

WP 5 Financing

Minutes

WP5 Seminar Lübeck, 19-20 April 2010

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Prepared by: Christian Borchard (B&SU) and Kamil Paszkiewicz (B&SU) on behalf of DV



Monday, 19. April

Welcome by Mr Boden, Senator of building authorities of Lübeck

He welcomed all participants on behalf of the city of Lübeck and stressed Lübeck's best practice, the Cooperation Agreement - Cooperation project btw. Land Schleswig-Holstein, City of Lübeck and Lübecker Bauverein.

Mr. Lindner - Opening speech

emphasized the importance of the integrated approach of the energy efficient refurbishment of residential areas. The quarter is the connecting element that unifies the different sectoral elements like energy, social, economic or design issues. But the best integrated concept has failed if the plans are being implemented.

Mr. Schulz - Background of the subject of the workshop "Energetic Challenges and Challenges of Urban Development" - an approach to a solution in Schleswig-Holstein

Approach to a solution from status quo:

- Partners should point out which financial instruments are suitable, so that these instruments can be further examined.
- Draft scheme of different and innovative financing measures.
- Pilot project in Lübeck(see above), however focus on housing agency with tenants (maybe this can be developed for building owners in TA?)
- Specific national regulation should be respected.

Mr. Walberg, ARGE S-H (Institute for sustainable construction)

"Public housing subsidies - financing instruments" (experiences from Schleswig-Holstein: Technical, constructive and economic part of the system of public housing subsidy)

ARGE - Arbeitsgemeinschaft für zeitgemäßes Bauen e.V.

Housing subsidy in SH plays very important role. More than 250m EUR, 1.280 flats should be modernised; 1.920 to be newly built.

Current project: Innovative Technologies of Insulation Network"

Social aspect very important, also constructional and ecologic aspects
for rented flats: EFFH 70= 30% better than energy saving ordinance
condominiums: Standard of insulation, saving of primary energy demand, REE
Strategic cooperation contracts: arrangements btw. State (through the investment banks),
local authority & housing association:

Terms: interest rates acc. to energy performance:
EFH 70= 1%; EFH 100= 2%; EFH 140= 3%

1st project in Lübeck, currently 20 are under preparation in Schleswig-Holstein

Mr. Probst- Lübecker Bauverein/LB “General Cooperation Agreement” - from the point of view of a traditional housing association

Lübecker Bauverein manages more than 7000 residential units.

New: Spar-&Bauverein ; renaissance of a product of the past, due to the financial crisis. LB founds a small bank business as a refinancing instrument from owners!

Development of the district St. Jürgen, Lübeck:

LB had to do something about it since the status of the building stock in the district was very bad. The process started off with the demolition of 335 residential units, construction of 423 flats and modernisation of 545 flats; refurbishment and redensification.

“General cooperation agreement”:

Construction without these loans would have not been possible after WorldWar II
New approach can be seen as mixing the original idea of the past (see PPT) and come to a solution where a certain part of the subsidies can also be used for higher rents. Problem was that in the past, loans were not as popular, so investment Bank S-H also had an interest in an efficient use of loans.

For Lübeck: social stability, local area improvement

For Bauverein: more flexibility, use low loans for new buildings

The State SH distributes low interest loans (0,5%). The housing associations have to cap the rents on a low level and rent the flats to people with low income. Subsidy is firmly connected to the building.

LB uses the low interested loans to build new stock. LB is not obliged to rent the flats to people with social problems. LB is allowed to put new flats on the regular market but they are obliged to reinvest the income partially into the social projects in the particular area.

Mr. Weber, Urban Planning Department of Lübeck “General Cooperation Agreement” - from the point of view of the City of Lübeck

Vicious circle- areas very problematic, high rate of unemployment,
Housing associations did not ask for these loans anymore because it would increase the number of low income tenants again. City was interested in an improved social mixture. In addition, urban spaces could be redesigned and redeveloped once again.

But: not all housing associations can make use of this due to limited own finances etc.
still needed: lead the agreement into an overall contract for urban development concepts

Questions and remarks to the previous three presentations:

Q:Knorr-Siedow: Are you going to extend the contract to private owners and condominiums because the amount of public buildings is shrinking in Germany? Answer: Condominiums are very difficult to manage so it is difficult to put them under one cover.

Q:Baer: Where is the energy part? Is there any precondition for energy? Answer: Subsidies because of lower income, energy is not the core but energy is a further aspect. Loans are used in addition to KfW loans.

Q:Lindner: Are there benefits of the profits from non social-tenants or do they have to be reinvested in urban upgrade and social aspects? Reinvested. In the case of St. Jürgen residential areas a small share of flats can be rented at a higher price.

Mr Lindner pointed out that the most interesting aspect in the “cooperation agreement” is the negotiation between city government and private housing company about the reinvestment of financial benefits. Even if in this specific case the social aspect was emphasised, it would possible to agree on the reinvestment in energy measures.

Q: Can you reinvest in EE measures as well? Bauverein: Yes it would also be possible. Lübeck: However, the social upgrade is very important to the city. So energy would be an another approach.

Mr Busch, MIL pointed out that in the state of Brandenburg they are discussing climate protection cooperation agreement between housing associations, cities and the state of Brandenburg.

Questions for TA: Is this also an approach for TA, is it viable for private owners?

Lithuania: Yes, could be possible for larger owner associations however there is a need to discuss this further in the city administration.

Bauverein: Please remember that the private contractor needs to have a pool of flats and the will to upgrade the social character and mix the social life. Only then it makes sense to reinvest the money in urban and social projects

Q:Borchard: Could it be transferred only to energy measures? Answer: No, the S-H-programme explicitly demands three standards to be met (social, energy and town development standards!). The question remains: what should be the right proportion?

Lindner, Schmigotzki: This is also the integrated approach of Urb.Energy, this is why this approach could be so interesting to the project as it combines the social and the energetic aspect.

Discussion:

It came out in the discussion that the integrated aspect is very important so reinvestment should not merely flow into EE/RES.

S. Kreutz, HafenCity Hamburg: Housing Improvement District (HIDs),

Tradition in UK, Ireland, some in Germany but in Germany still fairly new. Joint proprietor activities in urban development (financial instruments for integrated urban development). Private sector is more involved = self involvement of private stakeholders in the regeneration process of the city. Joint financing via an obligatory levy (no free-riders).

HID=Housing Improvement District
UID = Urban Improvement District
BID = Business Improvement District

for private, no public money/funding foreseen
area based instrument, limited period of time (max 5 years), relatively new in Europe

Self taxing funding mechanism of the proprietors

Management/Activities is made through 3rd party
Additionality (complementary services like street cleaning, marketing etc.)

Pilot Project HH-Steilshoop since 2007 (very mixed owners)
Other model in Germany: "Eigentümer-Standortgemeinschaften/ESG" (Ex Wost research)

Difference HID to ESG: HID Creation of an "internal" legislation where you can force some owners to do what the rest of the owners have agreed on (max 30% against, min 30% pro)

More information: www.urban-improvement-districts.de

Questions and remarks to the previous presentation:

Q:Knorr-Siedow: Do you need the legislation ruling the energy conservation to enforce the private landlords to do something? Answer: There is the legislation and it just has to be promoted.

Q:Borchard: Is decentralised energy supply model (KWK, CHP) possible under HID in a district? Answer: It would be useful. If the landlords can co-finance the kindergartens than theoretically they could co-finance a power plant. In Hamburg the landlords are quite motivated.

T.Baer, Heinrich- Böll-Foundation, Potsdam
Introduction of the project BEAM21 - Blended capacity-building on sustainable energy measures and action plans for European municipalities
Online training course prepared (blended learning) also in Lithuanian, Latvian and Polish

More information about the project BEAM 21 is available at the website: www.beam21.de

Questions and remarks to the previous presentation:

Duvigneau: Not enough actors are addressed; it should be discussed with partners how we can propose models that they can organise themselves.

Lindner: The project of the Heinrich-Böll-Foundation is an excellent complementary for the participating municipalities to build the capacity of the involved partners.

Tuesday, 20 April

Mr Dördelmann, EU support programmes

- EIB (79,4m EUR budget in 2009, operates on a non-profit basis)
- ELENA (mobilisation of investments in sustainable energy at the local level; financed by IEE; covers share of costs for technical preparation and the implementation of energy conservation projects)
- JESSICA (initiative of EC; aim: create investments in sustainable urban development)
- JASPERS (improvement of quality of technical advice available to the project promoters; managed by EIB; co-sponsored by EC and EBRD)

Mr Lewerenz, ILB: Urban Development funds Brandenburg

Revolving fund in Brandenburg - first urban investment fund using sources from ERDF

15 cities in Brandenburg can be funded
100m EUR for grants, 15m EUR for loans

Volume of the revolving fund of ILB - 20m EUR (15m/75%) from ERDF and 5m/25% from ILB sources)

Fund mostly envisaged for the time after the funding period 2007-2013 due to a sharp fall of Structural funds for the next period.

Programme has just been changed in 2010, now companies with a majority of public shareholders can also get funding, but have to pay at least 2% interest rate (municipalities: 1,5%)

Until now there was a strict separation of grants and loans acc to Art.55 but last week the state of BB will allow a combined approach of both.

JESSICA is too focused on cities with >100,000 people, however in BB many cities are btw. 30-40,000 inhabitants

What can be funded: elimination of deficits in urban planning, improvement of the city traffic, city management etc.; all those measures can be combined with energy efficiency measures.

Questions and remarks to the previous presentation:

Q:Knorr-Siedow: ILB is during the phase of distribution of the loans. But what is the exact mechanism of return of the sources into the fund? How does this flow look like? Are there any analysis or particular steps? How does ILB deal with the inflation and the reduced money value after 10 years of the loan maturity? Answer: There are no special procedures at the moment describing the detailed procedure of return of the loans into the fund. This is a future perspective and the inflation rate has no influence for the revolving fund.

Q:Knorr-Siedow: The list of measures which can be financed from the revolving fund is showing that the first 3 measures have a investment character, but all the other have a rather consuming character (like city management). Answer: Indeed, but the proportions are also different and mostly the investment projects are being supported from the fund.

C.Borchard, B.&S.U. mbH

The Berlin Environmental Relief Programme Berlin/ERP - financing of energy efficient refurbishment of public buildings through ERDF

Mr Borchard pointed out the similarities of the quality of the building stock between Berlin of the 90s and PL, LT, LV and EE today. For public buildings, the Berlin Senate has used ERDF in two funding periods & Operational Programmes for EER.

For the next funding period 2014-2020 priorities for EER should be drafted now already and discussed with the national ERDF managing authorities in order to make best use of Structural Funds in the future.

The Environmental Relief Programme has been set up as a funding instrument for flagship projects which have extraordinary energy savings and use innovative technology. A thorough application process as well as monitoring of implementation and planning are crucial in order to achieve the expected effects of primary energy savings of up to 90% compared to the current status.

Questions and remarks to the previous presentation:

Discussion:

As a conclusion it came out that there are obviously a number of financing instruments in each of Urb.Energy's countries. Some instruments as contracting (energy saving contracting, energy performance contracting) have not been discussed during this seminar.

The challenge for the project is to find out which financial instruments are most suitable for the TA. There was a common understanding that this approach should be an integrated one, including social, urban improvement and energy aspects.

Unfortunately the experience with JESSICA in the Eastern European partner countries could not be presented and discussed during this seminar due to airspace limitation in Europe and the absence of partners from LV, EE and PL.

Draft for potential solution in countries where freehold flats and freehold interest/property are still separated:

Cooperation Agreement between cooperative („Genossenschaft“) and a state/region: Owners must act as (housing) cooperatives in order to receive funding for EER measures.

In some Eastern European countries flat owners often do not own the land where the multi-family building is built on. Due to this legal insecurity, banks often do not give loans to these flat owners and EER measures cannot be carried out.

If EER measures should be carried out in the whole house it has to be ensured that flat owners set up two owner cooperatives:

- one owner cooperative for the building (where decisions for EER measures (incl finances) for the whole building are agreed)
- a second and separate cooperative of all flat owners for the land where the house is located in order that the property can be given to the cooperative as start capital that banks can provide loans (which they can't if the land belongs to someone else)

A model could be that in case a second cooperative is established, the state will give the land where the flats are located as a “start grant” and an additional grant for EER measures (better than national regulation). This could be financed via ERDF.

Additional policy recommendations:

- it has to be checked whether it is enough to finance this from the 4% SF available for EER (probably only flagship project)
- OR if an additional X% is necessary only for this instrument.

If state aid is an issue:

- they receive funding only for measures which they wouldn't have carried out anyway.
- that energy efficiency measures are better than national regulations
- serve as “flagship projects”

Lindner: Presentation of the new result-page at the Urb.Energy webpage

All interim results of the project partners will be displayed at the public webpage of the project. At the moment this webpage is available only at the “internal” section of the website. After a verification of the documents by the partner institutions the results will be displayed publicly.

The presentation of the interim results targets [a] on the information of the public about the work of the project but should [b] support the exchange among the project partners.

Imprint

Christian Borchard and Kamil Paszkiewicz

B&SU mbH Berlin
Saarbrücker Str. 38 A
10405 Berlin
Germany

Fon +(49) 303904267
Fax +(49) 303904231

cborchard@bsu-berlin.de
<http://www.urbenergy.eu>

