartment by the assignor or previous holders of occupancy rights. Of all the alterations that have been made, those that will be compensated are the ones that, by their quality and

operational properties, essentially improve the apartment's livability. A single acceptable alteration must also cost at least 1000 euros and its improving effect must last over five years.

The following as well as comparable kinds of improvements are to be compensated as a guideline:

- wood flooring, ceramic/clinker/stone etc. tiles
- wall panels that are more durable than normal average wall treatments
- shower cubicle, bathtub
- cork flooring
- additional doors, e.g. slatted or folding doors
- heating appliances in cold spaces
- garden tiles
- adding and replacing technical appliances

Costs that are incurred by normal upkeep of the home, for example many surface treatments, are not considered as improvements. E.g. these are not accepted as improvements:

- painting
- wallpapering
- installing or replacing cupboards or closets
- dishwashers

Value of improvements at the time of assignment

The improvements must be such that they can be reasonably assumed to fulfil also the next resident's needs. The housing company cannot commit to compensating extremely costly improvements, because the assignment price of a single right of occupancy must not differ unreasonably much from the assignment prices of the rights of occupancy for other apartments of similar type and size. The maximum acceptable compensation for improvements is 50 euros/m²/right of occupancy, including all the improvements made in the apartment. The holder of the occupancy right can make more expensive improvements, but no compensation will be paid for the part that exceeds this maximum limit.

The value of the improvements at the time of assignment will be determined on the basis of their cost, the time at which they were made, and their residual value. Other considerations may also be taken into account in determining the value.

In the right-of-occupancy buildings owned by the company, the value of the improvements is determined by the owner, who will evaluate the costs of the improvements in relation to their residual benefits. The residual benefit is assessed e.g. on the basis of the condition of the materials. The highest possible compensation is the sum of euros that was recorded as the original value of the improvement. Thus, the original value of the improvement is not incremented on the basis of any index; instead, the value of the improvement is seen to decrease at least at the same rate as the value of money decreases. The obligation to compensate improvements is considered to end in accordance with the table below, if the value of improvements has not decreased to zero even before this.

The new holder of the occupancy right will pay the compensation determined for the improvements to the previous holder as a part of the assignment price. The part of the assignment price that corresponds to the right-of-occupancy payment is tied to the changes in the building cost index. On the other hand, the value of the compensation for improvements decreases according to the principles explained above, so the new holder must view the compensation as an investment in living comfort.

The holder's liability for defects

The holder of the occupancy right is responsible for ensuring the quality of the alterations made in the right-of-occupancy apartment. If the alterations cause damages, the holder of the occupancy right is liable to correct the damages or to compensate the building's owner for the costs of the damages.

If the holder of the occupancy right has reduced the livability of the apartment essentially without a permission from the building's owner, the owner has the right to return the apartment to the state it was in before the

alterations, at the holder`s expense. This also applies to those alterations that, even though done well, are so flamboyant or peculiar that the apartment has become less livable.

Right-of-occupancy housing company and alteration work

On the basis of the regulations above, the following procedure applies to alterations in apartments:

- 1) The building`s owner decides, on the basis of the given guidelines, whether the holder of the occupancy right may perform the alteration work they propose. In approving the alterations, consideration must be given to whether they will make the apartment less livable for the next resident. Moreover, the housing company must not be committed to compensation for alterations with an unreasonably expensive price.
- 2) Alterations approved by the housing company and finished by the holder of the occupancy right are recorded on a form that is attached to the right-of-occupancy contract. The information to be recorded includes the time and the content the alteration as well as the value of the work, which will be used as a basis for calculating the compensation that the owner may pay in the future.
- 3) The above guidelines for alteration work and their compensation are given to the holders of occupancy rights. Above all, they must know that:
 - A) if they want to be compensated for the alterations, they must agree on the alterations in advance with building`s owner, and
 - B) the compensation for alterations is determined on the basis of their value at the time of assignment-the compensation will not necessarily equal the original price.
- 4) When the holder of the occupancy right wants to give up the right, the building`s owner calculates the compensation to be paid for the recorded improvements according to the principles explained above. The compensation is, at most, the sum of euros recorded as the cost of the improvements; however, the maximum compensation is 50 euros/m²/occupancy right. The improvements are amortized in the time periods shown on the table below. The building`s owner will present the documentation on how the assignment price has been calculated to the local authority, and this includes the basis of compensation for improvements. The local authority will confirm the maximum assignment price.
- 5) In case of dispute, the local authority will determine the amount of compensation to be paid for the improvements.

In Vaasa, 4.10.2017

Oy Vaasan Asumisoikeus – Vasa Bostadsrätt Ab
Board

Oy Vaasan Asumisoikeus – Vasa Bostadsrätt Ab Amortization times for alterations from 1.1.2018 (earlier contracts, ask Vaasan asumisoikeus)

15 years:

- parquet
- laminate floor
- cabinets in hallway, large cabinets, mirror doors
- clinkers, kitchens`/bathrooms` tiles
- balcony glazing

5 years:

- household appliances
- slat blinds
- security locks
- balcony tiling
- shower walls- or cabinets
- terrace fencing
- extra keys

In Vaasa 4.10.2017

Oy Vaasan Asumisoikeus – Vasa Bostadsrätt Ab
Board

SPECIFICATION OF ALTERATIONS

Property and apartment: _____

Holder of occupancy right: _____

Phone number: _____

ALTERATIONS AND THEIR SPECIFIED COSTS:

<i>To be filled by the resident</i>	<i>To be filled by owner</i>
ALTERATION	CODE

Approved, but will not be taken into account in determining the right-of-occupancy payment at a later date	Code 1
Approved and will be taken into account in determining the right-of-occupancy payment at a later date	Code 2
Not approved	Code 3

APPENDICES: Drawings _____ items
Construction report _____ items
Quotation _____ items
Other _____ items

SIGNATURES AND DATE:

_____. _____. 20____ _____. _____. 20____

Holder of occupancy right

Owner of building

To be filled by the owner of the building

CONDITIONS FOR THE ALTERATION WORK:

The maximum acceptable compensation for improvements is 50 euros/ m²/right-of-occupancy, including all the improvements made in the apartment.

Less than 1000 € individual extra appliances does not enable compensation with the exception of integrated blinds.

Dishwashers won't be taking into account as extra work which improves right-of-occupancy's value.