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*MECHANISMS FOR BUDGET AID TO
HOMEOWNERS TO IMPROVE THE PERFORMANCE
OF HOUSING IN THE CONTEXT OF THE
APPLICATION OF INTERNATIONAL EXPERIENCE*

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Mechanisms for budget aid to homeowners to improve the performance of housing in the context of the application of international experience

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Abstract

The article describes the main existing mechanisms for budget support of homeowners to improve the performance of residential buildings in the context of the application of international experience. Promising mechanisms, such as the provision of budget support - subsidies or compensation; availability of loans for homeowners and guarantee banks; the use of budget subsidizing credit interest rates of commercial banks has been described. Positive developments in this direction in Ukraine has been reviewed.

L'articolo descrive i principali meccanismi esistenti per il sostegno del budget dei proprietari di casa per migliorare la performance di edifici residenziali nel contesto dell'applicazione di esperienza internazionale. Verranno trattate nel paper le forme di assistenza tecnica e i meccanismi di fornitura di credito, quali il support finanziario al bilancio - sovvenzioni o compensazione; disponibilità di prestiti per i proprietari di abitazione e le banche di garanzia; l'uso del budget per supportare i tassi di interesse sul credito delle banche commerciali. Sono stati evidenziati viluppi positivi in questa direzione in Ucraina.

Keywords: housing, reproduction, budgetary aid

1 – Introduction

In the course of its operation housing loses certain properties accumulating physical and moral deterioration. Therefore, one of the most pressing urban development measures are effective housing reproduction. Along with the new construction and reconstruction overhaul is becoming increasingly important, which along with the modernization of housing improves the technical condition and quality of consumer apartment buildings.

According to the current legislation of Ukraine, citizens who have privately owned house or apartment are required to ensure its safety, carry out at its own expense current repair and overhaul, maintain local area. The Law of Ukraine "On Associations of Condominiums" involves the former owner, the balance of which was apartment building to transfer the balance of association in organizing and financing of the first transfer of the balance after capital repairs of the house.

Now, in terms of increasing the number of emergency and dilapidated housing, the conservation

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and restoration of housing are becoming increasingly important as are some of the important social indicators of living standards.

2 – Recent Research and Publications Analysis

A significant contribution to the development of the theory and practice of improving the performance of the housing stock made by such scientists as E.M. Bleh, V.S. Bogolyubov, V.V. Buzyryev, V.L. Wolfson, P.G. Grabovoy, L.B. Zelentsov, V.V. Ivanov, N.F. Kostecki, V.K. Sokolov, O.V. Dymchenko, V.M. Babaev, M.K. Sukhonos, A.E. Achkasov, M.M. Novikova, V.M. Prasol and others.

Research problems of reproduction of housing, reconstruction, modernization and maintenance of housing stock held in our country for many years. These issues are discussed in the works of economists such as A.I. Deyeva, V.S. Chekalyn, I. T. Balabanov, A.R. Brill, O.V. Dymchenko, V.M. Babayev, V.M. Prasol and so on.

Problems of housing management, mechanisms of attracting financial resources and the organization and operation of management companies considered by scientists economists E.K. Ivakin, A.M. Kirillov, V. Yu. Prokofiev, M.D. Shapiro, O.V. Dymchenko, V.M. Babaev, M.K. Sukhonos, A.E. Achkasov, M.M. Novikova, VM Prasol and others.

3 – Analysis of mechanisms of budget aid to homeowners

Aim of the article is an analysis of the existing mechanisms of budgetary aid homeowners to improve the performance of residential buildings in the context of the application of international experience.

The most promising mechanisms for providing budget support to improve the performance of residential buildings, according to the analysis of international experience include are: providing budgetary aid – subsidies or compensation; availability of loans for homeowners and providing guarantees to banks; the use of budget subsidizing credit interest rates of commercial banks.

Due to state or municipal budget in Eastern Europe and the Baltic part of the cost for energy and repair the house is funded. The budget funds available both in free form and in the form of non-repayable subsidies or grant and in the form of compensation for certain costs (Evdokimenko, 2010).

In Slovakia homeowners subsidies provided to eliminate defects of prefab houses that have arisen due to errors in design and construction. The maximum amount of subsidy that depends on the type of defect can be up to 50% of the costs, but there are

also limitations on the maximum amount of counting on one apartment. Get subsidy can municipality, association of apartments owners, housing cooperative or manager of the house. The main condition for granting the subsidy is the presence of an expert opinion on the necessity of repairs that must be made by a competent expert, and the repair method that will eliminate the defect.

In Hungary, financial assistance homeowners associations and housing cooperatives provided by municipal budgets as the funds first get through grant competitions. The municipality provides grants for priority areas - this could include measures like reconstruction of heating systems, replacement of lifts, repair of roofs, insulation of facades, etc. Holding such competitions municipality spends thereby a technical policy. Company owners can participate in these competitions and receive budget aid belich times, making home renovations in stages. The main terms of the competition the Municipality of Budapest are:

- Availability of homeowners associations in at least 60% of own funds needed for repairs;

- The contractor is chosen through a competition in which participate with at least three candidates.

Budgetary aid is directed to pay the last credit granted to the contractor to the customer after all works. Municipal grants for capital repairs and upgrading of apartment buildings in Hungary is shown in Figure 1 (Institute for Urban Economics, 2008)

Up to 30% of the cost of the modernization of residential buildings can receive homeowners in Lithuania. The event provided state program of modernization of residential buildings, adopted in 2004 to encourage the creation of associations of homeowners, owners updating their homes, energy-saving technologies. In addition, in the same 2004 for the building owners appeared the opportunity to add the city grant to the state grant up to 15% - the city council adopted a program "Renewed house is a renewed city". In this way, 2020 should be updated 70% of residential buildings in Lithuania.

Estonia flats societies that are the analogues of Ukrainian condominiums for overhaul or house modernization provided the amount of financial recourses which is 10% of the construction work value. However, this aid is granted on an application in the form of compensation for construction work already performed and includes restrictions on the maximum amount per square meter total area (Institute for Urban Economics, 2011).

Budgetary assistance is provided on the technical expertise and energy in building. In carrying out these activities on request 'accommodation societies provided assistance in the form of compensation costs of up to 50%.

Note that the size of budget support in many land-tries depends on the energy saving resulting from the providing repair and modernization of the building.

Common features for all countries surveyed in terms of providing budgetary support to improve the performance of buildings service are:

- The owners of the premises are the initiators of the decision on the overhaul of their building, which was adopted at the general meeting;

- Budgetary funds available at the request of owners and in the most of countries on a competitive basis;

- Provision of budget funds is possible only in terms when owners provides with the finance resources a certain amount of costs (Institute for Urban Economics, 2011).

But typically owners financial resources is not enough for the repair and modernization of the building. In this case, the main financial source is credit.

In Slovakia, since 2003 the state fund of housing development provides owners of residential houses with the loans with low interest rates for the building repair and modernization. The maximum loan amount is 80% and the term of - up to 20 years at 3.3% per annum, or for a period of 10 to 20 years with a rate of 4.9 - 6.5% per annum. The main condition for the loan obtaining is to achieve energy savings of up to 20% compared with the cost of energy to the construction work.

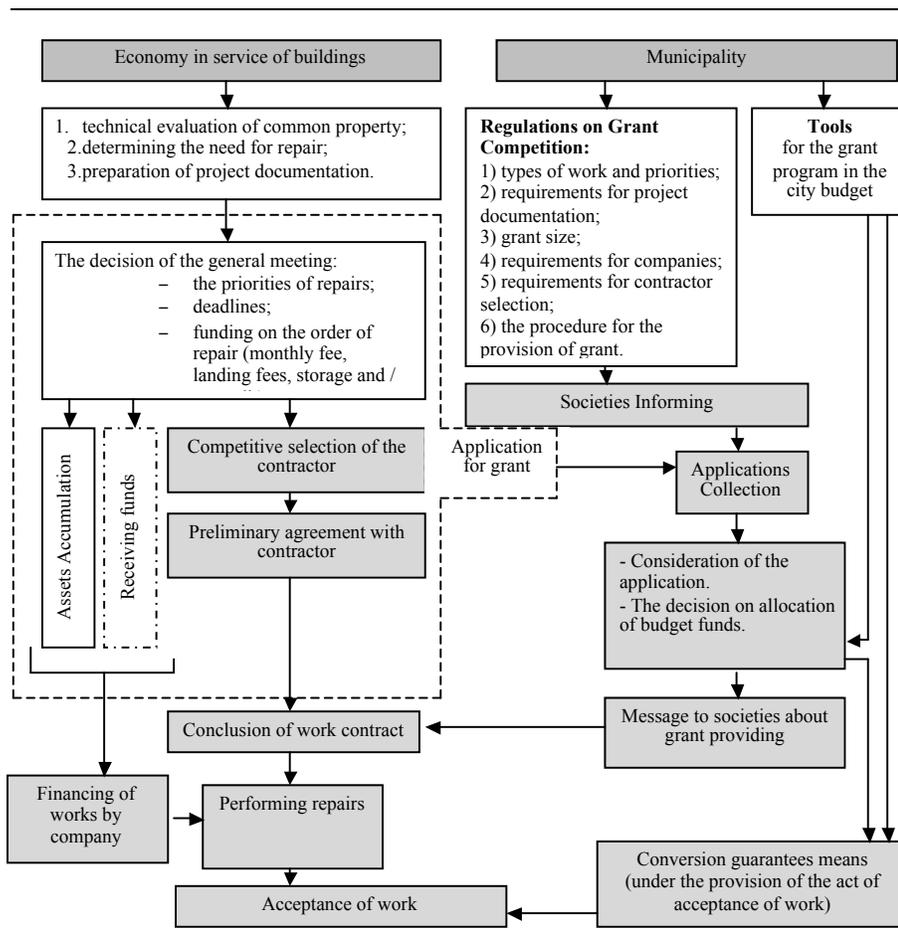
In Hungary, owners associations are provided with 6 - 10% loans per annum by a significant number of banks.

In Latvia, associations of apartment owners are provided with loans for repairment, renovation, energy efficiency increasing and house modernization by the banks. Probably, it is the only country in Eastern Europe, where the maximum loan amount reaches 100% and provided for a maximum terms of 12 years

In Estonia the housing sector of the country by

developing commercial-banks that provide loans, which account for about 50 - 60% of all loans granted in the housing sector. According to statistical data banks.

Figure 1 – Mechanism of municipal grants for capital repairs and upgrading of apartment buildings in Hungary



Estonia for the period of 2001-2006 flats owners societies had more than two thousand credits. In addition, more than a quarter of homeowners associations in the country have used bank loans for home renovation.

Also, the country has specialized guarantee agencies, created by the state. These agencies provide guarantees for flats associations and management companies in loans obtaining for their overhaul and modernization of residential buildings of up to 75% of the loan amount.

During 2001 - 2009 almost 40% of apartment buildings by the owners' decision attracted a loan for the repairment, resulting in specific electricity consumption decreased by 50 - 70 kWh / m² and reached 200 kWh / m² per year (Evdokimenko, 2010).

In East Germany, a significant number of measures to restore housing fund was financed by the

State Credit Bank of Development and Reconstruction. Loans granted for a period of 25 years at 7.5% per annum, followed cheaper, the annuity - 9.3% (1990-ies.), And after reduction of the loan to 6,23% (Gentsler, 2009).

The main risks of lending banks is the assets lack of homeowners associations that can be used to guarantee repayment. From this also depends on the interest credit rate. This is the reason that hinder development banks from lending products overhaul or modernization of buildings.

To provide the availability of credits taking in different countries apply the following measures:

- Providing guarantees to banks which lending to homeowners associations;

- Applying the commercial banks credit interest rates budget subsidizing for capital repairment or housing modernization;

- Expansion of the list of possible types of support repayment of loans provided by the owners association (Institute for Urban Economics, 2011).

The process of crediting homeowners associations (apartment associations) should be taking into consideration in order to improve the performance of an apartment building in Estonia.

In order to obtain a bank loan housing company should meet several conditions imposed by law and banks:

A - Housing company should be registered no later than 6 months before the submission of the application for a bank loan, that have a history connected with the list of payments, payment services, and so on;

B - The decision to introduce measures of improvement of the performance of a dwelling house and borrowing is to be taken at a general meeting of apartment owners in compliance with the quorum. Minutes of general meeting shall contain decisions on:

- of the overhaul;
- of approving the budget overhaul;
- of the amount of the own investment homeowners in financing major repairs;
- of the involvement of bank borrowings;
- of the repair fund establishment and approval of the monthly contribution to the maintenance fund. As a rule, banks require that the size of the repair costs exceed the fund for the payment of the loan by at least 10%. Repair fund is not accumulative or reserve fund, it sub-account of companies, which are made monthly contributions and from which all repairs, including current and capital and paid all expenses to repay the loan;

- of the procedure of potential debts recovering. Typically, banks stimulate their own company to promote maximum collecting payments and maintenance fund to deal with defaulters;

C - The association should take at least 10% of the cost of repair. The Bank may refuse self-financing requirements if the association at its own expense repairs are performed at a rate of at least the same amount;

D - Debt of premises owners in an average should not exceed 10% of the total monthly payment for maintenance of common property (including contributions to the maintenance fund) and utilities. This is one of the most important conditions. The lower debt payments to the company, the less the risk of loan default;

E - Housing association should not have arrears of payments for utilities to municipal complex organizations. It is also a very important condition, because the money in the association account after interest payments on the loan must necessarily suffice for utilities, in another case, heat, water, electricity and other utilities can be stopped;

F - Housing company should open a bank account, providing credit for major repairs, and over the crediting period to conduct all calculations of their payments, including payments for utilities, by this bank. Once a month the bank without further takes account of the company the amount of monthly payment for the loan. Thus, the actual "pledge" partnership housing at the bank is its current account;

G - After receiving loan house must be insured against fire, accidents, water supply systems, natural disasters and vandalism.

In order to obtain a bank loan to overhaul and/or modernization of house, association must provide the bank with the following documents:

- Application for credit obtaining (in the form developed by the bank);

- Minutes of the general meeting of members of a decision to overhaul and borrowing, signed by the present owners;

- Extract from the register of buildings or so-called fortress books about the owners of apartments in the building;

- Balance sheet housing company or profit and loss, as well as estimates for the current year;

- Report on monthly payments made to each owner of an apartment in the maintenance fund, over the past 6 months, indicating each debt holder;

- Certificate of no debts from organizations providing public services, paid bills or receipts for 6 months;

- The act of technical condition examination of

the building or house energy audits;

- A short project description, budget and plan for capital building repairs (modernization);

- Housing charter company;

- Extract from the register of non-profit associations or certificate of registration of housing societies, which contains information on board members and persons, who was authorized to sign on behalf of the housing association;

- Bank statement (report transaction) housing society for the last 6 months (if the company is not a customer of the bank that offers credit).

Questions, which concern the practice of using various types of provisions under the credit agreement in different countries decided differently. Thus, in Germany the main condition for banks to provide mortgage loans are guaranteeing punishment in the courts of the debt remaining if the borrower is unable to meet its obligations.

In addition, under the credit agreement providing for a guaranteed share, about 50% of the market value of the property and at risk, whose size is more than 50%. Warranty collateral shall issue entry in the Land Register account credit debt as encumbrance of real estate. If the guarantee by the Land Book is not enough, you may be given additional state guarantee. In eastern Germany guarantee size risky collateral provided individually taking into account the presence of the public interest in conducting reorganization and reduction of profitability of the project. Bail banks provide targeted federal lands in Berlin - Berlin Investment Bank.

This estate collateral would benefit not only the banks, thereby increasing the likelihood of repayment of the loan, but borrowers, because this type of credit set lower interest rates and longer loan term.

With the development of the credit system owners and communities empower banks to provide the loans to promote the overhaul and modernization of housing (Institute for Urban Economics, 2011)

In Slovakia the company's owners can get a loan without collateral property and warranty of Slovak bank guarantees.

In countries such as Lithuania, Latvia, Estonia loans for implementation of capital repair, modernization and energy efficiency provided by commercial banks without collateral property in most cases without bail holders (in Latvian owners need surety unless established home owners association). Providing real repayment is the current account of the company (association of owners) or the management company offers loans for a period in the bank - creditor, through which all payments calculations. In Latvia as an additional bank guarantee disclaims in the loan agreement to sell another organization the right to charge for the service the debt if the borrower

can not fulfill credit obligations (Institute for Urban Economics, 2008).

The purpose of the budget subsidizing credit interest rates of commercial banks are cheaper loans above banks.

In Estonia the bank open competition prize-winner of the special municipality of Tallinn annually subsidizes interest rates of bank loans.

Conclusions

Studying the experience of Eastern Europe and the Baltic States shows that support measures for homeowners to improve the performance of residential buildings are effective when are using in combination. Giving the budget only under mandatory funding owners overhaul and modernization of apartment buildings encourages owners to invest in the restoration of the building and resource, contribute to maximum economic benefit from the repair work. Subsidizing interest rate loan helps owners to decide to hold a significant set of works (modernization) and providing guarantees for loans the inflow of a large number of no budget to upgrade the housing stock. The higher credit demand, the more diverse credit products (which are offering by banks) increase availability and reduce cost of credit. The volume will increase modernized housing and quality of life improve.

Positive developments in this direction are observed in our country, including a draft Law of Ukraine "On peculiarities apartment house management" (Draft Law of Ukraine, 2014). The adoption of this law is to regulate legal relations connected with the management of apartment house (in which one or more residential or non-residential premises registered ownership). As an addition: Resolution № 89-VIII of 01.13.2015 p. of Verkhovna Rada of Ukraine was established on base of the rkrainian law "On peculiarities of ownership in an apartment house". Under the same Regulation Verkhovna Rada of Ukraine on Construction, Urban Development and Housing has to finalize the bill, taking into account comments and proposals and submit it to the Verkhovna Rada of Ukraine in the second reading. However, the main way to preserve and improve the performance of residential buildings is awareness owners responsibility for housing and not just their own. It is also the common property of an apartment building which were provided by the current legislation of Ukraine.

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