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A

ABSTRACT

From July 1 to August 8, 1995, the author of this report carried out a TDY assisting the housing reform effort in Armenia. This was a continuation of work underway since the first such TDY in June 1994, and involves four programs.

Triangle Ltd. is a private housing management demonstration project in Yerevan, which it is expected will soon be one of the first condominium conversions. Under the Shelter Program of the UNHCR, assistance is being provided in organization and management of cooperative housing. MBA students from American University of Armenia working on a feasibility study for privatization of a "zshek" state maintenance organization are receiving guidance and supervision from ICMA. ICMA programs in condominium formation have been integrated into a program which provides technical assistance and training to cities which attend an initial workshop and commit to completing certain tasks.

EXECUTIVE SUMMARY

From July 1 to August 8, 1995, the author of this report completed a TDY providing assistance in housing sector reform to the people of Armenia. This was a continuation of work carried out since the first such TDY in June 1994. Four projects are underway, with the responsibility for their management being assigned to Armenian ICMA staff and consultants.

Triangle Ltd. is a demonstration project of private property management and maintenance in the City of Yerevan. Despite problems in receiving timely funding from the City, the project has continued operating, and it is presently anticipated that it will convert to a condominium upon passage of an enabling decision by the City Council.

The United Nations High Commissioner for Refugees (UNHCR) is funding a program for shelter assistance, under which ICMA is providing assistance in housing management. Specifically, we are working with a facilitator assigned to two housing co-operatives.

ICMA is also supervising the work of MBA students from American University of Armenia, who are completing a feasibility study for the privatization of a selected "zshek", which is important work for the future of the state maintenance structure.

ICMA is integrating its activities in condominium formation into a structure developed in Kazakhstan. In this program, cities are invited to participate in a one day workshop designed to introduce them to the program, after which they are asked to commit to participation by completing certain tasks. Participating cities are eligible for technical assistance which includes training programs and public education materials. This program has been implemented through a series of six such workshops, and is now being carried out by CCN's trained during these past months.

C

I. INTRODUCTION

From July 1 through August 8, 1995, the author carried out a consulting assignment in the Republic of Armenia, a continuation of work which had been conducting since the first assignment in June 1994. An immediate objective at this time was to turn over responsibility for these programs to Armenian ICMA staff and contractors(CCN's), and ultimately to Armenian national organizations (governments, NGO's, the private sector.) These programs focus on formation of condominiums and the conversion of the state housing maintenance structure.

Triangle Ltd.

Triangle Ltd. is a 161-unit, 9-building complex in central Yerevan which, through a City Council decision in the spring of 1994, became a "laboratory" to demonstrate procedures for providing private property management and maintenance. In the absence of a law on condominiums, it was decided to establish a limited company, with a board of directors elected to represent the residents. The City agreed to fund this project by turning over all commercial rents collected from the property, to be used for its management and maintenance.

During the summer of 1994, bid competitions were held for a maintenance contractor and a property manager. The successful bidders were, respectively, Surik Co-operative, and Norik Vardanian.

To date, the project has demonstrated that bid competitions can be successfully held, and that management and maintenance can be provided at a satisfactory level through the private sector. However, non-cooperation from the City in providing the promised funding has resulted in a great deal of frustration, as well as a large amount of time and energy devoted to pursuing this matter. With the enactment of the Condominium Decision and Regulations on May 30, 1995, it should be possible (with some City cooperation) for Triangle Ltd. to convert to a condominium and operate with a greater degree of independence.

United Nations High Commissioner for Refugees(UNHCR)

The UNHCR is funding a shelter program to provide housing to some of the estimated 15,000 refugee families who have fled the conflict with Azerbaijan. This shelter includes communal housing, single family homes, provision of building materials, and completion of multi-family co-operative buildings. Two of the projects are housing construction co-operatives near Yerevan, one complex of 96 units distributed among 12 buildings located in Bjuregavan, the other of 36 units in one 9 story building in Abovian. The UNHCR requested the assistance of USAID/ICMA in organizing residents at these two sites, and helping them obtain property management services.

The program we designed was based on the UNHCR hiring an Armenian (CCN) to work as a facilitator, assisting the co-operatives on organization and management, and negotiating for services. ICMA has been providing training, resource materials, and regular consultation to the facilitator, Avetik Gasparian. The training includes scheduled participation in the September 9-23 study tour on condominiums and property management.

American University of Armenia(AUA) Zshek Privatization Project

Under a program at AUA, students in the MBA program undertake projects to provide business consultation services to clients in order to receive valuable work experience, and to offer a service which may otherwise not be available. USAID/ICMA has had worthwhile experiences working with these groups (including one which launched AREA, the Armenian Real Estate Association.)

A major issue in housing reform is the future of the state maintenance organizations ("zsheks"). As an attempt to address this question, USAID/ICMA submitted a proposal for an AUA student group to explore the feasibility of converting a "zshek" into a successful maintenance business.

A group of five students expressed interest, and after preliminary meetings, an agreement was reached to proceed. The project is designed to select a "zshek" which shows evidence of willingness to cooperate; to review in detail the operations of that "zshek"; develop a business plan for converting the "zshek" into a viable maintenance company; and, to reach some conclusions on the feasibility of this approach. Their final report is due the week of October 23, 1995.

USAID/ICMA staff and consultants are providing guidance and supervision to this group, as well as covering administrative expenses.

ICMA Condominium Assistance Program

ICMA has consolidated several activities in condominium formation into a structure which has been adapted from the program developed by ICMA staff and consultants in Kazakhstan, and which is showing evidence of success. The approach of this program is to solicit local governments throughout the country to participate in an initial, ICMA-sponsored workshop at which the steps necessary to create condominium associations and the technical assistance which is available, are spelled out. Governments which choose to participate must agree to certain undertakings which are designed to gauge their commitment to this goal. ICMA then provides technical assistance to enable the local governments to facilitate condominium formation within their jurisdictions.

In Armenia, the following programs have been "rolled" into this approach: in the Earthquake Zone (EQZ) where attempts to create resident associations have met with little success, the cities of Giumri, Vanadzor, and Stepanavan have participated in the initial workshop; the City of Yerevan, which ICMA has been encouraging to establish a condominium services office, was the focus of the first such workshop; and the two courses developed by Yerevan State University (YSU) to introduce people to the condominium concept, and then to train facilitators in assisting condominium formation. All of the above are the major elements in the technical assistance being made available under this program. ICMA CCN staff participated in and led portions of these workshops.

An important element of this program is the development of a public education campaign. ICMA Armenian staff, with some initial help from U.S. consultants, are developing materials for educating the Armenian public on condominiums and their role in housing management. These materials will be a part of the technical assistance available to participating local governments. In addition, a "how to" package for condominium formation is being prepared, to be made available to residents who may not have assistance from condominium facilitators.

The September 9-23 study tour to the U.S. includes key people from the most promising cities which have participated in these workshops, as well as the trainers for both the YSU courses and for the program workshops. Consequently, we believe this additional training in condominiums and property management will prove highly beneficial to housing reform efforts in the country.

II. RECOMMENDATIONS

Triangle Ltd.

1. The City of Yerevan should be encouraged to pass the necessary city enabling resolution on formation of condominiums (as specified in the National Decision on Condominiums) as soon as possible, in order to allow condominium formation in Yerevan to begin.
2. Since Triangle Ltd. has been operating as a resident organization for over one year, it would be preferable for conversion to a condominium to be done voluntarily by the owners, rather than as mandated by the state. The consensus of ICMA staff seems to be that voluntary conversion should have the approval of all unit owners; consequently, Triangle should attempt to obtain this either through a general meeting or a door to door poll. If successful, this voluntary conversion would enable the details of the process to be established. The City should be encouraged to allow this.
3. If unanimity on conversion is not obtained from all owners, the City should be encouraged to make Triangle its initial mandatory conversion.

UNHCR

1. ICMA should continue to make available all relevant resource materials and training opportunities to the UNHCR facilitator, Avetik Gasparian.
2. Under the UNHCR program, the resident members of the co-operatives are considered tenants of the units for five years, with no ability to recover their investment if they give up possession within this time period. Normally in a housing construction co-operative, the residents have title to their unit in exchange for paying for construction. The Condominium Decision makes no mention of co-operatives. Consequently, the UNHCR should be encouraged to have an analysis done on the legal status of the co-operative after the five year tenancy period ends and the units are privatized. It would be preferable to delay this analysis for two to three years, until further clarification and/or amendments occur to the Condominium Decision, and the privatization date is nearer. And it need not be a major undertaking.

AUA/Zshek Privatization Project

1. The findings of this project should be carefully reviewed by ICMA, and if deemed appropriate, made available to state maintenance organizations throughout the country as a guide for their future.
2. If the project is found to be unsatisfactory, USAID/ICMA should consider having it carried out by others; the question of the future of state maintenance organizations is critical, and any light that can be shed on it will help the success of housing reform.
3. An analysis should be done on the business climate for formation of private property management and maintenance services in Armenia, looking at such issues as taxes, regulations, organization possibilities, etc. Since we have been encouraging the privatization of property management and maintenance, it is important to understand whether or not this is a viable option.

ICMA Condominium Formation Program

1. Based on the six workshops conducted from July 30 through August 4, four cities warrant immediate follow up: Yerevan, Echmiadzin, Abovian, and Vanadzor. Specifically, this involves verification and review of city implementing decisions and ICMA agreements, identification of condominium facilitators, scheduling of training, and identifying other technical assistance which may be necessary. It may involve site visits. It is important that this follow-up be done soon in order to maintain the momentum generated by the initial workshops; it will warrant considerable staff time.

2. Continued "roll out" of the workshops to the remaining 20 or so cities should also be a priority, again to maintain the momentum of the program and the workshop teams. There is no reason why cities cannot be grouped together for the sessions. We have also found that the presentation can be comfortably presented in 4 to 5 hours if interpretation and a lunch break are left out.
3. The above two recommendations should be carried out simultaneously. Given that there are four ICMA Armenian staff/contractors who have demonstrated their capabilities with this program, it should be possible to schedule them so that this work is accomplished without undue stress.
4. Additional training of the Armenian staff/contractors should be considered in conjunction with the Kazakhstan staff involved in this program. The sharing of experiences and practices should prove useful, and the costs should be minimal, given that travel within the NIS for NIS residents is inexpensive, and interpreters/translators would not be required.
5. The public education/public relations campaign should explore the possibility of increasing awareness of condominiums through the popular culture. A song or jingle that is widely played can leave a word or phrase on the minds of millions of people, and while not particularly informative, can lead people to seek further information from more conventional sources.

III. TDY ACTIVITIES

A. TRIANGLE LTD.

I continued to meet weekly with the property manager, Norik Vardanian, and to review his monthly reports. Our discussions invariably dealt with their continuing difficulties receiving the funds from the City used to pay maintenance bills. The City decision which established this project stipulated that all commercial rents collected from space in the project were to be turned over to Triangle each month and used for meeting expenses. All payments from the project's beginning through December 1994 had been withheld until January 1995. However, after that retroactive payment, the City has been withholding all further payments.

Norik explained to me that a formal letter from the Triangle board requesting resolution of this problem had been delivered to the Mayor and delegated to Kamo Khachatrian, the head of the City's Maintenance Department, who promised to look into it. Norik has been unable to meet with him. In his dealings with the District Maintenance Office, he was advised that the head of the local "zshkek" was required to sign off on completion of the maintenance work before the funds could be released. This individual, however, told Norik that he would not do so, since he is not employed by USAID/ICMA and Triangle is a USAID project!

I was advised by USAID/ICMA Resident Advisor, Steve Anlian, that a letter from him to Yerevan Mayor Khachatrian was being delivered during the week of July 31, in which he was requesting that the funds be released as per the project agreement.

The other avenue which Norik and the Triangle board have been pursuing is requesting the City to either extend the term of the project, which expired in May 1995, or to allow Triangle to convert into a condominium, as per the Government Condominium Decision of May 30, 1995. No response has as yet been received from the City.

Norik and the board were recently in discussions with representatives from the District Maintenance Office about repairs to balconies in the complex, one of which fell to the street last year. An estimate of 2,000,000 drams has been obtained from the project's maintenance contractor, Surik Co-operative, but no agreement on carrying out the work has been reached.

In the course of my visits to the Triangle site, I learned that participants in the USAID Energy Project, which tests the use of perlite insulating panels on walls, are very dissatisfied with the outcome. Apparently, the substance began to crumble and release an unpleasant odor, causing people to pull it down from the walls, which left an unsightly surface. The one person whose unit I viewed was requesting help in paying to paint or wallpaper the damaged walls.

Norik also reported that in June, he was interviewed on the radio show, "Zarkerak" about his work at Triangle and condominiums.

B. UNHCR

I continued to meet regularly with the facilitator, Avetik Gasparian, including visits to the co-operative sites at Abovian and Bjuregavan. Avetik's work focuses on three areas: operations of the co-operatives, obtaining required maintenance and utility services, and helping to implement a program of start-up grants to small businesses run by the refugees.

We agreed that his work on business grants was comfortably within his capabilities; it also, he believes, helps develop trust of him among the refugees, as they see his work bringing them some tangible benefits. We also agreed that the pressing maintenance issues are part of the construction warranty arrangement under which the builder either makes repairs, or the holdback is used for this purpose. Problems of this sort are leaking roofs and poorly installed interior drains. Avetik is pursuing those concerns through the UNHCR and YMCA, which have construction responsibility.

The area that we have been working together on is the structure and management of the co-operatives. The understanding reached with UNHCR was that we would work with the existing co-operative structures, unless and until it became clear that they were not viable. We have decided that, with some changes in the structure and amendments to the charters, these organizations are viable. (At my invitation, Avetik did participate in the condominium

workshop held recently for the City of Abovian, in order to further familiarize himself with the condominium concept and the ICMA program, should it be decided in the future that condominium conversion is warranted.)

In Abovian, the co-operative membership of 36 holds monthly meetings with an attendance of about 20-24, meeting the quorum requirement. There is no board of directors, and the residents who previously acted as chairmen have moved away. Rather informally, one resident acts as a treasurer, with help from one or two others. Some fees are collected and payments made for utilities and trash removal.

Bjuregavan was established as a co-operative of approximately 800 people, as the initial construction plans called for that many units. The UNHCR has completed 96, and the prospects of further work at this site are minimal. The co-operative is being managed by a member who is not resident at the site, living in a "domik" (trailer) nearby, and who was appointed as chairman by the construction company. Some fees are also being collected for utilities, and the chairman takes a percentage as his fee.

After reviewing these situations, Avetik and I decided on the following strategies:

- In Abovian, a formal board of directors of about 5 people would be a more effective managing body. Avetik will work with the residents and the acting leaders to convince them of the benefits of this structure, and then encourage them to hold elections for board members. The current leaders would appear to be good candidates for the formal positions. It may also be necessary for at least the more active of them to receive some payment from the co-operative for their services.
- In Bjuregavan, it is clear that a general assembly of 800 people, most of whom do not live in the buildings, is not manageable. Consequently, Avetik will work with the local government to amend the co-operative charter so that it recognizes a membership-only assembly of the current 96 residents. Then, it would be practical to organize a general meeting in order to elect a board of directors. It would make sense in this case to have 9 directors, one representing each building. The position of the present chairman/manager is rather sensitive. I suggested that Avetik try to convince him that his interests lie in becoming a property manager hired by the co-operative, and possibly being paid more than he presently is. The situation in Bjuregavan is clearly more challenging than that in Abovian.
- Avetik is providing training to these co-operative leaders in areas such as financial management and association administration. Some have attended the YSU condominium course; however, we have discovered that language is a problem: many refugees are Russian speakers, and many of the training materials are in Armenian. I advised Avetik that he should provide any necessary translations through his UNHCR project budget.

C. AUA ZSHEK PRIVATIZATION PROJECT

During my TDY, I met weekly with the five students who agreed to undertake this project: Grigor Barsegian, Lilia Markarian, Samvel Movsissian, Adrine Shirinian, and Armen Vopian. They are formally under the supervision of Dr. F. Heiba of AUA, and USAID/ICMA Resident Advisor Steve Anlian.

Their first major task was the selection of a "zshek" to collaborate with them on the feasibility study. Most of one meeting was devoted to developing a process and selection criteria for accomplishing this in a fair and effective way. At the next meeting, they reported that a "zshek" had been selected; however, only two of the group members were involved in the selection, and it was not clear what systematic procedure they followed. I requested that they submit a brief report on the selection process, as required under their list of deliverables.

Prior to completion of my TDY, I advised the group that they would continue to work with Steve Anlian and ICMA staffer Diana Avetian. They told me that a status report on the project for Dr. Heiba was scheduled for August 8. I also encouraged them to begin the task of learning the operations of the chosen "zshek" as quickly as possible.

D. CONDOMINIUM FORMATION PROGRAM

The major task of this TDY directed toward the formation of condominiums was to adapt the materials developed in Kazakhstan to conditions in Armenia, and then to conduct six workshops designed to enlist cities in the program and to prepare ICMA Armenian staff and consultants (CCN's) to conduct these workshops for the remaining cities in the country. Michael Kucharzak, a TDY who helped develop this program in Kazakhstan, spent two weeks in Armenia guiding the process.

Assistance was also provided to Yerevan State University (YSU) faculty for completion of a course for condominium facilitators, and work was started on developing public education materials for condominiums. These activities are to be integrated into the condominium formation program. Assisting in these areas was TDY John Lawton.

The course for condominium facilitators was to be developed by YSU faculty based on material prepared by staff of the Scientific Research Center for City Management (SRCCM). When we reviewed this material, we found that much of it dealt with specific situations in Yerevan, and hence did not apply to other cities in the country, which was the target audience. Also, there was very little attention paid to the tasks of organizing and working with residents.

Working sessions were held with the people from YSU and SRCCM at which these areas were addressed. I provided the YSU staff with a copy of the "Facilitator's Handbook" which I had written, and which addressed the steps to be followed in organizing residents. The YSU staff then organized the materials for presentation in a one-day course, and on July 13,

a trial presentation was held. Despite some minor difficulties (hand out materials had not been completed, and most of the attendees had not completed the first YSU course on condominiums), the response was positive and interested. Based on our experience with the first course, this second course should, with refinement, become a useful part of the condominium assistance program.

During John Lawton's stay, we held working sessions on development of a public education campaign. Due to the general ignorance on the part of the population about condominiums, we believe that an emphasis on public education is important. We also agreed that the advantages of condominiums should be stressed rather than the fact that under the government decision, their formation is in most cases mandatory. ICMA staffer Diana Avetian is responsible for continued work on this program.

On July 12, we met with the head of the Yerevan Housing Maintenance Department, Kamo Khachatryan, in connection with the housing reform efforts in Yerevan. Kamo presented a reorganization plan for the maintenance structure which was drafted for the city council. It appeared to perpetuate the role of the state in collecting and allocating maintenance fees, and of the "zsheks" having assigned responsibilities for maintenance work in given districts. It was clear that Kamo's concerns were with the future of his maintenance organization, and not with the functions of condominium facilitation which the City has said would be under his supervision.

Prior to Michael Kucharzak's arrival, I reviewed the available model condominium documents for consistency with the terms of the Condominium Decision. These documents are part of the package given to each city attending the workshops.

When he arrived, I worked with Michael on reviewing workshop materials for use in Armenia, and developed a series of discussion questions to be used by the participants. For the final editing, we met with the Armenian members of the workshop team (Haik Karapetian, Suren Koshetsian, Norik Vardanian, Diana Avetian) to ensure that all were comfortable with the concepts, terms, and presentations.

We also had the benefit of a session with TDY and attorney Richard Winnie and his Armenian counterpart attorney Haik Karapetian to discuss the terms of the Condominium Decision. Problems with the Decision were acknowledged, and Haik believed that eventually the decision must be incorporated into a law. However, he stressed that it was workable in its present form, and the problems should not prevent us from moving ahead with condominium formation.

The workshops were presented to representatives of seven cities, during the six days from Sunday, July 30 through Friday, August 4:

- July 30: The workshop was held for the City of Yerevan, at Lake Sevan. This was the first and most ambitious of the sessions, dealing as it did with the largest city, and one with which ICMA has been working for three years. About 20 people were present, including Mayor Khachatryan and Vice-Mayor Nazarian. It was an important session as it brought together all of the key players in the City for some very frank discussion of difficult issues. The City officials reiterated their intention to move ahead quickly with implementation of the Condominium Decision.
- July 31: The session in Echmiadzin began inauspiciously, as no one was expecting us; although they had supplied us with a list of attendees, no one had notified them. However, they managed to gather together eight people involved in this work, and it proved to be a very productive day. We agreed that this is a good prospect for follow up work.
- August 1: In Hrazdan, our audience numbered about 50 people, but it was clear that many did not know why they were there. The Vice-Mayor arranged for a lengthy lunch after which we found few people left for the afternoon session. The sense we got was of a contrived affair, and not of a city that has a serious interest in condominiums.
- August 2: This session in Abovian was very business-like, with good interest and participation shown by the 11 people present. Much of the presentation was by Diana Avetian and Suren Koshetsian, who both did very well. This city also warrants follow up.
- August 3: We traveled to Giumri in the Earthquake Zone, where we met with Vice-Mayor Masmanian, and the World Bank Project Implementation Unit (PIU) Facilitator, Yeghishe Nazaretian. The Vice-Mayor did not participate in the workshop, which was attended by 11, very skeptical "zshek" heads who at the end, stated that they saw no future for condominiums. We agreed not to follow up at this time.
- August 4: After an overnight in Giumri, we traveled to another EQZ city, Vanadzor, where our session was to include officials from Stepanavan as well. The Stepanavan people arrived late and left early, apparently because of a colleague's funeral. A total of eleven people were present. The entire presentation was made by the remaining two team members, Norik Vardanian and Haik Karapetian, who did very well. Discussion was very useful as it addressed some key issues: registration procedures, and the treatment of the World Bank units which, although privatized, have a loan note charged against them. This session also was the focus of some local publicity including radio, TV, and the newspaper. Vanadzor has, throughout the work with the World Bank, proven itself to be a co-operative participant, and this workshop confirms that assessment.