

Effective Management of Residential Real Estate in European Countries and Russia

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Abstract. The article investigates approaches to improve the management of residential real estate in today's Russia. The activities of urban enterprises of Russia remain inefficient and costly. It shows the changes in the legislative and regulatory framework for the activities of management companies in the field of public utilities. The experience of several European countries on the use of mechanisms for public-private partnerships, outsourcing and information in the urban economy are depicted. The reasons why the experience gained in Europe, effective management of residential real estate is slowly being implemented in Russia are also highlighted in the article.

Keywords: management of residential real estate management companies, apartment buildings, housing and communal services

I. INTRODUCTION

In the world practice a profession to manage residential property means any of the management company (or manager - an individual entrepreneur) in respect of the property to achieve the goals of the owner of the property. Housing management as a business activity carried on a reimbursable basis, and is to provide the owners of the premises or their association (partnership) designated in the contract management services and works. To fulfill its obligations to the owners the manager makes decisions about who will carry out specific work and provide services to those who enter into construction contracts and monitors the work of artists.

II. GENERAL REGULATIONS

In most countries there are no legislative restrictions on the activities of management companies and individual managers who work under contracts with homeowners. Work related to technical and sanitary maintenance of houses, to maintenance work, is usually licensed on a mandatory basis, but just gets a license contractors, and managers are not responsible for the violation of contractor licensing. And, for example, France, the Czech Republic, the Netherlands provide with certification of works and services in the field of housing management. [1]

In Russia, in order to reduce bureaucratic red tape and reduce state regulation in the framework of administrative reform, it was decided to abandon the licensing of activities in this area. In 2007, the Federal Law № 315 on formation of self-regulatory organizations. [2] This will allow housing organizations, entered into self-regulatory organizations, to increase the financial responsibility for providing poor service, and their liability for damage to common property home will be

insured. The Institute will encourage the creation of self-regulation of professional standards, to cleanse the market of services from unscrupulous participants. In addition, the self-regulatory organizations will be able to set higher requirements for the quality of work for members of the organization.

One of the problems of patients in the urban economy of Russia - is the low transparency of the control structures. Despite the decision almost two years ago, the Russian Federation Government Resolution № 731 [3], many management companies have been slow to implement them. Surprisingly, the regulatory authorities in this regard are very passive! So, there cannot not be found in open sources information on administrative penalties for companies that shy away from providing information on the Internet on a whole range of issues, provided for the publication of this legal act, although the fines stipulated in this Code of Russia "On Administrative Offences" (introduced by the Federal Law of 06.12.2011 № 413-FZ) are quite impressive, from thirty thousand to fifty thousand rubles for the officials and from two hundred fifty thousand to three hundred thousand rubles for legal entities (entrepreneurs).

As a rule, civilized market itself creates the requirements for a management company, which is not making the company uncompetitive. First of all, this applies to insurance management company, and its civil liability that arises if the wrong control actions resulted in harm to the owner. Liability insurance managers developed in most European countries. It is strange that in Russia, against the backdrop of a significant loss of control by local housing authorities, numerous accidents happened on engineering networks in almost all villages of the country, which lead to the actual material and moral damage (eg, an accident in the winter 2012 in a suburb of St. Petersburg - a city Kolpino were disconnected from the heat and "frozen" dozens of apartment buildings, and therefore, thousands of residents were left for long periods without heat, electricity, cold water and other municipal facilities [4]), this effective tool to improve the quality of housing and communal services and attracting to the liability of mediocre managers management companies almost never used. The legislative bodies of the country willingly and quickly take any other legislation, sometimes not at all relevant to the inhabitants of the country, but this area for some reason stubbornly sidestep.

Of great importance is training in housing management. In Western countries, many polytechnics and colleges provide special basic education that enables a graduate to start working as a manager. In addition, the professional community managers do offer a variety of educational courses (for

example, in Germany, IWO), designed to improve the skills of employed managers who provide in-depth knowledge and extensive practical experience.

For example, in Hungary the law "On homeowners associations" establishes that the governing condominiums may be only those persons who received the appropriate training. Since 1999 the country has received a state license to teach courses in the field of "managing the condominium" and "managing real estate". [5]

And what about the professional development of managers in Russia? Currently, there is a catastrophic lack of professionalism of the leaders of urban structures, both in the province, and in both capitals. Accepted situations of inadequate management decisions lead to a permanent system crashes and a huge investment of time, and most importantly - budget resources to eliminate them! I consider it appropriate to introduce such a rule in Russia, where a certificate of conformity with the heads of management companies and the Chairpersons of homeowners, should be a prerequisite of their activities.

For Russia, it is characteristic that emerging private housing organizations that call themselves "management companies" tend to have their own full-service management, maintenance and repair of apartment buildings. The experience of Western countries gives other examples of the developed market housing, where the activities of organizations working in the field of maintenance and repair of housing, narrowly specialized on, for example, maintenance of pipes inside the house provides a firm, servicing of meters for district heating systems - the second firm, servicing of pumps, installed in heating systems - the third, maintaining boiler (heat exchanger) - the fourth, etc. Accordingly, the owners must have a manager who knows the market he is contracting with, who knows the benefits of the use of various technologies, who is oriented in prices, who has a variety of financing instruments and serves as a consultant to the owners or partnership on these issues. Allocation of management of apartment buildings in a separate type of activity contributes to proposals from professional management and development of a competitive market for management, development of small and individual businesses in the area of housing. To create a similar legal environment in Russia, our legislators have yet to work hard.

Let us analyze the situation in Estonia, where the technical condition of the housing stock is much better than in Russia. Housing problem is not acute: the state is building social houses in which all individuals can rent an apartment for an affordable rent (in Russia this process has only just begun to unfold.) In this case there is no proper public housing: 95% of apartments are privatized in Estonia.

Estonia has two options for managing the houses: with the management company or a housing association. There are about 9000 housing associations, united by 320,000 apartments. Almost every company attracts certain types of work management companies. The government strictly controls the quality of management companies.

In most cases, a partnership is created in the same house. It has the right to create mutual funds for repairs, which are not

taxed. Also, the partnership can take loans for various types of work to improve life at home. The program renovations is widely used in the country : the regulation of heat consumption is separate in each room, the replacement of flat roofs on stone double slope, the unit of ventilated facades, etc. Programs are expensive, to implement them there is used a system of voluntary and compulsory loans, but the government funding and programs for major repairs by the state are absent.

The Association operates housing association, which has a paid consulting and other services. In particular, the Association conducts training chairmen of associations, which reimburses half the cost of the municipal budget. In addition, the Association publishes a magazine in the Estonian and Russian languages. Monitoring "bad" and "good" management companies the Association does not hold, considering it too contentious affair. But the Association certifies housing associations, that is conducting a comprehensive survey of the house. As a result of the survey may be issued a certificate of quality for a period of 2 years.

Characterizing the system of housing - communal services in Finland, one can claim that it has a high quality of housing and communal services. In Finland, 1.4 million homes in the combined 70,000 joint stock companies - owners of residential real estate, 50,000 of them use the services of real estate management companies (operators), the rest are controlled independently. The Management Company is responsible for daily management under the contract for management, which sets out the terms and a list of services and prices. [6] The management company selects the operating organization for small objects selected members of the association of its own.

The operating organization provides services, either directly or under a contract with specialized companies (construction and repair, cleaning, snow, security, garbage collection, etc.), and annual reports to tenants about income and expenses. There in Helsinki, all utility systems are owned by the city. The Finns believe that they are very reliable - no one will turn off heat under any circumstances. Moreover, the central heating in Helsinki ensures smooth delivery of quality services to district heating.

All functions successfully in harsh climatic conditions in Scandinavia, because housing management there - has long been a normal business. It does not matter who owns residential real estate, centralized heating system or not. The main thing - the very system of governance is based on some rules: minimize costs and use of advanced technologies. For example, to generate electricity and heat coal, gas and hydro but most of all - wood waste, are used,. Whichever is less, and in case of severe frosts the cities have spare capacity.

Of course, in Finland there is a 60% depreciation of municipal equipment, as in Russia, but still new projects need money.to maintain the systems in working order when they are updated, But the money comes back to where the control system is transparent and stable, where to get a loan - is not a problem for either municipal or private structure and where the return of investment guarantees a profit. Helsinki Water Canal is a structure, which is wholly owned by the city. This is a commercial enterprise with its own budget. In its disposal are

water supply and sewage networks and water towers. The company took a loan of 150 million euro for 20 years and gradually pay it from their income. Revenues come all the time - all the residents pay for municipal services. And they have both the benefits and subsidies for certain categories of people, the same as in Russia. As for utilities about 20% of revenues goes on average Finnish citizen.

Contracting in the construction industry and in selected urban authorities are in the competition. All projects developed and approved by the commissions of the municipality, with many officials do not decide issues, and citizens act through their representatives in local government.

If we talk about the experience of good governance in the European countries, it should be noted that for the successful management of critical infrastructure of cities, it is a common forms to attract business through public-private partnership, including concessions.

The concept and mechanisms of public-private partnership in the world are used to attract private companies for long-term funding and management of public infrastructure, including a wide range of objects - housing - public utilities, landscaping, transportation, etc. We can distinguish the following characteristic features of public-private partnerships in European countries:

- public-private partnership meets the needs of public sector borrowing, or using the resources of the private sector;
- public-private partnership supports the government powers and functions, while providing services in conjunction with the private sector;
- public-private partnership consists of two or more parties working to achieve common goals. Participants in the public-private partnerships can be: local and state governments, businesses and nonprofit organizations;
- members of partnership share authority and responsibility, operate on an equal footing, together spend time and resources, share investments, risks and benefits, maintain relationships within a certain period, have a clear agreement, contract or other title document. [7] The world leaders in the field of public-private partnership are recognized by Britain, France and Germany. Thus, in the UK each year there are up to 80 new partnership agreements. According to the British government, such projects provide 17% savings for the budget. [8]

France has a strong tradition of public-private partnerships, which include the activities of "Communities of the mixed economy" (SEM), and concessions. The legislative framework SEM dates back to 1966 and 1983. Characteristic of SEM is that the public sector and local authorities under the law, in particular, should have a larger share in the assets of SEM and thus play a leading role in management. Apartment buildings in France, are operated by a syndicate of owners who are in every house. Property prices in major French cities, even in the time of the crisis are very high.

Therefore, the French owners belong to the analogue of our forms of homeowners associations and act in accordance with the rules of property ownership. All decisions taken at a meeting of owners, tenants are to be binding. Issues discussed

at the meetings of all kinds: from the tariff approval prior to the sale of joint property. A hired manager directs the association of owners, but there are cases when at the top is one of the owners of apartments.

Most of the inhabitants of French cities, especially young families prefer to live in rented apartments. However, the vast market of tenants is not an excuse for the owner of the apartment for a continuous or unreasonable rent increases. Tenants' Rights Act controls the organization to protect their rights.

Tenants occupying social housing or living in homes owned by private landlords, are guided by the same laws. The tenant can rent a house for at least three years if the landlord is a private person, and for six years - if the house is owned by the company. The owner has the right to require the tenant to make a deposit, but its size cannot exceed two months' rent.

On the other hand, homeowners have their own union, actively defending their interests. One of the most active unions - Confederation "for improving the living environment". It helps people create their own condominiums and urge the government of the decisions.

In Germany, the idea of public-private partnership was adopted very early in the projects of cooperative development. In the context of cooperation between non-profit companies and public sector companies are forced to impose some restrictions on the policy of making a profit. In exchange, the government gives them tax breaks. Since the second half of the 80s of the last century, public-private partnership in Germany has been particularly important. This process began with a major reconstruction projects and rebuilding urban infrastructure in North Rhine-Westphalia, by making the necessary changes in the structural policy and identifying the lack of public funding. In the context of regional structural policy in the early 90's they were created by development agencies, local authorities and combining private businesses. As part of its priority of such agencies, was first and foremost task of restoring abandoned land.

Thus, in European countries to encourage private capital to implement unattractive to private sector projects, the state provides a socially significant project cost deposits or quasi-money (tax breaks, subsidies). However, the most valuable contribution to the state in the project is, in our opinion, the law itself for its implementation - guaranteed by the state monopoly on the use of a dedicated resource data only now realizing the project is approved by the public-private partnerships. [9]

The use of mechanisms of public-private partnership in housing - communal services can provide, first of all, the ability to implement socially significant projects in the shortest possible time, unattractive to traditional forms of private financing. And also increase the effectiveness of projects through the participation of private businesses. Ensure the reduction of burden on the budget by bringing in private funds and transcriptions of the costs to users (the commercialization of services), the ability to attract the best managerial, engineering and technology, improving the quality of service consumers.

Laws are far from perfect, and what is now the executive power does not guarantee business in the long term (30-50 years) return on investment. It seems that now, when the question of Russia's accession to the World Trade Organization decided that something will change in the dynamics of the discussion of additions and changes to the existing concession area of law in the State Duma. The example of Ukraine, in which the Russians have suddenly become leaders in the use of concession agreements in the municipal area, should be instructive.

The most important component of management efficiency in housing - communal services of the European countries are information technology. Collection and processing of information, interaction with consumers and communal power structures is automatic. The whole process of personal interaction between a customer and a service provider can pass through the Internet or other resources. Of course, the process of information provides a significant financial investment. For example, in Finland about 7 billion euros, or 3.5% of GDP, were invested in the process automation utilities in 2008. Recognizing the importance of information in the urban sector, regional and municipal authorities of Russia, heads of municipal enterprises in the field of housing - communal services, however, funds from their budgets virtually isolated, and private management companies, which feel themselves as "temporary worker" divide the profit from economic activity in completely different directions. The backwardness in this area is observed even in St. Petersburg, to say nothing of other financial unsecured regions of Russia.

The activities of enterprises urban Russia is inefficient and costly. Thus, the cost of electricity production and sale of a cubic meter of water for 30-50% above the European average, water consumption is higher than 3-fold, despite the fact that prices in Europe are several times higher than the Russian ones. In the similar European enterprises in the number of personnel per thousand residents served by a factor of 2-3 lower than in Russia. For example, in Helsinki, the company occupied the entire water supply for 20 people, the rest of the work conducted in terms of outsourcing. But outsourcing is already widely used in Europe, can act as one way of improving efficiency in housing and communal services of Russia by reducing costs and improving the quality of processes.

The most important arguments in favor of outsourcing are cost savings, reliability and guaranteed quality of services provided. This is due to the fact that the contractor (outsourcer) has the opportunity to specialize in a narrow field of production or services, concentrating on their own best experts, using the most modern equipment, using advanced technology and constantly accumulating experience in servicing multiple clients. By combining its own and borrowed experience an outsourcer gradually improves the quality of service and always offers a ready-to-use solution. Serving many customers an outsourcer allocates overhead costs and optimizing the economy works, that makes it possible to reduce the prices of their services while improving their quality. At the same time the customer buys the services, without incurring the costs associated with maintaining specialized units with trained

personnel and with sophisticated equipment. This allows the company to the customer, reduce the cost of development as an opportunity to acquire the necessary services at no additional cost and at the best prices. An Outsourcing Contract entitles the customer to obtain the desired service performed in a professional manner and in many cases with the provision of financial responsibility for the quality of outsourcing them. The fact is that, as a legal entity, an outsourcing company has assets that can be claimed as a compensation for possible damage. In addition, outsourcing activities are the subject of insurance and therefore liable for their work increasingly divides the outsourcer with the insurer. In the case of mistakes or poor work performance by staff members of its own service company can recover only a portion of the damage, for example, only by their dismissal without the payment of final salary.

In a highly competitive market, housing and public services to survive and succeed, can only those companies that operate in the most efficient way, seeking to reduce operating costs while maintaining high quality services. Outsourcing allows companies to achieve real competitive advantage in the market, thanks to cost savings and provide quality services. In the modern world in the housing - communal services the cleaning (cleaning), operation of real estate outsourcing, outsourcing of garbage collection are very common types of outsourcing. Accounting and legal outsourcing are used in the urban transport sector. Thus, the practice of developed foreign countries shows that outsourcing is a necessary tool to improve the quality of the provision of housing and communal services and cost savings.

III. CONCLUSION

In conclusion, we select the reason that the accumulated positive experience in Europe, high performance object management of residential real estate is slowly being introduced to the Russian reality:

- a significant depreciation of fixed assets and utilities;
- large amounts of inefficient budget spending at a high level of receivables and payables (from Russia to accounts payable of enterprises in the urban economy in 2010 amounted to 348.5 billion rubles, and accounts receivable - 360 billion rubles, including 147 billion rubles - payable population to pay for housing and utilities);
- imperfection of legislation, including in the field of public-private partnership;
- lack of self-regulatory organizations active in the field of housing - communal services;
- computerization of urban poor;
- low visibility of the control structures;
- irresponsibility and lack of initiative of urban workers;
- a huge proportion of the urban economy of low-skilled personnel;
- corruption of officials of municipal economy.

These problems, especially corruption, of course, greatly complicate the transfer of European experience in Russia. However, all of the above recommendations are not only possible, but needs to be consistently implemented in Russia, authorities at all three levels, first and foremost, lawmakers, as

the Russian federal and regional legislation have seriously lagged behind the European level.

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