Improving Riga’s Neighbourhoods: Strategic Priorities, Investment and Resilience

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Abstract

Riga’s housing policy has evolved immensely in the last decade and its future trajectory is one that should capitalize on the economic, social and environmental assets of the city’s neighbourhoods and its people.

This presentation has three main elements. First, it looks at the transition challenges and opportunities defining Riga’s housing market. Second, it provides a compelling rationale for a more strategic investment in Riga’s housing sector and calls for policy measures to enhance the resilience of housing markets to ensure quality of life. Finally, the presentation provides examples from neighbourhood improvement programs in Vienna, Amsterdam and Stockholm where strategic investment in diverse, socially cohesive and participatory projects sustains the vibrancy and vitality of existing neighbourhoods making them resilient to crises and attractive places to live.

Housing reforms have proceeded with ‘trial and error’ promoting neoliberal policies of deregulation in housing finance, market-based access to housing services, devolution of housing responsibilities to municipalities and experimentation with fiscal programs promoting homeownership. Rates of homeownership over 85 percent, due to various legal, financial and management challenges, have led to deterioration of existing multi-family housing and limited energy efficiency retrofits. The market-based system, despite the recession, is delivering better quality with more variety and choice for consumers, but at a price that excludes most households from access to it. In spatial terms, housing market processes are reshaping existing neighbourhoods with new housing targeting the elites, often in gated communities, while the urban poor are left behind in low quality deteriorating housing estates. Affordability of housing remains the fastest-growing and most pervasive housing challenge.

Within this context, the presentation argues that a resilient and sustainable housing system in the city of Riga can contribute to economic growth, prosperity and poverty alleviation. Improvement of housing conditions and quality has undeniable positive welfare effects for households and local communities. Riga has an important legacy of compact development, mixed-used districts, with high quality public spaces and historic assets, well connected with public transit. Another important element is its social diversity mapping a diverse socio-economic and ethnic neighbourhood profile. These will be critical strategic priorities in a future housing strategy for the city of Riga that aims at improvement of neighbourhoods through sustained investment in social mix, better management of housing assets and resilience policy measures.
Rationale and objectives
It is a privilege to return back to Riga after a decade of change. I have led several capacity building projects in the early 2000s, supported by the Canadian International Development Agency. The projects assisted The City of Riga with its first housing market and housing policy assessment, provided a curriculum for training of housing managers and a housing management manual for privatized housing, as well as designed a housing monitoring system for the central government. These were small scale targeted housing projects that provided a much-needed assistance in a context of rapid privatization and institutional transformation. Riga’s housing policy has evolved immensely in the last decade and its future trajectory is one that should capitalize on the economic, social and environmental assets of the city’s neighbourhoods and its people.

This presentation has three main elements. First, it looks at the transition challenges and opportunities defining Riga’s housing market. Second, it provides a compelling rationale for a more strategic investment in Riga’s housing sector and calls for policy measures to enhance the resilience of housing markets to ensure quality of life. Finally, the presentation provides examples from neighbourhood improvement programs in Vienna, Amsterdam and Stockholm where strategic investment in diverse, socially cohesive and participatory projects sustains the vibrancy and vitality of existing neighbourhoods making them resilient to crises and attractive places to live.

Riga’s housing market: challenges and opportunities
This conference aims at exploring the phenomenon of change in the residential landscape of Riga. The crisis that started in the mortgage markets in 2009 has had dramatic and sustained impacts on people and housing markets, leading to massive depreciation in house prices, foreclosure and disinvestment. These complex and interlinked crises exposed vulnerabilities of housing markets and low income households, pointing to the need to build resilience through better housing policy tools. The issues are particularly important as the housing sector has been rapidly transformed in the early years of the transition with most of the reform efforts emphasizing deregulation of house prices, privatization and private sector provision. Housing reforms have proceeded with ‘trial and error’ promoting neoliberal policies of deregulation in housing finance, market-based access to housing services, devolution of housing responsibilities to municipalities and experimentation with fiscal programs promoting homeownership. This profound transformation is related to three aspects of the transition process that are particularly important for Riga—the transition to markets (systemic economic change), to democracy (systemic political change), and to decentralised systems of local democratic governance.

The market-based transformation in the housing sector has exacerbated the initial differences in housing conditions leading to deterioration of housing infrastructure, growth of substandard housing and housing inequality. Beyond growing poverty and exclusion, an important aspect of housing quality in Riga is related to the lack of improvements in multi-family housing. Rates of homeownership over 85 percent, as a result of rapid privatization policies, due to various legal, financial and management challenges have led to limited investment in energy efficiency retrofits. With respect to new construction, housing production capacity has reached historically low levels (less than 1 dwelling/per 1,000 residents), due to a shortage of construction finance and serviced land with a clear title and planning permit, but has bounced back to become vulnerable to subsequent booms and busts. The market-based system, despite the recession, is delivering better quality with more variety and choice for consumers, but at a price that excludes most households from access to it. As a result, the previous shortage of housing has been replaced by a shortage of affordable housing. In spatial terms, housing market processes are reshaping existing neighbourhoods with new housing targeting the elites, often in gated communities, while the urban poor are left behind in low quality deteriorating housing estates. Affordability of housing remains the fastest-growing and most pervasive housing challenge.
Policy measures to enhance the resilience of housing markets and to ensure quality of life

Within this context, this conference provides a much-needed forum for multidisciplinary perspectives on the transformation of housing policy in Riga as well as on strategic ways to improve its neighbourhoods. Specifically, the focus on the evolution of housing institutions and policy instruments in the context of rapid economic, political and social transformation is central to the discourse on states and markets in post-socialist societies. As Latvia liberalised its housing markets and deregulated systems of land supply and housing finance, the need to establish strong housing institutions enabling the efficient operation of these interrelated markets as well as to improve competition, transparency and accountability has become clear. An overarching theme for this conference is related to better governance in the housing sector to ensure access to affordable housing. Such emphasis on partnerships is important for the city of Riga as it means redefining the role of the state as opposed to simply minimising it; it also means leveraging investment and engagement of private institutions, local communities, civil society actors and ensuring that they work well together in the context of neighbourhood improvement projects. Perhaps equally important is the emphasis on sustained political commitment to efficient and equitable housing policies as well as long-term strategic programs to assist access to affordable housing.

A resilient and sustainable housing system in the city of Riga can contribute to economic growth, prosperity and poverty alleviation. Improvement of housing conditions and quality has undeniable positive welfare effects for households and local communities. Since housing accounts for a growing share of investment, wealth and finance, when managed effectively it can be an important source of financial stability and economic resilience. Given the durability of housing and its capital intensive nature, resilience means stability of investment and growth in the system as well as sheltering the sector from extreme economic and political shocks. Perhaps equally important is the ability of the housing systems to ensure neighbourhood improvement, better housing quality, affordability and tenure choice.

Strategic policy framework for neighbourhood action

The presentation provides examples from neighbourhood improvement programs in Vienna, Amsterdam and Stockholm where strategic investment in diverse, socially cohesive and participatory projects sustains the vibrancy and vitality of existing neighbourhoods. Such outcomes depend on sustained political commitment to efficient and equitable housing policies as well as long-term strategic programs to assist access to affordable housing. Partnerships with private organisations, the non-profit sector, and neighbourhood-based institutions are a critical part of the implementation process and the successful engagement of residents. On the basis of comparative, evidence-based research the presentation suggests that better policy environment and the use of well designed policy instruments—regulatory, fiscal, financial and land management—can facilitate better performance of the housing system. More importantly, the research indicates that certain policy instruments, introduced in other countries can improve housing quality, affordability and tenure choice in a more effective manner to address the growing shortage of affordable housing and the deterioration of the existing multi-apartment stock.

Riga has an important legacy of compact development, mixed-used districts, with high quality public spaces and historic assets, well connected with public transit. Another important element is its social diversity mapping a diverse socio-economic and ethnic profile of neighbourhoods. Finally, a democratic process has transformed the system of local government into governance, where engagement and citizen participation in strategic planning processes has become a new tradition. These three aspects will be critical strategic priorities in a future housing strategy for the city of Riga that aims at improvement of neighbourhoods through sustained investment in social mix, better management of housing assets and resilience policy measures.