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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON HUMAN SETTLEMENTS

STUDY TOUR TO LATVIA, LITHUANIA AND ESTONIA

Report prepared by the study tour rapporteurs and the authorities of the host countries in cooperation with the secretariat

1. Following its fifty-sixth session, the Committee on Human Settlements made a study tour in Latvia, Lithuania and Estonia from 21 to 26 September 1995, at the invitation of the Governments of Latvia, Lithuania and Estonia.
2. Representatives of the following countries participated: Finland, Germany, Netherlands, Norway, Poland, Slovenia, Sweden, Switzerland and the United States.
3. The rapporteurs were invited and accepted to summarize the observations made during the study tour and to present them at the closing session:
  - (i) Housing and privatization: Mr. Vitorovic (Slovenia);
  - (ii) Urban renewal and housing modernization: Mr. Veld (Netherlands);
  - (iii) Urban and rural planning: Mr. Lujanen and Mr. Tahvainen (Finland).
4. The study visit focused on: social housing policies; problems and solutions for tackling energy problems in housing; and inner-city conservation and urban renewal policies. The discussion on these topics also centred on the effects of the institutional reform and on the division of responsibility for implementing the policies between the different levels of the administration.
5. In Vilnius, the capital city of Lithuania, the visit included a presentation on the current socio-economic situation and on housing issues in both the city centre and the suburban housing estates. In particular, high

energy consumption was highlighted as one of the major concerns. The wealth of historic monuments was shown and it was pointed out that Vilnius was included in the World Heritage List. Kaunas and its restored historic buildings were shown, including examples of housing renewal. The repair of the housing stock still required major efforts and housing funds were not available for social housing or housing maintenance. There was also a need for an adequate legal structure.

6. In Elektrenai recent trends in suburban housing and the need to improve energy consumption in housing were illustrated. Fundale, a medium-size city, planning policies in residential areas were demonstrated.

7. In Riga, the capital city of Latvia, the study tour participants visited the central area and the city core with their rich architectural heritage in need of repair and maintenance. Urban transport policies, environmental protection measures and the renovation of the building stock, particularly of the post-war housing estates, were key issues. Legislative measures and increased resources for the control and management of renovation activities to be carried out by the private sector were also discussed.

8. In Ogre the need for policies for energy conservation in buildings was highlighted. The increased awareness of energy-saving measures on the part of the consumers was illustrated. The need for smaller units to regulate the consumption, production and distribution of energy for heating dwellings was discussed.

9. In Pärnu (Estonia) planning and housing issues were presented and illustrated. Formerly, planning was a central government responsibility, but after the local government reform initiated in 1990, the national and municipal levels were established as the official levels of planning. Pärnu was an example of a city where a model master plan and a strategic plan were drawn up, providing an opportunity to test the planning process.

10. In Rapla the land reform in Rapla county was presented and discussed. Claims for restitution of property that had been confiscated after the annexation of the Baltic States by the Soviet Union had slowed down the privatization process in the country. The restitution issue confused new investors about the ownership of properties that they were interested in buying. The role of local government, as laid down in the Estonian Constitution of June 1992, was explained.

11. In Rapla the issue of rural development was also discussed at Kuhla Estate. In this connection two problems were brought up. First, production on many big collective farms had nearly ceased as a result of the economic reform. Second, the restitution of land to the previous owners or their families based on the 1940 property delineations had created many small farms unsuitable for modern agriculture. Many of these properties no longer had any farm buildings, and the new owners were often townspeople without farming experience. In both cases, the result had been a decrease in overall farm production and had led to transitional problems in the agricultural sector.

12. In Tallin, the capital city of Estonia, the old town with its medieval baroque and neoclassical architecture was visited, together with the Kalamaja wooden housing areas, the Lasnamäe suburban housing estate and the Piritä

garden suburbs. The old town was well protected and preserved and restoration had been carried out. Changes in the ownership of buildings would create a need for control and conservation advice. In multi-storey housing estates, the privatization process had resulted in a large number of owners. Consequently, it was becoming difficult to manage those buildings as their owners had different incomes and expectations.

13. Although the study tour participants were fully aware of the differences between the countries visited, it was agreed with all the host countries that one final evaluation session should be held. It took place on Tuesday 26 September 1996 in Tallin at the Ministry of the Environment. It was chaired by Mr. Urmo Kala, Vice-Chancellor at the Ministry, with the participation of Mr. Volli Kalam, Director of the State Housing Board of Estonia.

14. The study tour participants thanked the authorities for the excellent arrangements, the highly interesting visits in all three countries and the generous hospitality offered during the entire visit. The study tour contributed to a better understanding of the problems, solutions and policies adopted on human settlements and the specificities of the countries visited, enriching the knowledge of the participants.

#### SUMMARY OF THE DISCUSSION

##### Housing and privatization

Key issues in housing: quality, availability and affordability

15. The quality of housing stock seems to be one of the major problems in the countries visited. Dwellings are overpopulated. High-rise buildings are mostly of low quality, due to the lack of maintenance. Large open spaces between buildings make the urban landscape desolate and difficult to handle. Thermal insulation is neglected, roofs are in poor condition and joints between large panels not properly sealed. Special problems arise in the common parts of buildings in shared ownership, while in private rental housing conflicting interests between landlords and tenants continue to hamper maintenance.

16. Responsibilities should therefore clearly be defined for all the actors involved. It is important to find appropriate rules for the community of owners. In particular, a legal institutional framework for the decision-making process for managing the owner-occupied housing stock is needed. A provisional framework should include a mechanism for dealing with owner-occupiers who default on their payments for the common operating expenses, including maintenance, renewal or modernization. The issue of quality will be a great challenge in future. Economic growth will result in the need for higher-quality buildings. The demolition of some high-rise buildings in very poor condition should be considered.

17. Availability did not seem to be the major issue in the Baltic States. Roughly there are enough houses. The demand for housing is falling because of emigration, but this does not mean that no new houses are needed. New housing should be planned and built more in line with the needs of different social groups.

18. As rents are very low, affordability is not really a problem. However, households face high energy costs. Neglected thermal insulation means very high energy consumption. This requires urgent action, which could give positive results from both the economic and environmental point of view. Participants saw some successful examples of improvements made with relatively little money.

19. It is important not to waste time but to start even on small-scale pilot projects, and spread information on improvements made, the results achieved and the means required. Revenues from privatization/restitution for public investment could help to fund the rehabilitation of existing buildings.

#### Privatization

20. Two main aspects of privatization were considered: ~~the~~restitution of confiscated property and ~~the~~privatization of land and housing owned by the State, municipalities or other legal entities.

21. In Estonia Parliament passed legislation concerning the ownership and sale of land and real estate in 1993<sup>1</sup>/ These laws instituted private ownership of land and real estate for Estonian citizens and enterprises. Foreign enterprises are allowed to acquire land or premises necessary for their operations, subject to permission by the municipal authorities. In Latvia laws on the privatization of land were passed in 1991 and 1992. As in other Baltic countries, privatization started with the restitution of ownership rights to former landowners, which slowed the process considerably. Foreign companies are not allowed to own land for business purposes. The Law on the privatization of State and municipal housing was adopted in 1995, so the privatization process had hardly started Lithuania allows private ownership of land only for Lithuanian citizens. About 10% of the land had been returned to its previous owners by the beginning of 1993.

22. The restitution issue causes some uncertainty for investors regarding true ownership. In Latvia, for example, the period for filing restitution claims in towns and cities was scheduled to end in mid-1996<sup>2</sup>. The general right to claims is 10 years. In Estonia and Lithuania the deadline for the submission of restitution claims passed in 1993, and the claims are currently being reviewed by local authorities. This process may take a long time. The previous owners in Latvia can choose between getting back their land or receiving compensation in the form of vouchers or other land. Lithuania the previous owners receive compensation for their property in the form of either a lump-sum payment or shares in enterprises. Estonia they receive compensation vouchers, which can be used for privatization acquisitions.

23. Some steps have been taken in the countries visited to draft legislation to deal with the decision-making concerning the maintenance of common spaces (staircases, roofs) and the land between and around apartment blocks. For example, in Estonia quite strict regulations were established to organize owners' associations, but they proved difficult to implement. Another common feature undermining housing maintenance is the generally low income level of the new owners, in addition to the lack of a proper financing system with long-term loans, mortgages, etc.

24. During the privatization process it is important that the countries consider establishing very precise regulations on (i) managing maintenance; (ii) the decision-making process; and (iii) acceptable financing systems.

25. Privatization does not solve all problems. Management efficiency can not be improved until problems over ownership are settled. If a decision was taken to sell to the sitting tenants, an effort should be made to retain a sufficient number of rental units in public ownership to provide a stock of social housing for low-income and marginal groups. The situation where one single owner can be maintained, as with cooperative dwellings, can facilitate renovation and maintenance work. This can prevent conflicts of interests among owners. Ownership in buildings should be broken up (condominiums) only after renovation and maintenance work has been carried out. Legislation regulating management, decision-making, responsibility and sanction for multi-family dwellings with different ownership patterns is important and necessary.

#### Urban renewal and housing modernization

26. In the historic cities that were visited, little had been invested over the past 40 years, except in buildings which had special government support due to their importance as historic buildings and tourist attractions. Conservation policies were generally restricted to the most "obvious" buildings, but generally decay occurred as the maintenance of buildings and the modernization of technical infrastructure were neglected.

27. Renewal activities can be used to achieve very different aims. One priority objective of urban renewal should be to improve the living conditions of the population by intervening in the existing social connections of buildings and infrastructures. Another major goal may be to prevent the devaluation of the invested capital or to influence the population structure of a given city or district. Another aim of urban renewal may be to boost the construction industry and to provide jobs. Urban renewal can aim to preserve the cultural values expressed in settlement forms and architectural styles. It can also stop or at least reduce processes in the housing sector which are incompatible with sustainable development.

28. The wide range of tasks involved in urban renewal are: modernization; repair and maintenance of the building stock and infrastructure; improvement of the urban and rural environment; upgrading of social and commercial services and related facilities; improvement of urban and regional transport networks; and preservation of the architectural and cultural heritage, taking into account social, economic and environmental factors. In the specific context of the study tour, the following issues were highlighted:

(i) The importance of not concentrating exclusively on the historic value of the buildings and sites;

(ii) The need to take time and analyse the problem properly. The urban renewal process will take several decades. In most western countries the process started 25 years ago and is still not completed;

(iii) The possibility of selecting specific areas and investing the scarce available resources there, rather than in an entire inner-city district. The area-based approach has been successful in a number of

countries. Some small interventions can be carried out outside these areas to make people confident and gradually involve them in the planning process. With budgetary restrictions, priority programmes should be defined. Criteria for the definition of renewal areas mostly include both technical and social problems. This has usually been successful for the designated areas, but in many cases has shifted problems to other parts of the city. Therefore, it is important to create more flexible instruments on local levels not strictly limited to such areas;

(iv) The need in some places to reorganize the decision-making process to give non-governmental partners an explicit, powerful role. Convince non-profit organizations that they can play an important role in housing renewal. Their efficiency depends on the organizational and legal regulations as well as the amount of control given to the residents. The latter find it easier to make their voices heard in comparatively small organizations - connected for instance to a specific housing estate - and in cooperatives with a higher degree of resident identification;

(v) The need for incentives for the private owner or investor at a time when public intervention is more limited. Long-term credit and mortgages for renewal, modernization and new construction are needed. The disadvantage could be that rehabilitation will occur mostly in high-value areas, where rent increases pay for the necessary investment;

(vi) The fact that market forces alone will fail to solve housing problems when demand exceeds supply, as investments concentrate on the most profitable building sectors, thus often generating a gentrification process. Urban and housing renewal may be used as an instrument to influence the population structure in a given district. Attracting residential functions in the inner city can help to keep residents there. The aim is to create a balanced population in terms of age, income and types of households, as well as to keep the inhabitants in the city to prevent further segregation;

(vii) The possibility of adopting soft renewal schemes with limited financial resources both from the State and from residents. These include low-standard renewal projects that reflect the financial possibilities of the tenants. Also, a step-by-step approach may be more in accordance with the tenants' needs. Such a scheme may start with urgent repair works together with provisions for future modernization. This saves both public and private money without hampering the gradual adjustment to contemporary housing standards;

(viii) The need to stimulate tourism; it constitutes a valuable economic activity. High-quality inner cities are a top asset for the economy.

#### Improving thermal insulation

29. Thermal insulation is a major problem in the Baltic States. In the past energy was supplied cheaply and no efforts were made to save energy. Now energy is sold at world market prices. Special emphasis should be put on developing strategies to encourage owners and tenants not to waste energy and introduce energy-saving measures.

30. Energy-saving programmes can, in fact, be used as a starting-point for urban renewal, as implementation costs are in time compensated by lower

energy bills both for the State and for individual households. It is advisable when thermal insulation is completed, to install individual meters in an effort to achieve technical improvements together with changes in individual behaviour.

31. Pilot projects can have a multiplier effect. Their results should be publicized and information about the project should be provided systematically to the inhabitants. Energy-saving options should be provided to the owners or tenants. A choice according to financial possibilities and time available should also be made possible.

32. It is normal for rents to be increased when improvements have been made. However, even in an otherwise free housing market, rent increases should be controlled. In a project shown in the study tour, rents were not increased, because an international aid programme had funded it. However, such precedents make it difficult to raise rents elsewhere.

#### Urban and rural planning

33. Both the old town structures and the urban development of the Baltic cities are similar to those in other ECE countries.

34. The cities' main features took form after the Second World War, as in other central and east European countries. The unlimited power of the State and municipalities to purchase land and property, to act as major developers of the housing and social infrastructure and their exclusive control over investment decisions and priorities, had a crucial impact on the spatial pattern of socialist cities and districts. Without any continuity with the historic city, rapid population growth was accommodated through the constant expansion of the urban area with the construction of high-rise panel blocks in densely populated housing estates.

35. Massive investment in the past two decades has resulted in uniform housing types across the countries. The development on the outskirts was suitable for large-scale industrialized housing production in a monofunctional structure. Urban planning served the needs of a supply-driven housing system, where uniformity and economies of scale were dominant considerations. The obsession with new housing construction on the urban periphery also led to under-investment in the maintenance of the existing stock. Peripheral housing estates are usually surrounded by a loosely developed suburban fringe of detached and semi-detached housing.

36. In Latvia, more than 80% of all dwelling units built since 1960 are flats in multi-storey housing blocks. Lithuania, the number of storeys in residential housing blocks built after the Second World War is:

- 19% of blocks have 1-2 storeys;
- 9% of blocks have 3-4 storeys;
- 44% of blocks have 5 storeys;
- 17% of blocks have 6-9 storeys; and
- 11% of blocks have 10 storeys or more.

37. According to a Latvian report, construction of detached single-family housing was banned in the capital city Riga from 1960 to 1988. Estonia, only 9.3% of the total surface area of residential buildings produced in

1975-1985 consisted of detached single-family houses. In all Baltic countries, the most common residential building is a five-storey block. The majority of these buildings lack lifts, and this is likely to cause major difficulties as the population grows older.

38. The need for a new "planning doctrine" primarily refers to new building production. There is hardly any need to build multi-storey housing blocks of the present type. The demand for such housing can be satisfied by utilizing the existing stock. On the other hand, it would seem rational to consider building smaller, more densely built structures.

39. It is essential to be aware of the consequences and costs of land consumption as well as the advantages of intensive over extensive development. Intensive development does not entail construction everywhere, nor the suppression of all open space in the urban fabric, but rather avoids construction on the urban fringe as long as reasonable possibilities exist for construction within the already built-up areas. Reconversion of abandoned industrial sites, upgrading of public space and close extensions of the existing urban area, are means to this end.

40. It is advisable for the countries to adopt the concept of sustainable human settlements development, since the initial phase of the planning process mainly focuses on: (i) the creation of communities; (ii) community involvement with the participation of residents; (iii) promoting environmental practices such as recycling, waste management, energy efficiency at the neighbourhood and household level.

41. Public transport networks seem to meet their purpose. The cost of maintaining these public services is currently being re-evaluated. As the average number of cars rises, it is feared that public transport networks will be cut. Plans for such a reduction must be very carefully scrutinized for both the immediate and long-term consequences. As far as traffic arrangements are concerned, the need for non-motorized transport should be examined. Strictly regulated parking and road pricing are also powerful means of controlling traffic flows.

42. During the study tour, the area planning process of Pärnu (Estonia) was described in detail. Planning focused on strategic issues, and the first aim was to define the development trends in the region. Another target was for the local municipalities and various administrative sectors to reach consensus on planning goals and activities. A particular advantage of the Pärnu area plan was that not only were "technical" aims set for the planning process, but an overall vision of the whole region and its development was drawn up.

43. The study tour provided numerous examples of how land restitution had created some legal ambiguities, which left room for uncertainty, especially when privatization schemes were subject to revision. Sometimes the outlines of buildings did not always coincide with land ownership boundaries. A multi-storey building could stand on land belonging to several owners. Compensation and land exchanges were complicated to administer, given the limited number of legal personnel. Major cadastral work had to be carried out, including the establishment of land registers.

Notes:

1/ According to the Law on the Revision of Estonian Land Reform (June 1996) land can be restituted or privatized on the basis of the existing maps. This amendment to the Law may help to simplify and speed up the land and property reform.

2/ It ended in June 1996.