

MANAGING MULTI-RESIDENTIAL BUILDINGS IN ARMENIA: ADDRESSING CHALLENGES AND SOLUTIONS

Mher OTARYAN

Ph.D. applicant, Faculty of Economics, Yerevan State University

Key words: condominium, housing fund, fiduciary manager, housing maintenance offices (HMO)

Introduction. The modern democratic society assumes the responsibility of public welfare, development of human potential, provision of equal starting conditions for economic activity of all citizens and protection of legal interests of all people. In order to solve these problems, each country creates an appropriate management system over time. Public management is one of the widespread systems of state administration in the modern world, a part of which is local self-government. Improving the living conditions of citizens has a great impact on public welfare. The latter depends on a number of circumstances, one of which is the maintenance and use of the housing stock of apartment buildings. The owners of multi-residential buildings run management structures supporting the building, the inter-floor coverings (ceilings, floors), basements, attics, technical floors, the roof, as well as the entrances serving more than one building and intended for the unified full service of the multi-residential building, stairwells, stairs, elevators, elevator and other wells, mechanical, electrical, sanitary and other equipment and areas that are not the property of other persons in accordance with the law [Law on the Management of Multi-residential Buildings, 2024]. The law also stipulates that all owners of the building are obliged to make appropriate payments for the maintenance of the given areas or fulfill the requirements of the mandatory norms with their own strength and means.

Methodology. The methods of document analysis, abstraction, induction and statistical data analysis and others are used. In the framework of this research, various public and scientific materials were studied. Also, by studying the historical development, their cause-and-effect relationship using the method of combining the historical and the logical were found.

Literature review. The first law on condominiums in Armenia was adopted more than a quarter of a century ago, in 1996. According to the law, the condominium management office had to manage, maintain, repair and maintain the common property of the building's residents, that is, the building's supporting structures, ceilings, floors, basements and attics, roofs and entrances, staircases, elevators and other areas. Prior to the adoption of the law, their maintenance and maintenance was carried out by local government bodies - housing operation sites (HOPs) or so-called "zhek" (Russian: ЖЕК: Жилищно-эксплуатационная контора). The issue of managing multi-residential buildings remains unresolved for all post-Soviet countries. Many researches have been carried out related to this topic. Some researchers believe that almost all condominium offices have some

receivables. The mechanisms of collecting these debts are still ambiguous and different approaches have been proposed to solve this problem. Some of the researchers believe that it is possible to improve the work of condominium offices through the courts [Asryan, 2019, 159], the other part believes that the buildings should be modernized and overhauled [Busyrev, 2012, 285]. Some of the researchers believe that it is necessary to use the facilities of the buildings to provide additional income for the condominium offices. It is the opportunity to increase the market value of apartments in an apartment building [United Nations, 2014, 10].

Scientific novelty. In the research, a number of results of theoretical, methodological and practical value were obtained, from which the following propositions were presented as scientific novelty: a new mechanism for increased accountability was proposed and proposed to be enshrined in legislation. The condominiums offices can also participate in the grants (subsidies) given by the government, as well as the implementation of the mandatory state training program for the managers of the offices.

Analysis. Condominium management offices are voluntary associations and had to be established by a decision of the founding meeting of owners. However, they were not created voluntarily. The former “zheks” were forcibly transformed into condominiums.

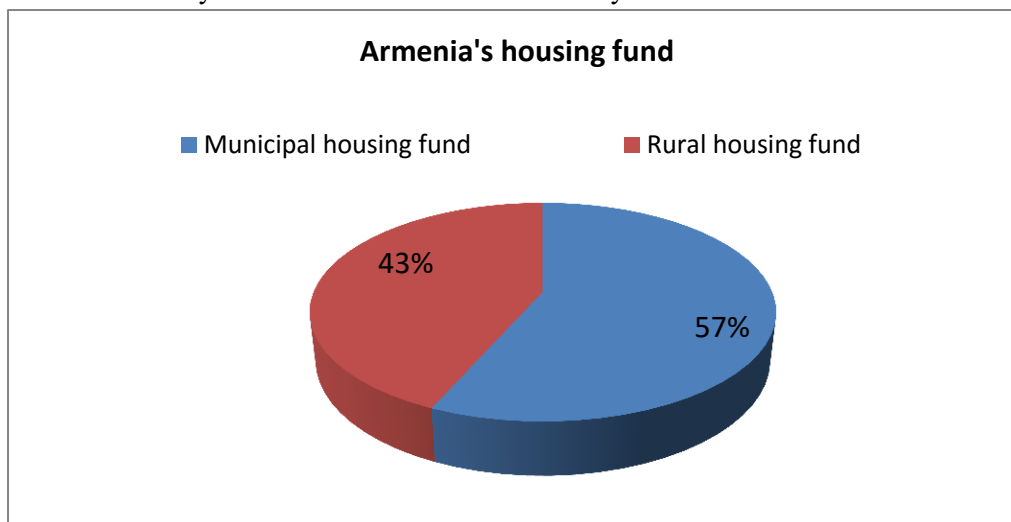


Figure 1. Armenia’s housing fund¹

Condominiums inherited the logic and characteristics of “zheks” in terms of lack of participation and accountability, type, quality, size and other aspects of services. Now some condominiums are so big that the general meeting of the owners would occupy the Republic Square in Yerevan. To this day, they continue to be perceived and act according to the old logic [Melkomyan, 2024]. According to the summary data of the reports re-

¹ The chart is made by the author. The data are taken from the RA Statistical Committee

ceived from the Cadastre Committee of RA communities, condominiums, fiduciary managers and other legal entities, the total area of the RA housing fund in late 2022 was 105.7 mln. m², including in cities: 59.8 million. m² (56.6%), in villages - 45.9 million. m² (43.4%). The statistical report and the 2022 plan of the RA housing fund and communal economy was taken into consideration. The housing fund in the city of Yerevan is 29,966,922 m², which is about 50.1% of the RA urban fund, and the smallest part is occupied by the Vayots Dzor region, 682,102 m², which is 1.14% of the total [Armstat, 2022]. These data show the distribution of the population and it is natural that the maintenance of these buildings in the city of Yerevan will be more difficult than in the regional regions. In this context, it is necessary to study the housing stock of multi-residential buildings. The total area of the housing stock of multi-residential buildings in late 2022 was 30,157.3 thousand. m² or 28.5% of the total area of the Armenia's housing stock. The number of multi-residential buildings was 19,339 units, the number of apartments was 460,803 units. The number of apartment buildings in the city of Yerevan is 5168, which is 26.7% of the total. The housing stock of multi-residential buildings is divided into 2 types according to the form of management: community driven, managed by condominium offices, trust and fiduciary managers. The housing stock of multi-residential buildings (without dormitory stock), in marzes and in Yerevan was a total of 19,157 buildings, of which 11,099 were managed by communities, and 8,058 were managed by condominium offices, trust and fiduciary managers. In general, the model of management by communities is more popular, except for the city of Yerevan.

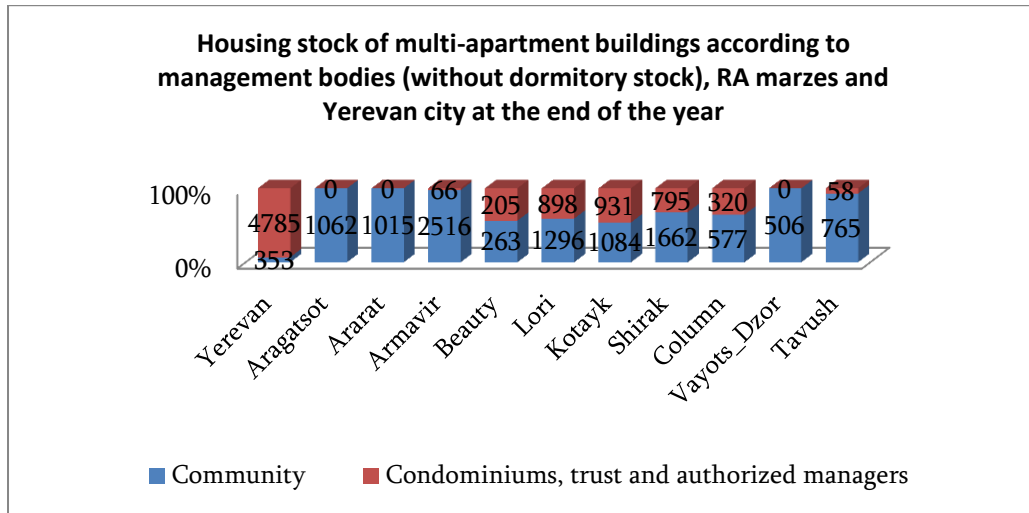


Figure 2. The housing stock of multi-residential buildings according to management bodies (without dormitory fund), end of year in Armenia's marzes and in Yerevan¹

¹ The chart is made by the author. The data of the Statistical Committee were taken into account, www.armstat.am

This situation is very worrying from the point of view that in parallel with such multi-residential apartment buildings there is very little level of management by condominium, trust and fiduciary managers. Condominiums in Aragatsotn, Ararat, Vayots Dzor marzes can be said to be completely absent. This once again shows that the matter of trust in these structures is quite low, but in the city of Yerevan it is quite high. For a more illustrative presentation, one may consider this framework, which shows that the level of governance by condominiums offices is weaker than governance by communities. Most of the condominiums operate in the city of Yerevan. It makes up about 58.7% of RA condominiums. This is a very worrying number and the question arises as to why the gap between the capital and the marzes is so large. Condominiums have many problems, and first of all, the weak level of accountability, which leads to mistrust of the system, can be singled out. The problem here is at the two-levels: owners of residential buildings in multi-residential apartment buildings are not demanding, condominiums are not interested to be accountable. From this point of view, the lack of information mechanisms is a critical obstacle. Experience has shown that those condominiums offices that have clear accountability mechanisms are able to collect up to 90-95% of the condominium's sums. There are still condominiums offices that take the money and, due to the lack of accountability, the citizen does not know where the money goes. This problem has a psychological aspect on the one hand, and a financial aspect on the other. Among the transparent and accountable condominiums offices, the example of Noravan and Malatia-Sebastia is more impressive. Noravan condominium is a new generation condominium office. It publishes its expenses and is accountable for the work done. The Malatia-Sebastia condominium office states that it is able to collect up to 90% of the condominium's funds. The main deviation of that 10% comes due to the insolvency of pensioners and families in difficult social status [Armeniasputnik, 2024]. This condominium office circulates among its members both a paper version and an electronic version, which is the key to success. An international study states that for the effective operation of condominiums, 81.2-87.7% revenue collection is necessary [United Nations, 2016, 209]. In our sample condominium office, there are almost no deviations from that range, and the transparency of the above-mentioned accountability contributes to revenue collection. Another important issue is the oldness of the buildings. Most of them have 40 or more years of wear and tear. It is necessary to make large investments for the repair and furnishing of those buildings. Condominiums offices that do not have that high level of trust will have problems in this regard and cannot organize capital repairs for apartment buildings. Thus, most of the buildings are in need of capital repair due to their many years of operation. This problem is combined with the difficult collection of funds from condominiums, which leads to a budget deficit. As a result, condominiums become unviable and at best manage to incur some administrative costs in terms of salaries. Taking into account the above, we propose to implement economic and legal changes and to strengthen the law

"On the management of multi-apartment buildings" by mentioning that for each year the condominium office must notify the members of the condominium electronically, both the initial version of the budget and the implementation. In other words, one unified system should be created. Training programs should be implemented for condominium managers. Regarding subsidies from the RA state budget aimed at the development of economic and social infrastructures of communities, we also suggest that the law be amended so that condominiums can also participate in subsidy programs, simply by paying the community's share from their budget. For example, in the field of renovation of shared ownership of multi-apartment buildings, including energy saving project, the condominiums can pay 35%, the difference will be paid by the government, and the local governments will be responsible for drawing up the documents. As a result of all this, the transparency of budget management will increase and the confidence of condominium members in the structure will increase.

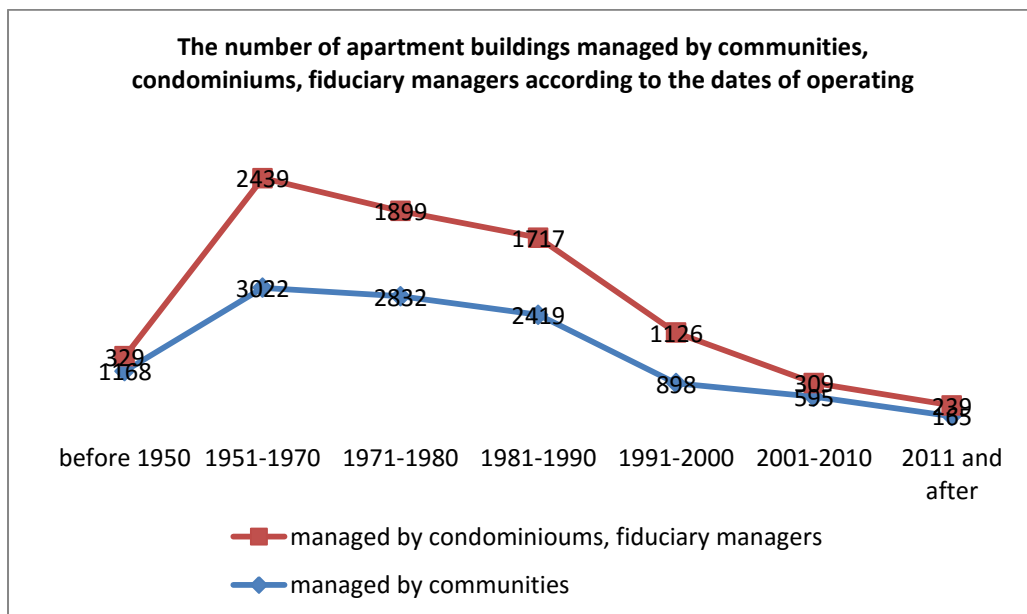


Figure 3. The number of apartment buildings managed by communities, condominiums offices, trust and fiduciary managers according to the dates of commissioning¹

Conclusion. Thus, it can be seen from the reconstruction that most of the apartment buildings have a history of 40 years or more. There are many problems in those buildings, and most of the problems depend on lack of consistency. There are few accountability mechanisms in condominiums, and less trust from the population. We suggest that

¹ Figure is made by the author. The 2022 data of the RA Statistical Committee was used.

the accountability mechanisms should be clearly stated in the law. In order to make the work of condominiums more transparent, we suggest communities to introduce an electronic management system. It is necessary to organize trainings for other managers by managers of exemplary condominiums and to exchange experience. Most of the buildings are in need of capital repair due to their many years of operation, and this is possible through the provision of subsidies from the state budget. In our opinion, the level of public welfare will increase as a result of proper planning and management.

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Mher OTARYAN

Managing multi-residential buildings in Armenia: addressing challenges and solutions

Key words: condominium, housing fund, trust manager, fiduciary manager, housing development sites (HST)

Public management is one of the widespread systems of state administration in the modern world, a part of which is local self-government. Improving living conditions significantly affects public welfare, with one of the determining factors being the maintenance and utilization of apartment buildings' housing stock. This article highlights the importance of managing and maintaining residential properties to enhance the overall well-being of citizens. The first law on condominiums in Armenia was enacted in 1996. According to this law, condominiums were responsible for managing, maintaining, repairing, and servicing the common property of the building's residents, which includes various structural elements and shared areas such as support structures, ceilings, floors, basements, attics, roofs, entrances, staircases, elevators, and other communal spaces. Before the adoption of the law, the maintenance and upkeep of residential buildings were the responsibility of local government bodies, such as housing operation sites or housing and maintenance offices. In the article, the housing fund of the Republic of Armenia and its management methods are discussed. We discovered that as of 2022, the total area of the housing stock in apartment buildings amounted to 30,157.3 thousand square meters, accounting for 28.5% of the total area of the country's housing fund.