

**SELECTED DATA ON THE  
HOUSING COMMUNAL  
REFORM IN REGIONS OF  
RUSSIA**

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### RENT REFORM

#### Regional Policies and Housing and Communal Fees for a Standard Unit\* (As of January 1997)

	Deferred rent increase	Rapid rent increase
1. Regions with relatively low housing maintenance costs (North Caucasus, Central Black Earth Region, Volga Region)	35-65 thousand rubles: Kursk, Ulianovsk, Saratov, Makhachkala	110-135 thousand rubles: Astrakhan, Rostov, Lipetsk, Krasnodar, Stavropol, Cherkessk
2. Central Russia (North-West, Central and Volgo-Vyatsky Regions)	60-80 thousand rubles: Bryansk, Tula, Smolensk, Tver, Orel, Saransk, Cheboksary	130-150 thousand rubles: Moscow and Leningradskaya Oblasts (without oblast centers), Pskov, Novgorod, Kaliningrad
3. Regions with relatively high housing maintenance costs (North, Urals, Siberia and Far East)	80-120 thousand rubles: Perm, Barnaul, Krasnoyarsk, Izhevsk	180-350 thousand rubles: Syktyvkar, Yakutsk, Blagoveschensk, Yuzhno-Sakhalinsk, Petropavlovsk-Kamchatsky, Khabarovsk, Vladivostok, Birobidzhan, Norilsk

Note: A standard unit is an apartment with the total space of 54 sq. m with all modern amenities and three residents.

**Groups of Administrative Centers of the RF Subjects, Moscovskaya and Leningradskaya Oblasts by Share of Rent and Utilities Payments in the Average Household Income\***  
(rent and utility payment rates given as of January 1997)

Share of rent and utilities payments in the average household income (in percent)	City
under 4.0	Moscow, Smolensk, Tula, Orel, Kursk, Ulyanovsk, Perm
4.1-6.0	Saint-Petersburg, Murmansk, Petrozavodsk, Vologda, Bryansk, Tver, Ryazan, Kaluga, Tambov, Penza, Voronezh, Belgorod, Saratov, Samara, Volgograd, Ufa, Saransk, Makhachkala, Tyumen, Krasnoyarsk, Barnaul, Magadan
6.1--8.0	Syktyvkar, Kirov, Kostroma, Vladimir, Yaroslavl, Nizhny Novgorod, Kazan, Astrakhan, Cheboksary, Izhevsk, Lipetsk, Krasnodar, Nalchik, Ekaterinburg, Cheliabinsk, Omsk, Tomsk, Kemerovo, Abakan, Irkutsk, Yakutsk, Petropavlovsk-Kamchatsky
8.1-10.0	Arkhangelsk, Novgorod, Pskov, Leningradskaya Oblast, Moscovskaya Oblast, Ivanovo, Rostov-on-Don, Stavropol, Orenburg, Kurgan, Novosibirsk, Gorno-Altaysk, Khabarovsk, Yuzhno-Sakhalinsk, Kaliningrad
over 10.0	Vladikavkaz, Cherkessk, Maikop, Elista, Yoshkar-Ola, Kyzyl, Ulan-Ude, Chita, Birobidzhan, Blagoveschensk, Vladivostok

Note: Estimates for a standard apartment with the total space of 54 sq.m and three residents.

Data on per capita income: Goskomstat of Russia.

***Implementation of Housing Allowances Program in Cities of the Russian Federation in 1996***

The number of households receiving housing allowances in 1996 reached about 3.5 million (including lone persons) or about 7 percent (data of the "New Russian barometer" survey). In cities listed in the table below housing allowances are most effective as a protection of low-income households during transition to a new system of payments.

	1996	Payment for a standard apartmt. (rubles)*	Allowance recipients	Percent to total households	Amounts paid in allowances (million rubles)	Program costs (allowances and overhead) in percent to estimated payments collection	"Threshold" for granting allowance in percent of household income) ("t")
Moscow	November	112,536	327,263	10.0	8,971.3	2.5	12.5
Nizhny Novgorod	November	103,572	38,500	8.4	608.0	1.4	12.5
Novocherkassk	November	133,350	9,091	12.1	307.2	3.3	15
Leningradskaya Oblast	November	149,160	60,000	10.3	2,100.0	2.4	10-15
Petrozavodsk	September	152,685	16,000	16.0	597.8	6.9	15**
Orenburg	November	127,140	15,602	12.8	506.0	6.7	10

Notes

\* 54 sq. m apartment with 3 residents using 150 kWt per month.

\*\* Special threshold level is established for the lowest income group.

At the same time, some cities either showed a bureaucratic approach to the creation of allowances agencies or failed to provide social protection of the population. In particular, housing allowances agencies in Irkutsk, Kazan and Ulianovsk are practically idle, while the number of households receiving allowances in Perm, Vologda, Ivanovo, Yaroslavl and some other cities is 1-2 percent, or much less than in other cities with comparable level of housing payments.

## HOMEOWNERS ASSOCIATIONS

Local self-governments vary in their attitude towards homeowners associations. Some cities (Vladimir) see them as a panacea for the troubled housing maintenance economy. They consider the possibility of creating within a fairly short time (one or two years) homeowners associations in all multi-family buildings, liquidate the existing maintenance enterprises and terminate subsidizing of the sector at the expense of the municipal budget.

Some cities—and they are in the majority—have an opposite position. The local self-governments show no response for the opportunity to create homeowners associations. Should there appear an initiative

group of activists wishing to create an association and ready to insist on exercising their rights, the association is registered and soon forgotten about. Undoubtedly, such extreme approach should be avoided. One should not forget that formation of associations is not limited to the technical act of drawing up documents, but a step towards changing the public behavior and attitude towards homeownership, which is a lengthy process requiring great effort from the local self-governments.

The first homeowners associations were registered in late 1993 in Ryazan and Tyumen. Nowadays condominiums are formed all over Russia and their number is growing every month. Data on registration of new associations during the first half of 1996 are given in Table 1. According to the survey conducted by the Fund "Institute for Urban Economics", there are now 600 homeowners associations in the Russian Federation.

The experience of functioning homeowners associations proves that buildings in which residents feel themselves as owners not only of their apartments, but of the entryway, basement and yard have lower maintenance expenses and higher quality maintenance. Under financially equal conditions with the municipal maintenance enterprises, homeowners associations are able to carry out selected capital repairs through more efficient use of available funds. Many condominiums have intercoms and code locks at the entrances, heat, water and gas meters and generally look more neat and attractive.

Of special notice are Ryazan, Novocherkassk, Tyumen, Orenburg, Novgorod, Gus-Krustalny, Cherepovets and other cities which have offices within the administration specifically established to address condominium registration and operation. In many cities condominiums are managed by professional managers.

At present homeowners associations became the main management form in new construction buildings where most of the units belongs to private owners. Homeowners associations are also created in departmental housing. A good example is Novocherkassk where out of the 24 registered homeowners associations 10 were formed from departmental buildings.

Transfer of land into the ownership of associations presents a difficult problem. As can be seen from Table 1, none of the Russian cities has given land into the common shared ownership of association members. Some cities do not pay the associations subsidies for operation and maintenance of their buildings, which does not promote formation of

new associations, and, ultimately, improvement of housing stock maintenance in general.

Administrations of Novgorod and Cherepovets organized training of condominium property managers. This is done in close cooperation with the city employment agency. During two months 180 persons completed training in Novgorod, and 23 in Cherepovets.

Associations of condominiums have been established in Moscow, Saint-Petersburg, Tver, Tyumen, and Arkhangelsk. These associations offer assistance in contacts with the monopoly providers of utilities and the city administrations, and provide informational support to the homeowners associations.

### ***Examples of Successful Homeowners Associations***

“Mayak” condominium (Moscow), created from new construction, refused to sign a contract for management and maintenance of its building with DEZ because of disagreement with the price the DEZ wanted for its services. In the result the association organized maintenance of the condominium at a price twice lower than that offered by DEZ without any reduction in the volume of services (in fact, it even added an extra service—24-hour security guards in 6 entryways of the building).

“Obschy Dom” [Common Home] condominium in Novgorod used its maintenance subsidy for several months to renovate the heating unit and install heat and hot water meters, which during the very first month showed the actual consumption to be 30 percent lower than the normative rate.

In Ryazan “Crystal-3”, “Zhilstroï” and “Trolleybus” condominiums, having only condominium assessments and budget subsidies for current maintenance made partial repairs of the heating, hot and cold water systems, with replacement of basement pipes and raisers, “Vympel” condominium made major roofing repairs.

“Avtomobilist” in Yaroslavl used part of their funds to obtain a license for servicing elevators, which permitted it to maintain the elevators in its building. In the result the association saved much more money than the license costs (because prices for elevator maintenance services are very high).

“Vysovets” (Volgograd) has 4 12-story buildings, and service staff of 15 people, of which 80 percent are pensioners. “Vysovets provides elevators maintenance and emergency services at its own resource. In

1996 the association renovated the roofing in one of the buildings using revenues from lease of non-residential premises, which the association retains as credit against the maintenance subsidy.

## **MAINTENANCE OF MUNICIPAL HOUSING STOCK ON A COMPETITIVE BASIS**

At present four cities have passed the 10 percent mark in the share of municipal housing stock maintained on a competitive basis - Moscow (25 percent), Petrozavodsk (15 percent), Ryazan (14 percent), and Nizhny Novgorod (11 percent); some cities (Vladimir, Novochoerkassk, Orenburg, Volhov) have come very close to this level (7-8 percent) (see Attachment 1).

From January 1995 to April 1997 114 maintenance competitions were held in Moscow. The share of municipal housing maintained by enterprises of different organizational legal form on a competitive basis increased by three times. At present 76 private firms—winners of competitions—service more than 653 thousand apartments (see Attachments 2 and 3).

Comparison of economic results of competitions in several cities showed that, as a rule, bidding results in 10-15 percent lower final price offer by the winner (Moscow, Novgorod, Cherepovets, Novochoerkassk). In some cities (Ryazan) competitions do not produce lower maintenance price because the tariffs in such cities are kept at the lowest level possible. In such cases the Customer tries to select a company with the best service quality (see Attachment 4).

Maintenance competitions provided private companies with the opportunity to enter the sphere of maintenance of municipal housing stock. Private companies account for more than half of the competition winners.

Competitive selection procedures are introduced in other spheres of the housing economy—for example, competitions for capital repair of the municipal housing stock (Novgorod), maintenance of building antennas (Ryazan), maintenance of elevators (Vladimir). This makes possible additional savings of budget funds and higher quality service at lower price.

### ***Improvement of Maintenance Quality***

Sociologic survey conducted by the Fund “Institute for Urban Economics” in Ryazan and Saint-Petersburg before the competitions and





several months after the winners started work under the contract, showed improvement in the condition of entryways, staircases and the quality and timeliness of repairs. Interestingly, in Saint-Petersburg the competition was won by a municipal maintenance enterprise, which had been in charge of the housing stock before the competition. The trend towards improvement of maintenance services not only by the newcomers, but also by the municipal enterprises which maintained the stock before the competition and continued to do so as its winners is observed in Moscow and Ryazan, where municipal enterprises are active participants of the maintenance competitions. (see Attachment 5).

At several competitions in Moscow districts there were cases when the bidders offered, in case of their victory, to provide additional services for 5 -10 percent of the contract amount (see Attachment 6).

### ***Drawbacks***

Competitions are sometimes prepared and conducted in a formalistic manner:

- ! The offered package is too small, included housing in poor physical condition, which a priori cannot attract strong companies.
- ! Inadequate promotion campaign, work with potential participants and preliminary interviews.
- ! Violations of the competition procedures—changes in the announced conditions and dates of competitions.

Several cities were very late in signing contracts with competition winners. In some cases the winning companies services the housing stock without any contract for more than six months.

It seems that the Customer is not aware of the importance of contract arrangements and is not ready to make them—from executing legally correct agreement with contractors, to controlling their compliance with its provisions. Today one of the main problems is Customer's failure to stipulate in the maintenance contracts the quality and volume of work in accordance with the funds it has to pay for it, and control the contractor's performance.

**Table 1**  
**Formation of Home Owners Associations in the Russian Federation**



<i>City/Oblast</i>	Associations registered by April 1996	Associations registered by October 1996	Are subsidies transferred directly to the association account?	Is the land plot owned by association?	Are non-residential premises at the disposal of association?
	1	2	3	4	5
Astrakhan	8	8	Yes	No	No
Barnaul	25	28	Yes	No	Yes
Vladimir	5	9	Yes	No	No
Volgograd (Oblast)	10	16	Yes	No	No
Ekaterinburg	20	25	Yes	No	No
Ivanovo (Oblast)	13	13	Yes	No	n/a
Krasnoyarsk	13	17	Yes	No	n/a
Maykop	6	4		No	No
Moscow	36	54	Yes	No	No
Nizhny Novgorod (Oblast)	15	55	Yes	No	n/a
incl. Nizhny Novgorod	12	44	Yes	No	No
Novgorod	4	6	Yes	n/a	n/a



**Table 1 (Continued)**

<i>City/Oblast</i>	Associations registered by April 1996	Associations registered by October 1996	Are subsidies transferred directly to the association account?	Is the land plot owned by association?	Are non-residential premises at the disposal of association?
<i>City/Oblast</i>	1	2	3	4	5
Novocherkassk	15	24	No	n/a	n/a
Novosibirsk	5	10	No	No	No
Omsk	49	57	No	No	No
Orenburg	4	11	n/a	n/a	Yes
Penza	0	5	n/a	n/a	n/a
Perm City)	18	32	n/a	n/a	n/a
Perm (Oblast)	7	7	Yes	No	No
Petropavlovsk-Kamchatsky	1	1	n/a	n/a	n/a
Pskov (City)	2	2	n/a	n/a	n/a
Pskov (Oblast)	3	3	n/a	n/a	n/a
Rostov-on-Don (City)	12	15	Yes	No	No
Rostov-on-Don (Oblast)	24	24	n/a	n/a	n/a
Ryazan	34	38	Yes	No	n/a
Samara	n/a	23	No	n/a	No
Saint-Petersburg	31	46	Yes	No	No
Tver	3	7	No	n/a	No
Chelyabinsk	3	5	No	No	n/a
Yaroslavl	7	7	Yes	No	No

## ATTACHMENT 1

### PERCENTAGE OF MUNICIPAL HOUSING MAINTAINED ON A COMPETITIVE BASIS IN SELECTED CITIES OF THE RUSSIAN FEDERATION (1995-1997)

City	Percentage of competitively maintained housing (December 1995)	Percentage of competitively maintained housing (March 1997)	Competitions (total)
Moscow	13.6	25	114
Petrozavodsk	5.5	15	4
Ryazan	7	14	10
Nizhny Novgorod	0	11	15
Vladimir	8	8	6
Novocherkassk	4.7	8	7
Orenburg	3	8	3
Volhov	2	7.3	3
Novgorod	0	3.6	3
Cherepovets	0	2	2



## **ATTACHMENT 2**

**DYNAMICS OF THE SHARE OF MUNICIPAL HOUSING IN MOSCOW MAINTAINED  
BY ENTERPRISES OF DIFFERENT ORGANIZATIONAL LEGAL FORMS SELECTED  
ON A COMPETITIVE BASIS (1993-1997)**



**ATTACHMENT 3**

**PERCENTAGE OF MUNICIPAL HOUSING STOCK IN MOSCOW MAINTAINED BY  
ENTERPRISES OF DIFFERENT ORGANIZATIONAL LEGAL FORMS SELECTED ON  
A COMPETITIVE BASIS BY ADMINISTRATIVE DISTRICTS (APRIL 1, 1997)**





## ATTACHMENT 4

### ECONOMIC RESULTS OF MAINTENANCE COMPETITIONS IN SELECTED CITIES OF RUSSIA

City	Completion date	Offered municipal stock (percent)	Average price offered by customer (rubles per 1 sq.m of total space per month)	Average price offered by winner (rubles per 1 sq.m of total space per month)	Total economies (million rubles per month)	Total economies (percent)
Moscow, Central AD, Golovinsky rajon*	Dec. 1996	1.16	950	824	175.0	13.2
Moscow, Southern AD, Eastern Biryulevo*	Mar. 1997	0.7	800	787	9.8	1.6
Novgorod	Jan. 1997	3.6	977	862	14.4	11.8
Novocherkassk	Apr. 1996	3.3	1400	1250	12.7	10
Ryazan	Oct. 1996	1.3	800	800	0	0
Cherepovets	Dec. 1996	2	1640	1244	41.7	24

Note

\* Prices without VAT



## ATTACHMENT 5

### CHANGES IN MAINTENANCE QUALITY RESULTING FROM MAINTENANCE COMPETITIONS IN RYAZAN AND SAINT-PETERSBURG (DATA FROM SOCIOLOGICAL SURVEYS HELD BY THE FUND “INSTITUTE FOR URBAN ECONOMICS”)

- |                                            |                                  |
|--------------------------------------------|----------------------------------|
| (1) Percent of respondents<br>(acceptable) | (5) Condition of entryways good  |
| (2) Ryazan<br>order                        | (6) Lightening is always in      |
| (3) Saint-Petersburg                       | (7) Hallways clean of trash      |
| (4) - Before competition                   | (8) Satisfactory repairs quality |
| - After competition                        | (9) Timely repairs               |

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1st Survey

2nd Survey

City Rajon

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Ryazan	June 1996	March 1997	Kalnoe
Saint-Petersburg	August 1996	December 1996	Primorsky

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	1st Survey	2nd Survey	City Rajon
Ryazan	June 1996	March 1997	Kalnoe
Saint-Petersburg	August 1996	December 1996	Primorsky

## ATTACHMENT 6

### ADDITIONAL WORKS AND SERVICES PRODUCED WITHIN THE ALLOCATED FUNDS IN SELECTED MOSCOW RAJONS (1996)

Administrative District	Municipal Rajon	Firm	Work Volume (million rubles)
South-Eastern	Vyhino	OOO PF "Fregat"	1130
South-Eastern	Vyhino	OOO PF "Nord"	321
South-Eastern	Vyhino	PPK "Akva"	1628
South-Eastern	Vyhino	OOO PF "Neptun-M"	254
Northern	Golovinsky	KPO "Leningradskoe"	1108

List of main works performed by private firms free of charge:

- ! Children playgrounds, fabrication and repair of articles of outdoor and garden architecture, lawn maintenance (whitewashing trees, cutting grass).
- ! Holiday street illumination (including fabrication and installation of lightening).
- ! Preventive repairs in local schools and kindergarten.