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PROGRAMME OF WORK FOR 2008–2009

HOUSING MODERNIZATION AND MANAGEMENT

**MULTIFAMILY HOUSING MANAGEMENT:
ANALYSIS OF THE REPLIES TO THE QUESTIONNAIRE**

Note by the secretariat

Summary

At its sixty-eighth session in September 2007, the UNECE Committee on Housing and Land Management decided to support a programme focused on the management, maintenance and refurbishment of the multifamily housing stock of Eastern Europe, Caucasus and Central Asia (EECCA) and South-Eastern Europe (SEE). The programme was proposed by the Housing and Urban Management Advisory Network (HUMAN) (ECE/HBP/145).

The current note is based on replies to the questionnaire from Albania, Georgia and Ukraine. Romania also participated in the exercise and provided a detailed response to the questionnaire. The analysis also makes use of information contained in the UNECE country profiles on the housing sector, whenever possible.

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INTRODUCTION

1. The problem of sustainable refurbishment and restructuring of multifamily housing stock built between the 1960s and the 1980s is a crucial issue affecting a large proportion of the population. The reasons for the poor technical condition of this part of the housing stock are: (a) low-quality construction; (b) the withdrawal of the State from maintenance and repair works as a result of mass privatization of the housing stock; and (c) a lack of institutions and homeowners' associations that could effectively take responsibility for ongoing maintenance.

2. Since most of these residential buildings were constructed during the same period and using similar technologies, physical stability problems are bound to arise simultaneously and on a large scale. Shortly, many of these residential buildings will become both unfit for living and dangerous. These problems pose a very significant political, economic and social challenge in the short and medium terms.

3. The overall programme will focus on five main elements:

- (a) Review of and report on the current situation in six pilot countries, through a questionnaire;
- (b) Analysis of the information received (as contained in this paper);
- (c) Selection of two countries (pilot phase) for a more in-depth country study;
- (d) Formulation of practical guidelines on legal, institutional and financial frameworks;
- (e) National case studies;
- (f) Workshops, conferences and roundtables with partner organizations.

4. The current note is based on replies to the questionnaire from Albania, Georgia and Ukraine. Romania also participated in the exercise and provided a detailed response to the questionnaire. The analysis also makes use of information contained in the UNECE country profiles on the housing sector, whenever possible.

5. The Committee is invited to:

- (a) **Review the information contained in this note;**
- (b) **Select the two countries for a more in depth country study;**
- (c) **Decide about the modalities to carry out the pilot study.**

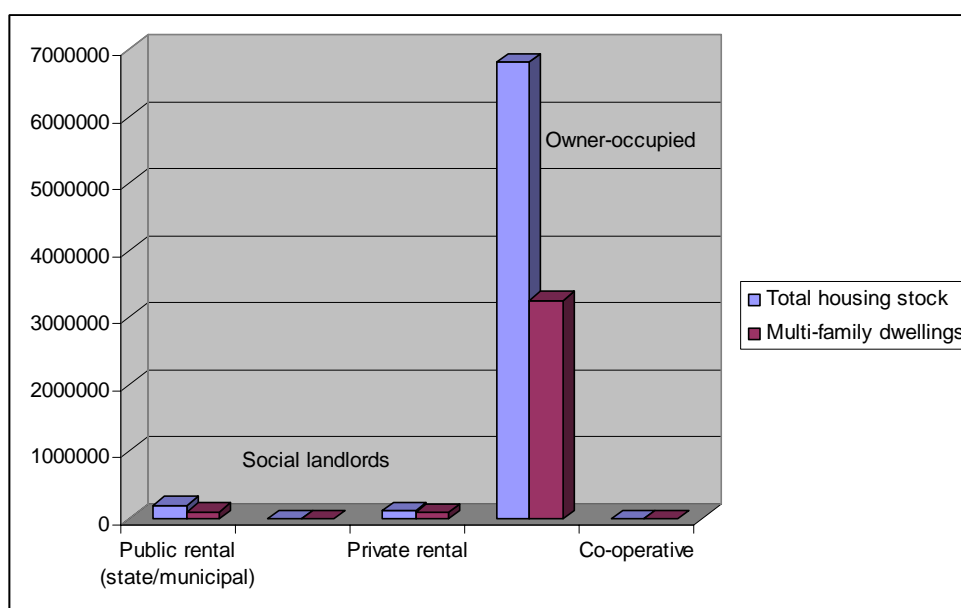
I. ROMANIA

A. The housing situation

6. As of February 2007, the population of Romania exceeded 21.5 million inhabitants. The number of households, including shared living units, reached 7,320, with an average of 2.92 persons per household. The total housing stock reached approximately 8.2 million. In 2008, the average per capita gross income will be 1,623 LEI (approximately 690 USD, or 440 EUR).

7. As for many of the EECCA and SEE countries which undertook a broad privatization process, and as shown in the figure below, ownership in Romania is very high, reaching 6,802,679 units of the total housing stock. Private ownership in multifamily dwellings has reached 3,257,107.

Figure 1*: Present tenure structure, for total housing stock and multifamily dwellings



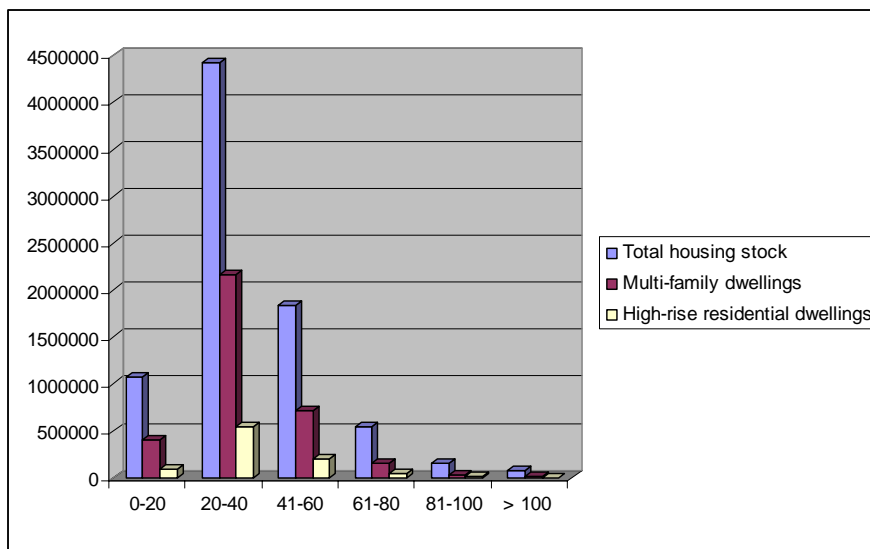
8. The UNECE country profile for Romania (2001)¹ stressed that a large percentage of Romania's housing stock consists of blocks of apartments constructed by the State using various forms of systematic building. The vast majority of these apartments have been sold into private

* Please note that all figures in this document that cannot be edited remain in English only.
¹ <http://www.unece.org/hlm/prgm/cph/countries/romania/welcome.html>.

ownership, a measure which enjoyed widespread support at the time, reflecting the population's strong preference for owning their homes.

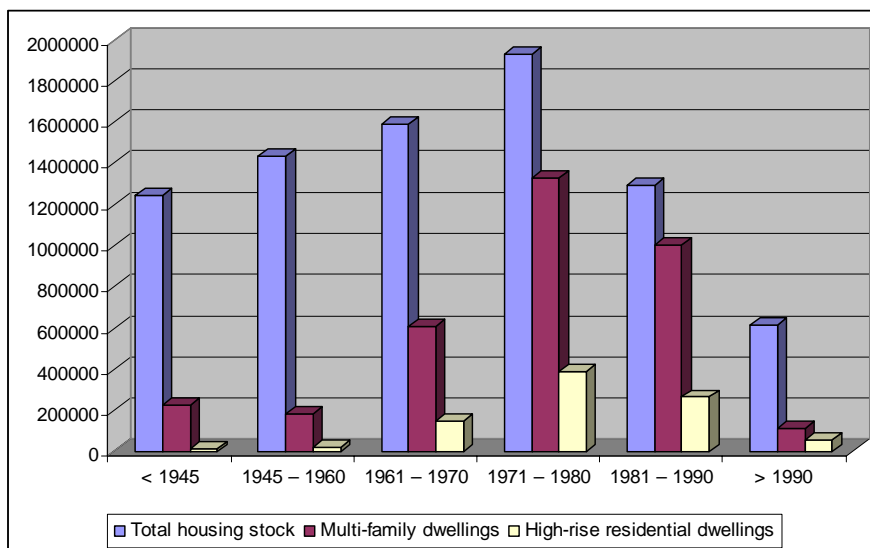
9. Data of the 2002 census, summarized in figure 2 below, shows the distribution of dwellings by size, recording a large majority of homes in the range of 20 to 40 m².

Figure 2: Distribution of dwellings by size in Romania



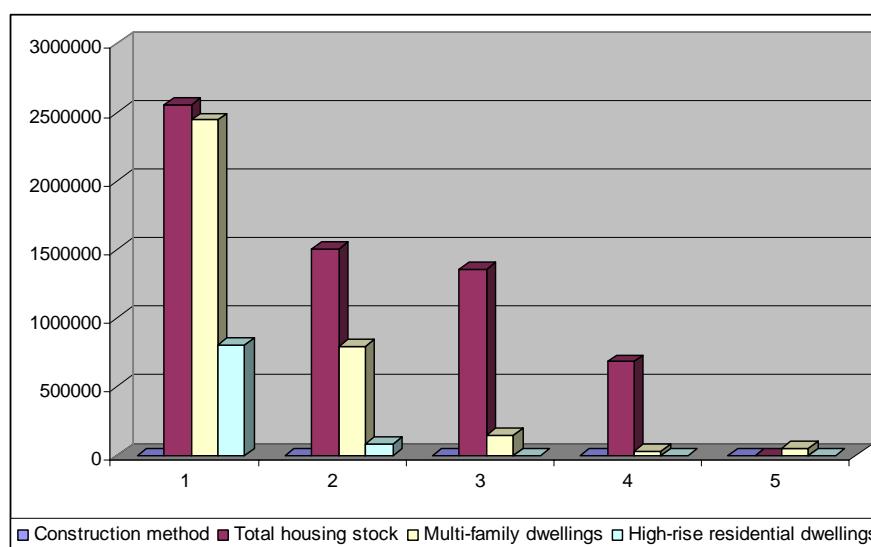
10. Ages of buildings vary, with the majority of buildings constructed between 1970 and 1980. Figure 3 below, summarizing the age of buildings in Romania according to census data of 2002, shows a slowdown in construction following the fall of the Soviet Union.

Figure 3: Ages of buildings in Romania



11. Figure 4 below shows that for the majority of buildings, reinforced concrete, concrete prefabricated panels or reinforced concrete structures were used.

Figure 4: Construction methods in housing in Romania



- 1: Reinforced concrete, concrete prefab panels or reinforced concrete structure
 2: Brickwork, stonework, etc. with reinforced concrete platform
 3: Brickwork, stonework, etc. with wood platform
 4: Wood
 5: Others

12. The table below shows the distribution and share of multi-ownership in Romania, and related percentages. The number of multi-ownership buildings is 231,692, for a total of 3,466,500 dwellings.

Table 1: Multi-ownership in Romania

	Multifamily (number, percentage)
Share of buildings with multi-ownership (% of total buildings in category)	213,692 4.40
Share of dwellings involved (% of total housing stock in category)	3,466,500 42.74
Share of registered condominiums (% of total buildings in category)	83,799 39.21
Share of registered cooperatives (% of the total housing stock)	1,359 0.01

13. At the end of 1998, 2,160,680 dwellings had been privatized, with 160,423 still remaining in State ownership. Over 2 million of the dwellings built before January 1990 had been sold by the end of 1998, and only 70,533 of these had been sold after December 1998.
14. The total need for investment of the multifamily dwelling is currently estimated at 9 billion EUR, for a total of 3 million dwellings involved with an average investment per dwelling of 3,000 EUR.
15. In connection with apartment blocks, the 2001 country profile of Romania identified a number of major problems, as follows:
- (a) *Physical.* A small but significant number of blocks suffered from major structural problems. The vast majority were very poorly insulated, causing major discomfort and endangering health and even life in both the heat of summer and cold of winter;
 - (b) *Institutional.* The ownership of the blocks was fragmented into multiple ownerships of separate apartments within condominiums, including continuing public ownership where tenants were unable or unwilling to buy. This situation had been further complicated by the letting and subletting of some apartments;
 - (c) *Economic.* After meeting their everyday living costs, few households owning apartments had sufficient disposable income left to contribute to the costs of cyclical maintenance and minor repairs; even fewer could save for major repairs to their buildings. As a consequence, the general condition of the apartment blocks could be expected to deteriorate, rendering an increasing number unfit for habitation;
 - (d) *Financial.* Although the ownership of an apartment represented a real financial asset, the general lack of maintenance and repair could easily imply a significant risk for any potential private investor, making it relatively difficult for homeowners to raise mortgages in a poorly developed financial market;
 - (e) *Social.* The economic situation had been exacerbated, as those who could afford to do so were moving out of the apartments to purchase newer and/or better quality properties. This could be seen as the first stage of a social polarization, which would lead to an increasing concentration of poorer households in these apartment blocks.

B. Policy context

16. In Romania, the process of privatization of the housing stock is still ongoing. The privatization of dwellings from the State stock continues on the basis of: (a) Law no. 85/1992 and Decree-Law no. 61/1990 regulating the selling of dwellings and spaces built from State funds; and (b) Ordinance no. 35/2007, amending Law no. 152/1998, regarding the establishment of the National Housing Agency. According to the latter, rental housing for young people can be sold to the signatories of the rental contracts, only at their request, after the expiration of the five-year contractual period.

17. State owned dwellings are returned to the former owners on the basis of Law no. 112/1995, addressing the legal status of some dwelling buildings that had become State property, and Law no. 10/2001, addressing the legal status of some buildings abusively taken over during the period from 6 March 1945 to 22 December 1989.

18. In Romania, cooperatives (or other institutions) do not have the obligation to privatize. According to the Romanian Constitution and Law no. 213/1998 regarding the public property and its juridical regime, related modifications and updates of goods belonging to the public cannot be sold (they can only be managed, given in concession or rented).
19. There are targeted programmes for renovation of multifamily residential buildings in Romania addressing the reduction of seismic risk for multifamily residential buildings, and the thermal retrofitting of apartment blocks – condominiums.
20. As far as legal tools are concerned, there are no targeted laws on condominiums in Romania. However, Law no. 230/2007 addresses the organization and functioning of owners' associations. In the case of multi-ownership, the establishment of a condominium is compulsory. According to the provisions of article 47 of Law no.7/1996 if a building is the object of property by floors or by apartments, a collective land register will be set up for the entire construction. The building will be mentioned in the collective land register with a non-fractional number of lots. The registrations that concern the entire building will be done in both land registers. Registration of condominiums is compulsory. There are no cooperative housing laws.
21. State financial support exists with respect to renovation of multifamily dwellings, and includes subsidies for condominiums and owner occupiers as well as tax exemptions for owner occupiers. Through the national thermal rehabilitation programme for condominium residential buildings, the rehabilitation cost is covered as follows: 34 per cent from the State budget; 33 per cent from the local budget; 33 per cent from owners' associations. Through the tax code, exemptions are provided to owners who thermically retrofit their dwellings.
22. Financial schemes (by private banks) to support housing maintenance and renovation are under preparation.

C. Future policy directions and recommendations

23. Future activities and policies in Romania include a law project, now under discussion, regarding the status of co-ownership for residential buildings, and the administration and functioning of owners' associations. The project of this new law integrates Law no. 230/2007 regarding the owners associations: the co-ownership concept is extended to include both collective buildings and individual dwellings situated in common yards; it determines the co-ownership regulations including on behaviour and usage of the co-property; it establishes the co-owners' obligation to have reserve funds and to undertake maintenance to preserve the value of the co-property; it details the responsibilities list of the administrator and the president; and it encourages the establishment of administration societies for co-ownership.
24. On the issue of condominiums, the 2001 UNECE country profile recommended that the Ministry of Public Works, Transport and Housing complete its assessment of the condition of the housing stock and quantify the investment needed to meet minimum standards. The results should then be fed directly into the policymaking process to inform the creation of a national strategic framework within which this problem could be tackled. In most cases, action would need to include repair, modernization, remodelling, and even reconstruction to address existing unfitness. In all cases, arrangements would be needed to ensure that future problems do not arise through further negligence by:

- (a) Organizing cyclical maintenance and due repair;
- (b) Periodically inspecting buildings, and maintaining a technical passport for each;

- (c) Ensuring the appropriate use of buildings and equipment;
- (d) Informing the public authorities of technical accidents;
- (e) Creating and operating a sinking fund to cover future maintenance and repair costs.

25. Changing the present inadequate situation will probably require, in each case, some form of cooperation between governmental, voluntary, and private institutions to create effective management arrangements. It is recommended that the local authorities assume the role of facilitating these partnerships and receiving support from the Government and other bodies interested in regenerating this key element of the national housing sector.

26. Highest priority should be given by the Government to raising public awareness of the need for the regeneration or reconstruction of the existing stock. More specifically, a change is needed in the mentality of homeowners if they are to engage actively and fully in trying to improve their own situation.

II. GEORGIA

A. The housing situation

27. As of 1 January 2007, the population in Georgia reached 4.6 million. According to statistical data of 2002, the number of households counted 1,243,158, for a total of 110.5 million m², covering the housing needs of 99.4 per cent of the total population, while 0.6 is still living in collective households. The average number of persons per household is 3.5.

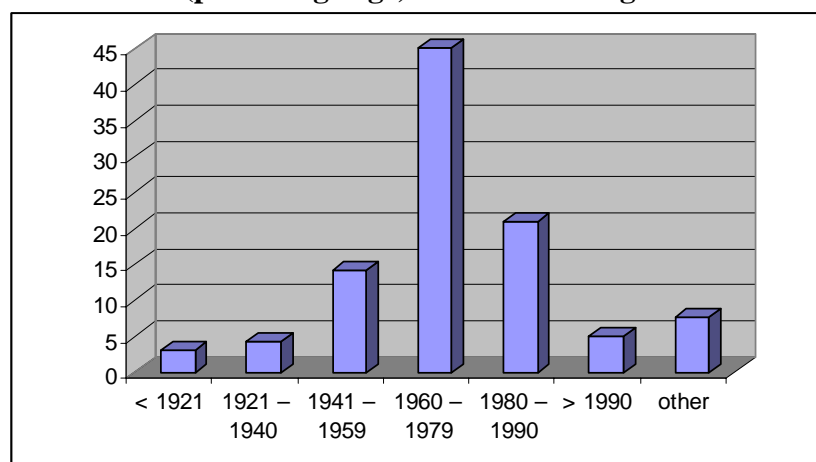
28. In 2006, the average monthly income per capita in the country was 90.2 GEL, or approximately 50 USD. No housing census has been carried out so far in Georgia, and the first one will take place in 2010. Thus, statistics available refer only to households.

29. The level of ownership in the country is very high, reaching 94.5 per cent of the available housing stock. According to analysis of data on the existing housing situation in Georgia and data contained in the UNECE country profile of Georgia (2007)², the situation in the country does not differ from the average scenario in the region. Average housing space per capita was reasonable before the collapse of the Soviet Union – about 22.5 m² per capita. However, square metres do not provide an accurate picture of the quality of housing and related services. Current figures for the total housing stock are not available. Nearly 93 per cent of households in the countryside live in detached houses, whereas in the urban areas, 67 per cent of the households are located in flats.

30. According to 2003–2004 data of the State Department of Statistics, almost half of the housing stock was built in the period 1960–1979, as shown below. About 75 per cent of the multifamily housing stock is made of large prefabricated panels.

² <http://www.unece.org/hlm/prgm/cph/countries/georgia/welcome.html>.

Figure 5: Distribution of households by dwelling construction (percentage/age) in 2004 in Georgia



31. Although there is no official document or forecast, experts estimate that about 70 to 80 per cent of multifamily housing stock need renovation. In general, according to the 2007 country profile, a considerable part of the housing stock in Georgia – regardless of its ownership – will require massive reconstruction. At the same time, a part of the stock should be demolished due to natural structural deterioration, lack of maintenance and the activities of residents.

B. Policy context

32. In Georgia, the process of privatization of the housing stock is still ongoing. Overall, only less than 5 per cent of housing stock remains to be privatized. Cooperatives do not have an obligation to privatize and privatization of flats even in cooperative multihousing stock is ongoing by individual household.

33. Programmes for the renovation of multifamily residential buildings have been initiated. In Tbilisi, the municipality has started a programme to renovate roofs, entries and elevators, with the participation of homeowners' associations. Renovation of prefabricated housing stock, or first-generation mass housing, has not yet been addressed.

34. There are no special laws on condominiums. A draft law was prepared but has not yet been adopted. Condominiums are mentioned in the Civil Code of Georgia; however, the reference is only explanatory and insufficient to address housing management problems.

35. The establishment of a condominium is not compulsory, but in order to benefit from financial support from the municipality (for roofs and entries reconstruction, new elevators), homeowners have to establish homeowners' associations. Registration of condominiums is compulsory, although there are no cooperative housing laws, and legislation on the housing sector is very poor.

36. There is no State financial support with respect renovation of multifamily dwellings. Local governments are involved in some renovation activities of multihousing stock. Also, there are no financial schemes (by private banks) to support housing maintenance and renovation in housing, except for new constructions which have their management and maintenance systems, usually provided by the same construction companies.

37. There are no institutions dealing with the maintenance of multifamily housing stock, and owners do not have the financial means to take care of them directly. Problems exist with poor legislation and so-called poor owners. At the same time, there is a need to increase dwellers' awareness of ownership rights, and above all duties.

C. Future policy directions and recommendations

38. The problem of housing management in Georgia is a major one. In this context, it is important to strengthen State and municipal roles, to improve and fill gaps in legislation and to create financial mechanisms and/or institutions to support multifamily housing renovations. Also important is raise public awareness with respect to housing.

39. According to the 2007 country profile, individual and private sector initiatives, when organizing provision of maintenance services, are to be encouraged, especially by the municipalities, but the municipalities must not become involved in direct provision of maintenance services. Competitive bidding procedures should be used to attract private maintenance companies.

40. On the issue of owners' associations, for contractual relations with private companies supplying maintenance and management services, homeowners' associations must be able both to benefit from, and to be liable under, all the contractual and financial arrangements that they enter which provide them with access to such services. At present, in accordance with the Civil Code, homeowners do not have an obligation that may be practically enforced to contribute towards the maintenance of the building they occupy.

41. It was also recommended that while preparing the new legislation, full use should be made of the UNECE Guidelines on Condominium Ownership of Housing for Countries in Transition. Although current legislation poses an obligation to set up homeowners' associations, their further establishment requires both financial as well as organizational support by central and local governments.

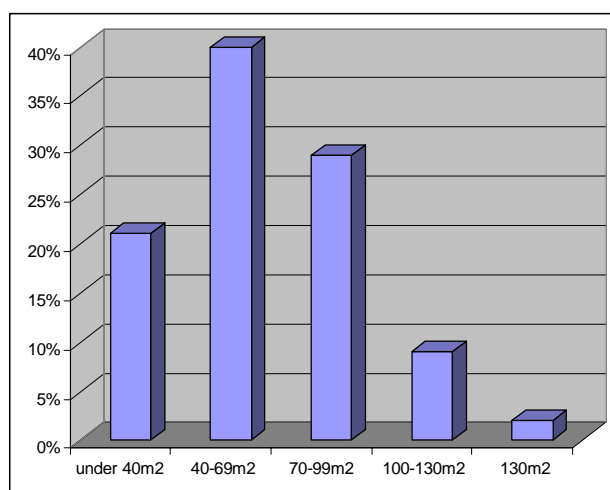
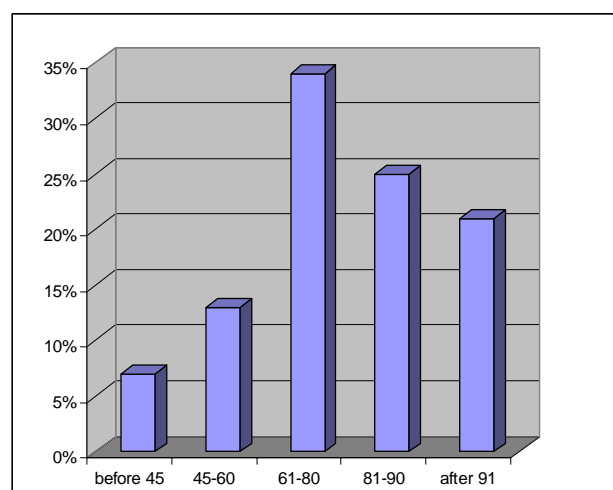
42. Awareness-raising campaigns among homeowners as well as training sessions for the chairpersons of homeowners' associations and local government officials should be continued. Existing experience and good practice (e.g. Tbilisi Corps) should be replicated and promoted throughout the country.

III. ALBANIA

A. The housing situation

43. In 2006, the population of Albania was of 3,150,886 inhabitants. The number of households reached 771,886, with an average number of persons per household of 4.22. The total of number of dwellings was 785,515. According to 2004 data, the tenure structure sees a high percentage of ownership (84%), accompanied by 11 per cent vacant dwellings. Only 4 per cent is rented.

44. The figures below illustrate the distribution of dwellings by size and the distribution of dwellings by age, showing an intense building activity in the period 1961–1980.

Figure 6: Distribution of dwellings by size**Figure 7: Distribution of dwellings by age**

45. The majority of buildings (88%) were made of bearing brick, followed by a small percentage made with large prefabricated panels. The number of privatized public rental dwellings built since 1989 has reached 230,000.

46. According to the 2002 country profile of Albania³, around 30 per cent of the current housing stock, and over half of the urban housing stock, is made up of blocks of flats built by the State during the communist era, when the public sector produced a fairly standard product with limited space standards. In the early stages, low-rise blocks of flats were produced, and from the 1970s some degree of prefabrication was used. Six-storey blocks of flats were built from the mid-1960s onwards. Hardly any were higher than six storeys or had lifts. Government standards during the period 1977–1988 allowed 61.7 m² of usable floor area for 4 to 5 people plus another 19.5 m² for stairs, walls, etc., with prototype designs prepared by the National Institute of Studies and Designs.

47. Compared with other East European countries, Albania's housing stock built by the public sector is relatively new. Two thirds of the public stock was built during the period 1970–1990 as compared with around 40 per cent for Estonia, Hungary Poland and Slovakia. In Albania, a much lower proportion of this post-1970 stock was built using prefabricated materials. The basic structures were, however, of a relatively high technical standard during the communist era, due to strict technical control.

B. Policy context

48. The process of privatization of housing stock inherited from the previous regime has been completed with the privatization of almost 100 per cent of the public housing stock. Those units left State-owned for different legal reasons are being privatized one at the time. Most of the public stock was privatized in 1992–1993. Of the 1990 total stock of 239,000 units, some 225,000 had been sold or transferred to sitting tenants by 1994.

³

<http://www.unece.org/hlm/prgm/cph/countries/albania/welcome.html>.

49. Privatization for cooperatives depends on the type of houses provided. If the cooperatives are provided as social rental houses, they cannot privatize. Houses built before the 1990s have been privatized. There are no targeted programmes for renovation of multifamily residential buildings.

50. As far as the legal framework is concerned, the condominium law is part of the Civil Code. Currently, with the technical assistance of International Finance Corporation (IFC, a group of the World Bank) Albania is working to develop a new law on management of condominiums. The Civil Code does not refer explicitly to the compulsory establishment of condominiums, and therefore there are no sanctions for not establishing it. There is no cooperative housing law.

51. There is no State financial support for renovation of multifamily dwellings. Some renovations, consisting mainly of improving the facades, have been undertaken by municipalities. Loans for the improvement of individual apartments in a multifamily housing building are granted to individuals, which take personal obligations for repayment and using the apartment as a lien. The interest of IFC in assisting the Ministry of Public Works, Transport and Telecommunication for the preparation of the law on administration of condominiums is in response to a high demand for the renovation of the common parts of multi-storey apartment buildings.

52. Maintenance and repair of multifamily buildings by the families faces a number of challenges, including low-income families that own properties and have a low understanding of common duties and responsibilities for common parts of the building, lack of trust between co-owners, and a lack of organization of the co-owners in the condominium associations..

C. Future policy directions and recommendations

53. A draft condominium law is being prepared. It supports future policy in the field of condominium organizations, and provides the basis for the organization and functioning of the condominium assemblies and all procedures for condominium administration and maintenance. It will stipulate sanctions for those who do not pay for maintenance and incentives. The Ministry of Public Works, Transport and Telecommunication is working with non-governmental organizations to set up a programme to increase awareness and establish pilot projects to be used as models. In collaboration with the [Institute for Housing and Urban Development Studies](#) (Rotterdam, Netherlands) and Co-PLAN, the Ministry of Public Works, Transport and Telecommunication is assessing the possibility of initiating capacity building activities for local administrations.

54. At the time of the preparation of the recommendations of the country profile (2002) , very few condominiums had been established and registered. This was due to the objections of the Ministry of Justice and the ineffectiveness of National Housing Agency in this field, but also to the fact that dwellings had been privatized before condominium legislation was approved. Even the shorter version of the Law on Condominiums later included in the Civil Code was not fully applied.

55. The country profile recommended giving the Law on Condominiums priority over all other legislative action and preparing a special law to address certain key issues such as the attribution of legal entities to condominiums; the obligation for NHA or other developers to establish a condominium when the sale/privatization of a particular building was finished; the encouragement of public funding for the establishment of condominiums; and better training and coordination. It also suggested that work on new condominium rules be started immediately and

that full use be made of the UNECE Guidelines on Condominium Ownership of Housing for Countries in Transition.

IV. UKRAINE

56. In 2006, Ukraine's population numbered 46,465,691 inhabitants. The number of households was 17,417,000, with an average of 2.6 persons per household. The total housing stock, in million m² of the total area, was estimated at 1049.2.

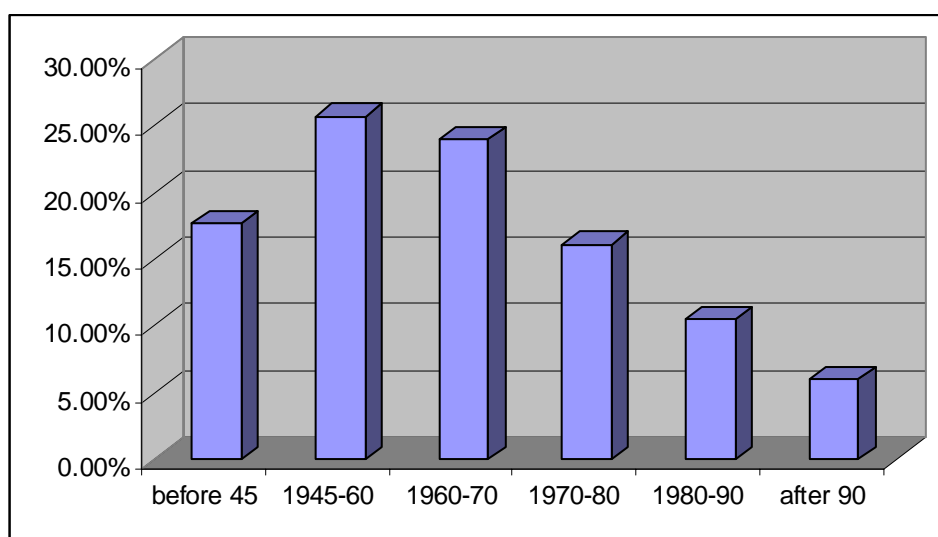
57. The housing stock comprises a set of dwellings of all types of ownership, including both residential and special houses (dormitories, shelters, rest homes for the aged and disabled – adults and children – children's homes, boarding schools and colleges), apartments, and other dwellings in residential buildings.

58. The average gross national income per capita in 2006 was 11,444 UAH (approximately 1490 EUR), the gross national income being the sum of primary revenues received by residents for their participation in the production of the gross domestic product (GDP) of the specific country and other countries of the world.

59. The present tenure structure records a high share of privately owned houses (90.1%), which also includes cooperative dwelling defined as private property. The rest are State-owned or municipal property.

60. The figure below shows the age of the housing stock, underlining a slow but steady decline since 1960, with the lowest rate recorded after 1990.

Figure 8: Age of the housing stock in Ukraine



61. The number of privatized public rental dwellings since 1989 has reached 277,800 apartments (single-family dwellings), which corresponds to 92.2 per cent of the housing stock. The Ukrainian law on privatization entered into force in 1993.
