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# Shelter Sector Reform Project Newly Independent States of the Former Soviet Union

An ICMA Report

Prepared for the Office of Housing and Urban Programs  
Agency for International Development



**HOUSING MANAGEMENT REFORM**  
***ARMENIA***

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## **ABSTRACT**

This paper reports on technical assistance provided to several on-going projects of resident association formation and housing management reform in Armenia, during the period from April 7 to May 20, 1995. The projects are: Triangle Ltd. property management demonstration in Yerevan; association formation among residents of housing completed with World Bank funding in the Earthquake Zone; assistance with property management to residents of housing completed by the U.N. High Commissioner for Refugees; assistance to the City of Yerevan for implementation of the Condominium Decision; and training courses being developed by Yerevan State University. Also included are several recommendations, including development of a promotional campaign for condominium management, and privatization of the "zshek" state maintenance organizations.

## EXECUTIVE SUMMARY

The April 7 to May 20, 1995 TDY was undertaken to provide technical assistance to several on-going projects in housing reform in the Republic of Armenia. These five projects are in the areas of resident association formation and housing management:

1. Triangle Ltd. is a demonstration of private property management at a 161-unit complex in the City of Yerevan.
2. The Earthquake Zone project is an effort to form resident associations for the privatized units completed with World Bank funding.
3. The U.N. High Commissioner for Refugees project is assisting in providing property management services to recently completed buildings.
4. Assistance is being provided to the City of Yerevan for implementation of the Condominium Decision, recently enacted.
5. Staff at Yerevan State University are being guided in the production of training courses for resident association formation and management.

An assessment of these programs indicates that much more public education and "selling" is required to successfully establish the condominium form of management in the multi-family buildings of Armenia. It is also clear that the local governments cannot afford to subsidize building maintenance, so that steps must be taken to re-establish the state maintenance "zsheks" as self-sustaining businesses, as well as encouraging the formation of new maintenance services from within the business community.

Consequently, two of the recommendations resulting from this assignment are the development of a nationwide promotional campaign to sell the condominium concept which is mandated by the Condominium Decision, and the demonstration conversion of a "zshek" into a self-sustaining business, to be a possible model for conversion on a wider scale.

## I. INTRODUCTION

The TDY assignment carried out from April 7 to May 20, 1995 was for the purpose of providing continued technical assistance to several programs of housing management reform in the Republic of Armenia. A further important objective was to evaluate these programs and recommend modifications which would increase the likelihood of their success.

Five programs are presently underway:

Triangle Ltd. is a 161-unit, 11-building residential complex in the center of Yerevan, designated in the spring of 1994 as a joint USAID--City of Yerevan Project to demonstrate private property management and maintenance. In the absence of a condominium law, it was decided to structure it as a limited company, with a board of directors elected to represent the residents. The City agreed to fund the project through transfer of commercial rents collected from businesses on the site. ICMA, along with staff from the Yerevan Scientific Research Center for City Management (SRCCM) and the City of Yerevan, are providing consultation services.

An initial bid competition was held in the spring of 1994 for a maintenance service provider. The firm of Surik Cooperative won the contract, and has been working since May 1994. During the summer of 1994, another competition was held for a property manager. Norayr Vardanian, the successful bidder, has been receiving training and consultation from ICMA, and has proven himself a capable manager.

This one year project is coming to a close, and ICMA is encouraging the parties to decide whether or not, and under what terms, to continue it. An evaluation of this experiment will also be done.

The Earthquake Zone is the area of northwestern Armenia that was heavily damaged in the 1988 earthquake. Over 25,000 died, and more than 500,000 were left homeless. Among the international aid efforts were the provision of temporary shelters ("domiks"), and later the massive housing construction program by the Soviet Union. Before this housing was completed however, the Soviet Union ceased to exist and the money and labor assigned to this effort were withdrawn.

In 1993, the World Bank agreed to finance completion of much of this housing (as well as infrastructure and industry) through a US\$ 28 million loan to the Armenian Government. The Bank stipulated that the apartments were to be privatized, and 25% of the completion cost of each unit was to be paid back by the beneficiary family. Further, the Bank requested USAID to assist residents in forming associations (to be converted into condominiums upon passage of that legislation) which would assume the responsibility of managing the buildings and grounds.

The Government of Armenia established a Project Implementation Unit (PIU) to manage construction and turnover of the buildings. Working with the PIU and ICMA, a group of MBA students from the American University of Armenia (AUA) assumed the task of establishing the procedures and structures for the formation of resident associations. This work began in June 1994, and continued through November, at which time the responsibility for implementation was turned over to the PIU and facilitators hired for this purpose.

Construction problems and other factors seemed to be causing significant delays in occupancy of completed units, so that organizational work was not possible. In December 1994, ICMA commissioned a survey of the project sites in the two main cities of Giumri and Vanadzor. The survey concluded that most people were delaying occupancy in order to do finishing work on their apartments. Periodic trips to the sites in 1995 confirmed that occupancy continues to be low, thereby deferring serious efforts at association formation.

The United Nations High Commissioner for Refugees (UNHCR) is funding a program to supply housing to some of the estimated 15,000 refugee families who have fled the conflict with Azerbaijan over the territory of Nagorno-Karabakh. This program includes communal housing, single-family homes, provision of building materials, and completion of multi-family cooperative buildings. Two of the projects are housing construction cooperatives near Yerevan, one of 96 units distributed among 12 buildings in Bjuregavan the other of 36 units in one high-rise in Abovian. UNHCR requested USAID assistance to organize residents at these two sites as necessary, and help them obtain property maintenance services.

Under the program designed by ICMA, the UNHCR hired a facilitator, Avetik Gasparian, who is working closely with coop residents and leaders on organizational and property management issues. He is also helping under a UNHCR funded program to assist small business start-ups among residents in order to increase incomes. ICMA is providing him with training and consultation.

Another USAID/ICMA project is assisting the City of Yerevan to establish a structure and procedures for implementing the condominium law. This grew out of meetings in the fall of 1994 between officials from USAID/ICMA and the City of Yerevan, and has the objective of creating an "office of condominium services." To reach this objective, ICMA advisors have been working with a group of Armenian consultants on a six month program to address the various critical issues: defining conversion procedures, clarifying legal and policy questions, defining the structure of the condominium services office, and developing necessary documents and software. This program was completed in May, and on May 18, the Government enacted a decision allowing the formation of condominiums. On the following day, members of the work group and ICMA advisors met with the Mayor of Yerevan to brief him on the preparatory work that has been done to facilitate the implementation of this decision.

The fifth project in this area of reform is the development of training courses in association formation and management, being done by staff from Yerevan State University in collaboration with the Scientific Research Center for City Management and ICMA Advisors. Two, one-day courses were planned: an introductory course on association management designed for association leaders, and a course designed for facilitators who will be working with groups of residents to form effective associations.

The first course has been completed, and over the past two months has been given to Yerevan City staff and participants in other ICMA projects. It is being scheduled for presentation at various sites in the Earthquake Zone, and will shortly be made available to the general public (this designed to coincide with enactment of the condominium decision).

The second course is under development, and is expected to be available for presentation in July 1995, by which time it is hoped the City of Yerevan will have identified staff for the condominium services office. Because it is an introductory course, the first course will be a prerequisite for those taking the facilitators course.

## II. RECOMMENDATIONS

1. Develop a promotional campaign to educate and "sell" the general public on the condominium form of housing management. This will utilize the expertise of Armenian marketing experts as well as ICMA consultants, and will draw on the successes of the ICMA program in Kazakhstan. Experience to date in Armenia has shown that there is limited knowledge of, and hence willingness, to embrace this form of management on the part of local officials and residents; the result has been that co-operation with USAID/ICMA programs is often lacking. Despite the fact that condominium formation is now in many cases mandatory, it is still important to create a demand for condominium management and the programs that assist in its development.
2. Base any further technical assistance to the City of Yerevan on the creation of a credible condominium services office. This will demonstrate the commitment of the City to this effort, and will provide USAID/ICMA with a responsible counterpart. Once established, this office should "work through" the process of condominium conversion as described by the working group, to ensure that it functions as planned. Another priority is a promotional campaign within the City, to "sell" residents on the benefits of condominium associations.
3. The matter of available, efficient and effective providers of building maintenance services must be addressed. One approach is the privatization of the "zshek" state maintenance organizations. This is presently being undertaken by a group of MBA students at AUA under the sponsorship of ICMA. Their objective is to develop and test a model for converting a "zshek" into a maintenance business. If successful, it should be used as a model for more extensive "zshek" privatization, including training of "zshek" management in conversion and business operations.

Another approach is the development of maintenance services within the business community. The property manager and the maintenance contractor at Triangle Ltd. are developing a business plan (with the help of consultants) for the expansion of Surik Cooperative into a competitive, full service maintenance business. Again, if this proves successful, USAID/ICMA should encourage its use as a model for other aspiring entrepreneurs.

4. In addition to promotion, continue focusing efforts on widespread training in association formation and management, particularly in the Earthquake Zone. This should be more productive than concentrating on specific projects where cooperation may be limited. If enough housing sites and local governments are exposed to condominium concepts, the likelihood of identifying those committed to making the conversion increases.

5. Encourage the City of Yerevan to use Triangle Ltd. as the first condominium conversion site. The presence of a knowledgeable property manager and experience in working with residents and their representatives should facilitate the process of implementing the procedures. Other, more difficult sites, will be necessary to thoroughly examine the complexities of this process; but it is important to establish the basic steps early on.
6. Consultation and training opportunities should continue to be made available to the JNHCR facilitator. The fact that he is working with cooperatives, and that this form of ownership/management is likely to continue, makes it important to address the problems of housing management within this structure.

### **III. PROJECT DEVELOPMENTS**

#### **A. TRIANGLE LTD.**

This one year project was established by a Yerevan City Council Decision in February 1994, and Triangle Ltd. was officially registered in May of that year. The Board of Directors of Triangle have just sent a letter to the Mayor requesting an extension of its special status--the right to receive commercial rents in order to obtain property management and maintenance services from the private sector. Without an extension, the Board will not have the right to receive these funds and will be unable to continue paying for these services.

With the enactment on May 18 of the Condominium Decision, Triangle Ltd., with over 50% of units privatized, should be required to convert to a condominium. Based on a reading of previous drafts of the Decision, this would give the residents the opportunity to continue self-management, but it does not address the matter of commercial rents, which are substantially more than residential rents.

The Government of Armenia is set to end all housing subsidies on July 1, 1995. In theory, this should increase the revenue from residential units so as to cover maintenance costs, but it is not likely that existing state standards reflect true costs, nor as many believe. will a large portion of the population be able to pay charges that by some estimates will double. There is no indication that a targeted housing allowance system will be in place anytime soon. Consequently, the question of how residents of Triangle, and other potential condominiums, can pay for management and maintenance services remains to be answered.

The Triangle manager recently conducted a survey in which residents of 109 of the 161 units were questioned about their satisfaction with the level of services. 85% said that the services provided were definitely better than in the past; only one person said he preferred the "zshak" system. These services include steps for reporting needed repairs and paying housing charges at the on-site Triangle office.

The Triangle manager and maintenance contractor have been working to expand the maintenance business into a firm which can provide a full range of services throughout the city including an inventory of building supplies. They are basing operations in Triangle, and are

offering services to the residents at a discount from the prices offered to non-residents. During this TDY, I arranged meetings for them with consultants from the Armenian Foundation for Small and Medium Enterprises (AFSME, a TACIS funded group) and Technical Assistance for the Republic of Armenia (TARA, a USAID supported group). They are currently considering with which organization to work on the development of their business plan.

## B. EARTHQUAKE ZONE

Trips were taken to Giumri on April 25, and to Vanadzor and Stepanovan on May 3. During these trips, project sites were visited and meetings were held with city officials. In Giumri, occupancy of the 124 units completed in September 1994 was still minimal, and the second group of 219 units was still under construction. More surprisingly, the 120 units that were completed in Vanadzor in December 1994 and January 1995 were also largely empty. One obvious problem at these sites was the lack of post-construction grading--it was difficult and hazardous to walk around the buildings, and one of the residents with whom we spoke cited this as a reason people are delaying moving in. It was explained to me that funds for this work were the responsibility of the local government, and that the World Bank is addressing this problem in future contracts.

At the meeting with Vice-Mayor Masmanian of Giumri, it was made clear to me how much resentment there was among city officials at the decision to locate the PIU in Yerevan instead of in the EQZ. This has resulted in minimal cooperation between the two parties, as well as difficulties in managing a project from such a long distance.

The PIU Director, Michael Melkumian, advised me that the PIU had hired two facilitators, Yeghishe Nazaretian in Giumri and Artashes Atloian in Vanadzor. Nazaretian was the Giumri property manager hired (but not paid) by the PIU last fall, and Atloian was previously the Vanadzor official who administered the privatization of the World Bank construction in that city. I could not locate Nazaretian during my trip to Giumri, despite several attempts to contact him through the PIU (his employer) and the Giumri city government. However he did come to Yerevan the day after my trip, and I did meet with him. He claimed to have been working on privatization and association registration at several other projects being constructed under this program in the area. He also stated that he had arranged various maintenance services at the Giumri project site, although we had seen no evidence of this during our visit.

As he apparently traveled to Yerevan weekly to meet with the PIU, I scheduled a meeting with Nazaretian for the following week and requested that he provide me with reports on his activities at that time. He did not appear for our meeting, nor did anyone at the PIU know of his whereabouts. I concluded from this that his position as a "facilitator" with the PIU was not a serious or well managed one.

I had also scheduled a meeting with Atloian in Vanadzor, but upon arriving, learned that he had been called to Yerevan by the PIU that day. I was unable to contact him for the balance of my TDY. Based on the levels of occupancy observed at the sites however, I find it unlikely that a residents association could be active there.

In Stepanavan, we met with the Housing Director, Leonid Martirosian, who had previously completed a course in association management at AUA (a forerunner of the YSU course, given in the fall of 1993), along with some of the leaders of the "American Village" association (housing built through U.S. assistance after the 1988 earthquake.) He reported difficulties in getting the association to work effectively. I suggested offering the training courses to others in the city, but with the leaders of this association, it may be more useful to hold a meeting to assess what they had learned from the previous course and how helpful they felt it was. This may provide a clearer picture of what problems they are facing and how they can be addressed.

In meetings with the Vice-Mayors of Giumri and Vanadzor, I found both to be very interested in and receptive to my suggestion that we offer the courses in association formation and management to city staff and interested residents. Consequently, we are following-up by requesting from them, lists of people to take the courses, and are scheduling the Yerevan State University team to travel to the EQZ to deliver them.

The understanding of and commitment to the role of facilitators in association formation appears to be lacking in the PIU. Problems with construction and cooperation by local officials--for various reasons--are contributing to delayed occupancy of completed units. Consequently, it is not possible to work with the targeted projects to form resident associations at this time. Local officials have however, expressed a willingness to participate in training programs, so that this should be where our technical assistance is directed.

### C. U.N. HIGH COMMISSIONER FOR REFUGEES

As the basis of the USAID/ICMA technical assistance to this project, the UNHCR has hired a facilitator, Avetik Gasparian, to initially work with two housing construction cooperative sites recently completed. These are a 36-unit building in Abovian, and a 96-unit group of 12 buildings in Bjuregavan. When a satisfactory level of management is reached in these cooperatives, and if his contract (due to expire in December 1995) is renewed, he will explore what assistance would be necessary at other housing sites, many of these being communal housing.

Avetik is assisting in three areas: The first is to strengthen the organizational structure and management practices of the cooperatives. In Bjuregavan, he is encouraging the cooperative to establish a board of directors with a member from each building, in order to improve representation and help the president in his management duties. He is also providing both cooperatives with advice on improved financial management forms and practices. His second area of concern is to assist in obtaining necessary maintenance services, deciding on the best arrangement for trash removal, utilities, etc. and negotiating the necessary contracts. Finally, he is implementing a program under which UNHCR provides small amounts of start up capital for residents with sound business ideas, the objective being to increase the available income to at least some of the refugee families, and in many cases provide needed services to others.

Avetik has taken the YSU association management course, and has also arranged for cooperative members in leadership positions to complete it. Much of my assistance is provided through regular meetings and site visits, at which problems he is encountering and possible solutions are discussed. He is also a good candidate for additional training as it becomes available.

#### D. CONDOMINIUM DECISION IMPLEMENTATION: CITY OF YEREVAN

The Working Group of Armenian consultants completed the six month program to develop the capability within the city administration to implement the condominium decision. This work included the structure of the condominium services office and its place within the city administration, drafting the charter for this office, clarification of legal and policy questions, description of the condominium conversion process and drafting of the necessary documents, and writing of software for data management.

Completing this work was a difficult process in the absence of condominium legislation, as the consultants were often reluctant to make proposals or estimates for things that were not as yet recognized in law. On May 18, the Condominium Decision was enacted by the government; the final wording is not as yet available in translation, however it should provide the mandate to proceed with establishment of a condominium services office and creation of condominiums within Yerevan and throughout the country.

Members of the Working Group and ICMA advisors met with Yerevan Mayor Vahagen Khachatryan and Vice-Mayor Robert Nazarian on May 19, to explain that much of the groundwork for implementing this Decision in Yerevan has been done, and that upon the establishment of the condominium services office by the City, we can proceed with formation of condominiums. USAID/ICMA is prepared to assist further, in particular with promotion and training. The Mayor acknowledged the importance of establishing the condominium services office as soon as possible. But both he and the Vice-Mayor pointed out the challenge of dealing with liberalized housing charges (as of July 1) in a population as poor as Armenia's, in the absence of a targeted housing allowance program.

In order to provide a responsible counterpart, and to demonstrate the commitment necessary for further technical assistance, the City of Yerevan must now establish a credible office of condominium services. Assistance would then be provided in refining the conversion procedures, promotion of the condominium management concept among residents, and continued training of both staff and residents.

#### E. TRAINING

Staff at Yerevan State University have developed a one-day course on condominium association management, designed for association leaders, but used as an introduction to this field as well. This course was given during April and May to staff in the City of Yerevan and participants in the UNHCR projects. It is currently being scheduled for presentation to city staff and interested residents in the Earthquake Zone cities of Stepanavan, Giumri and Vanadzor. Now that the Condominium Decision has been approved, we expect to commence a campaign to market and present the course to the residents of Yerevan. It will also be incorporated into the nationwide campaign to promote condominium management, being developed by ICMA.

A second course is being developed to train facilitators and other officials in the skills and procedures for forming effective resident associations. The substantive materials have been prepared by staff of the Yerevan Scientific Research Center for City Management, and have been

delivered to Yerevan State University for incorporation into a one-day course format. This is expected to be completed by July 1995. By this time, it is hoped that the City of Yerevan will have identified staff for the condominium services office who, along with managers/facilitators from other projects (Triangle, EQZ, UNHCR) will be the first to complete it.

In order to teach effectively and convincingly, it is often necessary to have had experience working with the subject matter being taught. For this reason, the presentation of these two courses should include Armenians who have been working with resident associations and in property management roles. As these concepts are established in the country, more and more such people will be available. Until that time, every effort should be made to include the experiences of the Triangle manager and UNHCR facilitator in the presentations.

#### F. RUSSIAN STUDY TOUR

From May 10 to 17, 1995, a study tour was taken to the Russian cities of Novosibirsk and Ekaterinburg (formerly Sverdlovsk). The purpose was to look at programs being carried out by PADCO in the areas of condominium formation and housing maintenance.

Participants on the tour were:

- *Samvel Hakopian*, Director, Yerevan City Housing Department
- *Kamo Khachatrian*, Director, Yerevan City Housing Maintenance Department
- *Artashes Arakelian*, Director, Scientific Research Center for City Management
- *Areg Barseghian*, Head of Yerevan Inspectorate of Housing Renovation
- *Norayr Vardanian*, Property Manager, Triangle Ltd.
- *Diana Avetian*, ICMA Project Coordinator, Yerevan
- *Steve Anlian*, USAID/ICMA Resident Advisor
- *Gene Sienkiewicz*, ICMA Consultant

Meetings were held with various city officials and visits were made to several project sites. Both cities were much more prosperous than Yerevan, which was evident in the amount of new construction. Projects in housing maintenance reform in both cities were based on a model under which a bid competition was held to select an organization to assume management of existing "zsheks" (state housing maintenance organizations). The "zshek" would continue to be funded through the city budget, with the objective being better and more efficient building maintenance.

Among the conclusions drawn from the tour was that there was substantially less money available for building maintenance in the Yerevan City budget. Consequently, reform of the maintenance system should involve immediate privatization of "zsheks" so that they could compete successfully in the marketplace, and not rely on state funding.

#### IV. OFFICIALS WITH WHOM MEETINGS WERE HELD

##### **ARMENIA:**

- *Vahagen Khachatrian*, Mayor, City of Yerevan
- *Robert Nazarian*, Vice-Mayor, City of Yerevan
- *Hunan Masmanian*, Vice-Mayor, City of Giumri
- *Levon Aslanian*, Vice-Mayor, City of Vanadzor
- *Leonid Martirosian*, Housing Director, City of Stepanavan
- *Gagik Khachatrian*, Chief EQZ Section, Department of Urban Policy, Government of Armenia
- *Gagik Gulbudagyan*, Director, Armenian Foundation for Small & Medium Enterprises (AFSME)
- *Dick Moore*, Chief Advisor, AFSME
- *Stefan Siewert*, Resident Expert, AFSME
- *Gohar Abajian*, Director, Technical Assistance for the Republic of Armenia, Inc.(TARA)

##### **RUSSIA--NOVOSIBIRSK:**

- *Ruth O'Sullivan*, Resident Advisor, PADCO
- *Michael Mitjaev*, President, Municipal Housing Economy Committee
- *Olga Vasilyevna*, Director, Property Management Firm, Dzerzhinsky District Project
- *Alexander Grishini*, Property Manager, Lenin District Project
- *Tatiana Bogomolova*, Assistant to Michael Mitjaev
- *Grisha Alexandrovich*, Property Manager

##### **RUSSIA--EKATERINBURG:**

- *Mark Brown*, Resident Advisor, PADCO
- *Michael Linn*, Resident Advisor, PADCO
- *Anton V. Ishutyn*, Vice-Mayor for Housing Economy
- *Olga Cheprasova*, Director of the Inventbureau
- *Vladimir Rogof*, Chief City Architect
- *Alexander Visiliev*, Vice-Chief of the City Committee on Housing, Communal Economy and Energy