

Social partnership technologies in the Russian housing sphere as demonstrated by the Homeowners Support Project

By Konstantin Shishka,
Chief of party of the Homeowners Support Project
the New Eurasia Foundation
kshishka@neweurasia.ru

SUMMARY

The social policy reform and the housing policy reform that are currently underway in Russia are based on the deployment of new models and mechanisms of collaboration between the government, businesses, and citizens. This requires that people take a more pro-active civic position and acquire fundamentally new knowledge, especially in the housing sphere.

The new RF Housing Code has paved the way to housing self-management which affects every Russian homeowner. The necessity to select a multifamily apartment building management method has placed all participants of the housing relations into a challenging situation.

The principal vector identified by the new RF Housing Code as *development of housing self-management* through self-organization of residents and *development of the market of housing and utility services* is supported with new federal initiatives: the RF government has adopted RF Federal Law No.185-FZ “On the Fund for support of the housing and utility industry reform”.

This law is not the capital renovation law as erroneously perceived by many. It should be understood that the Fund for support of the housing and utility industry reform does not aim to fix the entire housing stock requiring capital renovation. Specialists estimate that the funding provided to the newly established Fund is enough to renovate not more than 15% of such housing stock. The principal goal of the Fund is to stimulate the housing and utility industry reform, to encourage all market participants to engage in responsible decision-making with a primary emphasis on the homeowners’ interests, to deploy effective housing stock management mechanisms accounted for by the RF Housing Code, as well as to

provide financial assistance to the regions and municipalities that are struggling to eliminate decrepit housing and renovate multifamily apartment buildings.

Homeowners have a poor understanding of the mechanism that is used to make decisions concerning capital renovation, nor are they skilled enough to be able to design project documentation required to organize and implement capital renovation of multifamily apartment buildings.

In addition, there is another important question: how do homeowners who by law are required to finance at least 5% of the capital renovation costs go about raising money required to co-finance their capital renovation projects?

This is why the Fund for support of the housing and utility industry reform recommends that as soon as a capital renovation program enters its primary development phase the participating homeowners should be well informed of all applicable participation requirements, an information campaign should be carried out in mass media, and transparent public procedures should be designed to select program participants while making sure that the selection criteria stimulate residents to come up with comprehensive and efficient technological and energy-saving solutions, prepare themselves for capital renovation of their apartment buildings, and design appropriate contracting procedures.

It is impossible to implement all these activities without involving the *nongovernmental non-commercial sector*.

A number of educational programs are implemented by Russian and western foundations and development programs. Specifically, the New Eurasia Foundation (FNE) housing-related projects and programs contribute to the development of housing self-management and facilitate the process of integration of technological and financial resources required to address housing-related problems.

Assisted by the New Eurasia Foundation, the RF regions are building a housing education infrastructure on the basis of non-commercial organizations: the Network of housing education schools (www.shgp.ru), the Association of non-commercial organizations supporting the development of homeowners associations and housing construction cooperatives (www.tsg-rf.ru).

The mechanism presented herein is designed to create conditions that are necessary for municipalities to procure financing for capital renovation of multifamily apartment buildings from the Fund for support of the housing and utility industry reform.

I. RESULTS ACHIEVED BY THE MOST SUCCESSFUL CITIES AND REGIONS THAT USED THE MECHANISM

Today, regions and municipalities are facing a complex task: to procure means from the Fund for support of the housing and utility industry reform and efficiently spend them on capital renovation of multifamily apartment buildings. Article 14 of RF Federal Law No.185-FZ “On the Fund for support of the housing and utility industry reform” contains a number of requirements that are difficult to meet for municipalities which do not have access to technological resources.

Of late, in order to procure financing for capital renovation of multifamily apartment buildings from the Fund for support of the housing and utility industry reform, municipalities have been frequently reported to show fictitious indicators, including indicators pertaining to homeowners associations and managing companies.

It is important to understand, however, that not only is it necessary to procure requisite funds, be that through falsification or otherwise, but it is also necessary to make sure that these funds are spent efficiently and that homeowners contribute at least 5% of the total capital renovation costs as required by law.

By using inadequate methods for the development of capital renovation programs municipalities prevent homeowners from having a clear understanding of how their own financial contributions will be used. As a result, homeowners refuse to contribute their own money for capital renovation of their apartment buildings. Furthermore, by openly stating that they impose the establishment of homeowners associations solely for the purpose of procuring funds for capital renovation of multifamily apartment buildings local authorities undermine the public trust for the institution of homeowners associations further still.

This situation is inconsistent with the logic of RF Federal Law No.185-FZ and the housing reform upon the whole.

The results described below were achieved in the course of application of the mechanism under the demonstration projects implemented in Nizhniy Novgorod, Perm, and Tver as part of the Homeowners Support Project (implemented by the New Eurasia Foundation in partnership with the Institute for Urban Economics):

1. Application of the mechanism makes it possible to create a system that provides *information support* to municipal capital renovation programs by conducting *information and education activities among the population* and by *providing methodological assistance* to homeowners associations and managing companies. The following housing education technologies were designed to achieve this result:

1. Technology of collaboration with population,
2. Technology for collaboration with bodies of power,
3. Technology of development of housing NGOs,
4. Technology of collaboration with mass media.

2. The mechanism helps create *conditions required for the development of homeowners associations* in municipalities with certain dynamics through information and promotion activities, on the one hand, and introduction of democratic relations into the apartment building management system, on the other hand. Methods and procedures regarding the following issues were tested by specific *multifamily apartment buildings/homeowners associations*:

- Adoption of the decision to establish a homeowners association by apartment owners;
- Development of democratic principles of internal organization and operation of a homeowners association;
- Design and application of internal rules and procedures, including procedures designed to ensure collection of fees/payments for housing and utility services;

- Procedures governing internal reporting, control, and audit;
- Other methods and procedures designed for homeowners associations in the course of the project.

Recommendations, provisions, and normative acts regulating the following issues were adopted at the level of local self-government bodies:

- Provision of assistance to local self-government bodies in the establishment of homeowners associations and regulation of their operations;
- Participation of a representative of a municipal property owner in the establishment and operation of a homeowners association;
- Information exchange between local self-government bodies and homeowners associations.

3. The mechanism helps improve *sustainability and professionalism of managing companies by encouraging them to operate transparently and responsibly*. Methods and procedures regulating the following issues were tested at the level of *multifamily apartment buildings*:

- Management, maintenance and renovation of common property; provision of utility services;
- Assessment of financial needs and budgeting for management, maintenance and renovation of common property;
- Contractual relations between managing organizations and homeowners associations/apartment owners;
- Reporting of managing companies to homeowners associations/apartment owners;
- Development of effective communications between managing personnel/managing company and apartment owners;
- Informing of apartment owners of execution of management plans and funding of current and capital renovation projects;
- Standards of professional management of multifamily apartment buildings.

Recommendations regarding the following issues were adopted at the level of local self-government bodies:

- Selection of managing companies and assessment of their operations by apartment owners/homeowners associations;
- Application and dissemination of the standards of professional management of multifamily apartment buildings.

Recommendations, provisions, and normative acts regulating the following issues were prepared and adopted: monitoring of management of multifamily apartment buildings; development of an address base for the selection of the management method, establishment of a homeowners association, selection or replacement of managing companies; participation of a representative of a municipal property owner in contractual relations with a managing company.

4. The mechanism helps develop a new law-enforcement practice by designing *municipal laws* that aim to create favourable conditions for the establishment and operation of homeowners associations. Provisions, recommendations, and normative acts regulating the following issues were adopted at the level of local self-government bodies:

- Creation of optimal models of organizing and financing capital renovation/modernization;
- Development of a municipal capital renovation program and energy-saving modernization of multifamily apartment buildings; provision of assistance to property owners in capital renovation;
- Monitoring of eligible expenditure of funds provided for capital renovation of a multifamily apartment building.

5. The mechanism helps deploy *procedures regulating organization and implementation of capital renovation and modernization of multifamily apartment buildings* using budget subsidies which ensures transparent and eligible expenditure of budget funds.

6. Apartment owners are encouraged to *invest their own and borrowed funds* in capital renovation and modernization of multifamily apartment buildings.

7. Recommendations are being designed on deployment of transparent and public *procedures* used to select participants of municipal capital renovation programs and determination of *apartment building selection criteria*. Recommendations and procedures regulating decision-making regarding the following issues were tested at the level of *multifamily apartment buildings*:

- Capital renovation of multifamily apartment buildings and their modernization with the view to improve their energy efficiency;
- Financing capital renovation of multifamily apartment buildings using own and borrowed funds, as well as budget subsidies.

8. The mechanism helps *improve contractual relations* with utility service providers thereby making the business of management of multifamily apartment buildings more attractive for private organizations, including small businesses, and individual entrepreneurs. Recommendations regarding the following issues were tested at the level of *multifamily apartment buildings*:

- Contractual relations between homeowners associations, managing companies, and utility service providers.

Recommendations and proposals regarding the following issues were prepared and adopted at the level of local self-government bodies:

- Improvement and harmonization of contractual relations between utility service providers, managing companies, and homeowners associations;
- Regulation of utility rates;
- Development of municipal-private partnerships within the utility sector.

The mechanism helps improve qualifications of municipal officials interacting with the population, housing NGOs, managing companies, and utility service providers.

NGOs supporting homeowners and their associations in municipalities improve their professional qualifications and strengthen their institutional positions.

II. DESCRIPTION OF THE PRINCIPAL SUBSTANCE OF THE MECHANISM

The principal objective of the mechanism under discussion is to identify real changes in the relations between homeowners and within homeowners associations, ensure professional and responsible interaction between homeowners, managing companies, and utility service providers, test skills required to develop capital renovation programs, acquire experience in advocacy of the tenants' rights, and improve the housing culture by implementing demonstration projects.

Deployment of the mechanism requires that local self-government bodies be prepared to implement demonstration projects designed to deploy a complex approach to housing stock management. It also requires availability of NGOs operating in the sphere of housing education and advocacy of the tenants' rights.

Municipalities should pay special attention to compliance with the following requirements:

- *Interest* in creating favourable conditions in the municipality for application of the mechanism;
- Readiness *to adopt local laws*, rules, and methods *required to implement demonstration projects*;
- Readiness *to provide requisite resources* to ensure implementation of demonstration projects;
- *Availability of private managing companies and homeowners associations operating in the municipality*;

- *Date of termination of the authorities* of the current elective self-government bodies;
- *Availability of a non-commercial organization* that local self-government bodies plan to partner with to implement demonstration projects.

The project participants planning to deploy the mechanism should distribute their responsibilities as follows:

The municipality provides informational and methodological support to the demonstration project. In particular, the municipality:

- Helps design requisite normative and methodological documents at the local level;
- Provides the project participants and the local partner NGO with recommendations, manuals, training, and information materials;
- Participates in the consultations provided to the demonstration project participants;
- Conducts information and training activities, including training of representatives of the local partner NGO;
- Facilitates and participates in information campaigns and public discussions (conferences, “round-table” meetings, dialogues, etc.);
- Monitors and evaluates the outcomes of the demonstration project;
- Designs, in consideration of local conditions and suggested recommendations on management of multifamily apartment buildings, and approves local normative and methodological documents required for implementation of the demonstration project;
- Assists and provides requisite resources to the local partner NGO (NGOs) to facilitate its advisory, training, and information activities;
- Organizes and facilitates public discussions (conferences, “round-table” meetings, dialogues, etc.);
- Assigns a representative to monitor and evaluate the outcomes of the demonstration project;
- Facilitates dissemination of best experiences through mass media.

Local partner NGO (NGOs):

- Selects pilot multifamily apartment buildings, homeowners associations, and managing companies for implementation of different demonstration project models;
- Organizes and participates in consultations, information and training activities for representatives of the pilot apartment buildings, homeowners associations, managing companies, and utility service providers, as well as interested citizens;
- Organizes and participates in public discussions (conferences, “round-table” meetings, dialogues, etc.);
- Participates in the monitoring and evaluation of the outcomes of the demonstration project.

Demonstration project participants (homeowners associations, initiative groups of apartment owners, managing companies):

- Implement recommended mechanisms, procedures, rules, and forms;
- Provide feedback regarding successes and complications in application of recommended mechanisms, procedures, rules, and forms;
- Facilitate the monitoring of the demonstration project;
- Participate in public events associated with the demonstration project implementation.

III. MECHANISM DEVELOPMENT STEPS (PHASES)

The mechanism consists of three components:

Component I:

First, it is necessary to design project tools, i.e. put together a package of methodological, training, and information materials on housing stock management issues:

- Methodological and practical recommendations on procedures regulating effective management of multifamily apartment buildings in a municipality, including procedures governing the development of normative documents.
- Packages of training materials for apartment owners, managing companies, utility service providers, municipal officials, etc.
- Training courses designed to improve professional qualifications in housing self-management:
 - “The ABC of housing” – for aspiring property owners;
 - “Basic professional course” – for managers of homeowners associations;
 - “Professional course” – for managers and specialists of managing companies;
 - “Housing management training technologies” – for trainers specializing in housing and related issues.
- A series of training videos on housing self-management for a broad audience.

Component II:

Five multifamily apartment building management models are designed and deployed within the framework of the second component:

- I. Development of democratic relations within a homeowners association;
- II. Development of an order for multifamily apartment building management, maintenance and renovation services by apartment owners/homeowners association;
- III. Development of effective relations between managing companies and their clients (apartment owners/homeowners association);
- IV. Development of effective relations between homeowners associations, managing companies, and utility service providers;
- V. Deployment of new mechanisms of organization and financing of capital renovation/energy-saving modernization of a multifamily apartment building.

Each of these models has its own goals and objectives, its own implementation method, and may be implemented as an independent housing reform element designed to ensure effective management of multifamily apartment buildings. At the same time, all of the aforementioned demonstration project models are interconnected and each model creates conditions for implementation of the other models. Thus, implementation of all demonstration project models will ensure a complex approach to implementation of the housing stock management reform.

Component III:

The third component entails implementation of a broad-scale information campaign designed to translate successful demonstration project implementation experiences acquired by the municipality. It is important to pay special attention to determination and implementation of effective information distribution channels.

Information may be distributed using the following means and methods:

- “Liquidating housing illiteracy” radio shows;
- Housing holidays: Utility sector employee day, Habitat Day, and European neighbours’ day;
- Conferences, forums, meetings;
- Publications in mass media.

The mechanism deployment activities include a broad spectrum of events implemented over a period of eighteen months, such as: training seminars, expert meetings, study tours, training sessions, demonstration projects designed to test and deploy housing education models, conferences, publications in mass media, and a variety of public events.

To learn more about the implementation of the mechanism described herein, as well as the recommendations and normative acts adopted to date please contact the New Eurasia Foundation and request information about the Homeowners Support Project or visit hsp.tsg-rf.ru.

The Homeowners Support Project does not replace or duplicate activities of governmental institutions and has its own important place within the housing and

utility industry reform processes. The project aims to demonstrate the need in creating a transparent system of organizational, financial, and contractual relations in application of different housing stock management methods, and the need in implementing various programs designed to support the development and proliferation of homeowners associations that are able to manage multifamily apartment buildings professionally, as well as to improve the condition of multifamily apartment buildings and the standard of living of the Russian population.