

Retrofitting of social housing in Estonia

Marit Otsing
Estonian Union of Cooperative Housing Associations

Conference „Retrofitting of Social Housing –Financing and Policy Options”
Thessaloniki, 08.11.2006

Estonia, as well as other Eastern and Central European states, has been moving from left socialism and plan economy with great speed to the right, towards market economy and liberalism. Fast changes in a development process of a state caused social stratification and major changes in the values of the nation. The old world with its values broke down and as the new value system was not built up yet there occurred a situation where started a process of creating new system of meanings. This swing of the time pendulum is clearly manifested also in the development of our social housing organizations.

In the beginning of the 1990-ies in Estonia started the period of state-wide privatization. Buildings, real estate, enterprises that had previously been in state ownership, were now designated for privatization. For this purpose were used individual privatization vouchers, the value of which depended on the number of work years.

Estonian housing reform had 3 steps:

- 1) Privatizing of apartments
- 2) Establishing of housing co-operatives and associations
- 3) Setting housing property

98 % of the whole apartment housing stock was privatized on the basis of vouchers to the inhabitants of the flats.

What makes Estonia different from the other Central and East-European states is that forming of housing cooperatives or associations was compulsory. As a result of a legal act demanding that, we are today in a situation where 60 % of the population lives in housing cooperatives or associations.

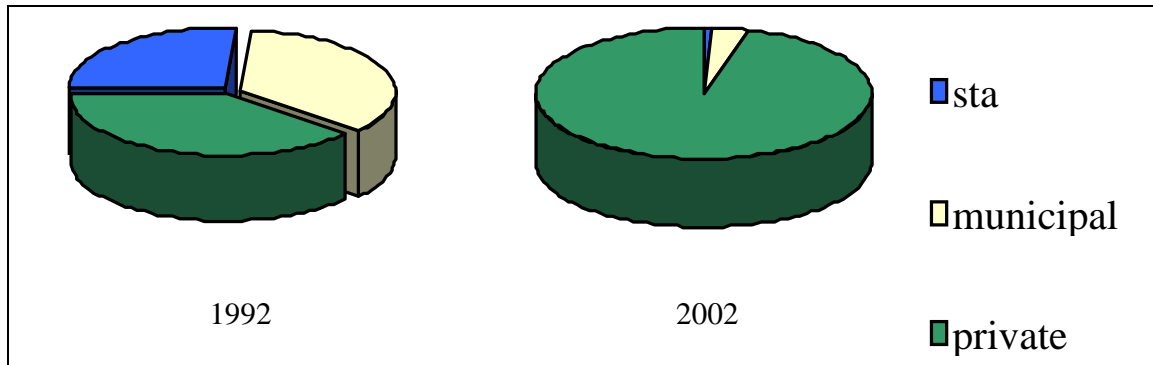


Figure 1 Division of living space between different sectors in Estonia in 1992 - 2002

Economic development in Estonia has been fast. Let me present a few facts that describe the situation in Estonia today:

| |
|--|
| • Territory - 45 227 square km |
| • Population – 1 370 000 |
| • Rate of unemployment- 1,9 % |
| • Annual economic growth – 12 % |
| • Average wages – 9500 EEK – 610 EUR per month |
| • Inflation – 5,0 |

Table 1 Data about Estonia

As seen from the table above, Estonia, which is a small country, has had a very fast economic growth during last years. This process enables us to enjoy higher living standard as well as meet new challenges which are known in West-European societies.

If we talk about retrofitting of social housing we must carefully look at the real meaning of this expression. The notion “social housing” includes two words and two meanings – housing - this means a building and social – this means people.

Let me start with last, but not least – the people.

■As said before, in Estonia people in each building, who had privatized their apartments had to form a housing co-operative or association. Today there are 8350 cooperatives or associations in Estonia with 360 000 apartments and 800 000 inhabitants. 60 % of Estonian population lives in housing co-operatives and associations. Therefore we are today in a situation where major part of housing stock is managed in a cooperative way and social housing sector is enormous when compared to municipal or private sector.

Apartment owners in one building have different national, financial, cultural background and different demands. The new owners had to face new challenges – how to start with

an association, how to manage the building, how to organize the everyday life in a house in a democratic way – how to organize and attend general meetings, make annual economic plans, budgeting etc. These activities were not known during the soviet era. The people had to study new skills, they had to practice the new skills in their cooperatives and associations and they had to succeed. This had to be done in majority of Estonian homes.

Newly formed cooperatives and associations elected a board and a chairman who took the responsibility for everyday management of the house. Managers had different educational and professional background. There were nurses, kindergarten teachers, doctors, artists, engineers etc. They all had to start with a new job – managing of real estate. The question was how. There was nobody in Estonia whom to ask.

Solving common problems promotes collaboration between different groups and creates social capital. In 1996 Estnian Union of Cooperative Housing Associations was formed. The new organization started to organize training courses which were based on 3 pillars.

- People (leadership and communication skills)
- Building (basic knowledge in technical matters)
- Management (knowledge about legislation, accounting etc)

Today all the managers study in 160 – hours courses which have licence from the Ministry of Education. Manager of a housing co-operative is a new profession

As the work in housing cooperatives and associations demands personal skills as patience, empathy, ability to listen to people, quite often this work is done by women. Today average manager of the association or co-operative is 54-year old woman.

Let us go on to the other aspect of social housing – the building.

Buildings in Estonia were built during the soviet era, mostly in 1960s – 80s. Building quality in Soviet Union was not high and energy was very cheap. The buildings were left without any qualified maintenance for 50 years.

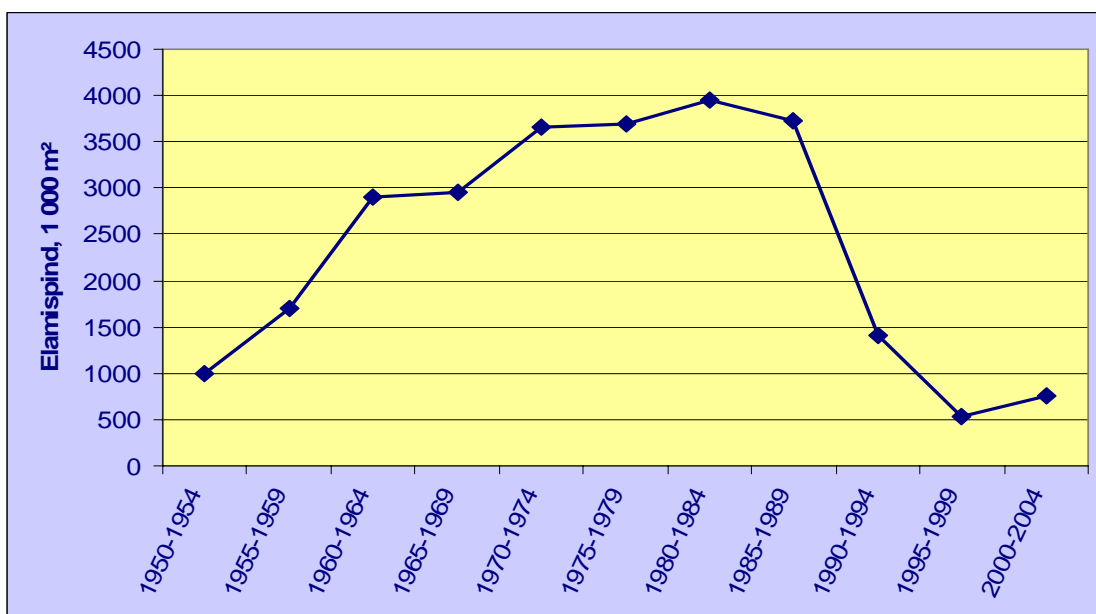


Figure 2 Construction of living houses during the period 1950 -2004

Estonian housing stock consumes ca 30 % more energy in when compared to West-European countries? According to the expert analysis it is possible to gain savings in energy consumption with the help of reconstruction of housing stock



■

■Photo 1 Typical soviet period block-house in 1990s



Photo 2 Energy loss through roof



Photo 3 The results of lack of maintenance



Photo 4 Low-quality construction

The first task of the newly –formed housing organizations was to start with retrofitting of the buildings. This vast-scale activity needed financing. In 1990-s conditions for loan borrowing were not acceptable. The loan interest was 16-18 %.

At the beginning of 2000s the situation stabilized. It is important to mention that lobby work of housing cooperatives and associations has played a very important role in loan borrowing.

■ Until the year 2000 banks did not borrow to housing associations and cooperatives without guarantee. Today the cash flow of the housing organisation is taken as a guarantee. This additional condition has remarkably influenced the borrowing and retrofitting activity (Table 3) Also the average loan amount has slowly increased from 16 EUR/m² to 38 EUR/m². 36 000 families all over Estonia have improved their living conditions.

| | |
|---------------|-------------|
| ■ 1995 – 2000 | 10-20 loans |
| ■ 2001 | 80 loans |
| ■ 2002 | 250 loans |
| ■ 2003 | 520 loans |
| ■ 2004 | 850 loans |
| ■ 2005 | 1200 loans |

Table 2 Development of the borrowing activity of co-operatives and associations

Other important tools for increasing the activity of retrofitting are subsidizing schemes from municipalities and state.

The Estonian Credit and Export Guarantee Fund KredEx is a self-sustaining fund in the jurisdiction of the Ministry of Economic Affairs and Communications, whose goal is to support the development of enterprises, exports and housing.

In 2003 Kredex started a program of 10% grants of performed retrofitting works and a 50% grant of technical evaluation report and/or energy audit report.

This tool could be effective and support state - wide retrofitting activities but the good start has been terminated by the symbolic amount of the state-side help. In 2006 the annual budget for grants for construction and retrofitting works was 1 million euros. This amount was divided to the applicants during 30 minutes. Today the demand is hundreds times bigger than the existing subsidy.

Another subsidizing option for housing cooperatives and associations is support from local government.

Municipalities of Tallinn, Paide and Rakvere are offering a subsidy for housing cooperatives' loan borrowing. This subsidy enables to keep down the loan interest. Housing cooperatives and associations in Tallinn can take a loan with an interest of 2,85 – 5 years or 3,8 for 10 years. Regretfully the amount of the subsidy has left far beyond the real needs. Annual budget for subsidies in Tallinn was 200 000 euros. This amount could have satisfied the demands of ca 10 % of the housing organisations in need.

Today the main aim of the retrofitting and renovation activities in Estonia is energy efficiency. Comprehensive reconstruction can give remarkable savings in heating costs.



Photo 5 Renovated housing cooperative



Photo 6 Renovated housing cooperative



Photo 7 Renovated housing cooperative

Housing cooperatives and associations are both – a house and people who live there. Estonian union of Cooperative Housing Associations is working for the sake of the creating better homes for Estonian people. Our mission is: satisfied inhabitant in a well-managed housing cooperative. We do believe that retrofitting of social housing enables to reach this goal.