

## **WP 5 Financing**

### **Minutes - Meetings of the Working Groups**

#### **Warsaw Conference 9<sup>th</sup> June 2010**

##### **Participants:**

Group 1: Siaulai/Grodno  
Leader: Andreas Dördelmann  
Supporter: Kristina Perselyte

Group 2: Riga/Jelgava  
Leader: Dietmar Walberg  
Supporter: Andreas Lindner

Group 3: Rakvere/Piaseczno  
Leader: Uta Lynar  
Supporter: Mirja Adler

Minutes: Uta Lynar

##### **Topics for discussion**

The working groups were asked to consider the following topics in their discussion to enable reflection on the financial instruments and models that were presented to them earlier in the afternoon:

- Current situation, needs and deficits
- Experience with funding programmes
- Potential in the TAs for financing instruments/schemes

##### **Topic 1: Current situation, needs and deficits**

The working groups discussed the financing instruments that currently exist for the Target Areas and talked about the needs and deficits that they perceive within the financing models.

##### **Group 1: Siaulai/Grodno**

Within the UrbEnergy project, Siaulai City is preparing integrated development concepts for two target areas. Both target areas contain private and public buildings which should be refurbished in order to increase energy efficiency and to reduce the consumption of non renewable energy resources. Therefore the working group decided that new financing instruments would be needed for both the public and private sector.

##### **Group 2: Riga/Jelgava**

##### **To be included**



### Group 3: Rakvere/Piaseczno

In the Target Area of Rakvere, there are 18 multi-apartment buildings and public areas. Approximately 10 million € is needed for the refurbishment of these buildings. Approximately 2 million € is also needed for the reconstruction of buildings and public areas. The working group discussed that there was a deficit in Rakvere that the apartment owners are not motivated to make investments in their properties.

Piaseczno also presented the current situation of their target area, which has a total funding requirement of ca. 5-6 million €, including ca. 1 million € for public areas. There are 18 multi-apartment buildings in the target area, 2 buildings belonging to the municipality, both of which are in quite bad shape (one needs demolishing) and 2 buildings for heating. Piaseczno would also like to be able to supply hot water through a centralised system, which would cost ca. 1 million € to implement. There is a CHP plant in the target area, which jointly belongs to a building company, a housing association (8 buildings) and the municipality, who have not been able to agree on measures for the past 3 years. There is a financial scheme which is already in existence in Piaseczno and is considered to be good, however it does not finance public spaces and the spaces between buildings (regardless of whether they are public or privately owned).

### Topic 2: Experience with funding programmes

The partners exchanged their previous experience with the funding programmes in their Target Area with the other working group members.

### Group 1: Siauliai/Grodno

In the Siauliai/Grodno Working Group, the partners from Siauliai explained that the renovation of public buildings is financed by EU Structural Funds (ERDF) up to 100 % (EU co-financing share in objective 1 areas = 75 % of total eligible costs, 25 % comes from national co-financing). The budget may be used only for energy efficiency measures. In 2009, Siauliai City Municipality Administration renovated 4 schools and 8 kindergardens financed through the Structural Funds. In 2010 renovation will be started in 4 schools and 9 kindergardens.

There is also a subsidy programme in Siauliai that is financed through the Jessica initiative. 15% of the investment is given as a grant. For the remaining 85%, it is possible to get a loan with a fixed 3% interest rate. The financing rules were changed at the beginning of 2009. Until then it had been possible to get up to 50% of the investment as a grant. These changes have stopped the initiatives of the housing communities and have “frozen” the programme’s implementation process. There are several reasons which are off-putting to potential renovations, including:

- a) Bad condition of heating grids,
- b) Social compensation,
- c) Negative attitude towards loans.

### Group 2: Riga/Jelgava

To be included

### Group 3: Rakvere/Piaseczno

In Estonia there is a long term loan scheme which provides loans at a low interest rate which was presented to the working group.

In Piaseczno, building refurbishment can currently be financed through a special financial scheme which has been in place since 1998. The loan is up to 100% of total investment; grant is 20% but cannot exceed 15% of the total investment costs and not more than 2 year savings. All calculations are done in energy audit. The problem is that many applicants cannot qualify for the loan due to a poor credit rating, e.g. many pensioners etc. The loan is financed by a commercial bank; the interest rate is 6%, maturity was originally 10-12 years, but has now been extended to 18 years. At the moment at least 25% of savings is a precondition for receiving the loan, and also the renovation of heating system and insulation of façades is a minimum requirement.

### Topic 3: Potential in the TAs for financing instruments/schemes

The working groups reflected on the financial instruments presented to them and those discussed in the groups in regards to the potential for them to be used in their own Target Areas. Various options were considered by the groups including EU funding programmes, such as Elena, Jessica and ERDF via various sector OPs.

### Group 1: Siauliai/Grodno

In the Siauliai/Grodno working group, public private partnerships are seen as a good possibility for the renovation of multifamily houses in Siauliai, but there is a lack of knowledge and experience in process coordination.

### Group 2: Riga/Jelgava

#### To be included

### Group 3: Rakvere/Piaseczno

The working group discussed that a grant scheme is needed in Rakvere to motivate apartment owners to make investments. In Piaseczno, it was concluded that the existing financial scheme is good, but it is only for the buildings. There is a potential and a need for financing instruments to be developed to finance public open spaces and the spaces between buildings (regardless of whether they are public or privately owned).

Polish participants are interested in the creation of an urban development fund (UDF) on national level comparable to the “Städtebauförderung” in Germany. Problem is to raise the immense funds needed. Germany benefitted from post WW II Marshal Funds that helped to develop several successful infrastructure and urban development funds in Germany even before EU Structural funds came into being.

### Summary

The working groups explored the various financing instruments available to them through the successful exchange of experience and ideas. Whether public private partnerships, grant schemes or national funding schemes like an UDF, the partners decided to

investigate further and in more deepness the potential of the financing instruments that are already available for them and also the new solutions that were presented to them or wished by them. Discussion will proceed during next months and will probably come into focus again in the next Urb.Energy meeting.

