



EIE Project ROSH

Development and marketing of integrated concepts for energy efficient and sustainable retrofitting of social housing

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Survey on regulatory frameworks and economic conditions

WP 3: Advanced Tailored Financial Schemes

Task 3.1: Analysis of existing financial mechanisms and economic conditions

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1 Introduction

1.1 The ROSH mission

ROSH – Retrofitting of Social Housing – is a European co-operation project for the development and marketing of integrated concepts for energy efficient and sustainable retrofitting of social housing in the partner regions. For the purpose of the project “social housing” comprises multi-family houses or apartment buildings for low-income households. Running from January 2006 to June 2008, ROSH supports this undertaking with information, training and communication measures as well as helpful tools and materials. Its focus is on social housing providers and on tenants. Within the scope of ROSH, guidelines for the sustainable retrofitting of less privileged houses will be developed as well as financing schemes. ROSH methods will be evaluated by means of demonstration projects.

1.2 Advanced tailored financial schemes

The major obstacle for refurbishment in social housing is well known: lack of financial means. This situation is significant for all EU Member States. The ROSH project team analysed the specific, current situation in the participating EU regions (in Austria, Germany, Ireland, Italy and Poland) in order to research, compile and assess innovative financial schemes. The starting activities have confirmed the problematic status quo but have shown some interesting approaches (e.g. contracting instruments) to improve the situation.

The main results will be presented in the guidebook “Sustainable Retrofitting of Social Housing: Financial Schemes”. The publication will describe regulatory frameworks concerning energy efficiency, subsidy schemes and advanced tailored financial schemes. In addition it will contain planning tools for and good practice examples of successful financing projects. The guidebook is intended for decision makers in housing companies and local authorities as well as energy agencies, consultants and planners and will be published in spring 2007.

This survey describes regulatory frameworks and economic conditions in the partner regions. It is based on the previous research involving experts and key actors and is the basic document for the further elaboration of new tailored financing schemes.

2 Summary

Housing policy

The Austrian legal framework for residential buildings (including buildings of social homes) distinguishes three different laws:

- the rent law ("Mietrechtsgesetz", MRG)
- the co-operative housing law („Wohnungsgemeinnützigkeitsgesetz"; WGG)
- the condominium law („Wohnungseigentumsgesetz", WEG)

Of interest for refurbishment activities is the co-operative housing law since the building owner is allowed to charge a so-called maintenance and improvement fee. The level of this fee is mainly depending on the age of the building. In this way building owner is able to establish a reserve within a period of ten years to realise refurbishment activities. This kind of mandatory and fixed fee is not existing in the rent law and in the condominium law.

Main institutions and their role

Housing laws are done on national level, building codes and subsidy schemes are regulated on regional level.

Property management is mainly organised by co-operative housing companies and property managers. Both of them have their own national and regional associations. In larger cities property management is also arranged by public housing offices.

Subsidies and campaigns

Subsidies for refurbishment of residential buildings are provided by the regional government of Styria. There has been established an eco-point system to stimulate refurbishments of high energetic quality.

In addition subsidies for renewable energy sources are also granted.

Innovative financing schemes

The most common innovative financing scheme in Styria are contracting models. Contracting is a guaranteed way to lower energy costs, to optimize heating systems, to switch to energy saving lighting systems or renewable energy sources, to implement insulation measures, etc.

Types of contracting:

- Energy Performance Contracting: the goal is the reduction of energy demand and energy costs.
- Energy Supply Contracting: the goal is the modernization of heating systems or the change of fuel.

- Plant Management Contracting: the goal is the minimization of heating costs through optimal operation management

Since 1997 energy performance contracting became an often used tool to optimise and modernise mainly public but also residential and non-residential buildings. Since then more than approximately 100 projects have been realised in Styria by up to 25 energy service companies (ESCOs), however just about 5 ESCOs cover about 70 to 80 % of all EPC-contracts.

Needs for social housing retrofitting

The main needs for social housing retrofitting are:

- Refurbishment orientated adaptations of housing laws and subsidies.
- Raising Awareness of building owners for refurbishments of high quality: a 30 to 40 years old building needs in any case a refurbishment – this is the general time frame for buildings.
- Establishing sufficient reserves by building owners on time: starting to build up the reserve already ten years before the starting point of the realisation of the refurbishment.
- Clear communication with the residents.

3 Overview on housing policy¹

The Austrian legal framework for residential buildings (including buildings of social homes) distinguishes three different laws:

- the rent law ("Mietrechtsgesetz", MRG)
- the co-operative housing law („Wohnungsgemeinnützigkeitsgesetz"; WGG)
- the condominium law („Wohnungseigentumsgesetz", WEG)

As there is no definition in Austria on social houses the share of households belonging to the category „social houses" can not be reported due to lack of statistical data. That is why the share of households referring to the above mentioned is always accounting for all households in Austria.

3.1 Rent law

This law refers to about 30% of all households. It is applied mainly for the multi-family building stock, which has been constructed before the second world war and to multi-family buildings rented out by public owners like municipalities or by institutional owners and companies like banks or assurance companies.

The owner is responsible for maintenance of public parts of the building (façade, roof, stair-well, etc.), in specific cases for maintenance of flats (but only for strong damages), maintenance of common appliances, renovation measures based on decisions of public authorities, installation of technical feasible measures that reduce the energy demand of the building (pay-back period of ten years), useful improvements of the building, if there is enough rent reserve available.

To finance these kind of measures the owner has to use first the rent reserves from the last ten years (i.e. the reserves that remain from rent revenues after subtracting all expenses for maintenance in the given time-span). If this reserve is not sufficient the owner has to use the expected rent reserves over the coming ten years. Finally – if both financing resources are not enough to finance the refurbishment the owner is allowed to apply for an increase of the rent. This application has to be approved by the so-called "Schlichtungsstelle", which is an administration for the settlement of disputes outside the court system.

¹ This text is based on the FRAMES report, Austrian Energy Agency, Vienna, 2005

3.2 Co-operative housing law

This law is quite comparable to the rent law. However there is one main issue that distinguishes these two laws with respect to refurbishment activities. Additionally to the ordinary rent, the housing co-operative is allowed to charge a so-called maintenance and improvement fee. The level of this fee has an upper limit which is defined by law and which depends mainly on the construction period. For buildings that have been built more than ten years ago, the upper limit is 0,97 € per m² and month and for buildings that have been built more than 20 years ago, the upper limit is 1,46 € per m² and month. 0,36 € per m² and month of these amounts are reserved for ordinary running maintenance.

3.3 Condominium law

This law refers to multi-family buildings which the dwellings are owner occupied. This law regulates how public parts of the building have to be administrated by the association of the owners.

The following issues concerning building renovation have to be approved by the majority of owners: the monthly payments to the maintenance reserve and the raising of all loan for renovation activities in the case the reserves are not sufficient to cover investment costs. Refurbishment activities to reduce energy consumption like insulation of outer walls, replacement of windows or installation of new heating systems generally are considered to be maintenance.

For any kind of improvement measures (i.e. investment that goes beyond the pure maintenance of the building) an unanimous decision of the owner is necessary.

4 Main institutions and their role

The Ministry Of Justice is regulating the housing laws (rent law, co-operative housing law and condominium law) on national level.

The regional authorities ("Bundesländer" like Styria) are responsible for building laws and subsidies. Subsidies are also granted by local authorities (municipalities).

Key actors are co-operative housing companies and property managers, both having their own associations – for the co-operatives the GBV (Austrian Federation of Limited-Profit Housing Associations) and for property managers the ÖVI (Austrian Association of Real Estate Trustees). Co-operating housing companies are generally constructing new buildings and are organising the property management of these and other existing buildings. Property managers are mainly responsible for the property management of existing buildings, some of them have also the permission to develop new buildings.

In larger cities residential buildings for poor people are managed by the public housing office. These buildings have been often developed by housing co-operatives.

A specific situation is given by the condominium law: owners of buildings referring to this law are owned by the residents. In this case the number of building owners goes in hand with the number of flats. Generally a property manager or a housing co-operative is acting for the association of owners.

5 Existing subsidies and campaigns

5.1 Subsidies

- Subsidies in Styria provided by the regional government

Subsidy for refurbishment of residential buildings: retrofitting measures - for example energy saving measures (thermal insulation, window replacement, modernisation of the heating system).

The actual amount of the subsidy depends on the amount of eco-points. The maximum amount per flat is 30.000,- Euro (basic subsidy, no eco-point) up to 50.000,- Euro (four eco-points).

One eco-point is for example given for the connection to the district heating, for installation of a biomass boiler, a solar system, a heat pump, a ventilation system with heat recovery, or for thermal insulation measures (for the last, all U-values of outer structural elements have to meet the requirements of the thermal insulation directive).

Two eco-points are given for the installation of a biomass boiler or connection to district heating AND an installation of a solar system, for installation of a biomass boiler AND the installation of a ventilation system with heat recovery, or for thermal insulation measures if all U-values are at least 20% below the requirements of the thermal insulation directive.

The subsidy consists of the granting of non refundable annuity subventions for ecological measures, energy saving measures and retrofit measures, for which at least one eco-point is given. For other improvement and maintenance measures, refundable annuity subventions are granted.

Subsidies for solar systems: the installation of a solar heating system is subsidized with a direct subvention. One condition among others is that the regional municipality also grants a subsidy for solar heating systems.

Solar systems for domestic hot water, integration in the heating system and power production can be subsidized. The upper limits of the subsidy are depending on the solar system and on the size of the solar collector. The maximum amount lies at around 500,- Euro per apartment for multifamily houses.

Subsidy for biomass boilers: the installation of a biomass boiler is subsidized with a non-redeemable grant. An additional subsidy from municipalities is possible (but no requirement).

The maximum amount of the subsidy is 25% of the net investment costs, up to 1.800,- Euro (depending on the heating system).

- Subsidies of municipalities

Additional subsidies are given by municipalities in various kinds for insulation of buildings and installation of heating systems on basis of renewable energy sources.

5.2 Campaigns

- Federal programme for climate protection: klima:aktiv

klima:aktiv is the federal initiative of Ministry of Environment to support climate protection and has been started in the year 2004. It is the aim to boost market implementation of sustainable technologies and services. The initiative is managed by the Austrian Energy Agency, co-operating with several national and regional institutions, like Graz Energy Agency and AEE. klima:aktiv covers the following issues: mobility, saving energy, construction and retrofitting and finally renewable energy sources.

- Regional initiative ÖKOSAN – the modernisation initiative in Eastern Styria

The idea of ÖKOSAN is to convince persons responsible for the property management of comprehensive refurbishments of residential as well as public buildings. Within this initiative, widespread performance packages are offered. The contents of the performance package range from review of individual situations, the elaboration of detailed studies to a monitoring process during the first year of utilisation. The campaign is managed by AEE.

6 Innovative financing schemes

The most common innovative financing scheme in Styria are contracting models. Contracting is a guaranteed way to lower energy costs, to optimize heating systems, to switch to energy saving lighting systems or renewable energy sources, to implement insulation measures, etc. Contracting causes an optimization of the overall costs, that means investment costs as well as operating costs. Contracting causes an optimization of the overall costs, that means investment costs as well as operating costs. With contracting measures can be put into effect, which otherwise would have to be postponed or couldn't be implemented at all because of financial shortages.

Beside the planning and implementation of measures, contracting can also include a form of funding of these measures. The contractual partner – the contractor - guarantees the building owner contractually agreed energy costs and offers a complete package of services. This package can include operation, maintenance and accounting.

Quintessential principles of contracting:

- Single hand Services

One contractor takes control of planning, execution and if required financing of the retrofit measures (e.g. thermal insulation, window exchange, restructuring of the heating system, etc.), as well as maintenance and operation of the systems (heating, cooling, solar systems, air ventilation, etc.).

- Extensive guaranties

The contractor guarantees the contractually agreed amount of energy costs for the building after refurbishment including predetermined comfort standards. In addition, the guaranties can include other operating costs such as for garbage and water, or refer to response time or downtime in case of breakdown. The service period of the contractor – the policy period – normally has a life-span of 5 to 15 years.

- Performance-related commission

The contractor is paid performance related: In case the actual energy or operating costs exceed the guaranteed values, the fee of the contractor is reduced. Therby the contractor has a strong incentive to actually achieve the cost reductions and use high quality standards during implementation.

- Economical optimization

The financing of the retrofit measures is carried out in such way, that the overall costs for the building owners (investment and operating costs) are kept as low as possible.

Contracting is suitable for apartment buildings and residential development with an existing or planned central heating system, for all-embracing refurbishment with conversion of the heating system or with too little existing financial resources.

Types of contracting:

- Energy Performance Contracting

The goal is the reduction of energy demand and energy costs.

- Energy Supply Contracting

The goal is the modernization of heating systems or the change of fuel.

- Plant Management Contracting

The goal is the minimization of heating costs through optimal operation management

Performance indicators of contracting in Austria and Styria

Since 1997 energy performance contracting became an often used tool to optimise and modernise mainly public but also residential and non-residential buildings. Since then more than approximately 100 projects have been realised in Styria by up to 25 energy service companies (ESCOs), however just about 5 ESCOs cover about 70 to 80 % of all EPC-contracts.

Most of the realised contracting projects in the residential fields are dealing with installation of new heating systems, change of fuels or installation of solar systems (energy supply contracting). Energy performance contracting is by far not as often applied as energy supply contracting.

7 Needs for social housing retrofitting

On the legal framework existing laws are obstructive to realise comprehensive refurbishments, most of all in the condominium law and in the rent law. Upcoming adaptations of building laws have to integrate the requirements of energy saving and climate protection for to boost refurbishment activities.

Main need is on the awareness raising of building and flat owners – most of them are not aware that comprehensive refurbishments of buildings are necessary in a period of about every 30 years. This lack of awareness effects too small reserves to realise these refurbishments. Furthermore people are often not aware of new building standards.

The lack of sufficient reserves is also a main barrier to realise refurbishments. As building owners are not used to increase payments into the reserve to cover investment costs of refurbishments and they are not aware of the needs of refurbishment activities after about 30 years building owners often do not come to a decision for comprehensive refurbishments. This barrier is linked to the previous mentioned lack of awareness.

Clear communication to the residents: both in rented buildings as well as in ownership buildings people have to be informed about and involved in the upcoming refurbishment.

As subsidies are a core element in Austrian policy system subsidies shall stimulate refurbishment activities of high energy performance. Currently the incentive to make refurbishments of high energetic quality is rather low.

