Establishment of a PPP Housing Sector in Albania / Formation of a PPP Housing Company / Realization of a Social Housing Model Project in Shkodra

Feasibility Study

October 2010

Project partners:
- Ministry of Public Works, Transportation and Telecommunication of Albania
- Municipality of Shkodra
- The Albanian National Housing Agency
- Gemeinnützige Bau- und Wohnungsgenossenschaft "Wien-Süd", Vienna
- IIBW – Institut für Immobilien, Bauen und Wohnen GmbH, Vienna

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EXECUTIVE SUMMARY

Albania shows considerable deficits in housing supply for its population, particularly concerning the provision of affordable rental apartments. The public authorities have not been successful so far in introducing a functioning model of social housing provision in sufficient quantities.

Based on the experience of the Austrian team-members, the formation of a joint venture PPP Housing company and a pilot project of social housing is to be put into practice in Skodra. Parting from this pilot project, the superior goal is to establish a framework for the implementation of an operational social housing sector in Albania.

The model of PPP Housing derives from the successful social housing sectors in several European countries, particularly in Austria, The Netherlands and some Scandinavian countries. Private companies fulfil public service obligations. For compensation they get privileged access to subsidies, but have to accept strict procedures of audit and supervision.

The project is based on a promising partnership of stakeholders:

- The Ministry of Public Works, Transportation and Telecommunication of Albania takes the patronage of the project, but probably will not take shares of the project company.
- Municipality of Shkodra: It is one of the biggest cities of Albania with around 110,000 inhabitants. As for Albania in general, housing provision in Shkodra is insufficient. There is only a very small quantity of social housing. Virtually the whole housing stock is owner occupied. Shkodra is willing to provide building land and infrastructure for the model project free of charge.
- The Albanian National Housing Agency: NHA realizes low cost owner-occupied housing with an output of several hundred units per year, in total already close to 13,000. It is able to provide some funds for the new project (loans close to market level with short maturity).
- Gemeinnützige Bau- und Wohnungsgenossenschaft "Wien-Süd": with an administered housing stock of around 25,000 units (mostly rental dwellings, but as well condominiums), the cooperative is one of the biggest social landlords in Austria.
- IIBW – Institut für Immobilien, Bauen und Wohnen GmbH: The initiator of the project is one of the leading Austrian providers of research and consulting in housing finance, housing policy and legislation. Amongst other international projects, IIBW has designed a new Housing Law for Romania and is driving the establishment of affordable rental housing sectors in several CEE countries, such as Montenegro.

The feasibility study proves the advantage of the PPP Housing approach compared with other social housing models such as public housing, cooperative housing or utilisation of private companies via public tender. Specific advantages are the expected capacity building, know how transfer from a foreign social land lord and the application of a model that has proved efficient and effective in several European countries.

The implementation of a new social housing sector in Albania may be described as a cascading business model:

a) Starting point is the formation of a joint venture **PPP HOUSING ORGANIZATION.**

b) This new entity is to execute a **SOCIAL HOUSING MODEL PROJECT** in Shkodra.

c) A parallel action concerns a gap assessment on the Albanian Housing Law and the development of additional regulations, particularly a new **PPP HOUSING LAW**.

d) Thereafter, further PPP Housing Companies may be established.

e) This results in an entire **NEW SOCIAL HOUSING SECTOR** for Albania

The PPP Housing organization is to act as investor, housing developer and as administrator of the dwellings. The Feasibility Study defines the management skills of the organization to cover these functions.

Crucial for the effectiveness of this kind of venture is a strict scheme of audit and control. This is the case for the project company to be formed, but even more for the case that several other PPP Housing organizations will follow. Audit and control will go beyond usual revision of the financial statement, but will include to entire financial conduct of the organizations. Additionally, revision will contribute to quality assurance of the sector by implementing best practice from one organisation into all others. An umbrella organization is to represent the interests of the group and to help developing the political and legal framework.

The model housing project in Shkodra answers to proven demand in the city. The project shall comprise 150-200 dwellings, at least 50% of them affordable rental dwellings with net rents of at most 1.50 €/m². For all dwellings, a new maintenance scheme shall be introduced with fees of 0.30-0.50 €/m², including a reserve fund for future repair.

Calculation of the project is based on cost documentation of realized projects of NHA with construction costs of as less as 260 €/m². Including some, mostly ecological, improvements, construction costs are calculated with 300 €/m². This amounts to total costs of 3 to 4 m €.

Financing shall be based on a structured financing model, developed by IIBW in cooperation with DIGH – Dutch International Guarantees for Housing. Including land and infrastructure from the Municipality free of charge, low interest loans from NHA (particularly for construction finance of future owner occupied dwellings) and cross subsidies from for profit activities to rental, additional financing of approx. € 2m is required. For the pilot project, cooperation with DIGH shall be addressed. Additionally, local capital market funds shall be included, if feasible.

Allocation of the dwellings will follow a strict scheme, considering need for housing, family status and incomes (minimum and maximum household income). Target groups are households with low but stable incomes, such as civil servants, teachers, medical personnel etc. Most needy for affordable rental housing are people who did not benefit from housing privatization. These are mainly young households, migrants to the city and the poor. Allocation will be administered by the Municipality.

CONTENTS

A. BACKGROUND OF THE PROJECT

Name of THE PROJECT:

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subsequently cited as THE PROJECT.

A.1 COUNTRY BACKGROUND

A.1.1 POPULATION

By end of 2009 the population of Albania amounted to 3,190 m inhabitants and is slightly growing. Urbanisation is low, compared to other countries in the region, but there is a substantial shift from rural to urban areas. Urban population has grown by 23% since 2001, total population only by 4%. This rapid urbanization process requires extraordinary levels of housing investment.[1] The rise of urban poverty is one of the most serious concerns in the region.[2] Albanian population is relatively young, compared to other countries in the region.[3] For 2011, the National Statistical Office Instat schedules a population census.

A.1.2 ECONOMY

GDP per capita (PPS) was € 6,600 in 2009, which is about 28% of EU27 average. But GDP growth rates have been impressive with 5 to 8% between 2003 and 2008. Most remarkably, Albania was one of the few European country (besides of Poland) with a growing GDP in 2009 (+4.2%). Inflation is low with only 2.2% in 2009. Average gross incomes are as low as € 242 per month, but quite dynamically growing. The unemployment rate was below 14% in 2009.[4]

A.1.3 POLITICAL SITUATION

Previous elections, including the parliamentary election of 2009, ended with narrow majorities. The presently governing Democratic Party of Sali Berisha has only 70 of 140 seats in parliament. After accusing voter fraud, the Socialist Party refused to enter parliament, but ended the boycott in February 2010.

In April 2009, Albania joined NATO and applied for membership to the European Union.

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1 Chiquier/Lea (2009: 6).

2 Tsenkova (2009: 61).

3 Instat. WIIW. Tsenkova (2009: 61).

4 Instat. WIIW.

Graph 1: Map of Albania

Source: United Nations

A.2 HOUSING PROVISION

Albania has a housing stock of around 800,000 dwellings. Around 70% of the housing stock are single family homes. Due to ongoing privatization, the ownership rate was steadily increasing to presently close to 100%. For privatization, a symbolic fee was applied which differed with respect to location and age. Uniform prices allowed privileged households to acquire considerable wealth at insignificant costs.[1]

More than 50% of all dwellings have been built between 1961 and 1990. The biggest part of multi-apartment buildings was built in bricks or stone, only few used prefab technology. The predominant heating material is electricity with almost 60%. There is virtually no central heating or district heating in place.[2]

The average dwelling comprises 2.2 rooms. 55% of households live in dwellings with one or two rooms, 60% have less than 60m². This relatively small living space accommodates relatively big households. Two thirds comprise 4 or more persons.

[1] Tsenkova (2009: 66). Tsenkova et al. (1996).

[2] Instat, data as for 2001, Tsenkova (2009: 116).

Similar to countries such as Romania, Croatia or Moldova, Albania has installed a National Housing Agency to execute social housing policy issues. NHA has already realized more than 10,000 affordable owner occupied dwellings with generous repayment conditions for the beneficiaries (yearly annuities of 4% for 25 years with 0% interest rate).[1] Still, the need for social housing construction is huge.

The financing markets are targeted at retail financing products for purchase of condominiums and have strongly contributed to heating up this market segment until 2008. On the other hand, there is still hardly any long term investment capital available at attractive conditions for rental housing. The availability of eligible financing products is an important precondition for the establishment of new products on the housing market.[2]

Financing of housing purchase has become much more difficult since the crisis. Banks offer much lower loan to value ratios than before, require extensive securities and charge higher interest rates. Hence, the crisis caused a downturn of production output and increasing unemployment in the construction sector.

Due to a lack of supply of affordable multi-apartment housing, the biggest part of the population covers their housing needs with single family housing construction. Hence, urban sprawl and informal construction is a major problem in big parts of Albania, mainly in the Tirana region and the coast.

Similar to all CEE countries, house prices have increased dramatically until 2008. Thereafter prices droped. Currently, new apartments in Tirana are offered for 500 to 800 €/m².[3] Prices in Shkodra are around one third below. Rental markets are poorly developed. Commercial rental housing is hardly existent, as privatized condominiums are rented out for quite low prices, in many cases without formal rent contract. For Shkodra, market rents of below 2 €/m² are reported.

A.3 HOUSING LEGISLATION

Early after transition, several international housing researchers highlighted on the convergence of housing reform in Eastern European countries.[4] But current publications adjust this view and accentuate differences in policy development (path dependency).[5]

Current housing reform is mainly based on the Housing Policy Action Plan approved in 2001.[6]

For purposes of PPP Housing, the *Law on social programs concerning housing of inhabitants in urban areas* (No.9232, from 13.5.2004) is most relevant.[7] It has several sub-laws, such as decrees of the

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1 Tsenkova (2009: 74, 93).

2 OECD (2005), UNECE (2005b). Amann (2009a).

3 Global Property Guide.

4 E.g. Hegedüs and Tosics (1992), Clapham et al. (1996), Hegedüs et al. (1996).

5 E.g. Buckley and Tsenkova (2001). Tsenkova (2009: 7).

6 Tsenkova (2005), 27. Tsenkova (2009:68).

7 Full text see appendix chapter F.2, p. 30.

Governments and Minister's Orders. The law aims at ensuring the legal, financial and institutional framework to provide access to housing for low-income and vulnerable groups.[1] There are no further regulations on PPP housing in place. The Government is willing to implement according regulations.

Property rights are governed by the Civil Code. A Condominium Law was approved in May 2009, developed with support of the IFC Housing Finance program.[2]

A.4 ENFORCEMENT OF NEW HOUSING LEGISLATION

The Government of Albania has initiated a number of pilot projects to help implementing current new legislation:

- Social Housing Project, financed by CEB – the Council of Europe Development Bank, municipal budgets and State budget, through the Ministry of Public Works, Transport and Telecommunication;
- Public-Private Banking Sector project, for increasing access to affordable housing loans;
- Project for Improving the Living Conditions of the Roma Population, financed by the State budget;
- Home Improvements and renovations, aiming at energy efficiency and stimulation for the establishment of condominiums.

THE PROJECT as described in this Feasibility Study, also targets at the enforcement of existing housing legislation.

A.5 SHKODRA

The province of Shkodra in the very north of Albania has about 250,000 inhabitants, roughly half of them living in the provincial capital with the same name. It is the largest city in the north of Albania.

As for Albania in general, housing provision in Shkodra is insufficient. There is only a very small quantity of social housing. Virtually the whole housing stock is owner occupied. Austrian development aid is significant. An Austrian School (technical college for computer techniques) has been completed in 2008. Austrian development aid helped to re-establish water supply for the city.

1 Tsenkova (2005), 54.

2 EBRD/IFC (2010: 72).

B. PROJECT PURPOSE

B.1 ESTABLISHMENT OF AN AFFORDABLE RENTAL HOUSING SCHEME IN ALBANIA

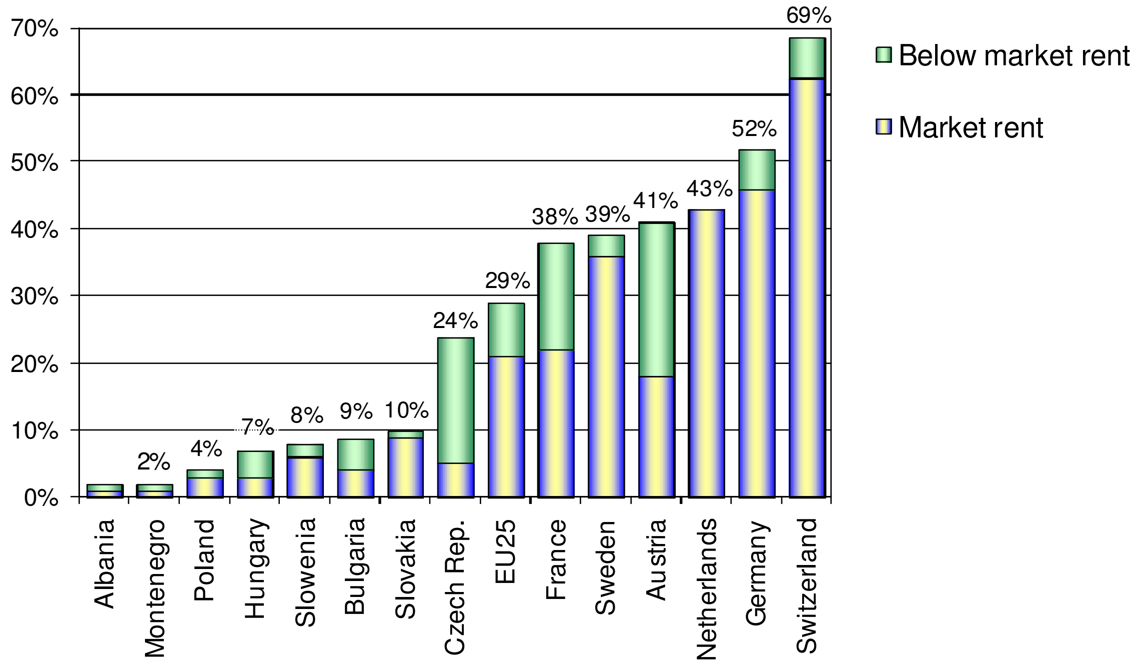
A sound rental sector is important for labor mobility and to accommodate those who do not want or are not able to become homeowners. Consumer choice is regarded a major driving force of economic development. The scientific community does not clearly recommend a distinct share of rental housing to make housing markets work most efficiently. But a share on the total housing stock of 10% to 15% seems to be a minimum. But the market for rental housing is in some ways more complex than that for home ownership.[1]

The establishment of rental housing markets in a sufficient quantity has the following rationale from the point of view of national economy:

- Improvement of housing provision for those who cannot afford own property (young households, migrants to the cities, vulnerable households);
- Consumer choice;
- Diversity of housing provision challenges competitiveness and improves stability of housing markets;
- Investment opportunities.

The following graph shows shares of rental housing in European countries with Albania at the very bottom with far below 5%. In real terms, rental housing has a higher share, taking the considerable number of informally rented condominiums.

Graph 2: Share of rental housing in Europe



Source: Eurostat (EU SILC), UIPI (for Switzerland, 2003), Statistik Austria (for Austria), Albania: IIBW estimation.

[1] Chiquier/Lea (2009: 440).

Box 3: Social housing as driving force for sustainable real estate market development

The “Real Estate Market Advisory Group” of UNECE – United Nations Economic Commission for Europe has developed a “Policy Framework for Sustainable Real Estate Markets. Principles and guidance for the development of a country's real estate sector”. Amongst others (e.g. “Integrated Legal Framework”, “Efficient Land Register and Cadastre”, “Sustainable Financing”) Principle 9 is about “Social Housing”:

Social housing should be considered as an integral part of the real estate market, as means to promote economic growth, urban development, reduction in housing pressure, and as a policy option to address the problem of informal settlements.

RATIONALE

Social housing can offer development opportunities for the real estate market and housing sector, and it can be a stabilizing factor for economic development. An innovative social housing policy can contribute to recovering and reconverting crumbling or underused buildings as well as stabilizing housing production by the undertaking of multi-year plans for construction of new housing units. It can also facilitate urban development and regeneration, contribute to ecologically sound standards in new construction and refurbishment, stabilize migration flows and reduce social tensions. In several Western countries, social housing has been implemented as part of national housing plans. Also, an excessive percentage of private ownership (i.e. over 80 per cent) may be a disincentive to housing mobility for labour relocation or study reasons. Basic preconditions for successful social housing policies are multi-year strategies, the establishment of institutions and an economic environment that stimulates policy continuity and long-term investments.

KEY INDICATORS

1. A home is a basic investment for everyone, one which may not always be fulfilled by direct access to the real estate market. However, access to homeownership may be supported by government directly or through very-long-term loan opportunities. Every country should develop social housing policies that can respond to the requirements of all segments of the population.
2. National and local administrations should, in line with local housing requirements, implement long-term plans for soft-loan house leasing either through the recovering of the existing housing stock or through new construction. Early planning is recommended, as the implementation of social housing plans usually takes four to eight years from the first initiative to the time buildings are actually let.
3. Awareness should be raised about the importance of the State’s commitment and intervention to promote social housing, and also to respond to the demand of poor and vulnerable groups. Awareness should be also raised on the fact that the provision of social housing for those in need is an obligation of government.
4. Rental and leasing policies should, on the one hand, favour the mobility of people for reasons of work and study and, on the other, make it possible to give concrete answers (e.g. through tax breaks by the State or State-supported social rents) to lowincome groups.
5. A comprehensive, harmonized set of laws regulating rents, condominiums, management and maintenance, subsidies and social housing should be adopted.
6. PPPs in housing have showed convincing results in many countries. Initiatives should be developed in compliance with the UNECE Guidebook on Promoting Good Governance in Public- Private Partnerships (New York and Geneva, 2008).
7. Social housing (through public housing, PPPs, cooperatives, etc.) should be developed as integral part of a housing market. It should compete with private markets to stabilize housing costs.

Source: UNECE/REM (2010).

New construction of rental housing will only happen, if there is a business case. This is hardly possible for the private commercial real estate sector, as privately financed rents would be too expensive to meet the demand of the target groups.

PPP housing offers an opportunity to establish a business case. PPP Housing sectors play a major role in housing provision of several European countries, e.g. in the Netherlands and Austria with shares of total housing stock of 34% and 23% respectively.

To succeed on housing markets in cities such as Shkodra it will be a major challenge to compete with informally rented condominiums. Because of privatisation almost for free, those condominiums are offered for very low rents of at around 1.50 €/m². Even newly erected condominiums are offered for low prices, compared with neighbouring countries such as Montenegro, of around 500 €/m². A PPP Housing scheme must offer rental dwellings which are considerably cheaper than a privately financed condominium

The potential of a PPP Housing sector can be seen in two different aspects. First, it enables the installation of a functioning rental market and, second, it enforces public objectives in housing policy through the operation of non-public housing providers.

B.2 ALTERNATIVE APPROACHES

Taking the agreement of all Albanian stakeholders to go for the realization of affordable dwellings and considering the willingness of the Albanian project partners to provide building land and infrastructure free of charge (Municipality of Shkodra) and to invest some funds (National Housing Agency), alternative models of realization may be considered.

The alternative models represent common ways of providing affordable housing, as practiced in many countries worldwide. The considerations are based on the following similar preconditions: (a) share of rental housing of at least 50% within each project, (b) building land and infrastructure free of charge, (c) low interest loans of at most 50% of construction costs provided by the National Housing Agency with short maturity.

B.2.1 PUBLIC TENDER TARGETING AT PRIVATE HOUSING DEVELOPERS TO REALIZE AFFORDABLE HOUSING

Procedure: The Municipality of Shkodra or the NHA put out a tender targeting at Albanian or international housing developers to realize the defined project. A similar program of altogether 1,200 social rental dwellings, realized by private companies on municipal land in accordance with national procurement guidelines, has been implemented recently. Funding came from the state (up to 10%), municipalities (up to 30%) and a subsidized CEB loan with state guarantees. Construction was exempt from VAT.[1]

Advantage: Market economy solution, promotion of commercial housing developers.

Feasibility: The economic environment in Albania require high risk margins for private developers, which makes house prices expensive. Private housing developers will not be able to afford long term

[1] Tsenkova (2009: 99).

investments in rental housing. If yes, it will be market rents which require high additional allowances. Rental housing administration and maintenance is not solved with this model.

B.2.2 PUBLIC HOUSING

Procedure: The Municipality of Shkodra establishes its own housing department and realizes public housing. Rents are fixed politically.

Advantage: Low rents, full control by the Municipality.

Feasibility: Public housing is usually financed from the budget. It is unlikely that the Municipality of Shkodra can afford more than single small projects for most vulnerable groups. This housing model is strongly in danger to produce ghettos. Due to different disadvantages, social housing provided directly by the public has become unpopular in most countries. In most cases it is to be replaced by different kinds of PPP Housing sectors.[1]

B.2.3 COOPERATIVE HOUSING

Procedure: The formation of one or more cooperatives is to be promoted. They realize multi-apartment housing on the basis of self-help. Specific legislation has to be introduced.

Advantage: A bottom-up approach with positive impact to the development of civil society.

Feasibility: It is difficult to start cooperative housing from scratch. It will be successful only with professional structures. Therefore cooperative housing requires similar structures as PPP Housing. Cooperative housing is targeted at its members. It is not rental housing.

B.2.4 CONSTRUCTION BY NHA

Procedure: NHA realizes affordable housing as it has done previously. It introduces a rental scheme.

Advantage: NHA is very experienced in realizing affordable housing. It may provide own funds.

Feasibility: Own funds of NHA suffice only for single projects with quick return of investment. Introduction of rental housing will be difficult for financial and organizational reasons. NHA is for good reasons specialized in affordable owner occupied housing. The introduction of rental housing would be difficult. But this option still is the most feasible of the first four ones.

B.2.5 PPP HOUSING APPROACH

Procedure: With a joint venture of public and private institutions both from Albania and Austria, a project company (SOCIAL HOUSING SHKODRA SH.P.K.) shall be formed. This realizes a pilot project in Shkodra. The approach targets at the introduction of a new affordable housing sector in whole Albania. A specific structured financing scheme shall be applied. After establishment of the sector it seems feasible to allocate subsidies by competitive biddings.

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[1] Chiquier/Lea (2009: 376).

Advantage: Capacity building, knowhow transfer from a foreign social land lord, application of a model that has proved efficient and effective in several European countries. PPP models for housing provision for low and moderate income groups is today recommended by many international organizations, such as UN[1], World Bank[2] or CEB[3].

Feasibility: Shall be explained in the following.

B.3 CASCADING BUSINESS MODEL

Based on the experience of PPP Housing in Austria and other European countries, a new approach is attained. The implementation of a new social housing sector in Albania may be described as a cascading business model:

a) Starting point is the formation of a joint venture **PPP HOUSING COMPANY** (see C., p. 19).

b) This new entity is to execute a **SOCIAL HOUSING MODEL PROJECT** in Shkodra (see D., p. 30).

c) A parallel action concerns a gap assessment on the Albanian Housing Law and the development of additional regulations, particularly a new **PPP HOUSING LAW** (see E., p. 45).

d) Thereafter, further PPP Housing Companies may be established.

e) This results in an entire **NEW SOCIAL HOUSING SECTOR** for Albania

Affordable rental housing construction has high significance in many Western countries, but in almost no transition countries after transformation. There have been some attempts with public housing, but almost no sustainable alternatives.[4] A PPP Housing approach may demonstrate a new approach both regarding efficiency (costs) and effectiveness (outreach).[5]

This Feasibility Study shall define the preconditions for the articles of association for the joint venture PPP Housing company, i.e. a commercial partnership, as defined by ADA (“Wirtschaftspartnerschaft”). For this reason, the following chapters describe the formation of the joint venture PPP Housing company (chapter C., p. 19), the scheduled social housing model project in Shkodra (chapter D., p. 30) and dissemination of the model and the development of a PPP Housing Sector in Albania (chapter E., p. 45).

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[1] UNECE (2005a). UNECE/REM (2010).

[2] Chiquier/Lea (2009: 393, 447).

[3] CEB (2004).

[4] Chiquier/Lea (2009: 367).

[5] See Tsenkova (2009: 110).

B.4 PROPOSED BUSINESS PARTNERSHIP WITH SUPPORT FROM THE AUSTRIAN DEVELOPMENT COOPERATION

This very Feasibility Study has been worked out with financial support of the Austrian Development Agency within the programme “Business Partnerships”. The cooperation of the public and private sector within development cooperation aims to

- harness potential synergies between public and private services and mobilise additional private funds for developmental purposes;
- maximise the beneficial development impacts of business relations and investments to improve the economic conditions and standard of living in partner countries;
- enhance the sustainability and efficiency of private-sector commitments through complementary public services and with that achieve macroeconomic benefits;
- strengthen local small and medium-sized enterprises through partnerships with European businesses. The intention is to enable them to grasp the opportunities afforded by globalisation and make a contribution to poverty reduction.[1]

The formation of a PPP Housing company and the realization of a social housing model project in Shkodra with its contribution to the establishment of a PPP Housing sector in Albania fits very well in the targets of Austrian Development Cooperation (ADC). There are good chances to be funded with grants, which may amount to 50% of costs with a maximum of € 200,000. This may be a crucial contribution to start up this project.

B.5 BACKGROUND OF THE PROJECT PARTNERS

B.5.1 MINISTRY OF PUBLIC WORKS, TRANSPORTATION AND TELECOMMUNICATION OF ALBANIA

Legal authority on social housing is allocated in this Ministry, together with several other competencies. The responsible department has executed and accompanied plenty of social housing initiatives over the year. Staffing is characterized by continuity and long lasting experience.

Objectives and interest in THE PROJECT:

- Optimisation of public investment and output (social benefit, economic results).
- Exemplary construction and living standards.
- Contribution to the implementation of lasting structures (rental housing sector) and the building of institutions (PPP-housing associations).

B.5.2 MUNICIPALITY OF SHKODRA

The mayor of Shkodra has initiated the project and strongly commits for it. The municipality considers to provide building land for the project. They are willing to take shares in a joint venture.

Objectives and interest in THE PROJECT:

- Affordable housing (rental, owner-occupied).
- Social targeting with an elaborate scheme of allocation.

[1] http://www.entwicklung.at/funding-and-tenders/business-partnerships/en/

B.5.3 The Albanian National Housing Agency

Housing construction of the National Housing Agency is based on the "Law on social programs concerning housing of inhabitants in urban areas". NHA builds low cost houses and sells them to families that have applied for low cost houses in the municipalities, which can afford to pay back the cost of investment for 20 years with 2% interest. Construction output is several hundred units per year.

Objectives and interest in THE PROJECT:

- NHA as a State agency is in charge of supporting social housing activities.
- NHA has limited funds. It is interested in new models addressing new financing sources and financing models.

B.5.4 „Wien-Süd" eGenmbH

„Wien-Süd" is a Cooperative and a Limited Profit Housing Association (LPHA) located in Vienna/ Austria. With an administered housing stock of around 25,000 units (mostly rental dwellings, but as well condominiums) it is one of the biggest social landlords in Austria.

Objectives and interest in THE PROJECT:

- Financing below market conditions, in combination with public support.
- Interests of „Wien-Süd" in the project is to transfer the successful Austrian PPP housing sector to countries in transition. It is regarded probable that the new scheme could solve some of the most burdensome aspects of housing provision in Albania. The business model is designed in a way that it is economically feasible for the Austrian partners.

B.5.5 IIBW – Institut for Real Estate, Construction and Housing Ltd.

IIBW is one of the leading Austrian providers of research and consulting in housing finance, housing economics, housing policy and housing legislation. Amongst other international projects, IIBW has designed a new Housing Law for Romania and is driving the establishment of affordable rental housing sectors in several CEE countries, such as Montenegro.

Objectives and interest in THE PROJECT:

- IIBW has developed legal and financial schemes for implementation of social housing sectors in transition countries. The very project is a most promising approach on implementation.
- The business model is designed in a way that it is economically feasible for the Austrian partners.

B.6 Reference to EU standards

Housing policy is in the authority of the EU Member States. On the one hand the Union is dismissing housing policy authority, but on the other hand related EU regulations have a deep impact on national housing policy. Examples are the Directive on the Energy Performance of Buildings[1] (recast 2010) or measures taken for urban renewal and regional development. Only a few years ago has a coherent EU judicature for social housing been introduced. The general rule for the interaction of the EU with social housing was determined through the "Altmark Case"[2] and further specified through several

[1] Directive 2002/91/EC.

[2] ECR I –7747 2003.

decisions about competition law.[1] A pro-active legislative attempt is noticeable by the opening of the Regional Fund (ERDF) for housing in 2007 and recent financing programmes by the European Investment Bank.[2]

Albania applied for EU membership in April 2009. Hence, the proposed model is fully in line with EU regulations, particularly regarding the exempt of a general state aid ban for Services of General Economic Interest.[3]

B.7 WESTERN BALKAN SOCIAL HOUSING NETWORK

In July 2009, IIBW together with the Government of Montenegro and the Montenegrin social landlord CFSSI have organised a conference „Western Balkan Social Housing Initiative“. This resulted in the scheduled establishment of a Western Balkan Social Housing Network (WBSHN).

The network shall transfer knowhow between the members and from Western European best practice. In this function it shall support members in the establishment of social housing organisations in the respective countries, complemented by support in political awareness building and the adoption of legal regulations. This might be of particular importance regarding the EU accession process.

With a regional approach it will be easier to address international support and financing sources for the development of national social housing sectors, including construction financing.

A regional approach will help social housing on Western Balkans to be well represented on a European level, mainly within HOUSING EUROPE (formerly CECODHAS), the interest group of social housing providers in Europe.

The PPP Housing organisation in Shkodra would fit very well to this Network. An institutional link may be established within the very project.

1 Mundt (2006).

2 EC 2006/1080.

3 ECR I –7747 2003 "Altmark Case", Decisions of the Commission N 497/01, N 239/02, C 515/02 and in L312/67-69 from 2005. See Mundt (2009).

C. FORMATION OF A PPP HOUSING COMPANY

This chapter may work as a draft Business Plan for SOCIAL HOUSING SHKODRA SH.P.K.

C.1 FUNCTIONS OF A PPP HOUSING COMPANY

A PPP Housing company such as SOCIAL HOUSING SHKODRA SH.P.K. functions at the same time as investor, developer and housing administrator. The combination of these three functions is the core of effectiveness of the PPP Housing sectors in Austria or The Netherlands.

C.1.1 THE PPP HOUSING COMPANY AS INVESTOR

Investment operations are:

- SOCIAL HOUSING SHKODRA SH.P.K. is owner of the model project and later housing developments.
- IT is acquiring financing.
- IT is responsible for refinancing.
- It is setting up mechanisms of audit and control.
- It is conducting long term financing obligations.

SOCIAL HOUSING SHKODRA SH.P.K. works with the autonomy of a private company, but is still providing public service obligations. In return, the company has privileged access to public subsidies and possibly public land and infrastructure free of charge. It is subject to strict audit and control through public authorities.

C.1.2 THE PPP HOUSING COMPANY AS DEVELOPER

SOCIAL HOUSING SHKODRA SH.P.K. is responsible for the efficient execution of construction. Development operations are:

- Evaluation of housing demand;
- Planning procedures for new construction;
- Technical assessment of the housing stock, execution of refurbishment projects;
- Dealing with authorities (permits);
- Procurement procedures;
- Contracting;
- Supervision of construction;
- Cost control;
- Accounting.

It is to clarify, whether SOCIAL HOUSING SHKODRA SH.P.K. has to follow public procurement procedures. PPP Housing companies in Austria need not, which allows them for more flexibility.

C.1.3 THE PPP HOUSING COMPANY AS HOUSING ADMINISTRATOR

Establishing a rental housing sector is one of the core targets of THE PROJECT. Setting up an effective scheme of housing administration is therefore of specific significance. The implementation of a rental scheme is inevitably linked to the implementation of maintenance fees (see D.6, p. 43). Housing administration operations are:

- Drawing up of contracts with tenants (both for rental and owner-occupied dwellings);
- Levy of rents and maintenance costs;

- Execution of foreclosure procedures in the case of non-payment;
- Organisation of tenants participation;
- Building maintenance;
- Dealing with authorities (e.g. social purposes);
- Contracting of service providers;
- Preparation of refurbishment projects.

C.2 LEGAL FORM

It is recommended to form the project company as Limited Liability Company following Albanian law (sh.p.k.).

The formation of the company and financing of the project are possible within the framework of the "Law on social programs concerning housing of inhabitants in urban areas" (No.9232 from 13.5.2004).

Legal requirements of a PPP Housing company, which will be subject of a future PPP Housing Law, shall be regulated on contractual basis, until the new housing legislation is in place, see C.6 (p. 25). A draft PPP Housing Law is attached (see F.5, p. 76 ff.).

C.3 SHAREHOLDERS

Shareholders of the project company shall be (see B.4, p. 16)

a) the Municipality of Shkodra,
b) the Albanian National Housing Agency,
c) the „Wien-Süd" eGenmbH, Vienna,
d) IIBW - Institut für Immobilien, Bauen und Wohnen GmbH, Vienna.

It is confirmed from a) and b) that they as public bodies are legally entitled to enter a Limited Liability Company (sh.p.k.).

C.3.1 MUNICIPALITY OF SHKODRA

Share in the project company: 30%
Representative for the stake: Ahmet Omi, Deputy Mayor of Shkodra
Preconditions for formation: Decision of the City Council

Inputs to the project company:

- 30% of initial capital;
- Building land and infrastructure free of charge or financial sources for this purpose;
- Support in administrative procedures and infrastructure linked to the land plot;
- Municipality supports the project company in administrative terms;
- Coverage of parts of personnel costs (see C.5.1, p. 22);
- Development and implementation of an allocation scheme for the dwellings.

C.3.2 THE ALBANIAN NATIONAL HOUSING AGENCY

Share in the project company: 30%
Representative for the stake: Ilirjan Proko, General Director

Inputs to the project company:
- 30% of initial capital;
- Lead part in management of the project company;
- NHA shall support the model project with substantial subsidies (low interest loans);
- Local housing development knowhow;
- Coverage of parts of personnel costs (see C.5.1, p. 22).

C.3.3 „Wien-Süd" eGenmbH

Share in the project company: 20%
Representative for the stake: Dr. Stefan Zadeyan, Managing Director

Inputs to the project company:
- 20% of initial capital;
- Knowhow-Transfer;
- Education of the local management in the „Wien-Süd" headquater in Vienna;
- Support by building up the project company;
- Supervision by realising the model project.

C.3.4 IIBW – Institut für Immobilien, Bauen und Wohnen GmbH

Share in the project company: 20%
Representative for the stake: Dr. Wolfgang Amann, Director

Inputs to the project company:
- 20% of initial capital;
- Design of the model;
- Bringing together the business partners;
- Organisation of structured financing for the model project;
- Support by building up the project company (business plan etc.);
- Legal gap analysis, development of a PPP Housing Law.

C.4 Organisational operations of the project company

C.4.1 Management skills

The management of Social Housing Shkodra sh.p.k. has to cover the following skills:
- Financial skills, both regarding long term investments, construction financing and handling of continuing obligations;
- Controlling;
- Real estate development skills;
- Legal skills (C.4.3);
- Policy skills, regarding the public services provided by the company;
- Human resources management;
- Language skills (English) to communicate with the foreign co-owners.

C.4.2 Technical skills

The technical department has to cover the following skills:

- Urban planning and architectural skills;
- Technical assessment of the housing stock;
- Cost estimation for new construction and refurbishment;
- Dealing with authorities (permits);
- Handling of tenders and orders (procurement procedures);
- Supervision of construction.

C.4.3 Legal skills

A legal expert has to cover the following skills:

- Full knowledge of the legal basis of operations of the project company;
- Contracting;
- Claims management (both for construction and in contractual relation with tenants);
- Handling mortgages;
- Housing legislation.

C.4.4 Housing management and Administration

The required housing management skills are described above (C.1.3, p. 19).

C.4.5 Cost accounting

Rents are continuing obligations. For this reason, rental housing requires specific skills that differ from those required for housing for sale. It is of particular importance to link rent collection with refinancing of long term mortgage loans and maintenance. Audit and control (C.8, p. 28) mainly concerns accounting.

C.4.6 Personnel

The following need for personnel is estimated:

- CEO economist/lawyer: starting part time, full time after 5 years;
- CEO technician: starting part time, full time after construction starts;
- 1 expert for housing management after 2 years;
- 1 Secretary;
- 1 accountant.

C.5 Costs and earnings of the project company

The following estimations on costs and earnings of Social Housing Shkodra sh.p.k. only concern business administration. Rent and maintenance incomes on the one hand, repayments for mortgages and maintenance services on the other hand, are calculated as transitory items (cost coverage principle).

C.5.1 Operating costs

The following operating costs are estimated, based on the specification of perdonnel (C.4.6) and predicted miscellaneous costs, including the service fees for the Austrian partners (see C.10, p. 29).

Table 4: Estimation of operating costs for SOCIAL HOUSING SHKODRA SH.P.K.

monthly gross salary	1st year	1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year
Index			4%	4%	4%	4%	4%	4%	4%	4%	4%
CEO economist/lawyer	€ 1000	0,5	0,5	0,5	0,5	1	1	1	1	1	1
CEO technician	€ 1000	0,5	1	1	1	1	1	1	1	1	1
Technician	€ 600	0,5	1	1	1	1	1	1	1	1	1
Expert for housing managemen	€ 600			1	1	1	1	1	1	1	1
Interpreter	€ 400	1	1	1	1	1	1	1	1	1	1
Secretary	€ 400	0,5	0,5	1	1	1	1	1	1	1	1
Accountant	€ 600	0,5	0,5	1	1	1	1	1	1	1	1
Personnel total		€ 26.400	€ 37.400	€ 53.200	€ 55.300	€ 64.600	€ 67.200	€ 69.800	€ 72.600	€ 75.500	€ 78.600
Premesis (rent, energy)		€ 4.000	€ 4.200	€ 4.400	€ 4.600	€ 4.800	€ 7.100	€ 7.400	€ 7.700	€ 8.000	€ 8.300
Equipment (IT etc.)		€ 8.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000	€ 3.000
Auditing		€ 8.000	€ 8.300	€ 8.600	€ 8.900	€ 9.300	€ 9.700	€ 10.100	€ 10.500	€ 10.900	€ 11.300
Supervisory board		€ 5.000	€ 5.200	€ 5.400	€ 5.600	€ 5.800	€ 6.000	€ 6.200	€ 6.400	€ 6.700	€ 7.000
IIBW personnel I		€ 18.000	€ 18.700	€ 19.400	€ 20.200	€ 21.000	€ 21.800	€ 22.700	€ 23.600	€ 24.500	€ 25.500
IIBW personnel II		€ 12.500	€ 13.000	€ 13.500	€ 14.000	€ 14.600	€ 15.200	€ 15.800	€ 16.400	€ 17.100	€ 17.800
Wien Süd personnel I		€ 28.800	€ 30.000	€ 31.200	€ 32.400	€ 33.700	€ 35.000	€ 36.400	€ 37.900	€ 39.400	€ 41.000
Wien Süd personnel II		€ 12.500	€ 13.000	€ 13.500	€ 14.000	€ 14.600	€ 15.200	€ 15.800	€ 16.400	€ 17.100	€ 17.800
Travel & accomodation costs		€ 10.000	€ 10.400	€ 10.800	€ 11.200	€ 11.600	€ 12.100	€ 12.600	€ 13.100	€ 13.600	€ 14.100
Consultancy and training		€ 10.000	€ 10.400	€ 10.800	€ 11.200	€ 11.600	€ 12.100	€ 12.600	€ 13.100	€ 13.600	€ 14.100
Reserve		€ 0	€ 50.000	€ 50.000	€ 50.000	€ 50.000	€ 30.000	€ 30.000	€ 30.000	€ 30.000	€ 31.200
Taxes		€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Total costs		€ 143.200	€ 203.600	€ 223.800	€ 230.400	€ 244.600	€ 234.400	€ 242.400	€ 250.700	€ 259.400	€ 269.700

Other external costs of the project company, which are directly linked to construction (such as supervision of construction), are included to the construction costs.

C.5.2 COSTS AND REMUNERATION OF "WIEN SÜD" AND IIBW

The Austrian partners "Wien Süd" and IIBW are engaged in this very project aiming at disseminating PPP Housing following the Austrian model as international best practice. Both belong to the private sector and hence have to go for returns of their investment.

The following costs are expected (see Table 4):

- Personnel is calculated with a reduced daily fee of € 720 for executives (the usual fee is € 900) and € 500 for technical staff. The fees increase year after year with an index of 4%.
- For IIBW, 25 days of the executive and 25 days of technical staff per year is calculated.
- For "Wien Süd", 40 days of executives and 25 days of technical staff per year is calculated.
- Travel and accommodation costs may cover 12 to 15 missions/persons.

Costs of the Austrian partners are for the first four years expected to be covered for the bigger part by grants of the Austrian Development Cooperation (see Table 5).

C.5.3 EARNINGS

SOCIAL HOUSING SHKODRA SH.P.K. is occupied with the three functions mentioned above (as investor, developer and administrator). It gains returns mainly from development and administration. The company faces the following challenges:

- There are substantial costs starting from the first year (see C.5.1), but incomes that grow only slowly.

- Service fees as developer depend on construction activities. Therefore the business plan must include follow-up projects after the model-project.
- Service fees for administration can be earned only after having finished the first project. They may not exceed 8 ¢/m² per month. This is 67 € per dwelling per year. Hence, incomes from this position become substantial only after a couple of years. It is to be expected that the PPP Housing company is able to work without fees from new construction with a housing stock of at least 2.000 units.

The calculation of operation fees in Table 5 is based on the following assumptions:

- All 5 housing projects are calculated with the same conception of altogether 200 dwellings with in average 65m², which is altogether 14,000m².
- Project costs are estimated with 300 €/m² (see D.3.1, p. 36) for the 1st project with increasing prices following an index of 4% p.a.. This results in project costs of € 4.2m for the 1st project, which will increase by some 8% for the 2nd project, if this starts two years later. Costs are divided by 25-50-25 for a total term of realisation of some two and a half years.
- The service fees for housing development are to be fixed in the Articles of Association with 6 to 10% of construction costs. In Table 5 a fee of 8% is calculated.
- Feasibility of the project strongly depends on support granted by the "Business partnership programme" of the Austrian Development Cooperation, which is estimated by altogether € 200,000 to be acquired in four similar annual tranches.

Table 5: Estimation of earnings of SOCIAL HOUSING SHKODRA SH.P.K.

		1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year
Construction costs 1st project		€ 1,05m	€ 2,10m	€ 1,05m							
Construction costs 2nd project				€ 1,14m	€ 2,27m	€ 1,14m					
Construction costs 3rd project						€ 1,23m	€ 2,46m	€ 1,23m			
Construction costs 4th project								€ 1,33m	€ 2,66m	€ 1,33m	
Construction costs 5th project										1,4 Mio.€	2,9 Mio.€
Total		1,1 Mio.€	2,1 Mio.€	2,2 Mio.€	2,3 Mio.€	2,4 Mio.€	2,5 Mio.€	2,6 Mio.€	2,7 Mio.€	2,8 Mio.€	2,9 Mio.€
No. of dwellings total				200 units	200 units	400 units	400 units	600 units	600 units	800 units	800units
Service fees for construction	6-10%	€ 84.000	€ 168.000	€ 175.200	€ 181.600	€ 189.600	€ 196.800	€ 204.800	€ 212.800	€ 221.600	€ 229.600
Service fees for administration6	€ 67			€ 13.000	€ 13.000	€ 27.000	€ 27.000	€ 40.000	€ 40.000	€ 54.000	€ 54.000
ADC grant		€ 50.000	€ 50.000	€ 50.000	€ 50.000						
Total incomes		€ 134.000	€ 218.000	€ 238.200	€ 244.600	€ 216.600	€ 223.800	€ 244.800	€ 252.800	€ 275.600	€ 283.600
Balance with operation costs		-€ 9.200	€ 14.400	€ 14.400	€ 14.200	-€ 28.000	-€ 10.600	€ 2.400	€ 2.100	€ 16.200	€ 13.900
Balance cumulative		-€ 9.200	€ 5.200	€ 19.600	€ 33.800	€ 5.800	-€ 4.800	-€ 2.400	-€ 300	€ 15.900	€ 29.800

This results in earnings for the project company of roughly € 130,000 in the first year, which will increase to some € 220,000 in the 5th year and to some € 280,000 in the 10th year.

These calculations contain quite some risks, particularly the feasibility of the construction output. Lower construction activities would affect the business plan quite strongly.

A possible mismatch of earnings and operating costs (Table 4) may be balanced with the following measures:

- Adjustment of fees for construction and administration;
- Own equity and reserves of the project company;
- In-kind assets of the local shareholders (in the initial years or enduring), particularly office premises in a municipal building or the one or other employee on the payroll of NHA or the municipality;

- Postponement of payment of service fees to Wien-Süd and IIBW;
- Cash management with construction financing;
- Revenues of sale of dwellings or commercial space (which will reduce the regular rent incomes to cover repayments of loans);
- Credit line with the principal bank;
- Mortgage loan;
- Subsidies from Albanian public authorities;
- Grants from international donors.

C.6 ACCORDANCE WITH EU LEGISLATION

In preparation of EU legislation (Services of General Economic Interest, see B.6, p. 17) it is necessary to establish two separated sets of books, one concerning the limited-profit activities, one concerning the for profit activities. This division is necessary even though both tracks serve the same target to provide affordable housing and liveable urban habitats.

C.7 ARTICLES OF ASSOCIATION

The Articles of Association of SOCIAL HOUSING SHKODRA SH.P.K. are of importance particularly for the time with no legal framework for PPP Housing (see E.5, p. 47). It shall have the following contents:

a) COMMERCIAL FIRM NAME AND LEGAL FORM

The company is set up as a Limited Liability Company following Albanian law (sh.p.k.) (see C.2, p. 20).

The company is named SOCIAL HOUSING SHKODRA SH.P.K., accronym “#”.

b) PLACE OF BUSINESS

Principal office is in Shkodra.

c) AREAL SCOPE OF BUSINESS

Business is limited to the province of Shkodra. Activities may be extended to adjacent Albanian provinces, but only in accordance with the respective local authorities.

d) TYPES OF BUSINESS

SOCIAL HOUSING SHKODRA SH.P.K. is organised as PPP Housing organisation. Following C.1 (p. 19), the allowed types of business are structured in the following way:

Investor business:

- Taking of loans.
- Redeeming of loans from rent incomes and other earnings.
- Investments following limited-profit principles (see F.5).
- Additional for-profit activities (e.g. commercial space, medium price condominiums).
- All activities targeted at local low and middle income households.

Developer Business:

- Realisation of affordable rental and owner-occupied housing.
- Realisation of additional commercial space for the reason to provide housing-related infrastructure. Such investments shall help to attain affordability of housing within the framework

of a limited-profit framework.
- Realisation of measures for a liveable urban habitat, e.g. organisation of free space or provision of social infrastructure.

Housing administration:
- Levy of rents.
- Organisation of housing maintenance.

Consultancy services:
- Support to other stakeholders in setting up PPP Housing organisations.
- Consultancy to public authorities.

e) <u>ALLOWED SERVICE FEES</u>

The service fees for housing development and housing management have to be clearly defined. The following specification is recommended:
- Housing development fee: 6 to 10% of construction costs;
- Housing management fee: 8 ¢/m² per month, indexed with the CPI;
- Altogether the fees have to cover the costs of the company, see m), "Division of profits and loss".

f) <u>SHAREHOLDERS</u>

List of shareholders including responsible person and contact data.

g) <u>NOMINAL CAPITAL AND CAPITAL INVESTED</u>

The nominal capital of the company is, exceeding the provisions of Albanian law, LEK 4.0m (approx. € 30.000).

The shareholders contribute to the nominal capital in the following way (C.3, p. 20):

• Municipality of Shkodra	30%
• Albanian National Housing Agency	30%
• „Wien-Süd“ eGenmbH	20%
• IIBW - Institut für Immobilien, Bauen und Wohnen GmbH	20%

h) <u>GENERAL ASSEMBLY</u>

The General Assembly consists of the shareholders of the company with voting rights according to their invested capital.

i) <u>SUPERVISORY BOARD</u>

The Supervisory Board consists of each one person nominated by the shareholders and one representative of the Ministry responsible for housing policy (Ministry of Public Works, Transportation and Telecommunication).

Chairman is the representative of the Housing Ministry. Deputy chairman is the representative of the Municipality of Shkodra.

j) <u>EXECUTIVE BOARD</u>

The management of SOCIAL HOUSING SHKODRA SH.P.K. consists of two persons (CEOs), one responsible for economic, one responsible for technical issues. Speaker of the company is the CEO responsible for economic issues.

k) <u>MANAGERIAL AND ADMINISTRATION COSTS</u>

It is recommended to link management salaries to distinct positions in the public sector with a fix multiplier.

Other critical costs such as company car or additional remuneration shall also be defined in advance.

l) <u>DIVISION AND SALE OF SHARES</u>

Division and sale of shares is possible, but requires unanimous consent of the General Assembly.

The exit strategy for the Austrian shareholders shall be defined according to C.10 (p. 29).

m) <u>DIVISION OF PROFITS AND LOSS</u>

As a PPP Housing company, SOCIAL HOUSING SHKODRA SH.P.K. follows the cost coverage principle. This applies mainly for construction and financing costs, sale prices and rents, but also for operation costs.

Foreseeable losses have to be countered with measures as listed in C.5.3 (p. 23). For unpredictable losses, according reserves and insurances have to be established.

Profits have to be reinvested in housing measures, such as construction financing or stockage of building land. A defined part of profits is dedicated to a reserve fund. Disbursement of profits to the shareholders shall be limited to 4% of invested capital per year.

n) <u>DISSOLUTION AND LIQUIDATION</u>

Dissolution requires a decision of the General Assembly of 75% at minimum. Liquidator shall be the Executive Board.

In the case of Dissolution, the shareholders are entitled to get refunded their invested capital. In the case that they did not receive profit disbursement as defined in m) for all business years, they have a claim for an amount according to a yearly interest rate as indicated in m).

All additional assets, particularly all undisclosed reserves represented by the housing stock in the property of the company, will be transferred to an organisation with business operations based on non-for-profit principles. The final decision on the transfer of assets will be taken by the Ministry in charge for housing policy (Ministry of Public Works, Transportation and Telecommunication).

o) <u>PPP REGULATIONS</u>

The Articles of Associations shall include the main regulations of the prospective PPP Housing Law (see F.5, p. 76) and required regulations on housing rent and housing maintenance, particularly the following:

- Definition of beneficiaries.
- Calculation of rents and prices on the basis of cost coverage.
- Returns on invested capital.
- Treatment of assets in case of liquidation.
- Audit and supervision.
- Calculation of maintenance.

- Housing subsidies.
- Foreclosure procedures.

Regulations in this article shall expire after proclamation of a respective legislation in Albania.

p) PARTIAL NULLITY

If parts of this Articles of Association prove to be void, all other parts still will remain in force.

q) LANGUAGE

Working language of the company is Albanian.

All documents relevant for decisions of the Supervisory Board will immediately be translated into English language.

The head of the technical department and the commissioned architects will be able to communicate in English.

r) OTHER OBLIGATORY CONTENTS

Other obligatory contents according to Albanian Law.

C.8 CONTRACTS WITH TENANTS

Prospective contracts with tenants (rent and purchase contracts) have a high significance in implementing a PPP Housing scheme, under the precondition of non-existence of respective legislation.

The contracts within the project shall become a model for consumer protection in real estate.

The contracts particularly shall contain regulations on the following items:

- Formal contents (address of the dwelling concerned, usable floorspace of the dwelling, accessory to the dwelling for exclusive use of the tenant, date of coming into force, written form requirements);
- Rents and prices;
- Indexation of rents;
- Duration of tenancy;
- Termination of tenancy;
- Grave reasons for early termination of tenancy;
- Obligations of the tenant/owner to tolerate refurbishment works by the landlord;
- Allowed works of the tenant/owner inside his/her apartment;
- Wear and tear of rental dwellings;
- Subtenancy of rental dwellings only with written agreement of the landlord;
- Continuation of tenancy in the case of sale of the building (sale does not affect tenancy rights);
- Entry rights to the contract for spouses, other civil partners, children or relatives, if they live in the common household;
- Pre-emption right of tenants (non-compulsory);
- Other clauses agreed upon by the parties;
- For owner-occupied units: obligatory accession to the owners' association; specification of minority rights within the owners' association, additionally to legal provisions;

- Obligation to pay maintenance fees.

C.9 AUDIT & CONTROL

Audit and supervision are not only important measures to avoid mismanagement and fraud. It is as well a powerful instrument of quality improvement.

The Auditing Association of the Austrian PPP Housing sector is an example of best practice, how such an instrument may help to keep a sector effective, regenerative and widely free of malpractice. Structures of audit and control are core contents of the proposed PPP Housing Law (see Art. 25, p. 81).

In absence of such an auditing association, SOCIAL HOUSING SHKODRA SH.P.K. has to go with the following scaffold:

- Strict rules of conduct within the Articles of Association;
- Supervision of business conduct by the Supervisory Board (see C.7i), p. 26);
- The "Wien Süd" is audited by the Auditing Association of the Austrian PPP Housing sector, including their international activities.
- Yearly auditing by an international auditing company, following international standards.

The Western Balkan Social Housing Network (see B.7, p. 18) is to take over functions of and quality management and even supervision. An affiliation could implicate quite some benefits for SOCIAL HOUSING SHKODRA SH.P.K. in this respect.

The Supervisory Board shall be installed at an early stage of this very project to act as Project Board.

C.10 EXIT STRATEGY

For the engagement of IIBW and „Wien-Süd", an exit strategy after e.g. 10 years is considered. According arrangements shall be incorporated into the Articles of Association.

Invested capital that has not been reimbursed with regular fees (see C.5.2 and Table 4, p. 23), will be balanced by ending cooperation. A possible gap may be reimbursed in kind, namely with a defined number of owner-occupied dwellings. Reimbursement only concerns documented investments and costs, according to the cost-coverage principle.

D. A SOCIAL HOUSING MODEL PROJECT IN SHKODRA

D.1 MARKET EVALUATION

D.1.1 HOUSING MARKET PRICES

Market prices for condominiums in Shkodra are at 500 €/m² or below.
The rental market is poorly developed and spoiled by informally rented privatised condominiums at prices below reproduction costs. Such rents are reportedly offered by 1,50 €/m².month at most. It therefore will be difficult to compete with regular social rents.

D.1.2 HOUSING DEMAND

Whole Albania is characterized by rapid urbanisation. At the same time, population is growing faster than in European average. A big part of population lives in overcrowded dwellings (see A.2, p. 8). Hence, housing demand in urban areas is huge. But affordability is low. Housing demand strongly relies on costs of supply.

People usually prefer own property to rents. But mortgage financing is available only for a small part of population. There will be big interest in any kind of rent to buy schemes.

Sufficient demand for rental housing is to be expected, if rents may compete with informal private rents.

It is expected that SOCIAL HOUSING SHKODRA SH.P.K. will be able to acquire a substantial customer base from public and private institutions. Such institutions may be interested to provide decent housing to their workers and contribute in return with grants to the construction costs or allowances to rent payments (Target groups see D.8.1, p. 43.).

D.2 BUILDING LAND

Availability of building land and infrastructure for low or no costs is an inevitable part of the business plan, as seen in D.4 (p. 39). Taking a targeted size of the first pilot project of 200 dwellings, some 14,000m² useable floor space will be realised. This requires a plot size of some 4,500 to 7,000m², assuming a building density of 2 to 3.

The Municipality of Shkodra has no own feasible building land in its property. Acquisition from private owners or State land seems possible. Two plots have been shown to the project team, when visiting Shkodra in November 2009 (Image 6).

Image 6: Shkodra aerial view with the two possible plots

Source: Google Earth

D.2.1 Optional Plot A

The plot at the western periphery of the city close to the future ring road in the direction of Shkodra Lake (plot no. 8591 in the cadastre map, Image 7) is presently grassland. It is substantially bigger than required. It would therefore be necessary to separate a plot of the necessary size. From first inspection it seems that local public infrastructure is only partly in place.

The distance to the city centre is around 1000m in direct line. Access to the location is presently insufficient, but will become quite good after realisation of the ring road. But realisation of this infrastructure investment delays because of financing shortage.

Due to location, the plot is presently in urgent danger of floodwater. This may improve after realisation of the ring road, which may work as flood protection.

Image 7: Optional plot A cadastre plan and aerial view

Source: Municipality of Shkodra, Google Earth

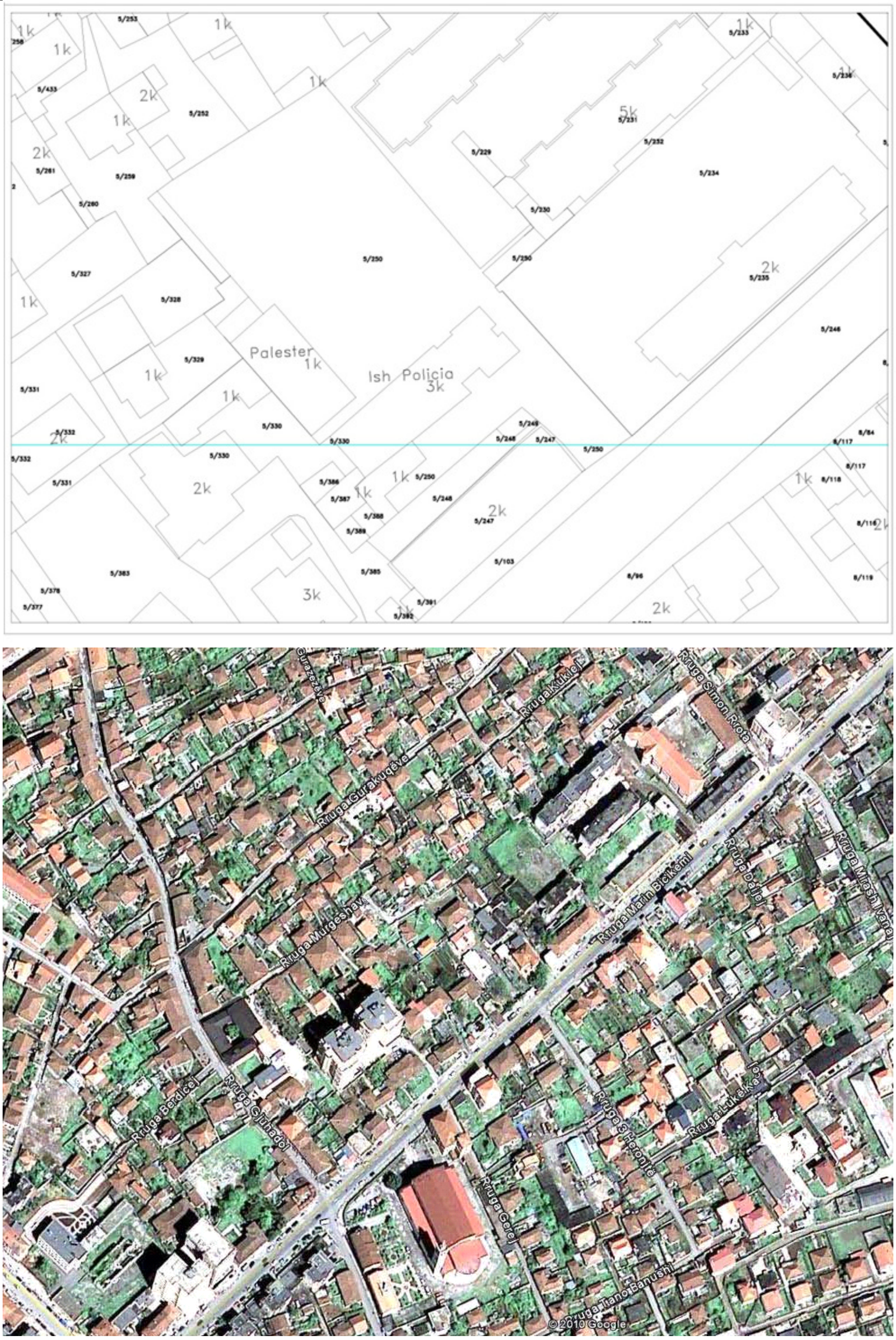
Image 8:	Optional plot A at the western periphery close to future ring road

Source:	IIBW

D.2.2 Optional Plot B

The inner city brownfield estate close to the cathedral is in a very good location, in the backyard of an existing building at Rruga Marin Bicikemi (plot no. 5/250 in the cadastre plan below). It is surrounded by medium height buildings. Regarding the size of the plot, the intended project size of 200 dwellings would require quite a high density. Local public infrastructure seems to be in place.

Image 9: Optional plot B cadastre plan and aerial view



Source: Municipality of Shkodra, Google Earth

Image 10: Optional plot B in the inner city close to the cathedral

Source: Authors

D.3 CONSTRUCTION

D.3.1 CONSTRUCTION COSTS

The National Housing Agency has currently developed a social housing project in Shkodra with the following costs. The structure of this documentation follows requirements defined by "Wien Süd". It will be the basis of controlling procedures:

Table 11: Cost documentation NHA social housing project in Shkodra

Project adress:		Ish Divizioni
City:		Shkoder
Year of completion:		2010
Net useable living space:		3085 m2
	Total cost €	costs €/m²
A) CONSTRUCTION COSTS		
A 1 Construction works	€ 483.574	156,75 €/m²
If possible with the following details:		
General contractor		
Demolition works		4,00 €/m²
Contamination		1,00 €/m²
Construction		120,00 €/m²
Unterground garage		24,00 €/m²
Garage		4,00 €/m²
Outdoor facilities		0,20 €/m²
Fences		1,80 €/m²
Children's playground		0,75 €/m²
Gardening		0,50 €/m²
Other costs		0,50 €/m²
A 2 Roof	€ 26.839	8,70 €/m²
If possible with the following details:		
Roof construction		2,13 €/m²
Roof covering		2,06 €/m²
Plumber works		3,81 €/m²
Bituminous pavement		0,30 €/m²
Membranes		0,40 €/m²
Other costs		0,00 €/m²
A 3 Fassade	€ 47.786	15,49 €/m²
If possible with the following details:		
Thermal insulation		0,00 €/m²
Windows		7,20 €/m²
Doors		7,54 €/m²
Stiegenhausverglasung		0,75 €/m²
Other costs		
A 4 Inerior works	€ 105.414	34,17 €/m²
If possible with the following details:		
Dry wall construction		12,40 €/m²
Floor		2,13 €/m²
Floor cover		15,90 €/m²
Stone cutter works		0,00 €/m²
Tiler works		0,00 €/m²
Painter works		1,62 €/m²

Metalworks		2,12 €/m²
Carpenter works		0,00 €/m²
Other costs		0,00 €/m²
A 5 Building equipment and appliances	€ 78.667	25,50 €/m²
If possible with the following details:		
Heating		7,00 €/m²
Sanitation		3,10 €/m²
Electric installation		9,70 €/m²
Elevator		5,70 €/m²
Other costs		0,00 €/m²
A 6 Other costs	€ 10.582	3,43 €/m²
If possible with the following details:		
Cleaning		1,74 €/m²
Waste container		1,49 €/m²
Technical products		0,00 €/m²
Fire prevention		0,20 €/m²
Other costs		0,00 €/m²
A) TOTAL CONSTRUCTION NET COSTS	€ 752.862	244,04 €/m²
B) ADDITIONAL BUILDING COSTS		
B 1 Infrastructure costs	€ 21.934	7,11 €/m²
If possible with the following details:		
Gas installation		1,40 €/m²
District heating		2,60 €/m²
Cable TV		0,06 €/m²
Telecummunication		1,40 €/m²
Connecting fee electricity		0,05 €/m²
Severage		0,70 €/m²
Connecting fee fresh water		0,40 €/m²
Other costs		0,50 €/m²
B 2 Architect	€ 12.988	4,21 €/m²
If possible with the following details:		
Fee for planning service		0,06 €/m²
Fee for tender procedure		0,90 €/m²
Fee for building supervision		3,10 €/m²
Miscellaneous costs		0,10 €/m²
Quality management		0,05 €/m²
B 3 Other services	€ 1.296	0,42 €/m²
If possible with the following details:		
Fee model maiking		0,05 €/m²
Fee surveyor		0,07 €/m²
Fee structural engineer		0,30 €/m²
Fees for other services		
B 4 Other costs	€ 12.525	4,06 €/m²
If possible with the following details:		
Building blackboard		0,14 €/m²
Ceremonies (ground-breaking, topping-out, handing over)		0,12 €/m²
Costs for building authority		0,10 €/m²
Studies		2,30 €/m²

Advertising		0,50 €/m²
Building administration costs		0,90 €/m²
Other costs		
B) TOTAL ADDITIONAL BUILDING NET COSTS	€ 48.743	15,80 €/m²
C) FINANCING COSTS		
Interests for construction costs		2,00 €/m²
Other financing costs (guarantees, trustees etc.)		5,00 €/m²
C) TOTAL FINANCING NET COSTS	€ 21.595	7,00 €/m²
TOTAL NET COSTS (A+B+C)	€ 823.200	266,84 €/m²

These costs derive from construction tenders. NHA is an experienced social housing developer with long lasting experience in the field. The quality of building is according to local building standards.

These costs will be applied as benchmarks for the first pilot project. Construction costs reportedly did not increase considerably since 2009. The knowledge of NHA as locally active developer will be employed. NHA is to become shareholder of SOCIAL HOUSING SHKODRA SH.P.K.. NHA is to provide technical knowhow and staff to the project company.

D.3.2 SUSTAINABILITY AND ENERGY STANDARDS OF CONSTRUCTION

Sustainable and energy efficient construction does not have high significance in Albania so far. This must change in the course of EU integration. The future application of the Energy Performance of Buildings Directive (see B.6, p. 17) requires a paradigm shift in construction technologies.

Nevertheless, as the pilot project aims at very low rents, there will be only little space for cost sensitive improvements. Regarding the quality standards of construction, starting point is the newly realised affordable housing projects of NHA.

The following additional features will be considered:

- Issuance of an Energy Performance Certificate, following Austrian methods;
- Thermal insulation of the building envelope;
- Double glaze windows;
- Closed corridors;
- Provision of warm water with solar collectors.

D.3.3 DWELLING SIZE

Albanian households are with in average more than 4 Persons considerably bigger than the European average (A.2, p. 8). Families with children are a target group of SOCIAL HOUSING SHKODRA SH.P.K.. To provide decent living conditions, it will be necessary to provide dwellings of according size. On the other hand, household budgets of the target groups are quite low. Low monthly costs are also important to keep default rates low.

A way out is “economy housing” with mostly small rooms. For bigger families even half-rooms shall be considered for sleeping rooms. Even dwellings for big families shall not exceed 90m². In average, dwelling size is estimated at 65m².

D.3.4 SPECIFICATION OF CONSTRUCTION

The pilot project is specified as follows:

a) 150-200 housing units; business space in the ground floor (10-15 000m² usable floor space);
b) Rental apartments (cost rent) with net rents < 1.50 €/m² (approx. 70% of apartments);
c) Apartments for sale at prices explicitly below market level (approx. 30% of apartments);
d) Business space in the ground floor (500-1000m²);
e) Operating costs of approx. 0.40 €/m², including approx. 8 ¢/m² for housing management (see D.6, p. 43).

Construction standards shall be improved in specific areas of sustainability and energy efficiency (D.3.2). For this reason, the benchmark construction costs of NHA of 267,- €/m² will be supplemented with a surcharge of some 12% to 300 €/m². Development costs are estimated with 8%, which sums up to 324 €/m².

Hence, total construction costs, without land and infrastructure costs, are estimated with some € 4.2m (see Table 5, p. 24).

D.3.5 TENDER PROCEDURES

It is to be decided whether SOCIAL HOUSING SHKODRA SH.P.K. shall be obliged to apply public procurement procedures. There would be more flexibility without. Austrian social landlords are not bound to public procurement procedures.

D.4 FINANCING MODEL

D.4.1 H!FACT MODEL OF STRUCTURED FINANCING OF AFFORDABLE RENTAL HOUSING

The H!FACT financing model was developed by IIBW within an international research project,[1] and is implemented several times in social rental housing construction.[2]

The model is basically an adjustable-rate mortgage (ARM) or a price-level adjusted mortgages (PLAM). Both are widespread instrument classes for housing finance all over the world. They are regarded suited to moderately inflationalry environments. Accordance with national mortgage legislation has to be verified.[3]

The H!FACT financing model has been described as a risk-averse kind of structured finance.[4] The following aspects classify this financing scheme as structured financing: It is a specific way to securitize financial assets, which aims to reduce financing costs and minimize risks. Securitization primarily applies to the projects (project finance) and is only subordinated on the borrower. The borrower is released from parts of the financing risks. Hence, the financing model refers to the cash

1 Amann et al. (2006).

2 Amann (2009a).

3 Chiquier / Lea (2009: 53 pp, 97 pp).

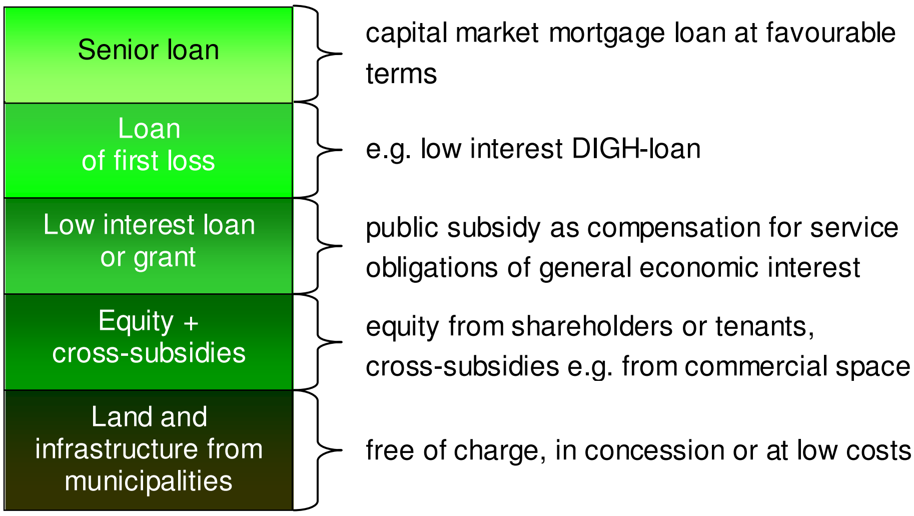
4 Amann/Lawsan/Mundt (2009). Amann (2009a).

flow of the projects and only subordinated to the assets of the borrower. Therefore, monitoring requirements are extensive.[1]

Liabilities are divided into tranches with different risk-return profiles, backed by the respective asset. As a major difference to common structured financing, H!FACT financing operates with very low risks. The bigger part of the tranches may be characterized as equity capital. This applies to the provision of land and infrastructure by the municipalities, own equity of the borrower, cross-subsidies and state subsidies, as well as DIGH-loans. Remaining financing demand may be covered by senior loans. There is no need for junior loans or mezzanine capital.

The following Graph 12 illustrates principles of structured financing in H!FACT financing.

Graph 12: Tranches of structured financing for PPP-housing



Source: IIBW

D.4.2 CAPACITIES OF THE LOCAL CAPITAL MARKET TO PROVIDE SENIOR LOANS

There has been contacts with Raiffeisen Bank of Albania, the biggest private financing service provider in Albania. They of course are willing and able to provide financial services and senior loans for THE PROJECT.

D.4.3 AVAILABILITY OF PUBLIC FUNDS AND SUBSIDIES

The State of Albania is willing to provide some funding via the National Housing Agency, which is to be shareholder of SOCIAL HOUSING SHKODRA SH.P.K.. Own funds of NHA are rather limited with the expectation of rather short terms. Therefore, they qualify very well for construction financing.

The Municipality of Shkodra is to provide building land and infrastructure.

Furthermore it seems crucial to provide a secure rent income stream with low default rates. This may be achieved with a housing allowance scheme for lowest income households or a kind of a rent guarantee, provided by the Municipality of Shkodra.

1 CGFS (2005).

Subsidies are often perceived as giving or receiving something for free. That notion is misleading. A US-American definition from 1969 is more precise: “A subsidy is an incentive provided by government to enable and persuade a certain class of producers or consumers to do something they would not otherwise do, by lowering the opportunity cost or otherwise increasing the potential benefit of doing so”.[1]

D.4.4 Own equity of the project company

The required iniatial capital for the formation of a limited company in Albania (sh.p.k.) are negligible. At the same time, the Austrian partners are legally quite limited to invest own equity abroad. It is therefore recommended to define the initial capital of Social Housing Shkodra sh.p.k.. with € 50,000. It is expected to increase the equity ratio considerably in the years to come.

D.4.5 Application of a DIGH loan

The application of a low interest loan guaranteed by Dutch Housing Associations via DIGH is part of the feasibility study. IIBW has already successfully organised such financing for several rental housing projects in Montenegro.

DIGH, Dutch International Guarantees for Housing, is part of the Dutch social housing sector and was founded in 2004. It is a private non-profit foundation. Legislation allows Dutch housing associations to guarantee for development activities abroad. DIGH operationalises this opportunity. It finances housing developments in South Africa, South America and CEE countries. There is a close cooperation with IIBW since 2005.

Alternatively to DIGH, loan applications at CEB, Council of Europe Development Bank, or EIB, European Investment Bank, seem feasible.

D.4.6 Financing plan for the model project

The financing model is based on the following assumptions:

General Conditions

▪ Inflation / CPI	3,0%	CPI, related to Euro
▪ Monthly income of reference household	€ 300	Average individual income ca. 240 for whole Albania
▪ Size of average appartment	65 m²	
▪ Volume of dwellings	200	
▪ Usable floor space dwellings	13.000	
▪ Business space	800 m²	
▪ Usable floor space	13.800 m²	
▪ Net space rental dwellings	9.100 m²	70%
▪ Cost per month of reference dwelling	€ 98	
▪ Net annuity for the reference dwelling	1,50 €/m²	
▪ Increase of net rent p.a.	3,0%	= CPI
▪ Maintenance costs	0,40 €/m²	

[1] Cited from: Chiquier/Lea (2009: 426).

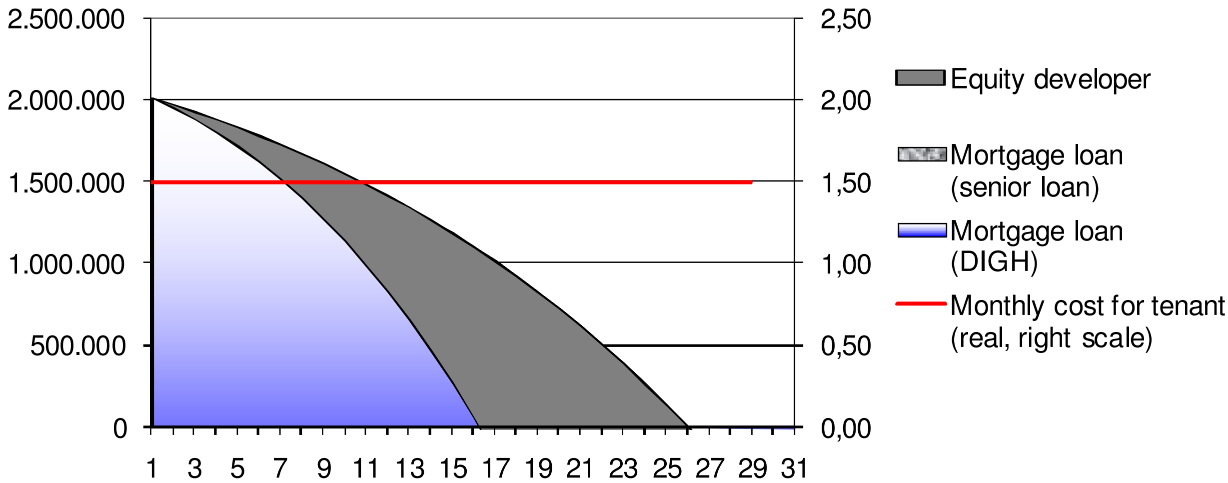
Costs

- Land cost and infrastructure — 50 €/m² per m² gross floor space
- Construction costs — 300 €/m²
- Development costs — 24 €/m² 8%
- Total costs — 374 €/m²
- Total costs — € 5,16m
- VAT on construction costs — 0 €/m² balanced with VAT on rents

Financing

- Land cost and infrastructure — € 0,69m
- Sale of dwellings — 30,0%
- Sale price Ø — 450 €/m²
- Sale price of business space Ø — 700 €/m²
- Earnings from sale — € 2,32m
- Equity shareholders — € 0,00m
- Equity of tenant — 5%
- Equity of tenant — € 0,14m
- Mortgage loan IFIs — € 2,02m
- Loan NHA — Construction financing for condominiums
- Interest rate IFIs/NHA — 5,0%
- Capital market loan — € 0,00m
- Maturity of mortgage loan — 25 y constant pay back

Graph 13: Progress of re-financing and annuities (model calculation)



Re. Left scale = capital stock per dwelling
Quelle: IIBW

With this specification, the financing model generates the following main results:

- Net rents of 1.50 €/m² in the 1st year, with annual indexation of 3%;
- Rent incomes of approx. € 160,000 in the 1st year, which will increase to some € 210,000 in the 10th year;
- Mortgage payments for the IFI loan of yearly € 143,000;
- Hence, rent payments generate assets for SOCIAL HOUSING SHKODRA SH.P.K. from the very beginning; These assets have to be invested for further social housing investments;

This model allows for rents calculated from financing conditions. The rents are not politically decided, but a result from cost calculation. Hence, this model not only provides rental dwellings for much lower public expenditure compared to public housing. It also creates a new business sector with prospects for a prosperous development.

D.5 SOURCES FOR CONSTRUCTION FINANCE

DIGH loans best fit to long term investments, i.e. rental dwellings. All dwellings and business space to sell, should use other sources for construction financing. The volume is with > € 2.3m considerable. One source is presale incomes. Additionally it would be most helpful to employ short term loans from NHA.

D.6 MAINTENANCE COSTS

This very project intends to be a leverage to implement sound housing management and maintenance schemes in Albania. This is done with building up a professional housing management unit within SOCIAL HOUSING SHKODRA SH.P.K. and with the introduction of maintenance fees, both for rental and owner-occupied dwellings and business space.

Maintenance fees are recommended with one single tariff of 0.40 €/m² useable floor space, with indexation similar to the rents. This amount shall cover the following costs:

- Housing management by SOCIAL HOUSING SHKODRA SH.P.K., with approx. 8 ¢/m²;
- Property tax and insurances if required;
- Electricity and cleaning of common shared property;
- Service of elevator;
- Pest control;
- Waste disposal;
- Repair works and preventive measures;
- Provisions for a reserve fund for future capital repair works.

Provision of hot water from solar panels within the maintenance costs would be a strong selling proposition for the project. It could equalise the gross rents being slightly above local market level.

D.7 ESTABLISHMENT OF AN OWNERS' ASSOCIATION

Of course, SOCIAL HOUSING SHKODRA SH.P.K. will establish an owners' association for the new building right after settlement. The establishment of an operative owners' association is regarded a core action to handle mixed ownership within one building. The regulation of minority rights is essential. It cannot be that SOCIAL HOUSING SHKODRA SH.P.K. as owner of the majority of dwellings may overrule all single dwelling owners.

D.8 ALLOCATION OF DWELLINGS

D.8.1 TARGET GROUPS

Specific target groups are households with low but stable incomes, young households which did not benefit from housing privatization and migrants to Shkodra, see chapter D.1.2, p. 30.

D.8.2 ACCESS QUALIFICATION

Applying households have to meet the following obligatory requirements:

a) Citizenship of Albania.
b) Permanent residence on the territory of Albania.
c) Legal qualification for social housing. If there is no sufficient legal definition, it is recommended to set household income limits (see D.8.3).
d) Statutory declaration of all members of the household not to hold any housing property in Albania.

Lowest income households and vulnerable people may be considered as well, but within an integrative approach as a social policy measure. They should occupy not more than 15% of all dwellings. For these households, additional support is indispensible, e.g. rent guarantees or housing allowances.

D.8.3 HOUSEHOLD INCOME LIMITS

Household income limits are a crucial aspect regarding the classification of social housing. The authors strongly recommend an integrative approach to social housing instead of a residual approach (see E.2, p. 46). For this reason the income limits should be relatively high and include not only the poorest of population. If no legal definition is in place, the following limits seem well applicable:

- 1st peron in the household: average income in the industry (this number is statistically well documented);
- Any further adult: additional ½ of this amount;
- Every child: additional ¼ of this amount.

D.9 RISK MITIGATION

Rental investment can be decomposed in a series of cash flows. Initial investment include land costs, construction costs and financial costs. The utilization phase is characterized by periodic cash flows of rents and on the other hand of operation and maintenance costs. After the exploitation phase the property can be sold, which generates a positive cash flow. Some of the cash flows generated by a rental project are uncertain, particularly the collection of rents. Risks peculiar to rental housing are payment risk, vacancy risk, eviction risk and legal limitations in the disposition of the asset.[1]

Risk mitigation may consist of the following components:

- Abating expenditures (see C.5.1, p. 22);
- Vacancy rates may be kept low with below market prices;
- Payment default rates may be kept low with strict execution of dismissal of rent contracts and foreclosure procedures for condominiums;
- The project company should concentrate on its core business as a housing provider; the major threat of financial failure causes from the temptation to execute any political idea;
- Diversification of services, particularly for the municipalities as clients;
- An effective regime of audit and control helps a lot to make the management focus on the core business;
- Access to public support is essential for PPP Housing organisations. A management which looses contact with the mayor really has a problem.

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[1] Chiquier/Lea (2009: 367 pp).

E. DISSEMINATION OF THE MODEL AND DEVELOPMENT OF A PPP HOUSING SECTOR IN ALBANIA

Similar to all other transition countries, social housing development organizations ceased to exist in Albania after transformation.[1] Policy reform regarded this field of activity as unessential. Today the awareness of the need for action has been raised. Social Rental Housing has low significance but high political priority. Based on a small survey in 2004, Tsenkova identified this topic as the one with highest priority regarding regulatory reforms. Highest ranking challenge for housing reform was "lack of affordable housing finance", followed by "poor quality of existing housing" and "management of multifamily housing".[2]

As shown in B.3 (p. 15), a multi-stage procedure shall result in the establishment of a social rental housing sector in the region and in whole Albania. Partnerships with Western social landlords and knowhow providers seem essential. An important role in this respect may play the Western Balkan Social Housing Network, as described in B.7 (p. 18).

E.1 RATIONALE FOR PPP HOUSING

E.1.1 THREE PILLARS OF PPP HOUSING

PPP Housing organisations are private companies, even if the majority of shares is owned by the public. In the legal form of private companies, the public cannot force PPP Housing organisations to act against economic rationality. They are not part of the public sector, nevertheless the public has extensive influence, both via its stakes, the legal framework and conditions linked to subsidies.

Three pillars of PPP Housing are:

a) Principle of cost coverage: Dwellings must be rented or sold neither above nor below own costs. Own costs include an appropriate profit. It shall be legally defined (by-laws), with which components of calculation PPP Housing organisations may make profits (e.g. with services that may be charged with lump-sums).
b) Protection of capital: disbursement of profits is limited to a percentage of invested capital (not of profits), in Austria with 3,5%. That is to say, profits are low but secure and predictable. Any options to capitalize the assets are prevented. If a PPP Housing organisation is closed down, the shareholders only may receive the invested capital. All remaining assets have to remain within the PPP circuit.
c) Limitation of activities: PPP Housing organisations may only be active in defined fields of business, all of them related to housing. They e.g. have to reinvest their profits in housing or purchase of land and no other business.

These provisions legitimize the privileged access to subsidies of PPP Housing organisations.

These provisions only make sense, if the PPP sector is strictly supervised and audited (see Art. 25 of the draft PPP Housing Law, p. 81). An obligatory auditing and revision is of crucial importance. It not only avoids fraud and misuse, but it might be an efficient instrument for quality improvement.

1 Tsenkova (2009: 77).

2 Tsenkova (2004).

E.1.2 BUSINESS INTERESTS IN THE SECTOR

PPP Housing is regarded an interesting business case for the private sector as well. Private investors might have the following interests in a PPP Housing organisation:

a) Serve their clientele or social obligations, e.g. municipalities, trade unions, charity organizations;
b) Accommodation for own workers (company housing): low housing costs allow for low wages, PPP Housing organisations have persuasive economic advantages compared to housing financed from the budget.
c) Secondary business: In Austria, several PPP Housing organisations are owned by banks or insurance companies (construction companies are not allowed to own them).
d) Portfolio considerations: The low risk and the substantial undisclosed reserves of PPP Housing organisations may be a big advantage for the overall risk-position of the owner. Private owners may attain a better credit rating for the whole organization.

PPP Housing organisations combine two advantages compared with public housing: Firstly, they act on market economy basis with its efficiency benefits. Secondly, the assets which will be built up over the years, remain within a protected sphere, without the possibility neither for the public, nor for private owners to capitalize them. As such, this sector becomes an economically powerful player and executor of policy targets.

E.2 WHICH HOUSING POLICY SCHEME?

Housing policy has to decide about the strategic orientation of social housing sectors. There are basically two groups:

- Universalistic systems: Typically the social housing sectors are big. Access to social housing is open to big parts of population. For this reason there is competition between the social and the private sector in parts of the housing market. This increases efficiency of the private sector. Rents in the social sector are relatively high. Poor and vulnerable households may get additional allowances. Due to the relatively high rents, the individual dwelling requires only small amounts of subsidies. The integrative approach helps to keep social groups well mixed. This strategy is often criticized because of frequent misguided subsidies to those households, which would well do without public support.
- Residual systems: Social housing sectors are typically small and targeted to poor and vulnerable households. Rents are very low. There is no competition with private housing markets. Such settlements tend to degenerate to ghettos.

It is clearly shown in European comparison that the cost advantage of residual systems in reality does not prove true. Several countries with residual housing systems, such as the UK, belong to those with the highest public expenditure for housing. On the other hand, some countries with universalistic systems, such as Austria or The Netherlands, have moderate State expenditure on housing. This has the following reasons: Firstly, residual systems require extensive housing allowance systems. In UK some 30% of households get housing allowances, in Austria only 6%. Secondly, for social cohesion, the middle classes also demand for public support. This is mostly done with tax incentives for the purchase of owner-occupied housing. But tax incentives are one of the most expensive ways to support housing. As a result, UK spends some 2.5% of GDP on housing promotion, Austria only slightly above 1.0%.

It is often argued that a State hardly can start from the scratch with a universalistic system, as there would not be enough funds to establish big social housing sectors within a short period of time. This argument could be disproved meanwhile. To start a universalistic scheme basically means to include middle income groups to housing programmes. As a matter of fact, it is often enough this social group which least benefits from economic transfer. A proper way to target the middle classes is company housing or housing programmes for civil servants. But a major precondition for such a strategy is to keep a good part of affordable new construction as rental housing.

PPP Housing is particularly well suited to introduce a universalistic housing policy regime.

Determination of the two housing policy strategies is mainly regulated with income limits for beneficiary households. It is strongly recommended to set income limits that provide access to social housing also for moderate income households. A feasible model is proposed in chapter D.8.3, p. 44.

E.3 COMMUNICATION AND AWARENESS BUILDING

As a matter of course, the implementation of a PPP Housing scheme in Albania requires a professional communication strategy. The specific profile of PPP Housing as a new business case, targeting not only at low, but also at moderate income groups, makes it politically attractive mainly for local politicians.

E.4 OTHER CANDIDATE CITIES FOR PPP HOUSING COMPANIES

Further initiatives for PPP Housing may take place in any other city of Albania. One precondition seems to be a sufficient volume of demand. For smaller communities, housing cooperatives may be the better approach. The availability of building land and infrastructure free of charge may become a selection criteria.

E.5 A NEW PPP HOUSING LAW

IIBW has been invited by the Ministry of Public Works, Transportation and Telecommunication to support the development of a new legal framework for PPP Housing in Albania (attachment, F.5, p. 76).

The Social Housing Model Project in Shkodra shall be the starting point for a PPP Housing Sector in Albania. Therefore, a parallel project of IIBW shall concern a gap assessment on the Albanian Housing Law and the development of additional regulations. These new regulations are expected to include a new PPP Housing Law and adjustments to the existing rent regulations. Civil Code and regulations on condominiums shall not be touched.

The draft PPP Housing Law (attachment) is a slim and modern company law, which is open for all forms of organisations (cooperatives, limited companies, funds, foundations, even owners' associations to face burdensome refurbishments challenges). It represents a new business model that might cause stakes from several European Housing Associations. Cooperatives may operate under this Law as well. The PPP Housing Law results from thorough research on European best practice, from 100 years of legal practice in Austria and in The Netherlands.

It is urgently recommended to regulate the operations of project companies such as SOCIAL HOUSING

SHKODRA SH.P.K. on a legal basis, for several reasons: It makes clear and transparent the rules of operations. It legitimizes public contributions. It saves the growing assets (unrealised gains) of the PPP Housing company from access through its shareholders and contributes to building up a financially strong organisation. It helps to avoid malpractice. Finally the proposed PPP Housing structure will be an efficient tool of quality improvement.

E.6 OTHER LEGAL REQUIREMENTS

Besides of company law for PPP Housing organisations it is necessary to adopt rent regulations, regulations on dismissal of rent contracts, on foreclosure procedures for condominiums, on the operativeness of owners' associations in mixed ownership buildings, on State subsidies etc.. Further need for improvement may derive from the mentioned gap assessment.

E.7 ESTABLISHMENT OF A PPP AUDITING ASSOCIATION

Regarding the crucial importance of audit and control for a dynamic PPP Housing sector, it is clear, that building up structural capacities is of major importance. The Austrian Revision Association for the PPP Housing sector is one of the core elements for the survival and good performance of the sector over the decades.

F. ANNEX

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F.2 LAW ON SOCIAL PROGRAMS CONCERNING HOUSING OF INHABITANTS IN URBAN AREAS[1]

Law No.9232, date 13.5.2004.

F.2.1 GENERAL STIPULATIONS

Article 1
Object and jurisdiction

1. Object of this law is to define regulations and administrative procedures on mode of assurance, delivery, administration and planning of social programs for housing, in order to establishment of opportunities for a appropriate and affordable housing, supported by payback abilities of families that are in need for house and the state aid.

2. This law is available in the entire territory under the jurisdiction of the municipalities of the Republic of Albania, while for the territory under the jurisdiction of the communes; this will be elucidated in a special law.

Article 2
Definitions

Implementing of this law, terms as follows, have these meanings:

1. "Housing"
   is the entity of financial, social and institutional elements of the process of the dwelling provision.

2. "Dwelling"
   is the entity of milieus or an environment that has a separate (door) from street, floor, garden and terrace that is designated to be inhabited by one or several families.

3. "Housing Social Program"
   are programs that serve to housing of families and individuals, that are not able economically and socially to afford free market supply of dwellings or that of mortgage loans.

4. "Payment ability"
   is the entity of financial means that a family could pay for the rent or loan interests, in ratio with family income, in a quantity as defined by this law.

5. "Social rent contract"
   is a rent contract, where the level of the rent is controlled by the state.

6. "Tenant " is an individual or a family that habits with a social rent contract.

7. "Housing rate"
   is a coefficient that expresses minimal area of housing that an individual should have in a dwelling. This coefficient is expressed by m2/person.

8. "Minimal rate of rent in the market"
   is the average rent of the first group of the 10 groups of rents, which are flats rent out in a free

[1] Law No.9232, date 13.5.2004.

market, for one year, expressed by leke/m2 of construction area.

9. "Minimal price of dwellings in the market"
   is the average price of the first group of 10 groups of prices that are apartments sold out in the free market, for one year, expressed by leke/m2 construction area.

10. "Private sector"
    is the entirety of juridical or physical individuals that act in construction of dwellings and the production of construction materials.

11. "Non-profit organisations"
    are non-profit organisations that act in the field of construction and management of the social dwellings with rent.

12. "Loans with soft conditions"
    are loans; their interests are subsided by the state.

13. "Management entity"
    is a juridical or physical individual that deals with administration and supervision of social dwellings, released by rent and bonus of housing.

14. "Institution that manage loans"
    is a bank or financial institution that has signed a contract with state to manage a loaning program, with soft conditions in the housing sector.

15. "Mortgage loans"
    are loans that are arranged for housing, that are ensured through mortgage of a real estate usually with a long-term maturity and lower interest rates than commercial loans.

16. "Housing bonus"
    is a document that defines an amount of money that belongs to a family as a state aid to cover partly the rent charge.

17. “Respective office in municipality”
    are a directorate, sector or an employee of a structure in a municipality, that cover housing issues.

F.2.2 Criteria of Definition of Social Housing Program

Article 3

Classification of social program for housing

Social housing program are classified as follows:

1. Programs of social dwellings that are included:
   a) Dwellings that are built or bought by the free market from the municipality or non-profit organisations that are arranged with social rental contract;
   b) Existing dwellings as a property of physical or juridical individuals that are classified by local government units or non-profit organisations as social dwellings that are rented to families that benefit housing bonus;
   c) Objects, out of functions, as a result of the shutting down of an activity that are transferred as a

property to a municipality and are approved to pass to a fund of social rental dwellings, in accordance of a urban adjustment planning.

2. Programs of dwellings with low costs.
3. Programs to ensure infrastructure to the plot.

Article 4

Definition of families that benefit from social housing program

1. Families, are classified to be treated by social housing program, are approved by the municipality council, according to following criteria:
   a) Have no dwelling as a property;
   b) Posses a dwelling area below the housing rate, that are selected to social and economic category where these families are part of;
   c) Have remained as houseless as a result of a natural catastrophes;
   d) Included in one of letters "a", "b" and "c" these families have not sufficient incomes, specified under the articles 6 of this law.
2. Administration of inquiries for social housing program and definition of priorities are made by the local government units.
3. Documentation that a family should provide to have shelter in social rental dwellings and deadlines of respective procedures are defined by the decision of the Council of Ministers.
4. Housing rate, as to letter "b" of point 1 of this article, is defined by the decision of the Council of Ministers.

Article 5

Criteria of selection of beneficiaries

Treated with priority, individuals or families, that meet conditions of article 4, point 1 and have these specifications:

a) Families that approve that have no benefits of law no.7652, date 23.12.1992 "For privatisation of state dwellings";
b) Families, where family head is a widow or a divorced woman;
c) One-single parent families that have children in charge;
d) Elders that have accomplished retirement age and not selected to be hosted in public institution of social care;
e) Individuals with limited abilities, who deserve the status of first group blind people, paraplegic and tetraplegic invalids, work invalids and National War invalids;
f) Families with many children;
g) Young couples with overall age of 55 years;
h) Families that have change place of residence due to the work;
i) Individuals with orphan status from the moment when leave orphan place or centre of social care until age 30 years old.

F.2.3 SOCIAL RENTING DWELLINGS

Article 6

Definition of income thresholds

1. Family income minimum and maximum limits that benefit social renting dwellings, based on family structure, are defined to term “A”, that is attached to this law, from respective office in municipalities as approved from councils of municipalities.

2. To define these limits, respective offices in municipalities bases on:
   a) Value of constructed or bought dwellings in the free market from the management entity;
   b) Payback ability of a family, accepted level is taken the monthly rent charge, which should not exceed 25 per cent of family incomes;
   c) Family incomes, that after rent charge payment, are not below of total state social aid level as approved by the Council of Ministers. Cases envisaged in letters "d" and "f" of article 5 of this law, are excluded.

Article 7
Construction of social dwellings

Every municipality foresees for its territory under its jurisdiction an area of land for construction of a sufficient number of social renting dwellings, based on number of population, and its composition based upon social groups as defined in article 5 of this law.

Article 8
Buying of social dwellings in market

In cases when value of dwellings in free market is lower than value of construction of new dwellings, based on the decision of council of municipality, management entity buy dwellings from free market to be transferred with social rent contract. Conditions, norms and standards that should be completed by social rental dwellings defined by the decision of the Council of Ministers.

Article 9
Administration and maintenance of social renting dwellings

1. Manner of administration and maintenance of social rental dwellings are defined by the council of municipality. Renting dwellings, regularly, are administered by licensed management entities. Licensing of management entities is made according to criteria identified by the Council of Ministers decision.
2. Management entities conduct maintenance of social rental dwellings by themselves through contracts of specialized enterprises that must be licensed.

Article 10
Rent contract agreement

1. Rent contract is agreed between management entity and family, based on Civil Code provisions, with the right to be renewed every year, based on official document that verifies income of each family member from the job centre or juridical and physical individual that had hired him, or respective office of social aid at municipality, or Institute of Social Insurance, as well as notary declaration on income about other family income as made by the head of family. Other family incomes include earnings from double employments, emigration, immobility property and inheritance.
2. If family ensures another dwelling, it must notify immediately the management entity, where it benefits social rental dwelling. Notification deadline for dwelling release is defined by management entity, as contractual part, according to general provisions of sample contract that is approved by the Minister that encompass housing subject.

Article 11
Rent definition

1. When social renting dwellings are financed by state budget or municipality budget or combination

of both, amount of rent, expressed by leke/m2 construction area, is calculated from respective office in the municipality, within described limit in point 2, of this article, and approved by a decision of council of municipality, according to methodology approved by a decision of the Council of Ministers. Rent covers administration and maintenance costs. Tenant besides rent, pays all other services linked to the dwelling use. Council of municipality approves regulation for use of social renting dwelling by tenant, where rights and obligations of tenant and management entity are described in details.

2. Amount of annual rent must not be more than 4 per cent of dwelling construction cost made by state, for new dwellings, or 4 per cent of value of bought dwelling in a free market, except cases as stated in point 4 of this article.
3. For objects out of function and transferred to social rental dwellings, based on definitions letters “c” point 1 of article 3 of this law, the amount of rent is described by the municipality council, as point 2 of this article, based on capital value transferred and intervention costs for their adjustment.
4. When social renting dwelling are financed by other sources as described in letter “!!d” of article 12, and letter “b”, article 30, the amount of rent expressed in leke/m2 construction area , is identified for each specific case, in corporation with/through subjects that have financed, ministries, that comprise housing subject and municipality, where this project is under implementation.

Article 12
Release of renting contract

Management entity cancel rental contract when:

a) Tenant makes false declaration on incomes;
b) Tenant has benefited from another dwelling;
c) Tenant has agreed to rent out the apartment, taken by management entity, to a third party.

After annulment of the contract, tenant is obliged to free the dwelling. Otherwise, management entity notifies police authority of municipality that are obliged to release the house.

F.2.4 Bonus of Housing

Article 13
Case of housing bonus exercise

Management entity in city that have rental dwelling market, based on decision of council of municipality, transfer to families that benefit from social rental dwelling and meet certain conditions in articles 4 and 5 of this law, housing bonus when:

a) Construction or buying from the market is more expensive;
b) Do not possess funding for new investments or dwelling buying in the market;
c) Families that require to shelter in social rental dwelling are living in a renting house that is close to work place, children school, health care centres, or to other services.
d) Social rental dwelling is financed by private subjects, non-profitable.

Article 14
Administration of housing bonus

1. Housing bonus is specified upon the approval of municipality council, in accordance with budget delivered every year for rent subsidized, as article 24 of this law states, and based on criteria that should be met by family to benefit state aid, as this law states.
2. Contain of housing bonus is specified upon the regulation of the minister that comprises housing

subject.

Article 15
Definition of housing bonus value

Value of housing bonus cannot be over 50 per cent of minimal value of rent of dwellings in free market, for municipality where this bonus is delivered. Maximum value is specified every year, based on data of previous year and approved by decision of municipality council. Payment to be made by the family for the difference value between market rent value and bonus value, which should not exceed 30 per cent of family incomes. Manner of calculation of housing bonus value is presented in Term "B", that is attached to this law.

Article 16
Validity of housing bonus

1. Family that benefits housing bonus should sign a rent contract within three months starting from date of bonus release.
2. Bonus is renewed every year, based on rent contract and family declared incomes, specified in point 1, article 10 of this law.
3. Bonus losses its validity when contract is cancelled according to article 12 of this law or when specified deadline is over, as stated in point 1 of this article.

F.2.5 LOW COST DWELLING

Article 17
Insurance

1. Low cost dwelling are ensured through construction or buying in the market through state budget funds, municipality funds, private donation and promotion of private incentives. Buying procedures in the market are defined by the decision of the Council of Ministers. A particular law defines forms and procedures of promotion of private initiatives and cooperation with private sector.
2. Price of dwelling selling with low cost is specified based on value of objects that is under construction. Value of object is set based on dwelling construction costs, plot price, infrastructure costs, project value and those of expenses for administration of process and delivery.
3. Norms, standards of low cost dwelling are approved by the Council of Ministers.
4. Plot, state property, is valued based on the free market value. Procedures of evaluation and selling, as well as criteria of price setting of plot selling to families, that benefit low cost dwelling are approved by the decision of Council of Ministers.

Article 18
Categorization of families that benefit low cost dwelling

1. Families that are classified to be treated through low cost dwelling:
   a) Families that in the moment of request submission at respective office in the municipality have no house as a property;
   b) Families, those possessing a lodging area below housing norms;
   c) Families that have incomes within defined limits as stated in article 19 of this law;
2. Housing norms, as to letter "b" of this article, is set by the decision of the Council of Ministers.
3. Administration of requirements for these dwellings is made through respective offices in municipalities.

Article 19
Definition of income limits

1. Minimal and maximal limits of family incomes that benefit low cost dwelling, as to family structure, is set by respective offices in municipalities and approved by municipality council, as to presented formula related to "C", that is attached to this law.
2. To identify these limits, respective offices in municipalities bases upon:
   a) Value of constructed or bought dwelling in the market;
   b) Payback ability of family, which acceptable level is amount of monthly loan payment that must not exceed 35 per cent of family incomes;
   c) Family incomes that after loan payments should not be below total economic aid level as approved by the Council of Ministers.
3. Minimal threshold of family income is three times more of subsidized monthly loan payments and maximal thresholds of monthly family income is three times more monthly loan payment not subsidized by the state.

Article 20
Limitations

1. Families that benefit low cost dwelling cannot pass their rights over the dwelling to another person, or to rent it out during the loan repay period.
2. Family that benefit low cost house and has repaid loan, as its owner, is obliged not to resell it for 15 years. When the family for different reasons wants to resell it within this period of time, it must sell this house to a subject where it bought from and with a value not more than that it was bought.

F.2.6 PROGRAMS OF PLOT PROVIDING INFRASTRUCTURE

Article 21
Planning

Respective offices in the municipality based on definition of inhabitant areas, urban studies, need assessment for housing and demands for house construction, provide planning required plot area to have infrastructure for house construction. Providing infrastructure to plots includes: investments for main and secondary net of water supply, sewage, and electric and telephonic net. Programs of plot providing infrastructure are made in plots under state property.

Article 22
Purpose

1. Infrastructure provided to plots, depending on position, price and its property is used for social purposes or to be sold out in the market. In case when they are sold out to private sector for market purpose, municipalities for housing social programs use generated incomes. Price for selling the equipped infrastructure plot is set based upon value of free market and approved by the decision of municipality council, when plot belongs to the state and municipality, and by the Council of Ministers in all other cases. Procedures (and) manners of selling an equipped infrastructure plot for market purpose is set by the decision of the Council of Ministers.
2. Equipped infrastructure plot, pre-selected for social programs, is sold to subjects of private sector that are interested in low cost house construction, or is given them with a leasing contract, based on procedures of Civil Code.
3. Equipped infrastructure plot, together with construction permission may be sold to families that have insufficient income to afford low cost house buying, to build its own dwelling, as descriptions

made by urban study of area.

4. Procedures for selling of infrastructure-equipped plot to families or individuals for dwelling construction, is defined by the ministry comprising housing subject.
5. Programs for constructed infrastructure in plots are financed and managed by state subject, plot owner. When state property is not registered under the name of municipality, program is administered by the ministry comprising housing subject, in cooperation with municipality, jurisdiction, which plot is under.

Article 23
Categorization of families that benefit constructed infrastructure plot

Families classified to be treated with constructed infrastructure plot are:

a) Families that in the moment of request presented to respective office in the municipality have no dwelling as a property;
b) Families that own habited area under housing norms;
c) Families, which incomes are insufficient to afford low cost house.

F.2.7 STATE AID

Article 24
Rent subsidy

1. On families, that have no financial possibility to pay rent charges and cannot meet specified criteria as to letters “b” and “c” of article 6 of this law, state subsides up to 50 per cent of rent amount that family should pay. Subsidy is provided only upon verification of economic state of family, as to article 28 of this law.
2. On cases specified by letters “d” and “f” of article 5 of this law and could not meet conditions as to letter “c”, article 6 of this law, subsidy amount may not be over 75 per cent.
3. Subsidy of rent, that every family benefits, is made through incomes of municipalities themselves and by the approval of municipality council. State Budget finances municipalities not belonging to first level that are unable to achieve sufficient incomes.

Article 25
Subsidy of loan interests

1. Families that benefit low cost house have the right to receive mortgage loan, with soft conditions, from a financial institution that has a contract with the Ministry of Finance for loan management. Conditions for loan offer, from banks to families, are specified through a common agreement of the Minister of Finance, the minister that encompasses housing subject and institution that deliver and manage loans.
2. State aid is delivered in type of subsidy of loan interests for those families that cannot meet defined condition, as to letter “b” point 2 of article 19 of this law. Amount of subsidy of loan interests is offered based upon payback abilities of family and specified from the Ministry of Finance in corporation with the minister that encompasses housing theme.
3. Subsidy amount that is present in the end of loan maturation period cannot surpass more than 100 per cent of house value. In case, calculation requires a larger subsidy amount to afford loan payments, family is selected to be offered a social rental dwelling or equipped infrastructure plot where family may construct its own dwelling.

Article 26

Technical assistance

Families that benefit equipped infrastructure plot to construct their dwellings are assisted with technical assistance from specialized employers paid by municipalities.

Article 27
Priorities of selection to benefit state aid

Priorities of aid attainment have:

a) Families with many children;
b) Families that have in their composition one person with limited abilities as to letter "d" of article 5 of this law;
c) Families, where head of family is a woman;
d) Husband or wife is divorced and have children in charge;
e) Individuals with orphan status as to letter "f", article 5 of this law.

F.2.8 VERIFICATION OF ECONOMICAL AND SOCIAL STATE OF FAMILY

Article 28
Manners of verification

1. State aid bases on verification of economic and financial state of family.
2. Verification of economic state of family is made by social administrators of economic aid offices, in compliance with approved procedures having a common regulation of the minister that encompasses social issues.

Article 29
Claim

After verification from social administrators, respective office notifies officially families on verification process of economic state. Against administrator decision, family has the right to claim to municipality council within 10 days and require a second assessment. The municipality council makes decision on re-assessment and it is of firm nature. Decision describes family housing type.

F.2.9 FINANCE OF SOCIAL HOUSING PROGRAM

Article 30
Finance sources of social program for housing

Social program for housing are financed by:

a) Budget funds delivered every year for housing program through the ministry that encompasses housing subject;
b) Contributions from different donors;
c) Funding from municipality budget.

Article 31
10 years housing programs

Respective offices in municipalities design 10-years housing programs for population under their jurisdiction, based on needs assessment for housing, according to predictions stated by this law approved by councils of municipality.

These programs contain:

a) Financial sources possessed by the State Budget, within a financial year, ensured funds by municipality themselves as well as funds from other sources, by defining their origin;
b) Needs for housing, according to anticipations of this law, by identifying family groups, based on their incomes and their social state;
c) Relationships between this program of municipality and others and their respective mutual impacts;
d) Number and category of family that benefit social rental dwelling;
e) Number of family that benefit low cost dwelling and mode of cooperation with private sector;
f) Equipped infrastructure plot for dwelling construction, number and type of houses to be built, families that would benefit, type of cooperation with private sector as well as the amount and percentage of providers.

Article 32
Criteria of funds planning from State Budget

Based on 10-years plans of municipality, annual planning of State Budget is made, to implement designed programs based on this law. To design a budget plan these factors are taken into consideration:

a) Concentration of population at country level;
b) Concentration of families in need for housing;
c) Concentration of poor families;
d) Priorities of economic development of the country.

Article 33
Type of planning

Funds of State Budget, for each program, is divided into:

1. Funds for social rental dwelling that include:
   a) Funds for investments;
   b) Subsidy to cover rents as to article 24 of this law.
2. Funds for low cost houses, that include:
   a) Funds for investments;
   b) Funds to subsidy to loan interest as to article 25 of this law on behalf of financial institution the agreement is signed with.
3. Funds for plot buying for housing programs to assist municipalities not belonging to first level.
4. Funds for technical assistance anticipated for organisation of studies, trainings of municipalities' administration as well as technical assistance for families that demand to build their dwellings, as to article 26 of this law.

F.2.10 INSTITUTIONAL ORGANISATION AND CAPACITY BUILDING DEADLINES FOR IMPLEMENTATION OF THIS LAW

Article 34
National Committee for Housing

1. On management and organisation of work, to implement this law, National Committee for Housing is established, with attributes of an advisory organ close to the minister that encompasses housing subject.
2. National Committee for Housing based on consultative judgement with respective structures of the minister that encompasses housing subject, advises on:

a) Main relations of interventions on housing sector, based on defined objectives set by housing policy and national economic programs, concentrating on:
   i) Meeting primary needs for housing;
   ii) Reduction of costs of dwelling construction and management;
   iii) Requirements for sector industrialisation;
b) Level of budget funds for housing, referring to this law;
c) Criteria for sharing financial sources for housing social programs, as to this law;
d) Criteria for sharing funds according to local units.
   National Council for Housing approves, with proposal of the minister that encompasses housing subject, 10-years national programs for housing and revise them as appropriate;
e) On 10-years national programs for housing, prepared by the ministry that comprises housing subject.

3. Composition, organisation and function manners, development of activities and relationships of National Committee for Housing with other structures that act in this field defined by a decision of the Council of Ministers.

Article 34/1

Functions of ministry that encompasses housing subject

Implementing this law, minister, that cover housing issue, through respective structure:

a) Designs 10-years strategy based on the 10-years programs of municipalities intended for housing;
b) Plans state budget for supporting the implementation of annual housing program;
c) Defines general rules for program implementation of low cost dwelling ensured through National Entity of Housing;
d) Administers programs of equipped infrastructure plot as for anticipated cases in point 5, article 22;
e) Supervises administration for housing requests from municipalities;
f) Establishes database at national level for:
   i) Housing needs for housing social programs;
   ii) Inventory of social rental dwelling, public property;
   iii) Physical, technical conditions of social rental dwellings;
   iv) Number of sheltered families through social rental programs;
   v) Necessary area of plot equipped infrastructure for house construction;
   vi) Areas of equipped infrastructure plot for house construction.
g) In cooperation with National Entity for Housing, it is defined average annual cost of dwelling construction, that is approved, every year, though a regulation set by the Council of Ministers and based on methodology and criteria, as set by the Minister regulation;
h) Defines every year criteria for investments or house buying from the market through National Entity for Housing, under the framework of low cost dwelling programs, financed by state budget;
i) Supervises implementation of investments in social programs for housing, through financing or co-financing with state budget;
j) Fulfils agreements with private sector for development of new urban areas, by promoting affordable offers of dwellings and mortgage loans
k) Approves projects used for social rental dwellings or low cost dwelling, financed by state budget.

Article 35

Functions of municipalities

Municipalities, for management of housing programs, as to this law, carry out following functions to:

a) Identify needs for housing, based on designed programs, this law for population, and under their territorial jurisdiction;
b) Design 10-year programs for housing and three years projects, based on financial sources that have:
c) Ensure construction areas and equipped infrastructure plot, implementing housing programs, designed based on this law:
d) Present their requirements to the minister that comprises housing subject for finance, investments and subsidies, as to this law, based on information conveyed within July month every year, where they are identified:
    i) Number of families registered to be treated with social programs for housing;
    ii) Number of families considered within one year;
    iii) Municipality incomes used for social program for housing in next year and amount of funds required by state budget, based on 10-year program for housing;
    iv) Plot area, approved for social programs for housing:
    v) Rent level approved by the decision of council of municipality.
e) Establish and manage, at local level, database for families that benefit housing as to this law;
f) dh) Define maximal permitted costs, within defined limits by the ministry engaged into housing subject for dwelling construction, as to this law;
g) Ensure construction, administration, maintenance of social rental dwelling;
h) Notify every year the minister engaged into housing subject, for housing program progress as to this law;
i) Conduct all other functions anticipated in this law.

Article 36
Capacity building and deadlines

1. Minister encompasses into housing subject, minister encompasses into decentralisation issues, Minister of Finance identify composition, organisation, function manner of responsible structures, for implementing this law, at municipalities, based on financial and human resources opportunities of municipalities.
2. Minister encompasses into decentralisation issues and minister encompasses into housing subject within three months when this law entered into force, identifies and approves training curriculum for capacity buildings of local administration, to implement this law.
3. Ministers as aforementioned in point 2 of this article, in cooperation with local and foreign institutions, under the framework of decentralisation programs, within one year when this law entered into force, implement the first phase of training for all municipalities.
4. Municipalities, following 30 months when this law entered into force, meet obligations as to letters: "a" and "b" of article 35 of this law.

F.2.11 FINAL PROVISIONS

Article 37
Charges

1. By this law, when its contravention does not present a penal act, they introduce administrative conflict and are charged by fees, as follows:
    a) Contravention of law as to point 2, article 10, lawbreaker is fined with an amount from 100 up to 200 per cent of monthly rent charge;
    b) Contravention of law as to letter “a” article 12, tenant is obliged to return benefited amount of

money from the grant, during the period demonstrating income difference;

c) Contravention of law as to letter "b" article 12, tenant is fined with an amount from 20 000 up to 40 000 leks;

d) Contravention of law as to letter "c" article 12 and point 1, article 20, tenant is fined with an amount from 40 000 up to 60 000 leks;

e) Falsification of housing bonus is fined according to legal provisions in force;

2. Setting of charges is made by management entity. Organ in charge for fee execution is municipality police.
3. Against decisions of management entity for charge settings, claims may be made within 10 days to the head of municipality, who must take decision and notify the concerned person within 30 days.
4. Against decision of head of municipality, a claim, to the court within 30 days after notification receives, is made.

Article 38
Sublegal Acts

1. Council of Ministers is in charge to issue sublegal acts, based on articles 4, points 3, 4, 8, 9, points 1, 11, points 1 and 3, 17, points 1, 3 and 4, 18, points 2, 22, points 1, 34, points 3, 34/1, letters "g", and 39/1, points 1, 2 and 5, of this law.
2. Minister that encompasses housing subject, Minister of Finance and minister engaged into social, decentralisation issues and municipalities are in charge for implementation of this law.

Article 39
Repealing

Law no. 8030, date 15.11.1995 "On contribution of state for unsheltered families", changed, is repealed.

Article 39/1
Transit provisions

1. Dwellings, that are subject of this law no. 7652, date 23.12.1992, not yet privatised, must be privatised from local government units according to the procedures, and defined by the Council of Ministers.
2. Dwellings constructed through public funds, from National Entity for Housing, following 12 months after this law comes to force, are without contracts, passes under the property of local government units, where they are. National Entity for Housing makes ownership transfer of these dwellings with approval of minister that encompasses housing subject. Local government units take decisions on their privatisation only after a period of time of 5 years following this law comes to force, and family has paid regularly rent charges as defined by council of municipality. Their privatisation is made according to conditions, criterion, and procedures, approved by the decision of the Council of Ministers.
3. Families that would be sheltered in under process houses, constructed or bought in the free market, from the National Entity of Housing, are selected upon criterion of this law, for low cost dwellings.
4. Until establishment of effective structures for implementation of partnership agreements with private sector, funding of investments for low cost dwellings as to letters "a" point 2, article 33, are administered through the National Entity for Housing.
5. The Council of Ministers decides for administration approach and conditions of selling low cost dwellings, ensured by the National Entity of Housing.

Article 39/2

Law no.7652, date 23.12.1992, “On privatisation of state dwellings” changed, is repealed.

Article 40
Come to force

This law is effective 6 months after publication in the Official Journal.

Promulgated with the Decree no.4239,
date 8.6.2004 of the President of the Republic of Albania,
Alfred Moisiu

a) TERM "A"

To calculate family incomes minimal and maximal thresholds that benefit social rental house following formulas are applied:

1. Minimal thresholds of incomes (Kmi) =
   a) where Vb is value of house as to letter “a” of article 6 of this law;
   b) $\frac{(Vb \times 0{,}04)}{12}$
      is monthly amount of rent, its annual value is calculated as 4 % of house value, defined in point 2, article 11 of this law;
   c) indicator 0,25 defined by letter “b”, point 2 of article 6 of this law;
   d) indicator 0,5 is amount of subsidized rent, as to point 1, article 24 of this law.
2. Maximal thresholds of incomes (Kmax) = $\frac{Vb \times 0{,}04}{12 \times 0{,}25}$

   Example: Value of dwelling is 3 000 000 leks. Amount of monthly non-subsidized rent is Vb x 0,04/12 = 1 000 leks. Minimal threshold of family incomes is 10 000/0,25 x 0,5 = 20 000 leks (±10%), whistle maximal limit of incomes is of 10 000/0,25 = 4 000 leks (±10%).

b) TERM "B"

General formula of calculation of housing bonus value is:

C = Q-A x 0,3, where C≤Qm x 0,5

a) C is value of bonus;
b) Q is actual rent that family pays;
c) A are family incomes;
d) Indicator as 0,3 is defined from the fact that monthly rent charges in case of housing bonus mustn’t be over 30 per cent of monthly income;
e) Qm is minimum value of dwelling rent in free market, calculated as to point 8, article 2 of this law;
f) Indicator 0,5 is the one defined by article 15 of this law.

   Value of housing bonus for a certain municipality is from 0 to Qm/2, depending on family incomes. For a certain minimum value of the rent Qm, maximal and minimal values of housing bonus, depending on family incomes are calculated according to following formulas:

   Cmax = Qm/2 where A =

   Cmin = 0, where A ≥ Q/0,3 (±10%)

Example 1: If in municipality A, minimal level of rent is 12 000 leks monthly for an apartment with structure 2+1 and family pays a rent of 20 000 leks monthly, while family incomes are 35 000 leks monthly, bonus value for this family would be:

C = 14000 - 35000 x 0,3 = 3500 leks. Maximal value of bonus is C≤6 000 leks. In this case, bonus value would be 3 500 leks, whistle family must pay by themselves the difference of 10500 leks, between rent value of 14 000 leks and bonus value. For living, family has 24 500 leks monthly.

In the case, after calculations, remaining difference for living, after family has paid difference that belong to above calculations for rent, is below total amount of economic aid, then bonus value is re-calculated in order family not to drop below total amount of economic aid level. This re-calculation is conducted by taking into consideration maximal limit of bonus value.

Example 2: In the same municipality, same family lives in a house with monthly rent of 20 000 leks per month, housing bonus value is of C = 20 000 – 35 000 x 0,3 = 9 500 leks. This value is 3 500 leks more than maximum value of benefit for this municipality, as result family only benefits amount of 6 000 leks.

c) TERM "C"

Definition of maximal and minimal limit of family income that benefit from low cost dwellings.

1. Minimal limit of family incomes:

   Amin = PMT1/0,35, where

   a) A are monthly incomes of family,
   b) PMT1 = f(i, n, v) is monthly charge of subsidized loan, that is function of loan interest (i), deadline of maturation (n) and 60 - 80% of value of dwelling (v). Data of this formula for indicators (i), (n) and (v) are received by banks which loan management contract is signed with;
   c) Indicator 0,35 is defined as to letter "b" of article 19 of this law.

2. Maximal limit of monthly income of family:

   Amax = PMT2/0,35, where PMT2 is monthly payment of unsubsidised loan.

Example: Value of dwelling is 25 000 USD, loan is delivered for 80 per cent of dwelling value, with interest of 7,8 per cent in year, maturation deadline is 15 years. Government subsidizes 4,3 per cent of interest (without principal). According to calculations, monthly charge for subsidized loan is 143 USD or 17150 leks, whistle those for unsubsidised loan are 189 USD or 22659 leks. Minimal level of family incomes must be Amin ≥17150/0,35 = 49000 leks. Maximal level of incomes would be Amax ≤22659/0,35=64740 leks.

F.3 PROJECT DOCUMENTS

F.3.1 INVITATION LETTER TO IIBW TO DESIGN PPP HOUSING LEGISLATION

REPUBLIC OF ALBANIA

MINISTRY OF PUBLIC WORKS, TRANSPORT AND TELECOMMUNICATION

GENERAL DIRECTORATE OF POLICIES AND PLANNING FOR PUBLIC WORKS AND TERRITORY ADJUSTMENT

HOUSING POLICY DEPARTMENT

30/10/2008 Nr. Prot 2644

To: Dr. Wolfgang Amann
IIBW – Institute for Real Estate, Construction and Housing
PB 2
A 1020 Vienna, Austria

Re. ***Research and consultancy projects "Social housing model project in Shkoder" and „Gap assessment on the Albanian Housing Law / development of additional regulations"***

Dear Mr. Amann,

Your organisation, IIBW – Institute for Real Estate, Construction and Housing, has proposed a social housing model project in Shkoder. With this model project the conditions of the implementation of a PPP housing sector in Albania shall be examined. Additionally, you offer to realise a gap assessment on the Albanian Housing Law and to develop necessary additional regulations, based on your experiences with a new Housing Law for Romania and in other CEE countries.

Funding for these activities is provided by third party technical assistance without financial obligations from our side.

The Ministry of Public Works, Transportation and Telecommunication welcomes this initiative and will support it with all necessary information.

We are looking forward for our cooperation and for productive results.

Yours sincerely
Sokol Olldashi

Minister

Address : Sheshi Skenderbe Nr 5, Tiranë, Shqipëri, Tel : +355 4 226948, Fax: +355 4 232389, Email: dandoni@mpptt.gov.al

F.3.2 MEMORANDUM OF UNDERSTANDING FROM 10 NOVEMBER 2009

BASHKIA SHKODER

MINISTRIA E PUNEVE PUBLIKE,
TRANSPORTIT DHE
TELEKOMUNIKACIONIT

ENTI KOMBETAR I
BANESAVE

GEMEINN.BAU-
UNDWOHNUNGSGENOSSENSCHAFT
"WIEN SUD"
E.GEN.M.B.H

IIBW-INSTITUT FUR
IMMOBILIEN, BAUEN
UNDWOHNEN GMBH,
VIENNA, AUSTRIA

MEMORANDUM OF UNDERSTANDING

BETWEEN

MUNICIPALITY OF SHKODRA

AND

THE ALBANIAN NATIONAL HOUSING AGENCY

AND

GEMEINN. BAU- UND WOHNUNGSGENOSSENSCHAFT "WIEN-SÜD" E.GEN.M.B.H., VIENNA, AUSTRIA

AND

IIBW – INSTITUT FÜR IMMOBILIEN, BAUEN UND WOHNEN GMBH, VIENNA, AUSTRIA

Date 10. 11. 2009

REPUBLIKA E SHQIPERISE
BASHKIA
SHKODER

I.
Background information and Project Goal

Last Decade the Albanian Government has initiated significant reforms in the legal framework and its implementation, in general and in particular, in the housing sector, which is reflected in a number of legal and normative acts, compatible with international and European standards. Based also on the experiences from other transitional countries, the implementation of the laws is usually one of the most difficult parts of this chain, especially when it is about housing legislation. Because of making easier the implementation of the law, pilot projects are used as examples to create models that can be re-structured and replicated in other conditions.

Some of the projects started by the Albanian Authorities in the field of housing are as follow:

1- Social Housing Project, financed by the Council of Europe development Bank, the municipal budget and state budget, through the Ministry of Public Works, Transport and Telecommunication;
2- Public-Private Banking Sector project, for increasing access to affordable housing loans;
3- Project for Improving the Living Conditions of the Roma Population, financed by the state budget, as by projects and requests from Local Authorities;
4- Home Improvements and renovations, aiming at energy efficiency and stimulation for the establishment of condominiums;

The final aim of the project is to create a functioning model for the provision of affordable housing, implementing also those parts of legislation that have not been put in practice yet.

The project aims also to analyze and put in evidence parts of legislation which need further elaboration, especially related to public private partnership in housing.

So as to reach the functioning PPP model, the parties of this agreement engage themselves to finalize the feasibility study, which will be the basis for establishing the relations of the partnership. Only if the results of the feasibility study satisfy each party, its implementation may occur.

II.
Experiences so far

Shkodra municipality

Has denationalized about 3000 dwellings during 1992-1996. It has interfered in concrete investments in maintaining the facade of public dwellings, a process which is still in progress. Has arranged city planning studies for public assets surface which are available for the construction of low cost dwellings. Via data base Municipality of Shkodra administers citizens demands for housing. Executes the works for maintaining public dwellings.

Ministry of Public Transport and Telecommunication

Has an expanded experience in co-operation, coordination, supervision and prosecution of foreign financial projects, with particular regard to housing projects and to build up state-private partnership. Two last projects applied (1) the project for social dwellings, which is financed by the Bank for Development of European Council, by incomes of each municipality and state budged, through MPPTT, and (2) the partnership project between MPPTT, MF and second level Banks for granting ticks for housing, a series of projects, technical assistance, demonstrate experiences of the Ministry in such field and its own capacities to enter the project.

National Housing Agency (NHA)

Has a considerable experience over 15 years, in the housing field regarding to housing sector. Has built about 12 000 dwellings all over the country. It has worked mainly on selling such dwellings with a liquidation period at about 25 years with the real cost of construction, but it also has experiences in building and selling dwellings fated for free market, in order to increase its own incomes and capitals. It has mainly built through state budged funds and ticks from financial institutions establishing correct relationship with them. Has experiences in studies and different projects which have to do with financing the building sector, social policies and housing legislation.

Housing Association "Wien Süd"

With an administered housing stock of around 22,000 affordable dwellings it is one of the biggest social landlords in Austria. Experience with housing projects in several CEE countries.

IIBW

Research and constulting projects in housing finance, housing economics, housing policy and housing legislation. Amongst other international projects, IIBW has designed a new Housing Law for Romania and is driving the establishment of affordable rental housing sectors in several CEE countries, such as Montenegro.

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III.
Role and contribution of the partners

The municipality of Shkodra will provide the necessary information for preparation of feasibility study, human recourses, offices and equipment. Municipality will provide the site and the respective urban study.

NHA will contribute with financing at the amount that will be specified, based on the results of the feasibility study, the now-how on construction processes in Albania and other data as needed.

"Wien Süd" will provide know how in financing rental housing, management of construction, customer relations in sale and lease of dwellings, housing management etc. It will supervise project development and provide education of the project company staff in Austria.

IIBW will execute a feasibility study for this project, with support of the Austrian Development Agency. This will include terms of formation of a project company and the development of a financing and a contractual scheme for affordable rental and owner-occupied dwellings. I will link the project to State legislation regarding Housing Legislation, particularly a PPP Housing Law, and to EU regulations on housing. It will contribute to the acquisition of funds from International Financing Institutions.

IV.
Principles of Cooperation

In order to achieve the objectives enumerated in Article I of this Memorandum:

- The Austrian partners will:

- Work closely with the Municipality of Shkodra, NHA (and Ministry) to prepare the feasibility study and implement all activities/tasks.
- Provide advisory services in respect to the capacity building, the improvement of the housing enabling environment and housing delivery mechanisms, with particular regard to public private partnership.
- Deliver advisory services to the project activities, through the involvement of local and international expertise;
- Support in provision of financing of the business activities, up to the limits determined in the feasibility study.

- The Albanian partners will:

- Work closely with Austrian partners for the preparation of the feasibility study, contributing towards implementation of the defined project activities;

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- Manage and facilitate the implementation of activities in respect to the advisory services aspects of the Project;
- Nominate the persons to act as Liaison Officers for the Project, who will be the primary points of contact with the Austrian partners;
- Provide access to legislation, drafts, personnel, and other support necessary to evaluate and draft legislation related to housing finance;

- The parties will jointly:

- Establish a PPP Joint Venture for the project, if it is so jointly decided after the feasibility study. The MoPWTT has no engagement in this part of agreement is not part;
- Establish a Steering Committee with representatives of the partners and the Ministry;
- Work closely together until the finalization of the feasibility study, aiming at establishment of the PPP structure;
- Propose recommendations for amending the applicable laws so as to enable affordable housing mechanism to become operational in Albania.

IV.
Activities of the project

Activity	Responsibility	Tentative date
Collection of information	MoSh, NHA, IIBW	
Selection of the site	MoSh	
Preparation and approval of the urban study	MoSh, with support of Austrian partners	
ToR for the project and technical drawings	NHA, MoSh	
Calculation of costs	NHA, MoSh, IIBW, Wien Süd	
Preparation and finalization of feasibility study	IIBW, with all partners	January 2010
Drafting the contract for PPP Joint Venture	Independent lawyer	

V.
No Commitment

This agreement will lead the parties to sign a contract, after the feasibility study is finalized. The Parties hereby acknowledge and agree that this Memorandum is not legally binding. It is not the Parties' intention to create, and nothing herein shall be construed as creating, legal rights and obligations or any commitment

REPUBLIKA E SHQIPERISE BASHKIA

whatsoever. Each Party shall have the discretionary right to terminate at any time any discussion whatsoever regarding the Project or this Memorandum.

This memorandum is signed for an initial duration of one year, and can be extended.

Signed in Tirana, on [10] of [November], 2009 in two original copies, in English and Albanian, with both texts being equally valid.

Signature

Ahmet Omi	Ing. Proko Ilirjan	Rikard Luka
Municipality of Shkodra	National Housing Agency	MoPWTT

Dr. Stefan Zadeyan	Dr. Wolfgang Amann
Wien-Süd eGenmbH	IIBW GmbH

F.4 DOCUMENTS ON PROJECT DEVELOPMENT

F.4.1 TEMPLATE FOR DOCUMENTATION OF BUILDING COSTS

Construction costs, based on closing statement of projects (net)

Project adress:	
City:	
Year of completion:	
Number of dwellings:	
Gross floor space:	
Net useable living space:	

A) CONSTRUCTION COSTS	Total costs €	costs €/m²
A 1 Construction works		
If possible with the following details:		
General contractor		
Demolition works		
Contamination		
Construction		
Unterground garage		
Garage		
Outdoor facilities		
Fences		
Children's playground		
Gardening		
Other costs		
A 2 Roof		
If possible with the following details:		
Roof construction		
Roof covering		
Plumber works		
Bituminous pavement		
Membranes		
Other costs		
A 3 Fassade		
If possible with the following details:		
Thermal insulation		
Windows		
Doors		
Stiegenhausverglasung		
Other costs		
A 4 Inerior works		
If possible with the following details:		
Dry wall construction		
Floor		
Floor cover		
Stone cutter works		
Tiler works		
Painter works		
Metalworks		
Carpenter works		
Other costs		
A 5 Building equipment and appliances		
If possible with the following details:		
Heating		
Sanitation		
Electric installation		
Elevator		
Other costs		
A 6 Other costs		
If possible with the following details:		
Cleaning		
Waste container		
Technical products		
Fire prevention		
Other costs		

A) TOTAL CONSTRUCTION NET COSTS		
B) ADDITIONAL BUILDING COSTS		
B 1 Infrastructure costs		
If possible with the following details:		
Gas installation		
District heating		
Cable TV		
Telecummunication		
Connecting fee electricity		
Severage		
Connecting fee fresh water		
Other costs		
B 2 Architect		
If possible with the following details:		
Fee for planning service		
Fee for tender procedure		
Fee for building supervision		
Miscellaneous costs		
Quality management		
B 3 Other services		
If possible with the following details:		
Fee model maiking		
Fee surveyor		
Fee structural engineer		
Fees for other services		
B 4 Other costs		
If possible with the following details:		
Building blackboard		
Ceremonies (ground-breaking, topping-out, handing over)		
Costs for building authority		
Studies		
Advertising		
Building administration costs		
Other costs		
B) TOTAL ADDITIONAL BUILDING NET COSTS		
C) FINANCING COSTS		
Interests for construction costs		
Other financing costs (guarantees, trustees etc.)		
C) TOTAL FINANCING NET COSTS		
TOTAL NET COSTS (A+B+C)	€ 0	0,00 €/m²

F.5 DRAFT PPP HOUSING LAW (IIBW)

EXPLANATORY STATEMENT

Public-Private-Partnership (PPP) Housing companies and organisations are private law enterprises whose owners share a long-term interest in and commitment to a stable, well functioning and flourishing housing sector.

There is international evidence that housing markets do not perform well without strategic public support and regulation, particularly regarding rental housing for low and middle income groups. A Limited-Profit Housing sector as a partnership between the public and the private sector (PPP) is a well-proven model in many Western countries. It combines market liberal principles with the successful tradition of the European Social Model.

The regulations of this Law are in accordance with EU legislation. PPP Housing organisations provide services of general economic interest. Therefore they are exempt from the general state aid ban. In principle, PPP Housing organisations qualify for state subsidies.

CHAPTER 1: GENERAL PROVISIONS

PPP Housing

Art. 1 (1) This law regulates the organisation and the functioning of accredited PPP Housing companies and organisations.

(2) PPP Housing organisations will officially be regarded as such only if they fulfil the requirements of this law.

(3) Accredited PPP Housing organisations have to focus their activities on services of general economic interest in the field of housing. This is particularly new construction, management and refurbishment of affordable rental and owner occupied housing. They have to apply their assets to these services and agree to open their business activities to regular audit and supervision.

CHAPTER 2: CONDITIONS FOR ACCREDITATION

Legal form

Art. 2 The PPP Housing organisation has to be a legal person set-up as a limited liability company, a joint-stock company, a cooperative, a foundation, a fund, an association or an owners' association with a head office in Albania.

Supervisory board

Art. 3 The PPP Housing organisation is required to have a supervisory board or any other body with in essence the same rights and obligations as a supervisory board (internal supervisory body).

Minimum equity capital

Art. 4 (1) The economic performance of a PPP Housing organisation has to be adequate to fulfil its obligations defined by law.

(2) If the PPP Housing organisation is a limited liability company or a joint-stock company, at least € 200.000 have to be deposited as equity capital stock. The accreditation authority (Art. 16) may tolerate exception to this rule following advice from the auditing association (Art. 23), if this is justified regarding the economic performance and the field of operation of the PPP Housing organisation.

Ban on influencing

Art. 5 (1) The PPP Housing organisation is not allowed to be under the predominant influence of political parties or of persons who are members of the building industries (housing construction, production or the commerce of building materials, or other businesses connected to housing construction). PPP Housing organisations themselves, or local and regional state authorities, are not considered members of the building industries.

(2) The Articles of Association of a PPP Housing organisation are to secure that the PPP Housing organisation is not composed predominantly out of members of the building industries, and that members of the building industries have no predominant influence on business decisions within the PPP Housing organisation.

Allowed restriction of allocation of dwellings

Art. 6 (1) In principle, the PPP Housing organisation is not allowed to restrict the allocation of dwellings to defined persons or a defined number of persons.

(2) However, PPP Housing organisations may restrict the allocation of dwellings in the following cases:

a) If a PPP Housing organisation consists in total or partly of members in need of housing (e.g. a cooperative), a restriction of allocation to its members is allowed. For further operations, the entry of new members must be open according to para. 1.

b) Restriction is allowed if PPP dwellings are allocated to employees of certain enterprises (company housing), to certain profession or to persons denominated by a municipality.

c) If a PPP Housing organisation is established from one or more owners' associations, its operations may be restricted to the owners.

(3) The allocation of dwellings through the PPP Housing organisation has to follow objective criteria, especially regarding housing need, household size, and household income of applicants. The auditing association (0) is to provide guidelines for such an objective allocation mechanism. The allocation mechanisms of each PPP Housing organisation has to be approved by the accreditation authority (0). Denomination of beneficiaries by a municipality fulfils the criterion of objective allocation in any case.

Field of operation

Art. 7 (1) The PPP Housing organisation has to be engaged in construction and management of social dwellings in its own name. Additionally, it may supervise the construction of social dwellings for other owners.

(2) Cases may appear that a PPP Housing organisation has to discontinue its activities of construction or refurbishment due to economic reasons (housing demand, financial restrictions). In such cases, the accreditation authority may stipulate a time period during which the company's activity may be discontinued without loosing accreditation.

(3) The PPP Housing organisation may manage dwellings, which it has constructed in its own name, as well as dwellings acquired otherwise.

(4) PPP Housing organisations may build social dwellings with a useable floor space of at most 90 square meters and with standard equipment, taking into account the state of the art of technology and present time habitation standards, with highest possible efficiency of construction costs, considering operational and maintenance costs.

(5) The PPP Housing organisation may engage in commercial activities and build dwellings larger than defined in para. 4, if the accreditation authority issues a special approval including specific conditions.

Rents and prices

Art. 8 (1) While at all times considering the principles of efficiency, thrift und usefulness, the PPP Housing organisation shall be guided by the interest in socially affordable housing supply regarding rent and sale contracts and housing management. The Articles of Association must safeguard the interests of tenants and of condominium owners.

(2) The PPP Housing organisation may let dwellings only at adequate rents and prices. Rents and prices will anyway be considered adequate if they are neither above nor below self-costs.

(3) Self-costs consist of all current expenses for:

a) amortisation and adequate interests of loans,
b) adequate interests on equity capital of at most 3,5% p.a,
c) facility management of the PPP Housing organisation,
d) proper depreciation,
e) adequate reserves and provisions, according to the principles of a correct management.

Sale of dwellings and buildings

Art. 9 If dwellings are sold, the new and any consecutive owners have no right to re-sell for at least 10 years with a gain. Price increase must only cover proved expenses on the premises of the preceding owner. This restriction is to be safeguarded with security entries in the land registry.

Returns on invested capital

Art. 10 (1) The shareholders or members of the PPP Housing organisation have to respect the following rules in the Articles of Association and in actual fact:

a) In the case of net profits, the shareholders may be issued with a return on actually invested capital of at most 3,5% p.a. or any other interest-rate decreed by the Minister of Finance. The shareholders or members receive no further assets, besides adequate compensations for marketable services.
b) If the PPP Housing organisation is liquidated or if some shareholders or members exit the organisation, the shareholders or member concerned may only receive their actually invested capital.

(2) Allocated profits are considered as actually invested capital.

Treatment of assets in case of liquidation

Art. 11 (1) In case of liquidation of a PPP Housing organisation, the shareholders or members are returned their actually invested capital. All the remaining assets must stay within the welfare regime of the PPP Housing sector. Tangible disposition in the individual case is decided by the accreditation authority (Art. 16). By request, the PPP Housing organisation has to surrender all assets including inventory to the accreditation authority. Its further use has to answer the purpose of the PPP Housing regime.

(2) When deciding on the use of the assets, the accreditation authority (Art. 16) must consult the parties concerned as well as the auditing association.

Legal ineffectiveness

Art. 12 Changes in those clauses of the Articles of Association which were a prerequisite for accreditation by the accreditation authority (Art. 16) are legally ineffective without the authority's explicit permission.

Efficiency of business activity

Art. 13 Managerial and administration costs must stay within adequate limits as defined by the Articles of Association and in actual business activity. In particular, the association may not grant to its representatives or to third parties any benefits or remuneration that are disproportionately high in relation to the economic capability of the association.

Reliability of housing management

Art. 14 All business activities of the PPP Housing organisation have to be in accordance with the business purpose laid down in the Articles of Association and in conformity with business ethics. No person must be active as member of the board of directors or the supervising board or as leading executive of the PPP Housing organisation that is in doubt for their social integrity and reliability.

Membership to an auditing association

Art. 15 The PPP Housing organisation must be member of an auditing association which is in conformity with the EU-regulations 2006/43/EG, 84/253/EG and 78/660/EG and is accredited by the Minister of Finance.

Chapter 3: Procedure

Authority in charge

Art. 16 (1) The accreditation, denial, and revoking of accreditation is enacted by the Ministry of Finance as accreditation authority.

(3) Accreditation by the authority in charge is valid for the whole country.

(4) Any application for accreditation has to be filed with the responsible authority via the auditing association (Art. 23).

Decisions of the authority

Art. 17 (1) Accreditation, denial and revoking of accreditation is enacted by decree of the accreditation authority.

(2) The accreditation authority acts on its own initiative or upon request of a party (Art. 20).

(3) Decrees must be issued in writing and must be served on the parties. In case of a denial or revoking of accreditation the reasons for the decree must be stated.

Procedures of accreditation

Art. 18 (1) The accreditation authority's decree may determine dates of coming into force of the accreditation. These dates may not precede the day the application is filed with the authority.

(2) If no date or period is determined by the decree, accreditation will be effective for an indefinite term starting with the day of issue. However, accreditation may be of a limited period of not less than five years.

(3) For the following reasons a new application for accreditation can only be filed after an interval of two years, starting the day after the date of expiry, denial or revoking of the accreditation, or the day after withdrawal of an application filed by the housing company:

a) if a fixed-term accreditation of a housing company (para. 2) expires without a newly filed application,
b) if accreditation was legally denied or revoked, or if the housing company has withdrawn its application.

Revoking of accreditation

Art. 19 (1) Apart from the reasons mentioned in Art. 18 para. 3, an accreditation can only be invalidated by being legally revoked. A renouncement ex parte by the PPP Housing organisation is not permitted in any case.

(2) Accreditation must be revoked

a) if the organisation or the statutes (Articles of Association) of the housing company do no longer comply with the law, especially with Art. 2-15 of this law,

b) if the business activities of the association are contrary to the law, especially to Art. 2-15 of this law,

c) if the company evades auditing (Art. 23-26).

(3) The accreditation authority will publicise the revoking of accreditation at the expense of the association concerned.

(4) If an accreditation is legally revoked, the accreditation authority (Art. 16) may, in accordance with the auditing association, impose penalties on the PPP Housing organisation as a compensation for benefits acquired by the accreditation. These penalties must be paid by the PPP Housing organisation to a recipient to be determined by the accreditation authority. Payment of these penalties may be enforced by law.

Parties to the procedure

Art. 20 The PPP Housing organisation and the auditing association are parties to the procedure. The latter may also take action that accreditation be revoked.

Appeal

Art. 21 (1) The parties have the right to appeal to a court of administration against the accreditation authority's decree within 30 days after it has been served on them.

(2) In such proceedings, the accreditation authority will be considered a party.

Trade name and registration

Art. 22 (1) Any housing organisation not accredited as PPP Housing organisation according to this law may not refer to itself as such, neither in public nor in legal transactions.

(2) The trade name of a housing company which has not been accredited according to this law or has lost accreditation may not include the terms "PPP Housing".

(3) If a person or legal body wilfully acts against the provision of para. 1 of this Article, a penalty will be imposed, unless this offence is more severely punishable under another law. Infringement may be noticed only by the accreditation authority.

(4) The accreditation authority will notify the registry office ## of any final decrees issued on the basis of this law. The registry office, in their turn, will notify the accreditation authority and this will inform the auditing association of any entries into the register concerning a change in the board of directors, in the statutes (Articles of Association) or the liquidation of an accredited PPP Housing organisation or the cancellation of its name from the register.

(5) The PPP Housing organisation must immediately notify the accreditation authority and the auditing association of any changes in the board of directors, in the management or in the supervisory board.

Chapter 4: Auditing and supervision

Auditing association

Art. 23 (1) Auditing associations to which PPP Housing organisations must be member under Art. 15 of this law are licensed by the Minister of Finance.

(2) If a licensed auditing association is liquidated, the disposition of its assets must be made public and compliance with Art. 24 lit. d of this law must be proven.

Statutes of the auditing association

Art. 24 The statutes of any licensed auditing association must ensure the following issues:

a) The field of competence of an auditing association may be locally or factually limited, provided that only PPP Housing organisations with the same limitations may become member.
b) PPP Housing organisations may be member of only one licensed auditing association according to this law.
c) The statutes have to define the obligations of the auditing association according to this Law, particularly the auditing procedures,
d) In the case of liquidation of an auditing association it is to make sure that all members are transferred to another auditing association.

Audit and supervision

Art. 25 (1) Every accredited PPP Housing organisation must submit to periodical audits by the auditing association to which it is affiliated under Art. 15 of this law. The auditing association may, with the consent or on the demand of the accreditation authority, conduct extraordinary audits at the expense of the PPP Housing organisation.

(2) Audits must also cover compliance with the regulations of Art. 2-15 (financial conduct of the PPP Housing organisation).

(3) An audit must be conducted every year before the approval of the annual accounts. If no audit has taken place, the annual accounts cannot be approved. If they are approved without an audit, they are void.

(4) If the accreditation authority demands it, housing companies must transfer all audit reports to the accreditation authority within three months after ending of the audit.

(5) The accreditation authority has at all times the right to the following proceedings: to procure all documents and to gather all information it deems necessary and to examine all business transactions and business activities of the PPP Housing organisation. If necessary, it has the right to have an extraordinary audit conducted by an agency to be determined by the authority itself, on its own initiative and at the expense of the PPP Housing organisation concerned.

(6) Any change in the statutes (Articles of Association) must be immediately notified to the accreditation authority.

Accounting

Art. 26 (1) The PPP Housing organisation must comply to the guidelines on the accounting system issued by the auditing association with the approval of the Minister of Finance.

(2) The PPP Housing organisation is audited by the auditing association (Art. 23) to which it is affiliated.

(3) The housing company address any complaints by the auditing association by taking adequate measures. If these measures are not taken within adequate time, the auditing association may set a time limit for the measures to be taken. If the PPP Housing organisation does not take measures within that limit, the auditing association will notify the accreditation authority.

Chapter 5: Promotion of PPP-Housing

Promotion of new construction and refurbishment

Art. 27 PPP Housing organisations have privileged access to housing subsidies, especially for the provision of affordable rental dwellings. This privileged access is granted as a compensation of their services of general economic interest. Further regulations are subject to housing programmes.

Chapter 6: Final and transitional provisions

Art. 28 (1) The prerequisite of Art. 15 (affiliation to an auditing association) can be suspended until an adequate auditing association according to Articles 23 ff. is established.

(2) In such cases, the accreditation authority has the responsibility to ensure an audit according to the principles of Art. 25 of this law.