

## SKUODAS, LITHUANIA

BACKGROUND INFORMATION	
<b>PROJECT TITLE</b>	<p><b>Expansion of social housing in Skuodas, Lithuania</b>            (a project implemented under the nationally coordinated scheme to invest in expansion of social housing in 14 most deprived municipalities in Lithuania)            Case study title: From soviet-type hospital block to 21st century flats</p>
<b>Beneficiary</b>	Skuodas district municipality administration (Local authority)
<b>Duration of project</b>	February 2010 – February 2011, 12 months
<b>Member State</b>	Lithuania, Klaipeda region (county), Skuodas district
<b>Geographic size</b>	<p>The size of Skuodas district is 911km<sup>2</sup>.            At the beginning of 2010 there were 23 123 inhabitants in Skuodas district and 7 148 in Skuodas town.</p>
<b>Funding</b>	<p>Total budget: 1 370 958,00 litas (€ 397 057), out of this amount:            ERDF contribution: 1 165 314,00 litas (€ 337 498);            Skuodas region municipality contribution: 205 644 litas (€59 559)</p>
<b>Operational Programme</b>	VP3 – Operational Programme for the Cohesion Promotion, Lithuania
<b>Managing Authority</b>	<p>The Managing Authority of 2007-2013 EU structural assistance is the EU Structural Assistance Management Department of the Ministry of Finance of the Republic of Lithuania.</p> <p>Some functions of the Managing Authority have been delegated to the intermediate bodies: the line Ministries and the Implementing Agencies.</p> <p>In case of this project, the responsible Ministry is the Ministry of Interior of the Republic of Lithuania and the responsible Implementing Agency is the Central Project Management Authority.</p>
<b>Cohesion Policy Obj.</b>	Convergence
<b>Main reason for Highlighting this case</b>	<p>The project was implemented in the socially and economically disadvantaged Skuodas district. It was implemented under the nationally coordinated scheme to invest in expansion of social housing in 14 most deprived municipalities in Lithuania. The investment scheme was conceived and the budget was allocated to it before the revision of ERDF regulation and introduction of the new provisions.</p> <p>Skuodas is probably the most deprived and the most peripheral of the 14 eligible municipalities. The project was selected because it was one of the few fully finalised at the time of this review. The project was found as the mostly interesting and innovative since it resulted in a conversion of an abandoned hospital into social housing, whereas other projects were ordinary renovation of hostel buildings. During this project one block of an unused hospital building was completely renovated through the combination of two separate socially-orientated ERDF projects financed under different cohesion promotion measures: on the 2<sup>nd</sup> and 3<sup>rd</sup> floors the social apartments were arranged whereas on the 1<sup>st</sup> floor the family services centre was opened providing social services for socially vulnerable persons and families at risk.</p>
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<b>Keywords/Tags</b>	Urban renewal, disadvantaged neighbourhoods

1. PROJECT DESCRIPTION	
<b>Overall objective / goals</b>	<p>The overall objectives of the project are the following:</p> <ul style="list-style-type: none"> <li>⇒ to increase the supply of municipality's social housing to be rented for a small rent for families (persons) entitled to social housing;</li> <li>⇒ to reduce the number of families waiting for social housing in the municipality;</li> <li>⇒ to reduce expenses for compensations for constantly rising prices for heating (though the implementation of energy saving measures in the newly renovated building).</li> </ul>
<b>Description of activities</b>	<p>The project was focused on the implementation of hard infrastructure, i.e. <b>the reconstruction of two floors of an old unused hospital building in order to arrange 16 social apartments</b>. Therefore the main project activity in terms of time, complexity and finance was the implementation of the construction works. The works have been carried out by the outside Contractor, the local JSC "Kuršasta", which was selected through the public procurement procedure. The building was insulated, the roof and windows replaced, 16 flats repaired and sanitary units installed. The outdoor playground for children was installed and the new parking lot (also used by the hospital) was arranged. The entrances were fitted for disabled people.</p> <p>In addition, the project involved a few activities related to the construction:</p> <ul style="list-style-type: none"> <li>⇒ <b>Elaboration of the technical design documentation</b> (this activity was carried out prior to the signature of the grant contract and financed from the municipal sources). The technical design documentation was prepared by Lithuanian design company JSC "Miestprojektas";</li> <li>⇒ <b>Expertise of the technical design documentation</b> (imperative activity, carried out in accordance with the local construction laws and financed entirely from the municipal sources). The expertise has been carried out by Lithuanian certified JSC "Projektų ekspertizė";</li> <li>⇒ <b>Elaboration of the investment project for the reconstruction of the hospital building</b>. This activity has been carried out by Lithuanian JSC "Aplinkos inžinierių grupė" in the framework of the grant contract;</li> <li>⇒ <b>Supervision of construction works</b>. The activity was necessary to supervise the quality and relevance of the construction works. The technical and design supervision of construction works is requested by legal acts regulating the construction works.</li> <li>⇒ <b>Information and visibility measures</b>. During the project implementation period, an explanatory board was erected in accordance with the EU Visual Identity Guidelines. The Beneficiary published one article about the implemented project in the local newspaper and on the municipal website. In addition, 3 more articles have been published by local journalists.</li> </ul> <p>All project activities are well inter-related and contribute to the achievement of project objectives.</p>
<b>Recipients</b>	<p>The main project recipients were 54 socially vulnerable persons (families) allocated with the social housings. In Skuodas town, during the first half of 2010 there were 91 inhabited social flats and 48 families (persons) have been waiting for social housing. During the first half of 2011, the number of people waiting for social housing increased to 84. The need for social housing significantly increased due to the economic crisis – for example, during the first half of 2010 there were 55.6 per cent more families that applied for social housing compared to the first half of 2008.</p> <p>The intervention has positively affected the project beneficiary Skuodas municipality administration itself, since the reconstruction of an unused building significantly increased the supply of social apartments owned by the municipality thereby reducing the number of persons (families) on the "waiting</p>

	list”.
<b>Mainstreaming of gender equality and non-discrimination</b>	<p>The whole project was targeted at the disadvantaged population with no sufficient means to pay the market cost for rent and/or upkeep of accommodations: persons and families with low income, large families, orphans and disabled. All reconstructed apartments have kitchens and spacious bathroom facilities in order to provide comfortable living conditions for families with children and disabled.</p> <p>After the reconstruction the building was adopted to the disabled people, including the installation of wheelchair-adopted entrances and elevators.</p> <p>The project did not have a strong emphasis on the gender equality. The project team involved both man and women and the socially vulnerable people have been provided with social housing irrespective of their gender, age, religion, sexual orientation, nationality or race.</p> <p>On the 1<sup>st</sup> floor it was decided to open the municipal centre providing social services for families. In case of violence in family, women and man can find a temporary shelter in the social service centre.</p>
<b>Intended outputs and results</b>	<p>The approved project included the following main outputs:</p> <ul style="list-style-type: none"> <li>⇒ Two floors (2<sup>nd</sup> and 3<sup>rd</sup>) of an unused old hospital building reconstructed;</li> <li>⇒ 16 social apartments installed and equipped (the surface area of 1 013,7 m<sup>2</sup>).</li> </ul> <p>As the main result, it was expected that at least 28 socially vulnerable persons of Skuodas town will be provided with social accommodation for a symbolic rent (approx. € 0.104/m<sup>2</sup>) thereby significantly reducing the number of people on the “waiting list”.</p> <p>In addition, it was expected that the project will result in the following:</p> <ul style="list-style-type: none"> <li>⇒ decrease of municipal spending for social allowances to cover heating costs borne by disadvantaged persons (due to the implementation of energy saving measures);</li> <li>⇒ enhance motivation of newly accommodated people to search for a job;</li> <li>⇒ contribute to the reduction of youth emigration;</li> <li>⇒ contribute to the reduction of crime level;</li> <li>⇒ reduce “visual pollution” caused by the ruined and abandoned building present in the town and contribute to the improvement of Skuodas town attractiveness for investors and tourists.</li> </ul>
<b>2. POLITICAL AND STRATEGIC CONTEXT</b>	
<b>National and regional framework for implementing ERDF funded urban development projects</b>	<p><b>National ERDF urban development framework</b></p> <p>According to the initial version of ERDF regulation, the expenditures on housing shall be programmed within the framework of an integrated urban development operation of priority axis for areas experiencing or threatened by physical deterioration and social exclusion. The expenditure is limited to buildings owned by public authorities or non-profit operators for use as housing designated for low-income households or people with special needs.</p> <p>The preconditions and limitations set in the Regulation required the member states to decide on the best use of limited financial sources. Responsible authorities of Lithuania determined to target 14 most deprived territories of the Republic. With the aim to reduce regional disparities and achieve higher territorial socio-economic cohesion level, outlined in the Lithuanian Strategy of Regional Policy until 2013, at the beginning of 2007 the Lithuanian Government approved the list of problematic territories that should receive a substantial financial support from the 2007-2013 EU structural funds.</p> <p>These most deprived municipalities were selected based on the objective statistical criteria related to poverty and unemployment level (as per ERDF regulation before its amendment) - over 30 per cent more than the country's</p>

	<p>average). The assistance to every deprived municipality was based on regional development program including interventions for infrastructure together with employment and educational initiatives (financed by ESF). The exact investment objects (buildings) were selected and proposed by the municipalities themselves; the project financing criteria of this overall initiative included a clear requirement that investment was eligible only in locations with population above 1500 inhabitants. Therefore, while an average territory covered by a Lithuanian municipality is one of the larger in Europe, the actual investments under this scheme were limited to one or two urban localities per each participating municipality.</p> <p><b>Social housing in deprived areas of Lithuania</b></p> <p>Problems caused by physical degradation of residential buildings and the lack of financially affordable permanent or tenement social housing are very typical in the problematic territories, which are characterized by high level of poverty and unemployment, risky demographic tendencies and slow economic development. As a rule, socially vulnerable residents with low income live in the hostel type houses, but they cannot guarantee proper upkeep of their apartments and usually do not pay accounts for utility services on time. A part of residential premises in these buildings belong to municipalities and are used as a social housing. However, municipalities are not financially capable to renovate, maintain or purchase new premises for the development of social housing.</p> <p>At the beginning of 2007-2013 EU structural support programming period, about 7% of county's households were waiting for the social housing. In Lithuania, a comparative part of social housing makes only about 3% of the country's housing fund, whereas in "older" EU countries it is approximately five times bigger (15%). Therefore great attention in the problematic territories development programs is paid to the complex development of urban infrastructure in problematic territories, increase of residential environment attractiveness, renovation of blocks of flats, development of social housing and social infrastructure, and encouragement of residents' communal initiatives.</p> <p>With the goal to increase the supply of social housing in the problematic territories, the measure "<b>Social housing development and quality improvement</b>" was initiated under the 1<sup>st</sup> priority of the 2007-2013 Operational Programme for the Cohesion Promotion. The measure aims at reducing differences in the quality of life and living environment between the main cities and other towns through the improvement of social housing conditions in problematic territories. The measure is exclusively targeted at the problematic territories.</p> <p>The project was implemented in Skuodas district which is considered as one of 14 problematic territories (municipalities) of Lithuania, and the only problematic territory in an economically strong Klaipeda County (region). At the beginning of 2010 there were 23 123 residents in Skuodas district and 7 148 in Skuodas town. Since 2007, the number of residents did reduce by 4.2% in the district and by 3.5% in town. This is due to high morbidity level (the highest level in Klaipeda County) and increasing migration, stimulated by high level of unemployment. Average annual level of unemployment, expressed by the ratio of registered unemployed people versus residents of employable age, was 59,1% larger in the municipality than the country's average.</p>
<b>The planning context</b>	<p>The project is in line with the following regional and local strategic documents:</p> <ul style="list-style-type: none"> <li>⇒ <b>Klaipeda Region Development Plan for 2007-2013</b> approved by the Klaipeda Regional Development Council on 25-09-2008 (the project is in conformity with the measure 3.2.3.4 "Renovation and development of social housing in Skuodas problematic territory" contributing to the objective 3.2.3 "To ensure harmonious living environment and quality of housing development" of the 3<sup>rd</sup> priority "Improvement of the quality of life");</li> </ul>

	<p>⇒ <b>Skuodas District Problematic Territory Development Programme for 2008-2010</b> approved by the Lithuanian Government on 29-10-2008 (the project is in conformity with the measure 1.2.5 “To establish social housings in the unused premises of Skuodas hospital”, contributing to the objective 1.2. “To renovate multi-family housing and develop social housing” of the 1 overall objective “To ensure the quality of life approximate to the country’s average”);</p> <p>⇒ <b>Skuodas District Strategic Development Plan until 2013</b> approved by the Skuodas Municipality Council on 27-11-2008 (the project is in conformity with the measure 2.2.1.1 “Establishment of social housings in the unused premises of Skuodas hospital”, contributing to the objective 2.2.1. “To increase the quality and accessibility of social housing”, the overall objective 2.1 “To ensure the quality and accessibility of housing and living environment” and the goal “Improvement of life quality, conservation and sustainable use of region’s cultural and natural resources”)</p>
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### 3. IMPLEMENTATION

#### 3.1. PROJECT DESIGN AND PLANNING

##### **Project planning and initiation**

The project was initiated by Skuodas district municipality administration as soon as the measure “Social housing development and quality improvement” was launched. Since the need for the social housing in Skuodas town was increasing and the municipality had no financial means to purchase or build new social accommodations on its own, it was decided to find a suitable building in town and to reconstruct it using the EU support. The only available and appropriate building owned by the municipality administration was one block of the Skuodas hospital building. The Skuodas hospital was opened in 1991. The building designed in soviet times was too large for a small town. One block of it has been vacant since 1997 when the several departments of the hospital were moved to Klaipeda.

##### **Project justification**

As part of municipal functions, Skuodas municipality administration is responsible for the registration of socially vulnerable persons requiring social housing. Persons (families) are put on the waiting list under different categories: 1) young families with three or more children, 2) orphans and those remaining without parental care, 3) persons with disabilities.

The registration is performed and the statistical data collected by the Social Welfare Department of Skuodas municipality administration.

The analysis carried out by the Beneficiary prior to project initiation demonstrated a constantly increasing need for a social housing: in 2009 the number of social benefit recipients increased by 37.7%, compared to 2008, thereby increasing the demand for social housing. In 2009, in Skuodas town there were 91 social flats and 48 families (persons) have been waiting for a social housing. The need for such housing increased significantly due to economic crisis – for example, during in 2009 there were 20.8% more families, who applied for social housing, compared to 2008.

##### **The selection process**

The project was selected via the regional project planning (i.e. decentralized negotiated selection) procedure. The essence of the regional planning is that the priority lists of public projects are formed at the regional level. The set amount of funding is allocated for each district and the priority projects are selected by district municipalities and approved by the relevant regional (county) council (Klaipeda regional council, in the case of this project). Therefore the power of decision on the project to be funded lies with regional bodies that are more familiar with the local situation, needs and priorities than the line

ministries. This approach allows for a structured achievement of national or regional strategic priorities and enhances better integrity of different projects.

At first, the project idea was presented to the Municipal Council and got its support. Soon the project was approved by the Regional Council of Klaipeda county and included into the list of regional projects to be co-financed from the ERFD funds. The invitation to submit the project proposal was sent directly to the Beneficiary by the relevant Implementing agency.

### **Identified risks and risk management measures**

The Beneficiary identified a number of project-related risks and envisaged risk management measures:

- ⇒ **Political risks** (*low probability, high impact*): legal changes, tightened environmental requirements, changes in taxation policy, personnel changes at the Municipal Council resulting in reduced political will to implement the project. Risk management measures: quick reaction to external changes, prompt decisions in relation to the changes. As far as project goals and objectives are in line with the national and local strategic documents the political risk was considered of low probability.
- ⇒ **Social risks** (*low probability, moderate impact*): smaller number of project recipients than expected, reconstructed premises not adapted to handicaps, socially vulnerable persons not interested in receiving a social housing or ignorant of such opportunity. Risk management measures: regular surveys on potential recipients of social housing (young and large families, orphans, disabled in Skuodas district carried by responsible division of Skuodas municipality, spreading of information about the project, inclusion of requirements to adapt the premises to the needs of disabled into the technical design documentation.
- ⇒ **Financial risks** (*low probability, high impact*): rejection of project for the EU funding, increase of investment value. Risk management measures: surveys on market costs, application of "security margin" in relation to project costs, signature of fixed price contracts where appropriate, application of penalties in case of contract breaches.
- ⇒ **Institutional risks** (*low probability, low impact*): Possible lack of capacity of the project team to manage the project. Risk management measures: the project team should be composed of experienced municipal employees, in case of risk occurrence more staff would be appointment to support the project team.
- ⇒ **Technological risks** (*low probability, high impact*): complexity of the construction works, delay in works implementation. Risk management measures: elaboration of the explicit public procurement documentation, setting of appropriate qualification requirements for potential contractors, proper supervision of construction works.

Although considered of low probability, the technological risk due to unfavourable working conditions did occur during the project implementation period resulting in delays in project implementation. The period for the implementation of construction works was extended for additional 3 months against Contractor's guarantee.

### **Project continuity (as considered in the Application form)**

While preparing the project application, the Beneficiary has properly considered the project continuity issues. It was decided that Skuodas municipality administration shall become the owner of the reconstructed building and a Local Economy and Investment Division of Skuodas municipality administration was assigned a responsible body for its future exploitation. Maintenance and minor repair costs of the building will be covered from rent incomes and co-financed

	<p>from municipal sources.</p> <p>It was considered that the building maintenance costs shall be lower than average due to the implemented energy efficiency measures (building insulation, window replacement).</p> <p>According to Skuodas Mayor, without the EU support, the project would not be implemented in the nearest future. The municipality had no financial means to “revive” the abandoned hospital building that remained vacant for almost 15 years. Prior to the project implementation the social housings have been purchased on occasional basis in different parts of the town or the district.</p>
<p><b>3.2. MANAGEMENT, MONITORING AND EVALUATION SYSTEM</b></p>	<p><b>Project team</b></p> <p>The project team was composed of three municipality’s employees:</p> <ul style="list-style-type: none"> <li>⇒ the project manager, responsible for general coordination of the project activities, expenditure and outputs, quality control, elaboration of public procurement documentation and implementation of public procurement;</li> <li>⇒ the project administrator, responsible for the preparation of purchase documents, communication, coordination of service providers’ and contractors’ activities, preparation of project applications and reports;</li> <li>⇒ the project accountant, responsible for the management of the project finances, accounting, storage of financial documents.</li> </ul> <p>Since the project involves large infrastructure, it was decided to appoint the project manager with practical experience in construction and management of infrastructure projects. The appointed manager has a technical background and previously had worked as a one of managing directors of the local construction company therefore it was best suited for this function.</p> <p>All members of the team have been involved in the project implementation as part of their daily functions. The municipality could not provide exact records on the working time spent for the management of this particular project since the team members were in charge of other projects as well. Roughly, 15-18 person months were spent for the implementation of this project (including the designing stage which was carried out before signing the ERFD grant contract).</p> <p>According to the responsible persons of the Implementing Agency (Central Project Management Agency), although not very experienced in the administration of EU-funded projects, the project team had no major problems in project implementation and supervision. The project reports and applications for payment have been submitted on time, the project team properly pursued public procurement procedures and publicized the project.</p> <p><b>Supporting working group</b></p> <p>In 2009, in order to support the project team the Beneficiary has formed the working group for the preparation and coordination of investment projects, chaired by Deputy Head of Skuodas district municipality administration and involving 10 members from different municipal departments. The group was actively involved in project implementation. During the project implementation period the group meetings have been organised almost every week in order to solve daily problems and to secure project’s timely implementation. The municipality administration considers that a prompt reaction in to the occurring technical and organisational problems as well as support provided to the project team by relevant staff from others departments should be considered among key success factors of the project.</p> <p>The public procurement commission was formed from Skuodas district municipality employees to carry out the public procurement procedures in order to select the project contractor and service providers.</p> <p><b>Monitoring</b></p> <p>The project indicators of achievement (output and result) and expected</p>

<p><b>3.3 GOVERNANCE: PARTNERSHIP, PARTICIPATION AND EMPOWERMENT</b></p>	<p>quantities have been indicated in the project application form. The monitoring of indicators was carried out by the Implementing Agency through the assessment of applications for payment (the template of the application for payment includes the section where the quantities of indicators achieved during the reporting period must be indicated), the final project report and the reports after the project completion (submitted every 12 months for the duration of 5 years after the project completion).</p> <p>In accordance with the grant contract conditions, the Beneficiary was requested to submit the applications for payments at least every three months. The achievement of the output indicator (establishment 16 social housing flats) was achieved at the final project stage. The achievement of the result indicator (28 socially vulnerable persons provided with social housing) was proved by the submission of rent agreements to the Central Project Management Authority.</p> <p>One site visit has been carried out by the Central Project Management Authority during the project implementation period.</p> <p><b>Evaluation</b></p> <p>The project evaluation was not requested and was not organised. According to the representatives of Ministry of Interior of the Republic of Lithuania, the evaluation of the measure “Social housing development and quality improvement” is not planned due to a relatively small budget allocated to the measure.</p> <p>The project was implemented without partner institutions. Its promoter and beneficiary was district’s municipality administration. The project was initiated as part of the district’s development plan and supported by the municipal council. During the project implementation period, after the municipal elections some of the members of Skuodas district municipality Council have changed, but the same mayor was re-elected.</p> <p>The political changes did not affect the general support for the project. On the contrary, since the economic crisis significantly increased the number of local inhabitants requesting social allowances and asking for social accommodation, the need to have social housings ready as soon as possible was well acknowledged by local politics.</p> <p>The Skuodas residents have been informed about the future project through the local newspapers and the municipality’s website as well as through public project presentation to the local community.</p>
<p><b>4. INNOVATIVE ELEMENTS AND NOVEL APPROACHES</b></p>	
<p><b>4.1 INNOVATION</b></p> <p><b>4.2. KEY IMPLEMENTATION CHALLENGES AND PROBLEM-SOLVING PRACTICES</b></p>	<p><b>Innovative elements</b></p> <ul style="list-style-type: none"> <li>⇒ <b>Decentralisation.</b> The complex renovation of an abandoned hospital building was the first social housing development project in Skuodas implemented using the ERDF assistance and one of the first large infrastructure projects implemented in Skuodas town using EU structural funds. In general, the whole measure “Social housing development and quality improvement” may be considered as the first coordinated and strategically weighted attempt to significantly increase the supply of social housing in the large number of behind regions of Lithuania. The implementation of the whole measure was innovative due to the application of the “regional planning” procedure, enabling the selection of priority project at the regional level.</li> <li>⇒ <b>Brownfield conversion.</b> The Skuodas case is innovative and interesting in the sense that the old hospital building (i.e. the object that served for different purposes) was chosen for renovation and adoption for social housing, whereas in the other problematic territories mostly the hostel type houses have been renovated.</li> <li>⇒ <b>Social housing and social service centre placed in the same building.</b> The innovative approach of the project is also demonstrated</li> </ul>



by the fact that only two floors out of three are used for the social housing. On the 1<sup>st</sup> floor of the building it was decided to open the municipal centre providing social services for families. For this purpose 0.35 million euro of ERDF funds have been allocated from the measure "Non-stationary social services infrastructure development" under the 2<sup>nd</sup> priority of Cohesion support operational programme.

### **Key challenges**

The Beneficiary had to face a number of challenges:

**1. Conquering prejudices of the local community.** Although town's population was positive about the renovation of an abandoned building and the surrounding territory, quite a few enjoyed the idea of living in the neighbourhood of socially vulnerable persons, being afraid of disorder, noise and crime. Mainly because there was no experience of having a large number of disadvantaged population located in one building, as they used to be spread in different parts of the town.

The municipality has organised a number of public discussions and assured of permanent involvement of social workers and (if needed) strengthened supervision of the area by the local police. In general, the local population accepted that the hospital building is an appropriated location for social housing.

**2. Technical solutions to make the hospital building suitable for living.** The Beneficiary had no previous experience in turning hospitals or industrial buildings into residential apartments and there was nobody around to ask, because neighbours from other problematic territories simply renovated the hostel type houses.

Completely new engineering and communication networks had to be laid down to make the building suitable for living. It was found out that the old hospital didn't have an emergency exit imperative for the residential houses. Therefore an outside closed staircase had to be designed and connected to the existing constructions. This element may be considered as the most challenging and the most expensive engineering solution of the project. The building had very large corridors and common spaces that could not be turned into apartments. Therefore despite careful designing, quite large surfaces on the 2<sup>nd</sup> and 3<sup>rd</sup> floors remained mainly unused thereby reducing the value for money ratio.

**3. Two separate projects to reconstruct one building.** On 1<sup>st</sup> floor of the building it was decided to open the municipal centre providing social services for families. For this purpose 0.35 million euro of ERDF funds have been allocated from another measure "Non-stationary social services infrastructure development" under the 2<sup>nd</sup> priority of Operational Programme for Cohesion Promotion. Therefore the same building had to be renovated combining the funds from two different cohesion measures and through two different grant agreements.

The technical design and cost breakdown was prepared for the reconstruction of the whole building and had to be split into two parts. A proper coordination of both projects was a challenge: the project for the establishment of the social service centre was approved for funding earlier but its implementation had to be postponed until both grant agreements were signed. The combined public tender was announced for the reconstruction of the whole building and the only contractor was selected. A successful coordination of both projects was mainly due to the fact that both projects have been administrated by the same project team.

**4. Delimitation of the territory of a future social housing from the hospital without violating sanitary norms.** It should be reminded that only one block of the hospital building was about to be turned into social housing. The remaining two blocks belonged to the hospital and were fully operational.

	<p>The project beneficiary had to go a long way to find a solution. At the end the project implementation was coordinated with the Ministry of Health of Lithuania. Physically the two territories have been separated by a fence.</p> <p><b>5. Financial problems:</b> it was found that the initial cost estimate presented by the project designers was far too expensive. The project team and designers faced a difficult task to reduce the estimated costs without significantly affecting project's quality. Tough as it was, the economic crisis was beneficial in the case of this project as far as due to the substantial decrease of demand for construction works the prices requested by contractors went down significantly just on time.</p>
<p><b>4.3. THEMATIC FOCUS</b></p>	<p><i>Regulatory provisions in the field of housing in favour of marginalized groups</i></p> <p>The project was implemented within the measure “Development and quality improvement of social housing”, initiated under the 1<sup>st</sup> priority of the 2007-2013 Operational Programme for the Cohesion Promotion with the goal to increase the supply of social housing in the problematic territories. The measure aims at reducing differences in the quality of life and living environment between the main cities and other towns through the improvement of social housing conditions in problematic territories. Eligible activities under the measure included reconstruction and renovation of buildings belonging to the municipalities, such as hostel type houses in order to adapt them for social housing. It is projected, that EU support for the development of social housing in 2007-2013 will make about 40 million Litass (€11.6 million).</p> <p>The project served a good example of brownfield conversion (abandoned hospital) into housing, whereas social housing projects in other deprived territories mainly resulted in the renovation of hostel type buildings.</p> <p>The project demonstrates an innovative combination of the social housing and the social service centre, placed in the same building thereby facilitating the provision of social care and implementation of social integration measures for disadvantaged population residing in one location rather than spread over the whole district area. Unfortunately, no soft measures were directly associated to the project.</p> <p>Also, the project is a part of a bigger integrated plan of transformation of Skuodass centre, using ERDF co-financing. By the end of 2013 it is foreseen to renovate 5 multi-family houses in the town centre, to reconstruct the cultural centre, to modernize municipality's preschool education institutions and schools and other public buildings, to improve energetic characteristics of buildings, to build a new public library, to reconstruct the town's streets, and to set car parks. The hospital building is located near to the town centre and its renovation contributes to the improvement of town's attractiveness.</p>
<p><b>5. FUNDING</b></p>	
	<p>The total project cost constituted 1.370.958,00 litass (€397 057).</p> <p>Out of this amount:</p> <p>ERDF contribution (85%): 1.165.314,00 litass (€337 498);</p> <p>Skuodass district municipality contribution (15%): 205 644 litass (€59.559).</p> <p>The ERDF funds have been disbursed within 15 months (12 months project implementation period + 3 months for the approval of the final report and the final application for payment).</p> <p>The project received 30% advance payment that secured sufficient financial flows at the starting phase.</p> <p>The project did not use private funds.</p>

6. PROJECT ASSESSMENT	
<b>6.1. FINANCIAL SUSTAINABILITY</b>	<p>The reconstructed building belongs to Skuodas district municipality administration, which will be responsible for the maintenance and upkeep of the social housings. It is planned that maintenance and minor repair costs of the building will be covered from rent incomes and co-financed from municipal sources. The costs of heating, electricity, water supply and sewage collection shall be covered by the residents of social housing. According to the Republic of Lithuania Civil Code, the contractor is responsible for the defects during the guarantee period – 5 years (hidden elements of construction – 10 years, and if purposefully hidden defects are found in these elements – 20 years).</p> <p>The Beneficiary considers that the building maintenance costs shall be lower than average due to the implemented energy efficiency measures, such as insulation of the building, and replacement of the roof and windows. Still, for the time being the Beneficiary could not provide the exact data on the savings made.</p> <p>It is important to note that the implemented social housing project is not a separate <i>ad hoc</i> action, but it is one of a few integrated projects, intended to encourage urban development of the town and to solve social problems.</p>
<b>6.2. TRANSFERABILITY</b>	<p>The project has attracted the attention of neighbouring municipalities and also Latvian partner towns (Grobino, Rutcava, Vainode) where the supply of social housing is insufficient. The project may serve as a good example of a brownfield conversion and inspire other European towns.</p> <p>However, the opportunity to profit from Skuodas experience is limited due to a number of reasons:</p> <ul style="list-style-type: none"> <li>⇒ the measure “Social housing development and quality improvement” is implemented only in the problematic territories of Lithuania, therefore the districts that are not considered as deprived territories cannot apply for ERFD funding in order to arrange social housings;</li> <li>⇒ according to the national eligibility rules the social housing projects may be implemented only in towns having at least 1500 inhabitants;</li> <li>⇒ the ERDF regulation implies that the expenditure on social housing is eligible only for reconstruction/renovation of buildings owned by public authorities or non-profit operators. However the municipalities often do not own suitable buildings and have no local funds to purchase them since the EU funding is not eligible for this.</li> </ul>
<b>6.3 ISSUES AND PROBLEMS</b>	<ul style="list-style-type: none"> <li>⇒ The current national scheme for the development of social housing addresses only physical reconstruction aspects. There are no directly linked social integration measures, targeted at the tenants of newly refurbished social apartments. Social measures are funded through a different OP and not coordinated with the investment scheme. Obviously, a mere provision of social housing does not solve the general problem of integrating the disadvantaged persons into the society and doesn't motivate them to become economically independent;</li> <li>⇒ Although partly decentralised, the project selection and approval process is long lasting and bureaucratic. There are many actors involved in the decision making process (the Regional Council, the Responsible Ministry, the Managing Authority, the Implementing Agency);</li> <li>⇒ Although necessary and successful, this project may remain the only social housing project in Skuodas for the next few years. In 2012, the Skuodas municipality had planned to reconstruct one more building in Skuodas town using ERDF funding in order to offer more social housings, but the building currently is not owned by the municipality, is very worn out and the cost calculations demonstrated that the purchase of the building (to be funded from municipal sources) and its renovation</li> </ul>

	<p>are not cost efficient. Therefore this idea was abandoned and the envisaged ERDF support transferred to another measure.</p>
<p><b>6.4 PROJECT OUTPUTS &amp; RESULTS</b></p>	<p><b>Outputs</b></p> <p>The project has achieved the following main outputs:</p> <ul style="list-style-type: none"> <li>⇒ two floors (2<sup>nd</sup> and 3<sup>rd</sup>) of an unused hospital building renovated, and</li> <li>⇒ 16 social apartments arranged.</li> </ul> <p><b>Results</b></p> <p>As the main result, the newly arranged flats have been rented for socially vulnerable persons immediately after the project completion. Although in the application form it was envisaged that 28 persons will be provided with social housing, larger families have been placed and currently there are 54 persons living in the building. Only 2 persons refused the social housing due to the central location and unavailability of larders in the newly reconstructed building (often, the inhabitants of small provincial towns prefer to have small pieces of ground to grow own vegetables) and central heating which is more expensive than stove heating.</p> <p>Among the expected results the Beneficiary listed the reduction of youth emigration, reduction of crime level, enhanced motivation of newly accommodated people to search for a job and improvement of Skuodas town attractiveness for investors and tourist.</p> <p>Indeed, the renovation of an abandoned building contributed to the improvement of Skuodas attractiveness. It can also be expected that the families provided with the social housing will not emigrate in the nearest future. For the moment it is hard to judge if the project contributed to the reduction of crime level, but to Beneficiary's judgment the fact that all socially vulnerable people are located in one building facilitates their integration into the community. The social service centre located on the 1<sup>st</sup> floor plays an important role in the socialization of socially vulnerable families and especially families at risk. The social workers and psychologists of the centre are in permanent contracts with people residing in the building; moreover, the centre provides numerous after-school activities for children and the assistance in homework preparation. Centre's activities are very popular and the only complaint from children is that the centre closes at 6 p.m. and does not work later in evenings.</p> <p><b>Cost-value ratio</b></p> <p>The project demonstrated a good cost-value ratio, especially taking into account that 54 people (24 per cent of all people on the waiting list) have been provided with the social housing instead of initially planned 28.</p> <p><b>Concerns</b></p> <p>The responsible employees of the municipality administration have observed that the number of people asking for the social housing has considerably increased since the news about the project was spread. The socially vulnerable persons and families were very willing to live in the economical and well-arranged apartments. The economic crisis also contributed to the increase of people asking for the social housing in 2008-2011. Only in 2010, the number of recipients of social allowances increased twice compared to 2009; during the first half of 2010 there were 55.6% more families, who applied for social housing, compared to the first half of 2008.</p> <p>The increasing willingness of Skuodas town inhabitants to reside in social apartments may be considered as a risk factor, because after being offered and good quality social housing for a very small rent the socially vulnerable people often lose motivation to find a job and increase family's incomes since after the improvement of family's financial situation they may lose the right to reside in the social housing (in the municipality person's (family's) right for social housing is reviewed every three years).</p>

## 7. CONCLUSIONS: KEY SUCCESS FACTORS AND LESSONS LEARNED

### 5 success factors:

- ⇒ Decentralization and additionality of the measure “Social housing development and quality improvement”: the measure was decentralised in the sense that the power of decision on strategic priorities of the region remained within the region. In addition, the measure was specifically and exclusively targeted at the socially and economically disadvantaged districts of Lithuania. As demonstrated by Skuodas case, the operation was rather well integrated and complimentary with the other measures orientated at the promotion of regional cohesion, in particular the measure “Multi-family housing renovation primarily by increasing their energy efficiency”, and the social infrastructure development measures;
- ⇒ Project readiness for ERDF funding: all preparatory activities, including the elaboration of the technical design documentation and expertise as well as the elaboration of the investment project for reconstruction of the hospital building have been carried out prior to the signature of the grant contract and financed from municipality’s own resources. The availability of the technical design documentation and the detailed cost estimate allowed for the exact calculations of necessary ERDF funding and quick implementation of the construction works.
- ⇒ Strong political support to the project by Skuodas: Municipal Council and mayor that wasn’t influenced by the change of members of the Municipality Council;
- ⇒ Small but efficient project team, led by the project manager with technical background, supported by the working group for the preparation and coordination of investment projects; permanent and efficient cooperation between the Beneficiary and the implementing agency ensuring timely solution of arising administrative problems.

### 5 lessons learned:

- ⇒ In most cases, the reaction of local community to the neighbourhood of socially vulnerable people and(or) families at risk is negative, but it may be positively influenced by proper communication, concrete measures by the local government and other responsible bodies and people (such as involvement of social workers, close supervision of the area by the local police) to secure the order and sustain the quality of life of local community;
- ⇒ It is a good solution to have social services centre and social workers in close proximity to the social housings (in Skuodas case, in the same building) so that they might keep an eye on families at risk in general and children in particular, help their social integration and immediately intervene in critical situations;
- ⇒ There is a considerable risk that the provision of economical and good quality apartments for a small rent may lower the motivation of socially vulnerable people to find a job and increase family’s incomes since after the improvement of the financial situation they may lose the right to reside in the social housing. Some of the socially vulnerable people and especially children risen in such families prefer to live from social allowances rather than working;
- ⇒ It should be noted that the availability of good quality social housing may increase the demand for social housing and the number of people “on the waiting list”;
- ⇒ The cost for maintenance and future upkeep of social housing may be higher than initially forecasted because some of the residents do not care much about the proper upkeep and cleanliness of municipal property.

8. FURTHER INFORMATION	
Bibliography	<a href="http://www.esparama.lt;">http://www.esparama.lt;</a> <a href="http://www.vrm.lt/nrp;">http://www.vrm.lt/nrp;</a> <a href="http://www.cpva.lt;">http://www.cpva.lt;</a> <a href="http://www.skuodas.lt;">http://www.skuodas.lt;</a> <a href="http://www.skuodas.lt/index.php?par=24&amp;eilute=100&amp;iras=100;">http://www.skuodas.lt/index.php?par=24&amp;eilute=100&amp;iras=100;</a>
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