Problems and Solutions of Multi-apartment Housing Management in Latvia

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Abstract

Housing policy is closely related to the well-being and social integration of the population of each country, and has a great impact on the development of various sectors and the entire national economy. An important part of housing policy is the housing management sector, whose processes affect all levels of society. The goals of the housing policy in Latvia are to promote the quality and availability of housing and to ensure the regulatory basis for management. Special attention should be paid to multi-apartment residential buildings, as they occupy more than half of the total residential area in Latvia, and approximately 65% of the population lives in apartments. The tasks of the study are to identify, collect and analyse information on the aspects of managing multi-apartment residential buildings, as well as to provide recommendations for the improvement of the housing policy. The monographic or descriptive method was used for the analysis of the theoretical base. In order to find out the current situation and the main problems related to the management of residential buildings, a survey was conducted in which residents of multi-apartment residential buildings of different series and different in number of apartments participated. Analysing the results of the survey, it was found that the main problems are related to incomplete information, lack of interest, incompetence, lack of communication between apartment owners and the house manager, as well as various legal deficiencies regarding ownership rights. Improvement of the regulatory base, increasing the competence of managers and information measures for apartment owners are offered as solutions.

KEYWORDS: residential buildings, multi-dwelling buildings, housing policy, housing management, apartment owner.

Introduction

Housing policy in any country is closely related to the well-being and social integration of its population, and it has a great impact on the development of certain sectors and the entire national economy of the Latvian National Development Plan 2021-2027. (Legal Acts of the Republic of Latvia, 2020) the goal of the action line “Housing” provides that all households in Latvia have access to housing, and the existing housing stock meets high standards of energy efficiency, construction, safety and well-being by 2050. An important part of housing policy is the housing management sector, whose processes affect all levels of society.

The purpose of the article is the analysis of the problems of managing multi-apartment residential buildings in Latvia and recommendations for their solution. The first task of the research is to identify, collect and analyze the existing information on the aspects of managing multi-apartment residential buildings. The next task is to find out the degree of awareness of residents of multi-apartment residential buildings and their perspective on house management problems. A survey was conducted in which residents of multi-apartment residential buildings of different series and different in number of apartments participated. The last task was to analyze the results of the survey, on the basis of which to draw conclusions and make recommendations in the improvement of the housing policy regarding the management of residential houses. For the analy-
sis of the theoretical base, the authors used the monographic or descriptive method, and for the study of the situation, the secondary data analysis. As a result of the research, recommendations have been developed for solving the problems of multi-apartment residential buildings.

The number of scientific publications on problems in the Latvian housing sector in the last 10 years is small. They analyze the legal and economic problems of housing management in Latvia, reviewing the existing residential housing management regulatory acts, as well as evaluating the types of management and management expenses. The housing management industry is recognized as an important part of housing policy, the processes of which affect all levels of society, as well as its economic and social nature (Geipele & Slava, 2012).

Housing development policy should be linked to the real estate market and the factors affecting its development. This would allow more efficient use of resources, promote investments in the real estate sector and promote the socio-economic development of the country (Geipele S., 2015). Regarding the possible financing of renovation of residential houses, the most significant factors that hinder the wider expansion of renovation works of the housing stock, increasing the energy efficiency of residential buildings and reducing management costs are identified, as well as these financing options, their advantages and disadvantages are evaluated, taking into account the possibilities of the sustainability of the country’s development. In house management, it is important to balance available funds with today’s needs, as well as to create savings for housing development. In order to strengthen their position in the market, management companies need to become competitive and offer quality services (Geipele, Geipele, & Stāmure, 2012).

More recent publications also address the capacity and required skills of housing management specialists. Management activities are a time-consuming process that requires competences in technical, legal, financial, organizational, social, information exchange, etc. issues (Puķīte, Stāmure, & Geipele, 2019), (Geipele, Kundziņa, & Jansons, 2021). Several publications examine aspects of residential energy efficiency and their relationship with the EU’s common policy of increasing energy efficiency and climate change (Upītis, Amoliņa, Geipele, & Zeltiņš, 2020), (Blumberga, et al., 2021), (Geipele, Puķite, & Kauskale, 2016). Many authors also focus on more specific technical problems of energy efficiency and their solutions (Prodanuks, Veedenbergs, Kirsanovs, Kamenders, & Blumberga, 2019), (Borodinecs, Zemitis, Sorokins, Baranova, & Sovetnikov, 2016).

Several articles have been published on housing policy at the national level; they analyze the efficiency of residential house management and compliance with the requirements of regulatory acts. It is concluded that at the level of industry policy, the biggest objection of the State Audit Office is that there is no such policy. The Ministry of Economy should take responsibility for this. The last housing policy planning document was adopted in 1996 and has long since lost its relevance. Normative acts oblige local governments to provide housing management functions during the transition period, while residents will take over housing management. However, it must be concluded that the transition period is still not over. The survey of residents conducted by the State Audit Office shows that the majority of residents are not sufficiently and comprehensively informed about the procedure for taking over residential houses, while the managers of municipal buildings do not always take even the mandatory measures for taking over houses (Jurista vards, 2016).

The Union of Local Governments also notes that the deterioration of the technical condition and safety of apartment buildings is based on the lack of sustainable housing policy and state financial support, the low solvency of the population, as well as the ignorance of the previous governments in the implementation of existing laws (LV portal, 2020). The type of property, when the land belongs to one person, and the building on it belongs to another, is called shared property.
Historically, shared ownership and forced tenancy in apartment buildings arose as a result of the Land Reform, when land ownership rights were restored to former owners or their heirs. It is also important to understand the distribution of rights between the parties involved, as there is a legal lease relationship between the land owner and the owners of the existing apartments in the residential building. The manager has the right to get involved in solving these issues if he has received the appropriate authorization from the apartment owners of the residential building (ORDO Property Management, 2017). Lawyers often explain various important issues related to the management of residential buildings, for example, who is the owner of an apartment building, what are the obligations and rights of the owner and manager (Lielbarde, 2018), how can the manager be replaced (LV portal, 2017), (Luksa, 2018), (Davida & Kreclere-Germane, 2018).

At the beginning of 2023, there were 369,591 residential houses in Latvia, of which 39,474 were houses with three or more apartments (State Land Service, 2023). The largest proportion - 85.3% is for one-apartment houses, 3.8% for two-apartment houses, and 10.7% of the total number of three-apartment houses (see Figure 1.)

Analyzing the distribution by area, the largest area is occupied by three- and more-apartment houses (51.6 million m² or 56.6%), followed by one-apartment houses - about 36.5 million m² or 40.1%, two-apartment houses - approximately 2.2 million m² or 2.4%.

Although in terms of number, apartment buildings make up only 1/10 of all residential houses in Latvia, they occupy more than ½ of the area (see Figure 2) and make up the largest part of Latvia’s housing stock. Approximately 44.5% of apartment buildings were built before 1941, the majority - 51.1% in the period from 1941-1991 year, but after regaining independence - only 4.4%. According to the estimates of the Ministry of Economy, more than 23,000 buildings would need to be renovated in the multi-apartment building sector, which constitutes approximately 60% of all multi-apartment buildings (Ministry of Economy, 2020).

The statistical data of 2021 show that the majority of the population in Latvia (83.2%) are the owners of their own homes, and only 16.8% of the population live in rented apartments. This circumstance negatively affects labor mobility and the unemployment rate in the regions. For comparison, on average in EU member states, rental housing accounts for 30.1% of all housing. In Latvia, 65.5% of the population lives in apartments in multi-apartment buildings (as much as 85.9% in cities), and this is the largest proportion in the European Union (Eurostat, 2023). Since the majority of apartments in Latvia are privately owned, special attention should be paid to problems related to multi-apartment buildings.
The privatization of apartment buildings in Latvia was started in 1995. Privatization of apartments is understood as a set of actions, as a result of which natural and legal persons acquire property rights confirmed in the Land Registry and state or municipal apartment buildings for existing apartments (Central Statistics Authority, 2023).

At the time when the privatization process was started, the majority of the population had no real understanding of the purchase of property through its privatization, the level of responsibility regarding their property, especially if it was an apartment in an apartment building. Also, there was no understanding of the joint ownership of the residential house and the obligations and responsibilities of the apartment owners regarding the joint ownership in the building, due to the lack of experience in this field.

Mass privatization in the country was completed already in 2003, when the goal of the implementation of the privatization process set by the state was generally achieved. The biggest problem in the field of privatization of municipal residential houses was the reluctance of the owners of the privatized apartment properties or a negligent attitude towards the obligation to complete the privatization process - contracts on privatization or agreements on the transfer of land without compensation were not signed for a long time, property rights were not registered in the land register, residential buildings were not taken over for management (Ministry of Economy, 2023).

The Law “On Privatization of State and Municipal Residential Houses” determines the procedure for privatizing apartments if the house is located on state or municipal land, or on the land of a private person. More than 20 years have passed since the transfer of apartment buildings to privatization, and Article 51 of the Law “On the Privatization of State and Local Government Residential Buildings” stipulates that apartment owners must hold a general meeting within six months after the decision to start the privatization of the house has been made to establish apartment owners’ associations and managed houses on their own or transfer management rights to an authorized person by mutual agreement. However, this is done only in slightly more than 20% of houses. This is very little, especially if we compare that in Estonia and Lithuania this indicator exceeds 90% (Luksa, 2018).

According to the information of the Ministry of Economy, 39.8% of apartment buildings belong to municipalities, 24.9% - to natural persons, 10.5% - to legal entities, 2.5% of houses have mixed ownership, but the state owns only 0.2% of all residential houses. It should be noted that the property ownership of 22.1% of apartment buildings is unclear (this means - the house is not registered in the Cadastre information system or the State Land Service does not have documents confirming its ownership (legal acquisition).

From the moment of the beginning of the privatization of apartments until today, due to changes in the economic situation and, therefore, also changes in the legislation of both Latvia and the European Union, questions about the management of multi-apartment residential buildings and the related problems are still relevant.

From the above, it can be concluded that the following main problems can be identified in the Latvian housing sector, especially regarding multi-apartment buildings: poor quality (both in terms of maintenance and available facilities), overcrowding, low energy efficiency. From these problems in the management of multi-apartment houses, a series of legal and organizational problems arise - for example, property status and related decision-making regarding house management, maintenance and development issues. In the maintenance of residential buildings, the awareness of residents about their responsibilities and rights as apartment owners and co-owners of multi-apartment buildings is of great importance.
In order to find out the awareness of residents of apartment buildings and their views on problems related to the activities of managing apartment buildings, a survey of residents of apartment buildings of different series and different in number of apartments was conducted in connection with the management of residential buildings.

Residential houses were selected according to the following principles (see Figure 3):

1. According to the location of the multi-apartment residential building - the residential district of the city of Riga:
   - Sarkandaugava (answers were given by 56 respondents);
   - Kengarags (answers were given by 246 respondents);
   - Zolitude (answers were given by 485 respondents).

2. By the number of apartments in a multi-apartment residential building:
   - Three-story buildings with up to 50 apartments,
   - Five-story buildings with more than 50 apartments,
   - Buildings with more than five floors containing more than 100 apartments.

A total of 787 respondents took part in the survey. Only apartment owners took part in the survey, tenants could participate in it only if the apartment owner had authorized them to represent the tenant in general meetings of their property and in other matters related to the management of the house.

When choosing three-story buildings with up to 50 apartments (group of small houses), houses located in the residential area of Sarkandaugava were taken into account. There are relatively

Figure 3
Survey districts and house types (Apkaimes, 2023)
many houses of this type in this district, as they were built both in the pre-Soviet and Soviet periods. They were mostly intended for factory workers. The houses were mostly standard two-room apartments. The fact that the people living in these houses knew each other already as factory workers had a positive effect on the formation of apartment owners’ associations and communities in multi-apartment buildings. However, the large number of rented apartments complicates this process.

The next type of housing covered is housing with more than 50 apartments. Five-story residential houses (group of medium houses) can be attributed to such houses. In these houses during the Soviet period, apartments were mostly assigned to employees of certain companies, in rare cases - on a first-come, first-served basis, which was formed by the respective municipalities in a certain order. The apartment owners living in these houses were also known to a large extent to each other. Similar to Sarkandaugava, the large number of rented apartments makes it difficult to make decisions at the general meetings of apartment owners.

As for multi-apartment residential buildings with more than 100 apartments, the Zolitude residential district (group of large houses) was selected for the survey. This micro-district is a “sleeping district” of the city of Riga with serial houses, whose apartment owners are of various classes, races, faiths, etc. inhabitants. These residents are mostly strangers to each other. In such large apartment buildings, it is very difficult to get a common positive result.

We can also mention the group of apartment owners of multi-apartment residential buildings, which are houses of modern, new projects, and the apartment owners in them are mostly young people with a modern understanding of the management and management of residential buildings and sufficient financial resources. In these houses, it is also much easier to create a housing association, it is easier to call a general meeting and make relevant decisions, because progressive people live in these houses, who use various electronic means of communication in everyday life and work, which significantly facilitates their communication with each other in solving apartment management issues. However, the proportion of this group is small, so it is not considered in the study.

When studying the essence of multi-apartment housing management, a survey of multi-apartment housing owners is used. In the framework of this study, in order to directly and indirectly clarify the management of multi-apartment residential buildings and the factors affecting them, a traditional method was used - an organized survey with the help of a questionnaire (Rust et al., 2004). The questionnaire contained 25 questions on the topic of creating multi-apartment housing associations, legal, economic and financial, as well as social issues and questions about the problems faced by apartment owners and their managers. Questionnaire questions were divided into 3 main blocks:

1. Informative block – awareness of apartment owners (8 questions):
   - Information availability and information channels,
   - General awareness of residential house management,
   - Information about the legal aspects of managing a residential home.

2. Cooperation block – cooperation between apartment owners and house manager (9 questions):
   - The need for an association of apartment owners,
   - Communication with the manager of the residential building,
   - The role of apartment owners in management activities.
Block of problems – home management problems from the point of view of apartment owners (8 questions):

» Management fee,

» Performance evaluation of the manager,

» The main difficulties in managing the house.

Summary of survey results analysis.

Informative block

40.7% of respondents gave a positive answer to the question about the availability of information. The rest believe that the information is not available or is available in an insufficient amount. In the group of small and medium houses, fewer (30.4% and 14.2%) respondents gave positive answers, in the group of large houses this proportion is slightly higher - 55.5%. It would be advisable to study this question in more detail in order to find out exactly where the respondents get information on a daily basis and whether it is sufficiently objective.

When asked about information channels, the respondents answered that they would most like to use the Internet (62.8%), printed media (19.6%) and directly from the manager (10.1%). Only a small number of respondents prefer other ways of obtaining information (informative materials in the mailbox or at the notice board, at the venues of general meetings, by e-mail). 2.5% of respondents are not interested in obtaining information at all.

Regarding the general aspects of residential house management, only 25.1% of the respondents confirm that they are informed about how apartment owners take possession of the building. 41.8% of respondents have no information about this process, and 33.7% have no interest in it. Such answers allow us to conclude that the majority of apartment owners are not interested in these issues, nor do they have an understanding of the processes to be carried out. Likewise, more than half of the respondents (56.2%) believe that the management of a residential building is the responsibility of the municipality or the manager, and not the responsibility of the apartment owners themselves.

The majority of respondents, 88.1%, do not know that, according to the law, when taking possession of a building, the initial meeting of the community of owners must be convened and organized by the relevant municipality, no later than within six months from the completion of privatization. The respondents are not informed about the fact of the law enforcement itself, as well as about the necessary actions. The results of this question provide an answer to the questions of why the renovation of houses is so slow and why a large number of houses have not fulfilled the requirements set by the law and have not taken over the management of their own buildings. Only 26.0% of respondents are informed about the process of creating an association of apartment owners, 40.9% do not know anything about it, and 33.1% are not interested in these issues. It can be concluded that the results of the answers about the residential house management process are very similar.

Apartment owners are generally not informed about the duties of the residential house manager and what information the apartment owner or his authorized person is entitled to receive. 27.4% of respondents gave a positive answer to this question, while the rest do not know anything about it. This distribution of answers shows insufficient awareness of apartment owners and lack of understanding for cooperation with their manager. Such lack of information often leads to conflict situations. On the other hand, 72.2% of respondents believe that they know how to get acquainted with the house file and other management documents.
Cooperation block

In the answers to the question about the elder of the house, the majority or 59.9% of the respondents answered that they were informed that their house has an elder of the house (or several elders for larger houses) and that they recognize these persons. 20.4% of respondents answered in the negative, while 19.6% are not interested. Also, from the explanations of the answers, it was possible to find out that there are buildings where the elder is not at home or the elder is not active for various reasons.

To the question of whether an apartment owners’ association would be necessary in the house, the answers to the question were divided almost equally among the respondents (23.7% believe that it is necessary, 23.8% that it is not necessary, 33.8% think that it would be completely sufficient to the elders of the house, but 18.7% do not have an opinion. Such a division of opinions shows a lack of understanding of how the association of apartment owner’s functions, there are no organized meetings, and there is no direct desire to participate in property management.

This is also confirmed by the answers to the next question, whether there is an association of apartment owners in the respondent’s house. The respondents’ answers to this question correlate with the overall situation in the capital’s housing. Only 16.6% of respondents gave a positive answer. Associations have not been established in the homes of the other respondents. The largest number of respondents (96.3%) answered that the association has been operating for more than 5 years when asked about the duration of the established association (in cases where the association has been established). This means that the establishment of new associations and the active takeover of houses are not happening at the moment.

It can be mentioned as a positive fact that to the question “Are you aware of who is the manager of your house?” an overwhelming majority, or 97.8% of the respondents answered that they know who their building manager is.

On the other hand, to the question “Do you trust your house manager”, 64.2% of the respondents answered “Yes”, while the rest of the respondents were skeptical about the honesty of the manager. 31.2% do not fully trust their manager, or only partially (3.6%).

When answering the question “Do you receive the annual house maintenance and repair estimate and report for the previous year of management from the manager?”, 44.9% of respondents receive this information, but 8.0% of respondents know how to find this information. Slightly more than ½ of the respondents are aware of the actual cost of their property. 26.4% do not receive this information, 9.6% do not know where to look for it, and 11.1% are not interested in such information.

In response to this question about the role of activity of apartment owners in management work, 22.6% of respondents believe that the activity of apartment owners plays an important role, 36.6% think that apartment owners only slightly influence the quality of management, whereas 34.3% of respondents believe that active participation in management processes will not affect them in any way. 6.5% are not interested in such questions.

When answering the question about the impact of energy efficiency on saving money, there is skepticism about the possible result, as only 26.5% of respondents believe that the renovation of the building will save money in the future. More than 58.0% of respondents believe that measures to increase energy efficiency will be expensive, ineffective, difficult to administer and will not bring the desired savings in the future. 15.5% are not interested in energy efficiency problems. Such a view is a direct justification for the slow restoration of buildings in the capital.
Problem block

The majority of surveyed apartment owners (66.9%) whose homes have apartment owners’ associations are satisfied with the work of their association. 13.2% are dissatisfied, while 19.8% are not interested.

20.5% of respondents believe that the creation of an association can change the manager’s attitude and cooperation with apartment owners in a positive direction, and it will be better than direct cooperation with each individual owner. 11.9% hold the opposite opinion. About half of the respondents (53.3%) think that the creation of an association will not change anything in the cooperation of apartment owners with the manager, while the remaining 14.3% have no opinion on this issue.

To the question “Do you agree with the statement that it is better to stay with a known (existing) manager than to look for a new (unknown) one?” the majority of respondents chose not to answer. Of those respondents who answered, 60% answered that nothing will change, and 40% that it will remain better.

When answering the question about the purposes of using the collected management fee, 74.7% of the respondents answered that they were informed for what purposes these funds are used. 15.2% did not know the answer to this question, and 10.1% are not interested in it. Such answers show that apartment owners follow their bills regularly.

40.6% of respondents have indicated that they believe that the calculation of the management fee is in accordance with the regulatory enactments, while 55.2% of respondents have indicated that they doubt it, because the fee is higher than in other houses. The remaining 7.9% are not interested in these issues.

The majority of respondents, or 51.5%, state that the manager is not entitled to use the funds saved for repairs to cover any other household expenses, but does so anyway. 31.3% believe that it is impossible to control this process. The remaining 17.2% have no opinion on this issue.

51.2% of respondents are informed of what to do to apartment owners if there is a suspicion that the manager does not comply with the requirements of regulatory acts on the management of residential buildings, and would be ready to turn to law enforcement or controlling institutions. Some of the respondents would be ready for more serious action - 33.2% would consider managing the house themselves, while 15.3% of the respondents would choose another manager.

Regarding difficulties in matters related to house management, the majority of respondents, or 70.1% of those surveyed, pointed out the lack of time and interest of their neighbors. A large number of respondents, or 18.8% of those surveyed, see the problem as a lack of communication with the current manager. A mutual lack of understanding and communication is the basis for mistrust on the part of the client and often results in reluctance to communicate on the part of the manager. As another problem, 11.1% of respondents indicated a lack of knowledge in these matters.

Conclusions

The process of privatization of multi-apartment residential buildings in Latvia has been completely ill-considered and rushed, residents did not have enough information, as a result of which there was a lack of understanding about the joint ownership of residential buildings and the obligations and responsibilities of apartment owners - all this had a negative impact on the management of these houses, and the consequences are still visible. The management of multi-apartment residential buildings in Latvia is regulated by a series of regulatory acts, which are quite complex, apartment owners often do not understand them and do not navigate them well. These regulatory acts do not strictly define the requirements for the formation of multi-apart-
ment housing associations and the responsibility, rights and actions of the managers. In most cases, they are also not observed, which as a result complicates and hinders the development of this field.

Analyzing the activities and mutual communication of apartment owners and house managers, it can be concluded that:

» Apartment owners of multi-apartment residential buildings lack information about the formation of associations of apartment owners and about the selection of a house manager;

» Apartment owners do not know their rights and obligations regarding house management, joint ownership and related issues;

» A large number of apartment owners are inactive and do not want change;

» There is ignorance and indifference of apartment owners about house management and issues;

» Resolving conflicts between apartment owners and managers is difficult, lengthy and ineffective;

» From the point of view of consumer protection, there are signs of unfair competition and violations of consumer (apartment owners) rights.

It is necessary to make changes in the legislation and determine the course of action in the event that the municipality does not initially convene a general meeting of apartment owners of multi-apartment residential buildings. It is proposed to supplement this norm with the following conditions:

» If the municipality does not convene the initial general meeting of the house within 6 months from a specific reference time, the apartment owners of the multi-apartment residential building are obliged to convene this meeting;

» Impose penalties (for example, by increasing the real estate tax on residential houses that are not taken into possession within six months after the completion of privatization) for careless handling of one’s property;

» Forcibly appoint a residential house manager;

» To motivate compliance with legislative norms, tax or other incentives could be introduced, or grants for improvements could be granted;

» The situation could be improved with a broad explanatory information campaign, which would create additional interest in searching for information and taking further steps.

In order to solve the problems with multi-apartment residential buildings, it is necessary to develop a housing management policy, analyzing and taking into account all aspects, as well as using the experience of other EU member states.

References


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