

Bottom-up initiatives: Condominium refurbishment in Budapest

The parallel refurbishment of four condominiums in Budapest exemplifies the crucial role consultancy companies or in other cases the public sphere can fulfill in setting the primarily end-user-led retrofitting processes in motion, but also enabling the scaling up of the projects. In this particular refurbishment of the “Zagreb” housing estate, district level results were achieved with the careful coordination of the individual condominiums.

Summary of the project

The project covered 4 blockhouses in the 10th district of Budapest, with 768 flats in total, all of which were condominiums. The buildings were constructed starting from 1976, and each building as its own home owners association. The home owners association (HOA) owns the main structures of the buildings (except the windows) and the common building services (except radiators) and equipment. Flat owners own the indoor space of their unit, separation walls, windows and inside equipment. The refurbishment took place between 2004 and 2007, carrying out the complex energy efficient refurbishment of the buildings with the help of state subsidies, loans and the use of an ESCO solution. The intervention radically changed the outlook and atmosphere of the estate, leading to significant improvement of the living conditions of the residents and lowering their energy consumption.

Actors and Project development process

The four HOAs decided to develop a cooperation relationship with each other in order to

1. develop a common unique project,
2. lower investment costs,
3. foster the renovation of the whole primer energy distribution system, which is the responsibility of the Budapest District Heating Company. This action was important to create the possibility for each building to have its own heating centre. This is essential for each building to be able to optimize its heating energy consumption.

After formalizing the idea of a possible investment, the HOAs contacted with a consultancy company in order to:

4. establish the technological and energy-efficiency base of the project,
5. assess the building from a technological and energy point of view,
6. develop the investment proposal for a deep retrofitting,
7. develop a favourable financing scheme,
8. support the decision making process of communities,
9. prepare and submit the application for state support.

HOAs agreed to participate in the government tender for energy efficient retrofitting, and each of them contracted the same consultancy company that had assessed the buildings and had developed the financial schemes to carry out the tendering process. A coordination committee (CC) was created based on the advice of the consultancy company to manage the joint tendering and retrofitting process. Its members were made up of 2 representatives of the Municipal Real Estate Management Company, the consultancy company and 2 representatives of each of the four HOAs participated. As a result of the activity of this committee, participants decided that there would be a joint procurement for the four buildings.

All proposals of the CC were discussed with the assemblies of the involved communities and were approved by each assembly. The consultancy company prepared information for the discussion and decision-making. Concerning the financial solutions this company ensured two days weekly when owners and tenants could contact personally and discuss the technological details of their flats and financial issues. During the preparation phase of the application the municipality and the consultancy offered different technological options and explained their technological and financial details in special consideration of functional and comfort impact, savings and payments.

These options had been introduced in forums in which all stakeholders could participate (maximum of 200 persons per forum). At the end of this discussion procedure, the assembly of each HOA decided

about technological content of the retrofitting, expected maximum amount of investment, conditions of loan, amount of common costs, and not at least conditions of tendering and contracting an ESCO and the main contractor.

Funding

Between 2002 and 2006 the Hungarian government launched a very favourable tender for getting grants for retrofitting projects of prefabricated blockhouses. The tender offered to housing associations grant of 2/3 of all retrofitting costs, from which 1/3 is ensured by the government and the other 1/3 by the municipality. The remained 1/3 could have been financed by the HAs. and by an ESCO. The grant could not be applied to some of the necessary technological content, e.g. new radiators, green energy sources, drainage and plumbing.

As the municipality and communities had scarce financial sources for a complex project, they asked the consultancy company to develop a suitable financing solution. The base of the proposed financial solution, as the involved parties decided, was the following:

1. All parties took a loan with 8 years payback time.
2. Participation of an ESCO, which guarantees the energy savings as a source of loan payments.

Project timing

The retrofit measures took place over the following period:

- Preparation and decision: October 2004 - September 2005
- Grant application: September 2005 – February 2006
- Procurement, contracting and financing: February 2006 – July 2006
- Implementation: July 2006 – March 2007