

Housing Communities and Services in ECA

Lithuania: Energy
Efficiency/Housing Pilot Project –
EEHPP (1996-2001) Case Study

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Outline

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- ✍ Energy Efficiency/Housing Pilot Project
- ✍ CDD Characteristics of EEHPP
- ✍ Results
- ✍ Lessons Learned
- ✍ Conclusion

Housing Communities and Services in ECA

- ✍ Issue is relevant in every urban area
 - Lithuania: 97% housing stock privatized, o/w 80% units in apartment buildings from 1991 to 1996
- ✍ Unaccustomed-to obligations of ownership previously taken care of by Government for 50 years, e.g.
 - Property Rights
 - Running Costs of household services
 - » Energy (elect., heat, gas), water, other utilities
 - Capital Costs of maintenance and renovation, esp. common property
 - » Block construction energy inefficient

Energy Efficiency/Housing Pilot Project

- ✍ Multisector operation
 - Energy Services (Heating), Housing, Urban
- ✍ Demand-driven design
- ✍ Community participation in project cycle
- ✍ Learning-focused pilot (pre-LIL)

Community Participation/ EEHPP

- ✍ Focus on end-user incentives to initiate community based housing governance
- ✍ Providing opportunity to end user to take responsibility, make informed decisions
 - » Professional/Financial services for subproject development
 - ✍ Energy audits/designs by local consultants under TA guidance
 - ✍ Loans to HOAs and SFHs through commercial banks
- ✍ Creating and/or supporting local institutions that support this process and help to sustain it
 - » Expert counseling on HOAs and energy efficiency
 - ✍ Advisory Centers in 5 major urban areas
- ✍ Collecting a critical mass of experience essential to change social behavior
 - » Demand-driven, participation in project cycle

Homeowner Associations in Lithuania

- ✍ Hybrid between Cooperative and Condominium Models
 - Collective, proportional ownership of common areas
- ✍ Ensure essential services provided
 - Organize member meetings on property mgt issues
 - Breaking link between management and maintenance:
Manage service contracts
 - » Including in some cases role in billing and collection for certain utilities
- ✍ Big obstacle: membership no longer mandatory

EEHPP Results – Residential Loans & Institutional Development

- ✍ Highly successful in testing and having an impact upon the legal standing of homeowners associations, strengthening their role in community-driven housing management
 - Despite slow uptake of loans and time constraint in which project implemented
 - » 207 HOAs were serviced out of 600 existing (\$8.3 m invested)
 - » 4,300 HOAs formed out of 45,000 buildings
 - Limited impact on commercial lending to the sector
 - » Lack of long term funds
 - » Govt assistance to project (fixed interest rate, low income support, VAT exemption, grant element up to 30% of loan amount)
 - Energy Consultants and Advisory Centers

Lessons Learned

Project Beneficiaries (Homeowners/HOAs)

- ✍ HOAs are able and willing to renovate common property if provided with institutional support, technical support and financial incentives. This can be considered as a tested, successful approach to Community-driven development-style projects in urban areas.
- ✍ HOAs take debt seriously (no defaults)
- ✍ Case studies and examples have an important demonstration effect when communicated directly to homeowners.

Lessons Learned

Legal Barriers

- ✍ Proper legal and regulatory framework is mandatory to facilitate formation of HOAs and energy efficiency investments. These barriers should be addressed in similar operations.
- ✍ Lack of wider educational program regarding HOAs leads to a poor understanding of laws and regulations.

Lessons Learned

Institutional Barriers

- ✍ Significant institutional support and financial incentives needed to reduce the transaction costs associated with addressing barriers to entry
- ✍ Experiences count -- the higher the number of successful cases, the larger the interest and willingness to contribute financially towards home improvements.
- ✍ Privatization of municipal maintenance companies opens the door to competition and offers homeowners choices in maintenance services.

Lessons Learned

Energy Efficiency & Energy Savings

- ✍ Main motivations for homeowners: (in order of importance): (i) to improve their own apartment, e.g. improved indoor climate, better windows; (ii) to carry out urgent repairs of the building; (iii) to obtain energy savings in general.
 - After project implementation, more interest in savings
- ✍ Once payment for heat is based on building level metering and size of apartments, the actual energy savings – reduced consumption – varies and can be negligible due to increased consumption – from a motivation to have higher indoor temperatures.

Lessons Learned

Financial Barriers

- ✍ Financial incentives appear to have been necessary to achieve demonstration effects desired. Public outreach alone will not convince homeowners.
- ✍ Transaction costs associated with administering the subloan as it was structured in this project made this product unattractive for commercial banks. Other financial products will likely be used once banks are in a position to move into retail banking.
 - Lack of collateral is an important issue to private sector lending to HOAs.

Summing Up

- ✍ Energy efficiency and housing governance in cold climate ECA countries is an effective operational combination
 - May also combine with other “communal” (utility) services
- ✍ CDD techniques and technical expertise should be afforded equal consideration
- ✍ Avoid creation of institutions without a natural constituency; focus on incentives, not on one or another institution
 - Multi-flat housing communities need economic governance
 - But care must be taken for social and cultural property rights in designing the right form of association