



# Support activities and lessons learned from the execution of the investment projects in multifamily buildings

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# 1. INTRODUCTION

It is a major challenge to prove to apartment owners the need for the building to be renovated and to lead the building through all steps necessary to even start the renovation. When informed about the potential costs of renovation, residents immediately react defensively due to lack of resources and might want to cease any activities they have undertaken. Also, the length of the project creates resistance, especially for the older residents.

There are several reasons why apartment owners stop participating in building renovation, mainly:

- insufficient income;
- the disbelief that the building could be declared as not appropriate for living (which unfortunately already happened to many buildings just in the capital);
- unwillingness to commit to long-term investment;
- distrust of the energy manager and the parties involved;
- credit obligations.

The multi-family buildings that have started the process of preparing a technical project admit that the actions to be taken are very complex and time-consuming.

It is easy to state that the biggest problems are due to the building owners: indecision, ignorance, distrust, and the existence of different views, because they cannot agree on a common purpose and result. We have found out these are only side effects of the real problem.

We must also mention the bureaucratic issues related to project preparation and approval: many delays, opaque procedures and changes in regulations creates a context of confusion and distrust which worsens the owners' concerns. For example, in 2021, ALTUM imposed 5-25% high financial corrections on 20-30 renovated buildings in Latvia because ALTUM assumed that the construction was not made in the tender agreed term. One of the criteria for selecting a specific service provider for the tender was the construction period, which meant, that if the selected service provider had promised to finish works in 4 months, but ended up doing in 6 months, the other tender companies, who weren't chosen because of the time criteria, could have been chosen instead. That led to financial corrections, which residents needed to pay back, although, it was not their fault, but ALTUM's, construction manager's, project managers, and service provider's responsibility. Due to this issue, the Cabinet of Ministers this year approved a law, that the financial corrections imposed by ALTUM will be repaid by the State budget from March to May.

In this document, we list the main barriers faced, the activities put in place to overcome them, and the main lessons learned in the involvement in the preparation for the renovations.

# 1. MAIN CHALLENGES & SUPPORTING ACTIVITIES

## 1.1. ALTUM DELAYS CAUSING TENSION

Many buildings in Latvia depend on the Development Finance Institution ALTUM grant to be able to afford the renovation. However, the delays caused by flaws in ALTUM process of conceding grants have created tension among the residents. For example, documentation for the building Pirmā street 31 in Ādaži was uploaded in ALTUM's system on the 17th of November of 2020, but the review from ALTUM was only received on the 23rd of March 2021, 4 months later.

Therefore, apart from the commitment meetings, the Project Managers, Authorized People, and Municipalities have been in frequent contact with the key people of each building giving extra support to the buildings to keep the residents informed on the ongoing of the project. This happened through phone calls, meetings, emails, and WhatsApp. For example, referring to the buildings located in Slampes, which were mostly managed as a group, around 500 emails have been exchanged since the first contact with them until today.

## 1.2. DELAYS CAUSING THE PROJECT TO SPREAD IN TIME

Related to section 1.1, the projects were strongly delayed. Instead of having a six-month preparation to sign the EPC, it has taken more than 2 years. To exemplify, the last buildings have been submitted on ALTUM's system for an initial evaluation in January of 2020 and have only received confirmation that they can apply for the grant in February 2021 (which).

This caused a cascade of smaller issues and a bloated administrative expense (4 times more):

- Need for more communication with the buildings: although nothing was happening, there was the need of keeping the apartment owners stimulated to continue with the decision to renovate.
- Communication issues related to change of people: both on the building side and in who was managing the projects, the projects have been so long that some involved people have changed, requiring to add these new people on the loop.
- Lost of belief from the apartment owners that the grant will ever be approved. This led to some buildings giving up renovating and others deciding to make a cheaper renovation, which they would be able to afford without depending on the grant.
- Refusal from buildings to pay the Service Providers for technical documentation preparation, because ALTUM took weeks to comment and approve it.

The supporting activities executed to deal with these issues were:

- ESEB has offered to be the Building's authorized person to process the documentation and deal with ALTUM. This would avoid mistakes and delays from the building's side.
- Close collaboration of ESEB and Municipalities with ALTUM to ensure that the process moves as fast as possible, by making it clear how many buildings are waiting. ESEB has also provided constant feedback to ALTUM on their process related to this grant program.
- Extra meetings for the buildings to raise awareness of the important of making a deep renovation, and therefore of the value to wait instead of going for a simpler solution.

### **1.3. LACK OF APARTMENT OWNERS' ORGANIZATION**

The partners have made their best to make sure the apartment owners feel they are active participants in the project.

Unfortunately, many Latvian buildings do not have a Housing Association and have been dissuaded from forming these. It has been hinted that these could become politically active or that they might force a change in Maintenance company. This meant a lot of extra work for both the project manager and the Service Providers who have developed the technical documentation since any decision had to be aligned with the entire building instead of a Representatives Association chair empowered by his neighbours.

The lack of a Housing Association was felt even more strongly during the COVID, since meetings started happening online, and many residents do not have easy access to the internet due to their age.

To deal with this, the partners have provided a step by step to the buildings about how to create a Housing Association and explained the importance. Additionally, the partners have offered to do this for the building, if they covered the costs of the process.

### **1.4. REGULATORY FRAMEWORK LIMITATIONS**

At present, the Latvian regulatory framework still creates multiple complications for the preparation for the renovation. For instance, the legislation still does not allow making a tender for multiple buildings, which could decrease the materials' cost and improve project implementation.

Also, the legislation does not yet stimulate or protect the ESCOs to take on deep renovation processes, since all the risk is put on them.

All SUNSHINE partners have been working closely with Policy Makers to propose the necessary changes.

### **1.5. UNCLARITY OF FINAL COSTS**

It is only possible to confirm to the apartment owners how much the renovation will cost after all technical documentation has been done and the grant confirmed. Even then the financial costs are not clear by this time. However, the owners ask for this information from the first meeting, and lack of clarity in this may block any further decisions.

This is not something that can be solved, since only after the documentation preparation you can know how much needs to be done. However, who is supporting the project can make an estimate on how much the Management of the project might costs from the beginning until the end and provide this number as a fixed sum for the apartment owners to be able to decide if they want this support or not. At least the Project Management cost can be a cost that will not change, and this gives some peace of spirit to the owners. From our experience with the buildings, we started making an offer that includes all steps of the project, instead of having one until the signature of the EPC and another one after the signature.

## **2. LESSONS LEARNED**

### **2.1. START SHOWING IT IS AFFORDABLE**

In most of the first meetings, the speech was to show the owners that it is necessary to renovate, otherwise, they will not have a home in some years' time, due to the condition of the buildings. However, somehow this does not convince most of them. They do not believe their building might be condemned, or that an accident can happen due to its poor condition – despite the recent real examples.

One of the reasons the apartment owners are not open to hearing this is that they do not believe they have the resources to make a renovation – and it is true that most of them do not if the renovation does not include energy efficiency measures.

Therefore, we learned that one of the first pieces of information that has to be provided to the owners is that the solution being offered is affordable because the renovation is financed with energy savings. This has to be presented clearly and compellingly so that the owners are then opened to listening to the details of the solution we are presenting.

### **2.2. THE ISSUE IS NOT TRUST, BUT FEELING SAFE**

It is easy to state that the biggest problems are within the building owners: indecision, ignorance, distrust, and incapacity to decide. It is true that they don't believe that:

- That the project will be finished.
- That they will be able to pay for the renovation.
- That it makes sense to dedicate so much energy and time to it.
- That their building (and its renovation) can have any effect on the global climate.

However, we discovered that these are only symptoms of the real problem: the residents do not feel safe.

They do not feel safe for many reasons. First, they do not see results. It is not a secret that most projects have suffered delays due to ALTUM process flaws. Therefore, the residents lack success stories to which to relate and to make them believe that you can get until the end of the project.

Second, the renovation process, and especially the preparation before it, is very complicated and bureaucratic. Even without considering the lack of results, just a look at the different steps makes the owners feel helpless and overwhelmed.

Therefore, the first step is to create what is needed for the owners to feel safe. Only after that, they will be able to believe in our solution and in who is offering it.

To create an environment that allows them to feel safe, we need to work on two things. First, in having results, and the project partners have been working closely with ALTUM to reach that. Second, in simplifying the process, so that the owners look at it and have the feeling that “I can do this”.

## **2.3. DISTINCTION BETWEEN “MY HOUSE” AND “MY BUILDING”**

When working closely with apartment owners we realized that there is a very clear distinction between “My home” and “the building”. The lack of social fabric and the historical inheritance has created a mentality in which people only consider as theirs the apartment, but not the entire building. There is typically poor connection between the different residents, and the common parts of the building are not seen as something that they see as theirs individually. Therefore, there is little effort in looking at the building as a whole and many residents decide for making small fixes on their apartment (for example, changing the windows) instead of making a full renovation.

This conclusion is very meaningful, but unfortunately, it is not something that can be solved in the scope of the project. ESEB has, however, added this as a topic to be addressed on their awareness campaigns with residents and other involved parties.