

DOI: [https://doi.org/10.18371/fp.2\(42\).2021.172326](https://doi.org/10.18371/fp.2(42).2021.172326)

JEL Classification: L78, R31

FORMATION OF THE STATE STRATEGY FOR SOLVING PROBLEMS OF THE HOUSING SECTOR IN LATVIA

LISA Inara*Baltic International Academy**SIA POLFIX, director, Latvia*ORCID ID: <http://orcid.org/0000-0003-3087-1846>e-mail: Inara.lisa@gmail.com

Abstract. *The article deals with the basic principles of development of a housing construction strategy to create a comfortable urban environment. As cities grow, there is a need for new concepts and approaches to urban space planning to improve environmental friendliness and energy efficiency. The author analyzed and systematized the main trends in the development of the housing sector in Latvia and investigated the possibilities of using low-rise construction solutions for arrangement of existing territories. The main purpose is to develop a theoretical basis and practical recommendations for development of a strategy for solving the problems of the housing sector in Latvia using the low-rise construction projects.*

Key words: *housing sector, low-rise construction, construction development in Latvia, development efficiency parameters.*

The problem statement. In Latvia, based on the experience of other socially advanced countries, provision of affordable and comfortable housing to the population in need of better housing conditions should be one of the priority tasks of social and economic development. Based on foreign experience, introduc-

Аннотация. *В статье рассмотрены основные принципы разработки стратегии жилищного строительства для создания комфортной городской среды. По мере роста городов возникает потребность в новых концепциях и подходах к планированию городского пространства для повышения экологичности и энергоэффективности. Автор проанализировал и систематизировал основные тенденции развития жилищного сектора в Латвии, исследовал возможности использования решений малоэтажного строительства для благоустройства существующих территорий. Основная цель – разработать теоретические основы и практические рекомендации для разработки стратегии решения проблем жилищного сектора в Латвии с использованием проектов малоэтажного строительства.*

Ключевые слова: *жилищный сектор, малоэтажное строительство, развитие строительства в Латвии, параметры эффективности развития.*

tion of low-rise construction is one of the key priorities for the development of territories, including advantages of both private housing and multi-storey buildings. Concept of low-rise construction is a complete rethink of Soviet multi-storey buildings widespread in Latvia and can serve as a solution to the problem of

providing comfortable and affordable housing, as well as the development of undeveloped territories in compliance with European standards.

Analysis of construction facility projects implemented in the country reflects inability of the state to effectively solve the housing problem by using traditional mechanisms and tools. Moreover, the most important strategy papers (such as Sustainable Development Strategy of Latvia until 2030, Sustainable Development Strategy of Riga until 2030, National Development Plan 2020) [1, 2, 3] do not reflect effective construction solutions and do not pay particular attention to implementation and development of the low-rise construction concept, although development of the construction sector shows the highest growth among all economy sectors.

All of the above determined the relevance, goal and objectives of this research, which are focused on identifying trends in the construction sector in Latvia and possibilities of implementing the low-rise construction concept in its national social and economic priorities.

Analysis of recent research and publications. Theoretical and methodological basis for the study of problematic aspects of development and regulation of the housing market and the implementation of state housing strategies, the crisis of rental housing, stabilizing its value and taxation of rental income, increasing the affordability of housing form scientific publications R. Arnott, A. Börsch-Supan, I. Geipele, L. Goodman, A. Hermann, C.A. Hilber and W. Vermeulen, M. Eremenko, K. Kholodilin, Keating W. Dennis, L. Leonova and V. Zasukhina, L. Lielgaidina, E. Matveeva, K. Prokofiev, K. Staffansson

Pauli, Ju Liu and Bo Bengtsson, J.P. Weber, J.W. Willis and etc.

The purpose of the article is to identify trends in the construction sector in Latvia and possibilities of implementing the low-rise construction concept in its national social and economic priorities.

1. Growth in the Latvian construction sector. The global recession in 2008 and the subsequent crisis in the Latvian construction sector led to legislative amendments, simplifying building standards for the construction of low-rise private houses. Regulations, which came into force November 1, 2009, assume minimum requirements for development and approval of projects for the construction and renovation of low-rise buildings [4]. In modern low-rise residential buildings in Latvia, the main types of residential buildings are private houses, row houses and apartment three-storey buildings. According to information provided by the State Land Service, only 2,164 or 6% of apartment buildings in Latvia have been built in the period from 1991 through 2014, which is a relatively small number compared to the total number of apartment buildings in Latvia [5]. 94% or 36,956 of all apartment buildings in Latvia have been built in the period from 1300 through 1990. Thus, it is no wonder that large residential areas represent a significant portion of the existing housing stock in Riga, the capital of Latvia, and other large cities that were built as part of Soviet housing stock expansion plans. The centralized construction plan, which assumes maximum number of apartments built, which was implemented in the territory of Latvia in the USSR, has formed a housing stock that does not meet modern requirements for comfortable, ecological and safe living. Therefore, today, housing policy requires introduc-

tion of new approaches to the design and construction of buildings.

The Latvia's housing market has a high percentage of households below the poverty line who live in overcrowded, substandard housing (27.3% compared to the European Union average of 12.4% in 2015). Overcrowding rates are high for both the poor and the general population (49.4% and 39.1%, respectively) [6].

Like many other Member States in Eastern Europe, Latvia has an aging housing stock that is characterized by low energy efficiency and poor quality. About 70% of apartment buildings in the country are over 50 years old and have a low level of energy efficiency [7].

Government support for low-income households at the Latvia's housing market is represented mainly by housing allowances, which cover rent and utility bills [7].

After overcoming the consequences of the Global recession, since 2011 the economic situation in Latvia has stabilized and is at the stage of intensive growth [8]. Due to the current activity in the market, the following positive trends are observed:

- increased activity in the housing market;
- renewal of mortgage lending by credit institutions with much stricter requirements;
- improving households solvency.

However, the Latvia's construction sector is developing rather unevenly - as the data of the Central Statistic Office show, the number of apartments commissioned in Riga in 2018 (1,154) is almost three times higher than the number of apartments commissioned in other cities in Latvia (420) [9].

Construction of low-rise complexes is widely represented in Jurmala, thus im-

plementing the strategy of low-rise commercial property. However, it should be noted that such buildings do not reflect the effective development of territories, since they are built only by private developers, which is reflected in the establishment of prices for apartments and houses in such areas at a level much higher than the market level, which means that they are shut off to the vast majority of domestic consumers. Thus, availability of modern buildings does not solve the problem of affordable and comfortable housing in Latvia.

Based on the research results, it can be stated that, taking into account activity in the real estate market of the housing construction segment, as well as the state of the existing residential estate in Latvia, today there is an objective necessity to develop an effective socially oriented national economic strategy for development of the Latvia's housing sector, focusing on the foreign experience in the low-rise construction development.

2. Conceptual framework for development of national strategies for solving the problems of the housing sector in Latvia.

The most important component of the national strategy for regulating housing processes is the effective provision of social dynamics in society based on the balance of the diverse interests of the housing market participants. The stages of development of the national strategies for solving the problems of the housing sector are shown in Fig. 1.

Let's consider the presented conceptual model step by step. Definition of the existing problem in the Latvia's housing sector is presented in the previous section of the research.

The following may be chosen as housing comfort parameters: environmental

setting of the area; safety level; building surrounding grounds; ability to make individual changes; social infrastructure

and amenities; availability of urban infrastructure; social interaction level; diversity and modernity of environment, etc.

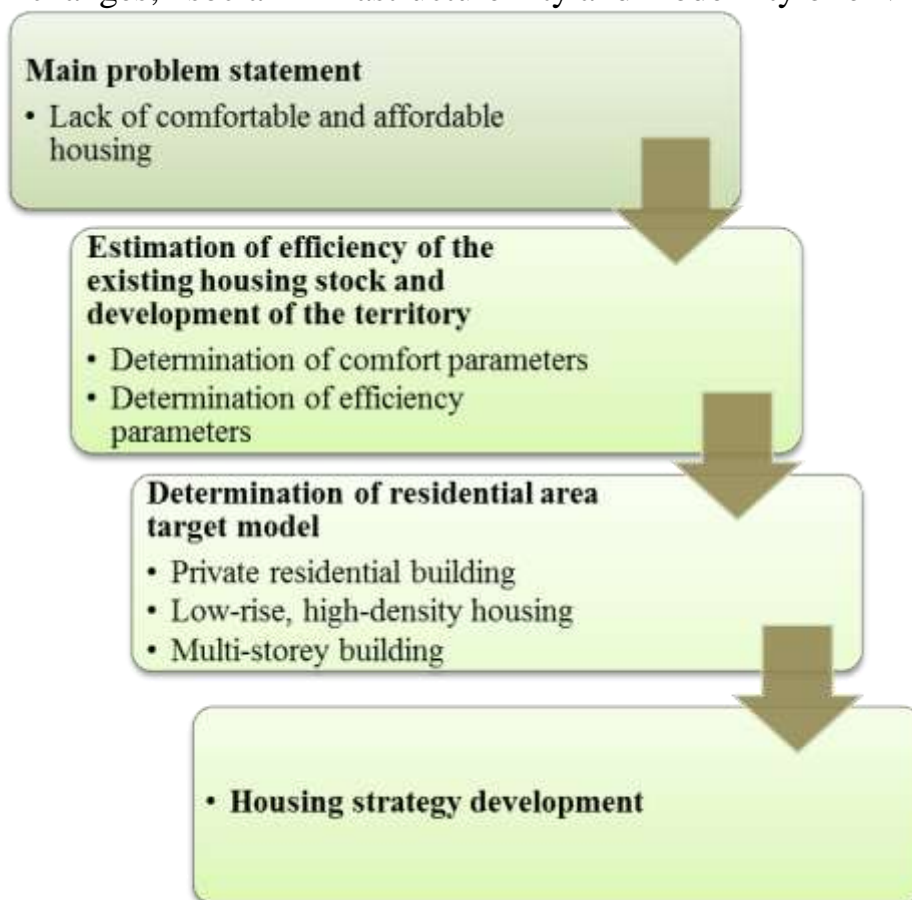


Figure 1. National strategy development stages

Source: developed by author

The comfort parameter can be calculated according to scoring system of expert assessments for each of the chosen territories (districts, localities or residential complexes).

The efficiency parameters should reflect the affordability and energy performance of residential buildings. Affordability means the ability for the consumer to control its own costs. In the past, housing experts have often defined affordability in accordance with the price, because housing costs, including rents or mortgages, property taxes, maintenance, repairs and basic utilities are the main expense for most households, but the author proposes to include transport costs as part of affordability. So, when determin-

ing this housing parameter, an important characteristic for the consumer will be the ratio of housing costs to transport costs, therefore, it is important to consider them together: a cheap house is not really affordable, if its isolated location leads to high transport costs, and a more expensive house can be most affordable in general, if it is located in an accessible multimodal area, where transport costs are minimized.

When assessing affordability policies, it is also important to take into account diversity of household requirements, regardless of their income level. For example, houses for disabled people or parking facilities for different types of vehicles. These requirements often change

over time, so affordable housing options need to be flexible and responsive to changing needs. Thus, the affordability category refers to a wide range of housing typologies, including low-cost social housing, houses for people with special needs, and various number of storeys with efficient transport systems.

Based on the final estimation of efficiency of one or another existing or projected housing development, the most preferred type of target development should be determined, after which an effective housing strategy is chosen.

The conducted assessments of the efficiency of low-rise buildings have shown its high efficiency compared to traditional high-rise buildings in terms of environmental friendliness, accommodation density, comfortable living environment and energy performance.

The main trends of the Latvia's housing strategy, according to the author, are:

- restructuring the existing housing stock;
- public low-cost housing and public-private partnership in the field of housing development;
- suburbanization through construction of low-rise row houses;
- inclusive zoning.

Restructuring the existing housing stock should be carried out primarily in the direction of increasing the energy performance of buildings, environmental improvement and increasing the level of living safety. It should also be noted that there are two types of renovation of the existing city stock: renovation of buildings and restoration of territories. Strategy for increasing the efficiency of housing policy should combine the conditions for the best use of existing urban resources.

Low-cost public housing. Social housing is rental apartment provided to government or non-profit organizations for people with low income or special needs. A key function of social housing is to provide affordable housing for low-income people. A low-cost housing strategy can be implemented through an inclusive zoning strategy. Thus, implementation of such strategy will make it possible to attract private investment in the construction industry, but at the same time it will increase a number of affordable houses for people, since payment is made with state subsidies.

Suburbanization should be based on a comprehensive assessment of the low-rise construction efficiency. Since at this stage of social and economic development, population of Latvia is faced not so much with the problem of lack of square meters, as with the problem of affordability and comfort of housing; the housing development strategy should be implemented through an increase in the number of low-rise, high-density buildings that combine advantages of private housing, as well as allow you to achieve comparable results in terms of efficiency and accommodation density with standard high-rise buildings.

Conclusions. Development of national strategies for solving the problems of the housing sector in Latvia should be based on determining efficiency of housing construction in terms of the above parameters. Interaction of the program documents for development of territories and environmental requirements, energy performance and comfort ensures formation of a harmonized policy in the construction sector.

The main indicator for the population is the availability of affordable housing, where the affordability category is con-

sidered as the total category of the housing and transport costs for personal fulfillment. Solution of the current problems in the Latvia's housing sector can be achieved by involving public authorities in the implementation of projects to re-

form the existing housing stock; housing subsidies; inclusive zoning and suburbanization through the construction of low-rise row houses.

References

1. Latvijas Nacionālais attīstības plāns 2014. – 2020. gadam. [Latvia's National Development Plan for 2014-2020]. www.pkc.gov.lv. Retrieved from: https://www.pkc.gov.lv/images/NAP2020%20dokumenti/20121220_NAP2020_Saeim%c4%81_apstiprin%c4%81ts.pdf [in Latvian].
2. Strategiya ustoychivogo razvitiya Rigi do 2030 goda i Programma razvitiya Rigi na 2014–2020 gody [Sustainable Development Strategy of Riga until 2030 and Development Program of Riga for 2014-2020]. (2014). www.rdpad.lv. Retrieved from: https://www.rdpad.lv/wp-content/uploads/2014/11/RUS_STRATEGIJA.pdf [in Russian].
3. V Latvii uprostiti protsess stroitel'stva chastnykh domov [Process of building private houses has been simplified in Latvia]. lenta.ru. Retrieved from: <https://lenta.ru/news/2009/09/07/normativ/> [in Russian].
4. Geipele, S. & Auziņš, A. (2015). The Development of Housing Sector and Residential Real Estate Market After Economic Recession in Latvia. *Baltic Journal of Real Estate Economics and Construction Management*, 3(1), 103-119.
5. Country Report Latvia. (2017). Commission Staff Working Document: European Commission.
6. Ahrendt, D., Dubois, H., Jungblut, J.-M., Roys, M., Nicol, S., Ormandy, D., Ezraty, V. & et al. (2016). *Inadequate housing in Europe: Costs and consequences*. Luxembourg: Publications Office of the European Union.
7. OECD Economic Surveys: Latvia (2017). OECD Publishing, Paris. Retrieved from: http://dx.doi.org/10.1787/eco_surveys-lva-2017-en
8. OECD Economic Surveys. Latvia. (2019). www.oecd.org. Retrieved from: <https://www.oecd.org/economy/surveys/Latvia-2019-OECD-economic-survey-overview.pdf>.
9. V Rige stroitsya v tri raza bol'she zhilykh domov, chem v ostal'noy Latvii [Three times more residential buildings are being built in Riga than in the rest of Latvia]. telegraf.bb.lv. Retrieved from: <http://telegraf.bb.lv/ekonomika/item/9168999-v-rige-stroitsya-v-tri-raza-bolshe-zhilykh-domov-chem-v-ostalnoj-latvii> [in Russian].