



## VELFERÐARRÁÐUNEYTIÐ

*Ministry of Welfare*

### **Public Rental Dwellings Act, No. 52/2016, as amended by Act No. 115/2016 and No. 65/2018.**

Where mention is made in this Act of ‘the minister’ or ‘the ministry’ without further definition, the reference intended is to the Minister of Social Affairs and Equality or to the Ministry of Welfare, which is responsible for the implementation of this Act. Information on the division of responsibilities between ministries according to a presidential decree may be found [here](#).

#### **Chapter I**

#### **General provisions.**

##### Article 1

##### *Objective.*

The objective of this Act is to improve the housing security of families and individuals who are under the income and asset ceilings stated in Article 10 at the beginning of the rental period by broadening access to secure and appropriate dwellings for rent and ensuring that the cost of this housing will be in accordance with tenants’ payment capacity, i.e., generally not more than a quarter of their income. For this purpose, the state and the municipalities may make foundation capital contributions for the construction and purchase of public rental dwellings so as to increase the likelihood that rental dwellings will be on offer at an affordable price for those who need them, including students, young people, elderly people, disabled people and people who are not able to acquire housing of their own in view of adverse social circumstances or serious financial difficulties.

##### Article 2

##### *Definitions.*

In this Act, the following terms are used as defined below.

1. *Public rental dwellings*: Dwellings for which a foundation capital contribution has been made and which are owned by the parties listed in the first and second paragraphs of Article 10 and are intended for leasing to tenants who are under the income and asset ceilings stated in Article 10.
2. *Housing foundation*: A non-profit organisation that has received a licence from the minister to construct or purchase, own and supervise the operation and maintenance of, public rental dwellings and is commissioned to provide a public service under this Act.
3. *Council housing*: Housing which is allocated by a municipality and is intended for persons for whom the municipalities are under a special legal obligation to provide housing solutions.
4. *State foundation capital contribution*: A direct contribution or an interest subsidy granted by the Housing Financing Fund to parties listed in the first and second paragraphs of Article 10, which also receive a municipal foundation capital contribution, for the construction or purchase of public rental dwellings.
5. *Municipal foundation capital contribution*: A contribution granted by a municipality to parties listed in the first and second paragraphs of Article 10, which also receive a state foundation capital contribution, for the construction or purchase of public rental dwellings.
6. *Establishment cost of a public rented dwelling*: The cost price of a dwelling, i.e. the purchase price plus the cost of necessary improvements at the beginning before the dwelling is leased or the construction cost plus the cost of the lot and capital costs during the construction period.

### Article 3

#### *Administration.*

The minister shall have overall charge of the matters covered by this Act. The Housing Financing Fund and the municipalities shall handle the implementation of this Act.

## **Chapter II**

### **Housing foundations.**

#### Article 4

##### *Housing foundations.*

Housing foundations shall operate under the Act on Foundations Engaging in Business Operations unless other provisions are made in this Act.

The articles of association or charter of a housing foundation shall have been confirmed by the minister before the foundation commences operations. The board of the foundation shall inform the minister of its establishment not more than six months after the date of its establishment document. After confirming it, the minister shall forward the notification to the Private Institutions Registry for registration. Furthermore, major amendments to its articles of association or charter, including changes in the foundation's objectives, shall be subject to confirmation by the minister.

Housing foundations shall have the word *húsnæðissjálfsseignarstofnun* ['housing foundation'] or the abbreviation *hses.* in their names.

#### Article 5

##### *Articles of association.*

The articles of association or charter of a housing foundation shall include the following points:

1. Its name, address and venue.
2. Its objectives.
3. Its founders and their foundation capital contributions.
4. Its foundation capital.
5. Whether the foundation is to accept funding apart from cash when it is established.
6. Whether the founders or other persons are to enjoy special rights in the foundation.
7. The divisional structure of the foundation, if appropriate.
8. The role of the board of directors, the number of directors, their term of service and how they are to be elected, and also how a new director is to be elected to fill a vacant seat.
9. The role and appointment of a representative council consisting of at least twelve persons, including how it is to be chosen and its term of service.
10. How auditors are to be chosen.
11. The engagement of the managing director and his or her responsibilities.
12. Whose signatures are required to bind the foundation.
13. Approval of the annual financial statements.
14. How the financial year is to be defined.
15. How public rental dwellings are to be allocated.
16. How residents are to be involved in the direction of the foundation.
17. The foundation's obligation to provide residents with information.
18. How amendments are to be made to the foundation's articles of association or charter, how the federation is to be abolished or how it is to be merged with another foundation.
19. How operational surpluses are to be disposed of, or the measures to be taken if the foundation's operations result in a loss.
20. Who is competent to take a decision on the dissolution of the foundation.

The prohibition on mortgaging stated in the seventh paragraph of Article 16 shall be stated in the articles of association.

Further provisions shall be set out in a regulation<sup>1)</sup> issued by the minister regarding the contents of articles of association or charters. The minister shall have models of articles of association or charters of housing foundations drawn up.

<sup>1)</sup> Regulation No. 555/2016.

## Article 6

### *Board of directors.*

Housing foundations' representative councils shall elect their boards of directors.

Both genders shall have a representative on the board when it consists of three persons, and when it consists of more than three persons, it shall be ensured that the proportion of either gender is not lower than 40%.

Members of the board may neither serve as general managers nor sit on the representative council.

## Article 7

### *Representative councils.*

Housing foundations shall have representative councils consisting of at least twelve persons. [The minister may grant exemptions from the requirement regarding the minimum number of representatives on the council in the case of a housing foundation with fewer than ten dwellings.]<sup>1)</sup>

At least one third of the members of the representative council shall come from among the tenants of the housing foundation if this is possible.

Neither the chairman of the board nor the general manager of the housing foundation may be a member of the representative council.

<sup>1)</sup> Act No. 115/2016, Article 1.

## Article 8

### *Maintenance funds.*

Housing foundations shall have maintenance funds to cover normal maintenance and necessary improvements to public rental dwellings and the properties to which they belong.

Payments into the maintenance fund shall be sufficient to enable it to meet foreseeable costs according to the first paragraph.

In particular cases, and after the Housing Financing Fund has given its approval, the maintenance fund may be used to make good losses that come about due to unpaid rent, damage to apartments for which other types of compensation is not available or losses on the operation of the housing foundation.

The minister shall issue regulations<sup>1)</sup> containing further provisions on maintenance funds, including payments into them and the particular cases referred to in the third paragraph.

<sup>1)</sup> Regulation No. 555/2016.

## Article 9

### *Dissolution of foundations.*

If it is decided to dissolve a housing foundation, the approval of the minister shall be sought and the other measures necessary in connection with the dissolution shall be taken.

On dissolution of a foundation, any assets remaining after liabilities have been paid and the municipal and state capital contributions have been paid back shall be assigned to the Housing Fund, (*cf.* point 5 of the fourth paragraph of Article 22).

When a foundation has been dissolved, the board relinquishing its duties shall inform the minister of this. After confirming the dissolution, the minister shall forward the announcement of the dissolution to the Private Institutions Registry and the foundation shall be deleted from the register.

## **Chapter III**

### **Foundation capital contributions.**

## Article 10

### *Foundation capital contributions and income and asset ceilings.*

The Housing Financing Fund and the municipalities may make foundation capital contributions towards for the construction or purchase of residential premises intended for tenants who are under the income and asset ceilings defined in the sixth and seventh paragraphs to the following parties.

1. Housing foundations.
2. Municipalities and legal persons which are wholly owned by municipalities.

3. Legal persons which were in operation at the commencement of this Act and which meet the conditions for receiving loans from the Housing Financing Fund under Article 37 of the Housing Act as that provision was prior to the commencement of this Act.

With the minister's permission, foundation capital contributions may be made to parties other than those named in the first paragraph if they are not operated for profit and this is compatible with the aims and objectives of this Act.

Foundation capital contributions may not be made for residential premises if their construction began before an application for a foundation capital contribution is submitted to the Housing Financing Fund or a municipality or if the premises were purchased more than four weeks before an application for a foundation capital contribution is submitted to the Housing Financing Fund or a municipality.

If the proceeds from the sale of a public rental dwelling are used for the construction or purchase of a dwelling (*cf.* the first paragraph of Article 16), then a foundation capital contribution may only be made, when the approval of the Housing Financing Fund and the municipality has been given, for that part of the establishment cost of the new dwelling that is in excess of the proceeds of the sale of the public rental dwelling.

Loans taken for the purchase or construction of public rental dwellings may not be for terms longer than 50 years. The term of a loan may not be extended beyond 50 years by extensions or refinancing of loans or other means.

The annual income of tenants renting public rental dwellings may not, at the beginning of the lease period, exceed ISK 4,749,000 in the case of each individual or ISK 6,649,000 in the case of a married or cohabiting couple. To these sums shall be added ISK 1,187,000 for each child or young person up to the age of 20 years who lives in the home. In this Act, 'income' denotes all earnings as defined in Chapter II of the Income Tax Act according to the previous year's tax return as confirmed by the Directorate of Internal Revenue, taking account of deductions in accordance with points 1, 3, 4 and 5 of Section A of the first paragraph and the second paragraph of Article 30, and deductions according to Article 31 of the same Act.

The total assets of tenants of public rental dwellings, less their total liabilities at the beginning of the rental period, with reference to Articles 72-75 of the Income Tax Act and their tax returns for the previous year, confirmed by the Director of Internal Revenue, shall not exceed ISK 5,126,000.

The monetary sums in the sixth and seventh paragraphs shall be revised each year, taking account of trends in wages, prices and the economy, and shall be in whole thousands of Icelandic krónur. When the conditions named above result in a rise in the sums in the sixth and seventh paragraphs, the minister shall amend them by means of a regulation.<sup>1)</sup>

<sup>1)</sup> Regulation No. 555/2016, *cf.* 1052/2017.

## Article 11

### *State foundation capital contributions.*

State foundation capital contributions for public rental dwellings shall amount to 18% of the establishment cost of the public rental dwellings. If the final establishment cost turns out to be higher than allowed for in the application, the estimated establishment cost as per the application shall nevertheless be used as a reference figure. The foundation capital contribution may consist either of a direct contribution or of an interest subsidy on the loan relating to the construction or purchase of the public rental dwelling.

Additional capital contributions of up to 4% may be granted by the state in the case of dwellings owned by the municipalities and dwellings intended for students or disabled persons.

Additional capital contributions of up to 6% may be granted by the state in the case of dwellings in areas where there is a shortage of rental premises and construction of dwellings has been at a minimum or where there are particular difficulties relating to obtaining financing on the open market. The Housing Financing Fund may request the comments of the Regional Development Agency when it assesses such circumstances.

Total funding for the granting of foundation capital contributions, and how it is to be divided between direct contributions and interest subsidies, shall be determined in each year's national budget.

A foundation capital contribution in the form of a direct contribution shall be disbursed in two parts. Half shall be disbursed on approval of the application, the second half being paid when the public rental dwelling has been let out.

When the foundation capital contribution takes the form of an interest subsidy, its payment shall commence when the payment of instalments on the loan commences and shall cease when the interest subsidy amounts to a total of 18%, including the additional contributions according to the second and third paragraphs, as appropriate, at current prices, of the establishment cost of the public rental dwelling.

A condition for the granting of a foundation capital contribution by the state is that the municipality where the public rental dwelling is to be situated also makes a municipal foundation capital contribution to the applicant (*cf.* Article 14).

It may be set as a requirement for the granting of a state foundation capital contribution that it will be repaid when the loans taken to finance the public rental dwellings for which the foundation capital contribution is made have been paid off. However, repayment of additional contributions under the second and third paragraphs may not be demanded (*cf.*, however, the first and second paragraphs of Article 16).

The minister shall issue regulations<sup>1)</sup> containing further provisions on state foundation capital contributions, including additional contributions as provided for in the second and third paragraphs, the minimum number of public rental dwellings, their design and size, the reference frame for determining rents, economic viability, prices and construction costs, measures to ensure the lowest possible rents and the registration of leases, and also when repayment of the capital contributions may be demanded under the eighth paragraph.

<sup>1)</sup> *Regulation No. 555/2016, cf. 1052/2017 and 116/2018.*

## Article 12

### *Applications for state foundation capital contributions.*

The Housing Financing Fund shall advertise inviting applications for state foundation capital contributions.

Applications for foundation capital contributions shall specify the number, design and size of the dwellings it is proposed to construct or purchase, the construction period if appropriate, the estimated establishment cost of the public rental dwellings, the group of persons that the dwellings are intended to serve and other matters necessary to be able to adopt a position on the application. The application shall also give details of the need for rental dwellings for tenants who are under the income and asset ceilings stated in Article 10 in the area in question and of how the plans regarding the proposed construction or purchase of public rental dwellings take account of that need. It shall be stated in applications for foundation capital contributions whether the contributions are sought in the form of direct contributions or interest subsidies.

Applications shall be accompanied by statements concerning the applicant, the funding of the project, the applicant's business plan and a confirmation from the municipality that a municipal foundation capital contribution will be made in accordance with Article 14.

The minister shall issue regulations<sup>1)</sup> containing further provisions on the applications for foundation capital contributions, the information to be submitted with them and procedure with regard to them.

<sup>1)</sup> *Regulation No. 555/2016.*

## Article 13

### *Processing of applications.*

The Housing Financing Fund shall assess whether applications for foundation capital contributions meet the requirements of laws and regulations. Furthermore, the fund shall evaluate each application as to whether the premises to be constructed or purchased are considered economical and meet tenants' needs (*cf.* Article 17), whether there is a need for rental dwellings for tenants who are under the income and asset ceilings stated in Article 10 in the area in question and whether funding has been satisfactorily secured. When it is not possible to grant foundation capital contributions to all the areas applied for, this shall also involve an assessment by the Housing Financing Fund of the areas where the need for rental dwellings for tenants who are under the income and asset ceilings stated in Article

10 is greatest. In other respects, the Housing Financing Fund shall assess applications according to how well they conform to the objectives and purposes of this Act. Also, the Housing Financing Fund may, when assessing applications, take account of regional development considerations, the economic situation in the community and the impact of construction activities on the community and the economy.

When processing applications, the Housing Financing Fund shall allow for at least one quarter of the funding available for allocation at any given time being channelled into the construction or purchase of public rental dwellings belonging to the municipalities. Deviations from the provisions of this paragraph may be made, however, if the proportion of applications for such dwellings is lower.

Each year, the Housing Financing Fund shall publish a report on the number of applications made for foundation capital contributions, how they were processed and the allocation of foundation capital contributions.

[The minister may issue a regulation with further provisions on processing of applications, including on the criteria to be taken into account when allocating and proportion of allocation to different groups based on the assessment of need at any given time.]<sup>1)</sup>

<sup>1)</sup> Act No. 65/2018, Article 20.

#### Article 14

##### *Municipal foundation capital contributions.*

The foundation capital contribution made by a municipality shall amount to 12% of the establishment cost of the public rental dwelling. If the final establishment cost turns out to be higher than allowed for in the application, the estimated establishment cost as per the application shall nevertheless be used as a reference figure. Foundation capital contributions may take the form of a direct contribution, the allocation of a building lot or the waiving of fees that the applicant for a foundation capital contribution is obliged to pay to the municipality in respect of the dwellings. A condition for the granting of a municipal foundation capital contribution shall be that the applicant is also granted a foundation capital contribution by the state (*cf.* Article 11). A decision by a municipality to grant a foundation capital contribution shall be cancelled if the Housing Financing Fund rejects an application for the granting of a state foundation capital contribution in accordance with Article 13.

Additional capital contributions of up to 4% may be granted by a municipality in the case of dwellings in areas where there is a shortage of rental premises and the construction of dwellings has been at a minimum or where there are particular difficulties relating to obtaining financing on the open market.

Municipalities may disburse foundation capital contributions in two parts, in which case the first half shall be paid on approval of the application and the second when the public rental dwelling has been let out.

When granting a municipal foundation contribution, the municipality may demand membership of the board and, as appropriate, of the representative council of the legal person that receives the foundation capital contribution. Such rights shall expire if the foundation capital contribution is reimbursed.

Municipalities may make it a condition for the granting of a municipal foundation capital contributions that it be reimbursed when the loans taken to finance the public rental dwellings for which the foundation capital contribution is granted have been paid off.

The municipality shall assess whether an application for a foundation capital contribution is compatible with the provisions of laws, regulations and the rules of the municipality regarding the granting of foundation capital contributions. Furthermore, the municipality shall assess each application as to whether the dwelling to be constructed or purchased is considered economical and meets tenants' needs (*cf.* Article 17), whether there is a need for rental dwellings for tenants who are under the income and asset ceilings stated in Article 10 in the area in question and whether funding has been satisfactorily secured. This shall also include an assessment by the municipality of how well the applications conform to the objectives and aims of this Act. Also, the municipality may, when assessing applications, take account of the economic situation in the community and the impact of construction activities on the community and the economy.

Each year, municipalities shall send the Housing Financing Fund information on the number of applications made for foundation capital contributions, how they were processed and the allocation of foundation capital contributions.

The minister shall issue a regulation<sup>1)</sup> on municipal foundation capital contributions in consultation with the Association of Local Authorities in Iceland regarding, amongst other things, additional contributions under the second paragraph, applications for foundation capital contributions, their processing and the conditions set for the granting of foundation capital contributions. Furthermore, municipalities may issue further rules on the handling of applications for foundation capital contributions and the granting of contributions, based on this Act and the minister's regulations.

<sup>1)</sup> Regulation No. 555/2016.

## Article 15

### *Status of foundation capital contributions in housing foundations.*

Housing foundations shall enter state and municipal capital contributions in their books as establishment capital as part of their assets (*cf.* Chapter III of the Act on Foundations Engaging in Business Operations, No. 33/1999) and separate from the establishment capital put up by their founding members.

If, when state and municipal capital contributions are granted, conditions are set regarding their repayment, the housing foundation shall enter the foundation capital contributions in their books as foundation capital subject to conditions among its equity items (*cf.* Section III of the Act on Foundations Engaging in Business Operations, No. 33/1999).

The board of the housing foundation shall repay foundation capital subject to conditions under the first, second and third paragraphs of Article 16 if the conditions of the first paragraph of Article 13 of the Act on Foundations Engaging in Business Operations, No. 33/1999, are met.

... <sup>1)</sup>

<sup>1)</sup> Act No. 115/2016, Article 2.

## [Article 15 a

### *Status of foundation capital contributions in municipalities.*

Foundation capital contributions which the municipalities receive from the state, with the requirement that they be repaid, shall be entered by the municipalities in their books as ownership shares held by the state in the dwellings in question, and these ownership shares shall be recorded at the nominal value of the foundation capital contribution paid by the state. The operation of public rental dwellings and state foundation capital contributions which are to be repaid shall be entered in a special profit and loss account in the municipality's books and accounting which shall be separate from other activities of the municipality.

Municipal foundation capital contributions towards public rental dwellings shall be entered as part of the equity of the operational unit in question.

Without prejudice to the first paragraph, the municipality shall receive all income from the property and bear all costs associated with its operation and financing over and above the foundation capital contributions.]<sup>1)</sup>

<sup>1)</sup> Act No. 115/2016, Article 3.

## [Article 15 b

### *Status of foundation capital contributions in Foundations that Engage in Business Operations.*

Foundations that engage in business operations and meet the conditions of point 3 of the first paragraph and of the second paragraph of Article 10 shall enter state and municipal foundation capital contributions in their books as part of their equity items (*cf.* Section III of the Foundations Engaging in Business Operations Act, No. 33/1999), separate from the establishment capital put up by their founder members.

If, when foundation capital contributions are made by the state and municipalities, the condition is set that the contributions be repaid, foundations that engage in business operations shall enter the foundation capital contributions as foundation capital that is subject to conditions among its equity items (*cf.* Section III of the Act on Foundations Engaging in Business Operations, No. 33/1999).

The boards of foundations engaging in business operations shall repay their foundation capital that is subject to conditions under the first, second or third paragraphs of Article 16 if the conditions of the first paragraph of Article 13 of the Act on Foundations Engaging in Business Operations, No. 33/1999, are met.]<sup>1)</sup>

<sup>1)</sup> Act No. 115/2016, Article 3.

## Article 16

### *Repayment of foundation capital contributions, liens and encumbrances.*

Public rental dwellings may only be sold with the permission of the Housing Financing Fund and the municipality in question. When a sale takes place, the foundation capital contributions made for the dwelling shall be repaid in a lump sum to the Treasury and the municipality in question. The Housing Financing Fund and the municipality in question may nevertheless jointly authorise a deferral of the repayment by up to one year, during which period the sum that is the object of the repayment claim shall bear interest according to the first sentence of Article 4 of the Interest and Indexation Act, No. 38/2001. If the proceeds of the sale are used for the construction or purchase of residential premises that are to be used for the same purpose within this period, it shall not be necessary to repay the foundation capital contributions or to pay interest. In such cases, the encumbrances referred to in the seventh paragraph shall be registered on the new residential property. The Housing Financing Fund may also authorise owners of public rental dwellings to keep special foundation capital contribution accounts. Not less than once a year, the owners shall pay balances of foundation capital contributions owed to the Housing Financing Fund and the municipalities in question.

If a substantial change is made in the purpose for which a public rental dwelling is used or if the dwelling is leased to someone other than a tenant who is under the income and asset ceilings defined in Article 10 at the beginning of the rental period, then the foundation capital contributions made for the dwelling shall be repaid immediately in a lump sum to the Treasury and the municipality in question (*cf.*, however, the fifth paragraph of Article 19). Furthermore, the Housing Financing Fund and the municipalities may demand repayment, in a lump sum, of foundation capital contributions that have been made if other conditions for the allocation of public rental dwellings are not met, or if the owner of the dwelling departs from the guidelines on the determination of rent under Article 18 or is found to be violating the law in its activities or commits a serious violation of its articles of association or of the conditions that were set when the foundation capital contribution was granted.

If a demand is made by the state or a municipality for the repayment of foundation capital contributions according to the eighth paragraph of Article 11 or the fifth paragraph of Article 14, repayments shall be structured in such a way that the payment burden will be comparable with the average burden of loan repayments during the loan period. The Housing Financing Fund shall set up a repayment schedule after receiving a proposal from the owner of the dwelling. The fund shall see to the collection of the repayments for the state and the municipality unless the municipality wishes to collect its part itself. The claim shall bear interest, according to the first sentence of Article 4 of the Interest and Indexation Act, No. 38/2001, from the beginning of the month following the final repayment of the loan.

Repayments of state foundation capital contributions shall go to the Housing Fund; repayments of municipal foundation capital contributions shall go to the municipality in question. Sums repaid to a municipality shall be used for the granting of further foundation capital contributions if there is a need for more public rental dwellings in the municipal area. The minister may grant exemptions from the second sentence if there are valid reasons for doing so.

The repayment of foundation capital contributions shall come to the same proportion of the price of the public rental dwelling at the time of repayment as the foundation capital contribution formed of the establishment cost of the dwelling. When deciding sums to be repaid under the first and second paragraphs, a valuation by an impartial realtor of the sale price of the dwelling shall be used. When deciding sums to be repaid under the third paragraph, the last published property valuation of the dwelling shall be used, taking into account changes in the prices of residential premises from the February immediately preceding the valuation (*cf.* Article 27 of the Registration and Valuation of Real Estate Properties Act, No. 6/2001) until the month in which repayment is to begin.



Establishment capital that is subject to conditions, and foundation capital contributions to which conditions have been attached in other ways (*cf.* Article 15), shall be released by the issue of a bond secured in the property in question when it comes to repayment.

No public rental dwelling may be mortgaged as security for obligations other than the loans that were originally taken for its purchase or construction and for the bond for the repayment of the foundation capital contributions. It shall, however, be permitted to mortgage the dwelling as security for loans taken to refinance the original loans, providing that the mortgage ratio remains unchanged or is reduced. When granting foundation capital contributions, an encumbrance on the dwelling shall be registered regarding the prohibition on mortgaging and stating the reservation that it may only be used in accordance with the statutory and regulatory provisions pertaining to foundation capital contributions in other respects.

The minister shall issue regulations<sup>1)</sup> containing further provisions on the application of this Article, including as regards when the Housing Financing Fund is to grant approval for the sale of public rental dwellings, foundation contribution accounting, the calculation of sums to be repaid and how the repayment of foundation capital contributions is to take place.

<sup>1)</sup> *Regulation No. 555/2016.*

## **Chapter IV** **Public rental dwellings.**

### Article 17

#### *Public rental dwellings.*

Public rental dwellings shall be as economical as possible in order that it will be possible to let them out at affordable rates.

Public rental dwellings shall be equipped and fitted in such a way as to meet contemporary requirements, taking into account the future utilisation needs as appropriate.

In areas not covered by provisions of this Act, the Rent Act shall apply to the renting of public rental dwellings.

### Article 18

#### *Determination of rent.*

Rent for public rental dwellings shall be determined so that the operations of the owner of the dwellings are sustainable and it is able to make the payments it is supposed to make according to this Act, including payments into the maintenance fund and the Housing Fund. This provision does not apply to municipalities and legal persons which have unrestricted warranties from a municipality.

If provision is made for a divisional structure in the articles of association of the housing foundation (*cf.* point 7 of the first paragraph of Article 5), then the rent amount shall reflect the foundation's costs in connection with the public rental dwellings in each of its separate divisions.

Owners of public rental dwellings may demand copies of their tenants' previous three tax returns in order to determine their rent (*cf.* the fourth paragraph).

Each year, the minister shall issue a regulation<sup>1)</sup> laying down guidelines for the determination of rent for public rental dwellings, including an authorisation to calculate a levy on the rent if the tenant has been above the income and asset ceilings stated in Article 10 during the previous three calendar years.

<sup>1)</sup> *Regulation No. 555/2016.*

### Article 19

#### *Allocation of public rental dwellings.*

Public rental dwellings shall only be allocated to tenants who are under the income and asset ceilings stated in Article 10.

Owners of public rental dwellings shall see to their allocation. They may, however, make an agreement with the municipalities where the dwellings are located under which they will see to the allocation.

When public rental dwellings are allocated, the normal procedure shall be to take into account how long the applicant has been on the waiting list for a public rental dwelling from the party in question. Nevertheless, owners of public rental dwellings may set rules on priority access to renting public

rental dwellings, e.g. as regards applicants' family size, financial standing or social circumstances. Tenants who have been allocated dwellings but who, due to changed circumstances, need dwellings of a different type, shall normally enjoy priority regarding the allocation of such dwellings from the same public rental dwelling owner. When public rental dwellings are allocated, steps shall be taken to promote variety and social mixing in the combination of residents.

Public rental dwelling owners may demand a registration fee to cover the cost of registering applicants for public rental dwellings.

If it does not prove possible to let dwellings out to tenants who are under the income and asset ceilings stated in Article 10, owners of the public rental dwellings may let them out to tenants who are above the income and asset ceilings. However, leases in such cases may not be for periods of more than one year.

Tenants may not sub-let public rental dwellings or parts thereof without the approval of their owners. If a tenant wishes to have a dwelling sub-let to another person temporarily, the owner of the dwelling shall answer such a request within 30 days. If the owner turns down the request, he shall give relevant reasons for doing so. The tenant shall continue to bear his rights and obligations in accordance with this Act and the Rent Act. Sub-letting under this provision shall not confer any rights on the sub-tenant under this Act.

The minister shall issue regulations<sup>1)</sup> containing further provisions on the allocation of public rental dwellings.

<sup>1)</sup> Regulation No. 555/2016.

#### Article 20

##### *Maintenance of public rental dwellings.*

Owners of public rental dwellings shall ensure that they are maintained in the normal way and that necessary repairs and improvements are carried out on them and the properties of which they form a part.

### **Chapter V Council housing.**

#### Article 21

##### *Council housing.*

The provisions of Article 18 on the determination of rent and of Article 19 on the allocation of public rental dwellings shall not apply to public rental dwellings that are used as council housing (*cf.* point 3 of Article 2).

The minister shall issue guidelines to the municipalities, in consultation with the Association of Local Authorities in Iceland, on how rents are to be determined for public rental dwellings that are used as council housing (*cf.* point 3 of Article 2). The municipalities shall set rules on rents on the basis of this Act and the guideline rules from the minister.

### **Chapter VI The Housing Fund.**

#### Article 22

##### *The Housing Fund.*

A special Housing Fund shall be operated, the objective of which shall be to promote the sustainability of the public rental dwelling system. The Housing Fund shall operate in accordance with the Act on Funds and Institutions Operating According to Approved Charters. The minister shall have overall supervision of the functioning of the fund.

The minister shall appoint four persons to the board of the fund for terms of two years at a time. The national employers' federation shall nominate one director, the national employees' federation shall nominate one director, the Association of Local Authorities in Iceland shall nominate one director and the minister shall appoint one director without nomination. The minister shall appoint the chairman of the board, who shall have a casting vote in the event of a tied vote. Alternates shall be nominated and appointed in the same way.

Directors and alternates shall be legally competent and may not at any time have been deprived of financial competence. They shall have untarnished reputations and may not have been sentenced for

punishable offences committed in connection with business operations against the General Penal Code, the Limited Companies Act, the Private Limited Companies Act, the Accountancy Act, the Financial Statements Act, the Bankruptcy (Etc.) Act or the payment of withholding tax.

Owners of public rental dwellings shall pay the following to the fund:

1. Reimbursements of state foundation capital contributions, as appropriate (*cf.* the fourth paragraph of Article 16).
2. Fifty percent of rent paid for public rental dwellings, after the deduction of their operating costs, including contributions to the maintenance fund and other maintenance costs, when the loans originally taken to finance their purchase or construction have been paid off in full and the foundation capital contributions have been repaid, as appropriate. Notwithstanding the first sentence, no payments shall be made to the fund when the loans referred to in the first sentence are refinanced, providing that the mortgage ratio of the dwelling remains unchanged or is reduced.
3. Profit on the sale of public rental dwellings, except in cases when the proceeds of the sale of the public rental dwellings are used to purchase residential premises that are to be used for the same purpose (*cf.* the first paragraph of Article 16).
4. The sale value of the public rental dwelling as assessed by an impartial party, less the encumbering loans and claims for the reimbursement of foundation capital contributions in circumstances described in the second paragraph of Article 16.
5. The value of assets remaining on dissolution of the owner when liabilities have been paid and state and municipal foundation capital contributions have been repaid.

The fund's financial resources shall be used to finance state and municipal foundation capital contributions in accordance with Chapter III and to make grants according to the sixth paragraph. However, reimbursed state foundation capital contributions shall be kept separate from other financial resources of the fund and shall be used solely to finance state foundation capital contributions.

The parties named in the first and second paragraphs of Article 10 may apply for grants from the Housing Fund for the following purposes:

1. Renovation or reconstruction of public rental dwellings, other than such as is regarded as constituting ordinary maintenance. The maximum grant for each project may amount to 60% of the cost of the project for which a grant is sought.
2. Operational assistance if the owner of public rental dwellings is in financial difficulty and will foreseeably be unable to meet its obligations regarding continuing operations without a grant.

Owners of public rental dwellings shall have a priority right to foundation capital contributions and grants as provided for in the first sentence of Article 5 amounting to 60% of the sums paid to the fund by the party in question under points 2 and 3 of the fourth paragraph.

The minister shall issue regulations containing further provisions on the activities of the Housing Fund, including payments into the fund and grant allocations, after receiving the comments of the board of the fund.

## **Chapter VII**

### **Monitoring.**

#### Article 23

*Monitoring and obligations on the part of public rental dwelling owners to provide information.*

The Housing Financing Fund shall monitor housing foundations, public rental dwellings owned by municipalities and public rental dwellings owned by other legal persons in accordance with the provisions of this Act.

Each year, owners of public rental dwellings shall send the Housing Financing Fund and the municipality that made foundation capital contributions towards the dwellings, if these have not been repaid, their annual financial statements, together with a report by the board, an auditors' endorsement and information on when the annual financial statements were approved, and a report on the operation of the dwellings, covering, amongst other things, the purchase and construction of public rental dwellings, the allocation of public rental dwellings and the determination of rents. Following submission of these reports, the Housing Financing Fund shall hold a meeting each year with each owner of public rental dwellings to discuss matters relating to the dwellings owned by the party

concerned. Minutes of these meetings shall be published on the homepage of the Housing Financing Fund.

The Housing Financing Fund may demand that housing foundations, municipalities and legal persons that have received foundation capital contributions provide more detailed information on the operation of the dwellings in question, including bookkeeping materials. Municipalities may demand that the same information be provided by housing foundations and rental corporations to which they have made foundation capital contributions.

If the Housing Financing Fund considers the operation of public rental dwellings is not in conformity with the provisions of this Act, it may issue instructions on remedial measures to the owner of the dwellings. Owners of public rental dwellings shall be obliged to comply with the Housing Financing Fund's instructions.

In the event of non-compliance with the Housing Financing Fund's instructions, the fund may nominate a temporary supervisor of the dwellings, who shall monitor their operation and provide guidance on improvements. If the owner of the dwellings does not comply with the supervisor's orders and he considers that everything has been done to attempt to bring the owner's operations into good order, then the Housing Financing Fund shall demand that the owner's estate be taken into administration. The minister shall issue regulations containing further provisions on procedure in such cases.<sup>1)</sup> This provision shall not apply to municipalities.

Monitoring of public rental dwellings during the development and construction phases shall be the responsibility of the municipality. The supervisor nominated by the municipality in question shall have unrestricted access to the construction work schedules and records covering public rental dwellings during the development and construction phases and the right to attend meetings at which the progress of construction work is discussed. The supervisor may also call for specially-focussed reports during the construction period; such reports shall be subject to the same rules and procedures as the periodic reports provided for in the Construction Act. The supervisor shall be under a non-disclosure obligation regarding information marked as confidential under law or other rules, or when, for other reasons, it is necessary to keep it concealed in order to protect substantial public or private interests.

<sup>1)</sup> Regulation No. 555/2016.

## **Chapter VIII** **Miscellaneous provisions.**

### Article 24

#### *Right of appeal.*

Parties to cases may refer administrative decisions taken under this Act to the Welfare Appeals Committee (*cf.* the Welfare Appeals Committee Act).

### Article 25

#### *Sanctions.*

Violations of this Act and of regulations issued under it may be punishable by fines unless more severe sanctions are prescribed in other acts of law.

Fines shall be paid to the Treasury.

Procedure in cases involving violations of this Act or of regulations issued under it shall be in accordance with the Code of Criminal Procedure.

### Article 26

#### *Exemption from taxation.*

Housing foundations shall be exempt from income tax under the Income Tax Act.

### Article 27

#### *Authorisation for regulations.*

The minister shall issue regulations<sup>1)</sup> on the further application of this Act, including as regards the following:

1. the contents of the articles of association or charters of housing foundations according to Article 5;
2. maintenance funds according to Article 8;

3. foundation capital contributions in the form of interest subsidies and conditions for the granting of state foundation capital contributions under Article 11;
4. applications for foundation capital contributions and the information required to be submitted in them according to Article 12;
5. municipal foundation capital contributions, in consultation with the Association of Local Authorities in Iceland, according to Article 14;
6. when the Housing Financing Fund is to grant approval for the sale of public rental dwellings and how foundation capital contributions are to be repaid according to Article 16;
7. criteria for the determination of rent according to Article 18;
8. allocations of public rental dwellings according to Article 19;
9. operations of the Housing Fund according to Article 22, and
10. monitoring according to Article 23.

<sup>1)</sup> Regulation No. 555/2016.

## **Chapter IX Commencement.**

### Article 28

#### *Commencement.*

This Act takes immediate effect.

The provisions of this Act shall be reviewed not later than 10 years after its commencement.

### Article 29

#### *Amendments to other acts of law. ...*

## **Interim provisions.**

### **I.**

Those who have previously received loans from the Housing Financing Fund under Article 37 of the Housing Act may not be granted foundation capital contributions in respect of the same dwellings.

### **II.**

Notwithstanding the provisions of the [third paragraph]<sup>1)</sup> of Article 10, foundation capital contributions may be granted for the construction of residential premises which began prior to the commencement of this Act and for dwellings that were purchased prior to, or on, 1 January 2016 if no loans under Article 37 of the Housing Act, No. 44/1998, have already been granted for them. If a municipality has allocated a lot to a builder, its value may be regarded as constituting a municipal foundation capital contribution even though the allocation took place prior to the commencement of this Act.

<sup>1)</sup> Act No. 115/2016, Article 4.

### **III.**

Notwithstanding the provisions of Article 29, the Housing Financing Fund may approve applications for loans under Article 37 of the Housing Act, as that provision was prior to the commencement of this Act, until 1 January 2018. The fund may disburse loans after that time if the applications were approved prior to 1 January 2018.

### **IV.**

... <sup>1)</sup>

<sup>1)</sup> Act No. 115/2016, Article 5.

*[This translation is published for information only.  
The original Icelandic text is published in the Law Gazette.  
In case of a possible discrepancy, the original Icelandic text applies.]*