

# Guidelines on the Management and Ownership of Condominium Housing





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**UNECE**

**GUIDELINES ON THE  
MANAGEMENT AND OWNERSHIP  
OF CONDOMINIUM HOUSING**



**UNITED NATIONS**

Geneva, 2019

## Guidelines on the Management and Ownership of Condominium Housing

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### FOREWORD

Effective and efficient housing management is important to support the implementation of key UN agreements, including the 2030 Agenda for Sustainable Development, the New Urban Agenda and the Geneva UN Charter on Sustainable Housing. Efficient housing management results in economic benefits and decent housing conditions for inhabitants of condominiums. Housing management, through housing refurbishment programmes, protects the environment and contributes to decrease in greenhouse gas emissions, which supports the efforts of governments and stakeholders to address climate change.

The study “Guidelines on the Management and Ownership of Condominium Housing”, developed by the United Nations Economic Commission for Europe (ECE) and the Real Estates Market Advisory Group (REM), intends to assist national and municipal authorities, as well as new unit owners by providing timely guidance on issues requiring legal-regulatory intervention, capacity-building, design of financing schemes, and best practices.

The study builds upon its predecessor document “Guidelines on Condominium Ownership of Housing for Countries in Transition” (ECE/HBP/123), produced by ECE in 2003, and expands its scope to address contemporary challenges. Further, it encompasses the entire ECE region rather than a select group of countries.

I would like to thank all coordinators and experts who contributed to the preparation of this study, and members of the Committee on Urban Development, Housing and Land Management and the Working Party on Land Administration for their valuable contributions. I invite all those with an interest in the management of condominium housing to make full use of the information and recommendations contained in this study. It can serve as a framework for future action and help shape programmes at national and local levels.

Finally, I would like to stress the relevance of the study as a unique instrument that allows ECE countries to have a better understanding of the legislation and management of condominiums and gain knowledge on financing of condominium projects and alternative occupancy of condominium units.



Olga Algayerova

Under-Secretary-General of the United Nations  
Executive Secretary of the United Nations Economic  
Commission for Europe

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The final publication should be considered as a joint effort of the:

#### UNECE SECRETARIAT

C. Kat Grimsley	Project Leader Director of the Master of Science in Real Estate Development at the School of Business of the George Mason University and expert member of the REM
Paola Deda	Officer-in-Charge Forests, Land and Housing Division
Gulnara Roll	Secretary to the Committee on Urban Development, Housing and Land Management Forests, Land and Housing Division
Domenica Carriero	Associate Economic Affairs Officer Forests, Land and Housing Division
Tommaso Bassetti	Consultant Forests, Land and Housing Division
Cecilia Batac	Statistics Assistant Forests, Land and Housing Division

#### REM EXPERTS

Giampiero Bambagioni	Irena Perfanova
Elizabeth Belenchia	Nuria Raga Sastre
Enrico Campagnoli	Donovan D. Rypkema
Brian Emmott	György Sümeghy
Vladimir Kaplinskiy	Paloma Taltavu
Arsen Karapetyan	David Tichy
Reiner Lux	Nikolaos Triantafyllopoulos
Michael P. Malloy	

### OTHER EXPERTS

Zita Kakalejcikova	Habitat for Humanity International
Reymond Saner	Centre for Socio-Eco-Nomic Development (CSEND)
Margie Cusack	International Association of Assessing Officers (IAAO)
Mike Ardis	International Association of Assessing Officers (IAAO)
Giovanni Gagliani	Confedilizia
Vincenzo Nasini	International Union of Property Owners (UIPI)
Fernanda Lonardonì	UN Habitat
Anu Sarnet	Estonian Union of Homeowners' Associations



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### GLOSSARY

The following terms are used in the study “Guidelines on the Management and Ownership of Condominium Housing” (hereinafter, the Guide) as defined below. However, meanings for the same terms may vary for each country and under the laws of different States. Member States should follow definitions provided under their existing legislation.

**Common property:** is comprised by all parts of the condominium that are not part of any individual condominium unit, including:

- land plot, any greenery, play courts and recreation areas
- building structure such as roof, staircases, exterior walls, windows, and building foundations
- infrastructure and building systems such as piping, electrical cables, engineering systems, equipment, circuits and devices which serve the entire property, or parts of it, and covering more than one condominium unit.

Common property is owned jointly, and each individual unit owner (see definition) therefore also owns a share of the common property. This share, which is specific for each unit, is called the “ownership fraction”. Common property may also be referred to as “common areas”, “common parts”, “commonly owned areas”, “common elements”, or “jointly owned parts”.

**Condominium:** a special kind of multi-apartment building in which each individual residential unit is separately demarcated, assigned individual legal title and can be legally owned separately from the whole. All associated land, common areas, and other real property is jointly owned in common by the individual unit owners (see definition). Condominium structures can include:

- Multi-flat/multi-apartment buildings exclusively for residential purposes
- Multi-functional or mixed buildings containing both dwellings and units for other functions (e.g., commercial)
- Building types such as row houses, terraced housing or other joined or connected buildings used either for residential, mixed or non-residential purposes.

**Condominium agreement:** the legal articles of incorporation that are filed with the government and which establish the structure, rules, and regulations that will guide the operation and management of the condominium building, owners’ association, board, and other actors and activities.

**Condominium association:** same as owners’ association (see definition below).

**Condominium board:** consists of elected unit owners (see definition) that serve to carry out and administer work on behalf of the owners’ association. May also be referred to as “the Board”.

**Condominium conversion:** the act of converting a multi-unit building into a condominium through physical improvements (as required) and legal acts, such as the

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registration of a “declaration of division of ownership” and/or other registration documents relating to the building.

**Condominium documents:** same as condominium agreement.

**Condominium fees:** fees that each unit owner (see definition) are obliged to pay to the owner’s association. These may be a fixed amount per unit or may vary with unit size. Condominium fees are used to pay for all costs associated with the maintenance, repair, and management of the condominium.

**Condominium ownership:** refers to the legal right of ownership to the real property comprised by a Condominium Unit.

**Condominium unit:** any of the separately demarcated spaces that have been assigned individual legal title and can be legally owned separately from the whole. Condominium units can be owned by an individual, a family, company or municipality, as permitted by law. A condominium unit can be either a residential dwelling unit or a commercial space. The Guide refers predominantly to units that are used for residential purposes. Also referred to as “units” or “privately owned units”.

**House rules:** code of conduct that governs acceptable behaviour and relationships between unit owners (see definition).

**Improvements:** all activities and means necessary to increase the original standard of the property, change the property’s functions or add new elements to the property.

**Jointly owned parts:** same as common property.

**Limited common elements:** same as limited common property.

**Limited common property:** refers to a special type of common property that, due to its nature, exists in the common area but is used exclusively by a particular condominium unit. Examples of limited common property elements are balconies of individual condominium units or reserved parking spaces.

**Maintenance:** all activities necessary to maintain the original standard and quality of the building and its installations. This includes all planned and unforeseen activities related to the repair of damage to buildings and installations, and replacements because of wear and tear. Repair work and replacements arising from routine service inspections and service agreements are also classified as maintenance activities. Generally, all activities related to improving the standard and quality of the building and its installations are defined as improvements and should not be classified as maintenance.

**Maintenance costs:** all costs related to maintenance and repairs. This includes the cost of labour, spare parts, replacements and other maintenance means. Maintenance costs, as defined here, refer solely to costs related to common space and installations. If the association, for practical reasons, pays costs that should normally be paid by the individual owners, these will be invoiced to the owners according to the condominium agreement.

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**Maintenance objects:** are the parts of buildings, outdoor spaces, installations and equipment that are subject to maintenance and repair.

**Management of a condominium:** refers to all tasks and duties concerning administration, operation and maintenance of the condominium, irrespective of the method of management chosen.

**Manager:** a condominium unit owner (see definition) or other legal person (e.g., external advisor) or company contractually charged with the professional day-to-day management of the owners' association, including the maintenance and operation of the common property and all matters of common interest. The Manager's duties should be in accordance with the provisions of any national act on condominiums, the contract of administration, and the resolutions and decisions of the owners' meetings. This may also be referred to as an "administrator".

**Operating costs:** are all costs related to the daily operations of the property. This includes the cost of personnel, operations means (see definition below), service contracts, taxes, fees, insurance, energy use, waste disposal and other service charges. Operating costs, as defined here, are solely those related to jointly owned property. If the association, for practical reasons, pays costs that should normally be paid by the individual owners, these costs will be invoiced to the owners according to the condominium agreement.

**Operations:** the foreseen, routine activities and means needed for the daily functions of the building. Normally this includes the control and service of buildings and their technical installations, cleaning of indoor and outdoor spaces, gardening, etc. Service inspections, regular replacement of worn-out parts and managing service contracts are defined as operations. However, repair work resulting from service inspections is a maintenance activity.

**Operations means:** are the parts of buildings and technical installations which are used regularly, and the equipment and tools which the operational personnel need for their daily duties. Examples are light bulbs, cleaning supplies and equipment, filters, lubricants, lawnmowers and working clothes.

**Operation objects:** are the parts of buildings and outdoor spaces, installations and equipment that are subject to operational activities. Such objects can be, for instance, doors, windows, floors, staircases, roofs, ventilators, electrical equipment, lawns, pavements, etc. In some cases, an "object" can also take the form of an activity – for instance, energy saving.

**Owners' association (OA):** a private, not-for-profit body comprised of all the unit owners (see definition of unit owner) of the condominium established with the legal authority to act on behalf of all the owners of the condominium. The Guide advocates compulsory membership to the owners' association for all owners of condominium units, automatically upon the purchase of a condominium unit, and to remain members for the entire time they own the units. Membership in the owners' association is considered a legally inseparable part of the ownership of a condominium unit. The owners' association

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is the same as a condominium association or unit owners' association. In countries where the term "apartment" refers to multi-unit residential buildings in which all units are individually owned, this may also be referred to as an "apartment association". However, it is important to distinguish this from multi-unit residential buildings in which ownership of all units is held by a single entity and occupancy is through lease contracts. Under different legal systems, this may also be referred to as "homeowners' association" in some countries.

**Owners' council:** same as condominium board.

**Ownership fraction:** the percentage of the common property attributable to the ownership of an individual condominium unit calculated as follows:

$$\text{Ownership fraction} = \text{gross area of a unit} / \text{sum of gross area of all units}$$

The area of the common property is not included in the sum of the gross area of all the units. The ownership fraction is used to determine the condominium fees that each unit owner (see definition) is obliged to pay based on the costs of maintaining and repairing the common property, and the operating costs of the owners' association.

**Planned maintenance:** all regular, routine activities relating to prevention of damage and breakdowns, and maintenance of the standard of the building and its installations. Planned maintenance is, for instance, the needed replacement of parts because of wear and tear, redecoration, etc.

**Privately owned unit:** same as condominium unit.

**Repairs:** all unforeseen activities connected with improvement and replacement of building parts and technical installations, due to damage or technical breakdowns.

**Special assessment:** a fee that is collected separately from the usual condominium fees to cover the costs of additional or large projects necessary for the continued operation or maintenance of the condominium, the cost of which is too large to be borne solely by collection of Condominium Fees. Special assessments can be imposed on a select portion of unit owners (see definition) to cover costs specific to limited common properties associated with their units. In some cases, special assessments require voting approval from unit owners (see definition).

**Unit owner:** the legal owner or owners on record of a condominium unit. A unit owner may own more than one condominium unit, within the bounds of applicable law.

**Unit owners' association:** same as owners' association.

### 1. BACKGROUND ON PRIVATE OWNERSHIP IN MULTI-UNIT CONDOMINIUMS

The transformation of the political and economic systems in countries in Central and Eastern Europe and Central Asia after the collapse of the Soviet Union and the fall of the Berlin Wall required the establishment of a new system regulating everything from basic economic activities to national policies and regulatory frameworks. These transformations affected all sectors of the economy and the housing sector, among others. In the new market economy, rules favoured private properties, democratic election of governance schemes, market-based regulation of economic activities, cost-recovery pricing of services and focus on customer satisfaction. Among the challenges of the time was the creation of legal frameworks to support the adoption of a new, private form of management, maintenance, and ownership of multi-apartment buildings/condominiums.

The conversion of former multi-unit rental buildings to condominium buildings allowed governments to divest of the responsibility (and financial burden) of maintaining and operating the housing stock. However, while doing so may have helped alleviate funding scarcity in the public sector, in many instances this privatization left new condominium unit owners facing unexpected costs associated with deteriorating buildings because of extensive deferred maintenance, inefficient energy and heating systems, and the challenges of implementing self-governance and collecting condominium fees.

To assist national and municipal authorities, as well as new unit owners, with this transition, in 2003 the UNECE produced the "Guidelines on Condominium Ownership of Housing for Countries in Transition" (ECE/HBP/123). This document provided timely guidance on issues requiring legal-regulatory intervention, capacity building, design of financing schemes, and best practices.

Since 2003, changes in technology, environmental issues, and social concerns have created new challenges for condominium management and ownership to all countries in the UNECE region. Examples of such contemporary changes include: 1) new technologies such as smart buildings, sharing economy platforms, and the Internet of Things (IoT); 2) changing global weather conditions that require new energy efficiencies and sustainable development practices; and 3) increasingly rapid rates of urbanization that require the protection of vulnerable groups. New international agreements, such as the 2030 Agenda for Sustainable Development, the Geneva UN Charter on Sustainable Housing, and the New Urban Agenda, have been introduced to target new social and environmental goals and impact national regulatory frameworks. Accordingly, this document "Guidelines on the Management and Ownership of Condominium Housing" builds upon its predecessor document and expands the scope of guidance to address contemporary challenges. Further, it encompasses the entire UNECE region rather than a select group of countries.

## 2. CONDOMINIUM LEGISLATION

Condominiums, in general, are dependent on national framework conditions and the efficient implementation of these conditions. The need for national initiatives should cover the whole range of issues from national framework conditions through municipal housing strategies and programmes to implementing practical training for condominium owners. However, this does not mean that all these activities must be established and operated by central government institutions alone. National organizations, municipalities and the private sector are to fulfil their distinctive tasks within the condominium sector.

### 2.1 National legislation

Although housing sector responsibilities often lie with municipalities, the importance of residential condominiums should not be overlooked at the national level. The State should recognize this importance, reflect it in national housing objectives and in governing legislation, and help municipalities and local authorities to promote practical actions to secure successful operation of condominiums in their jurisdictions.

#### 2.1.1 National institutional framework to support condominiums

One of the most important elements of national responsibility for creating sound framework conditions for the organization and effective operation of privately-owned housing organized as condominiums is the establishment of adequate institutional structures and clear distribution of responsibilities within this structure. Condominium owners' associations can only be effective when appropriate direct and associated legislation is developed to spell out individual rules and procedures, and political will is exercised to enforce the policy and institutional schemes.

Development of a legal framework for the housing sector should be a parliamentary responsibility. For housing in general, and for the condominiums in particular, responsibility for the development of housing sector legislation should be with a relevant parliamentary committee. This would increase the political priority of the housing sector and facilitate a smooth process of socio-economic reforms.

Ministerial responsibility for housing should also be concentrated in a State body, either in a separate ministry for housing or a special division for housing in another ministry. The crucial factor is for the unit responsible for housing to have sufficient competence and capacity to effectively address major housing issues at the national level.

The government should accept the responsibility of supporting the creation and operation of national, regional, and local umbrella organizations for owners' associations. In particular, the government should support the activities of such organizations aimed at educating and

training owners of housing units in condominiums as well as the professional managers of jointly owned properties.

To guarantee ownership and security of tenure, a series of preconditions are essential. There must be:

- Clear, legal definitions of the rights and obligations of ownership (law on condominium ownership of housing)
- A legal definition of and support for property rights (law on land registration)
- Sound administrative structures and procedures for the transfer of property rights
- Effective and transparent legal procedures to handle property disputes as well as issues related to non-payers of condominium fees, including questions of informality and eviction
- A clear distribution of rights and obligations between borrower and lender in the housing sector.

Fulfilment of the above conditions should be at the core of national political responsibility as these legal aspects can usually only be addressed at the national level. The issues of land administration and the registration of real property rights are covered by the UNECE guidance documents “Guidelines on Real Property Units and Identifiers” and “Land Administration in the UNECE Region: Development trends and main principles.”<sup>1</sup>

### 2.1.2 National laws on condominium ownership of housing

In Western Europe and North America, national laws regulating condominium ownership vary considerably in structure and content. In general, short laws normally require additional regulations and guidelines, whilst specific laws do not require such detailed supplementary documentation. The legislative framework in countries with economies in transition, relies heavily on associated laws, such as the civil code, the construction code, laws on subventions and loans for capital repair or thermo-modernization of buildings, privatization laws, etc. The Guide has no preference as to the degree of detail in the law and/or in supportive regulations. Each country should determine what is appropriate for its specific circumstances.

Similarly, countries may take differently views with respect to the degree of detail that should be included in national laws and what regulating powers should be left for the owners’ association. The Guide points to one particular option for the division of responsibilities between national and local regulations but does not necessarily contradict other views. Each

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<sup>1</sup> The two documents are available at <http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/guidelines.real.property.e.pdf> and <http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/landadmin.devt.trends.e.pdf>, respectively.



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State should establish balance between regulations vested in a condominium owners' association and in the law.

In establishing a national housing policy, the State should also consider regulations on condominiums in housing related parts of legislation. For example, affordable housing initiatives may be partially addressed through laws relating to the approval of new building construction (according to the Geneva UN Charter on Sustainable Housing and the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.). These laws can support inclusive housing for vulnerable groups of the population by requiring a percentage of newly built condominium units to be sold at a discounted rate to the lower income group. In this manner, national goals for social inclusion and protection of vulnerable groups can be incorporated into the development, ownership, and management of condominiums. Similarly, construction requirements or incentives may be used as part of a thoroughly developed plan to support environmental sustainability, energy efficiency in housing, and other related goals in both the retrofitting of existing stock and in the development of new condominium buildings. A final example pertains to appropriate regulations for short-term rentals and other shared economy formats (e.g., AirBnB) in hospitality and/or tenant laws. These and other issues can be addressed broadly in the legal framework at the national level while municipalities implement at the local level through zoning regulations, development approvals, and social housing programmes. It is important that relevant regulations exist to guide the management of condominiums.

Apart from the need to consider condominiums in broader legislation, there are specific legal instruments that determine the success of condominium ownership. The Guide deals with three major areas of legal regulations that are crucial for condominium ownership:

- 1) National laws and regulations on condominium ownership;
- 2) National laws on land (real property) registration and cadastre;
- 3) National laws and regulations on taxation.

National laws, internal statutes and agreements govern owners' associations in condominiums. The State is responsible for drawing up the general legal framework for owners' associations. In general, the following statutes and agreements are needed for a condominium and an owners' association to function effectively:

- Condominium agreement, including any applicable house rules
- Declaration of division of ownership (necessary when converting from a multi-unit rental structure)
- Management contract.

In developing a law on condominium ownership and management, it is recommended to incorporate the elements in this general structure:

PART I:           Scope of regulations

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	Legislation regulating the management of condominiums
	Central definitions
	Principles governing the multi-unit building
PART II:	Powers of the State, regional and local governments
	Principal rules governing private and joint ownership
	Rights and obligations of ownership
	Change in use of privately-owned units
	Change in use of jointly owned property
PART III:	Association of owners
	Role, purpose and competencies
	Communication, meeting, and decision making, voting requirements
	Board and management (self-management, private management)
	Budget, bookkeeping, assets, and accounts
	Reserve fund
	Joint expenses - obligations to pay
	Maintenance and supervision of common property
	Entrance to closed units, including lawfully owned but unoccupied units
	Third-party liability for owners

Examples of details that a thorough condominium legislation should incorporate are the following:

### **CLEARLY DEFINED PROPERTY RIGHTS**

It is imperative that legislation provides a method for clear delineation of boundaries of individual condominiums and common properties, and definition of rights of unit owners and the owners' association. The legislation should also be clear on who has ownership and control over a common property - the municipality or the owners' association - and on the rights to use, rent, dispose, or borrow areas included in the common property. A description of how units will be included in the owners' association is also important. This may include an entire single building or, as appropriate in some countries, individual floors, units served by a common entrance or utilities, or other allocation.

### **MEMBERSHIP IN THE OWNERS' ASSOCIATION**

The owners' association should be a legal entity and a national law on condominium ownership should require compulsory membership of unit owners. This legal requirement is well in line with established democratic practices in the UNECE region. An owners' association that is not represented by all owners cannot possibly provide proper management of the common properties (roofs, staircases, external walls, pipes and wiring, etc.).

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In countries where compulsory membership in owners' associations is not possible under existing laws, alternative methods for ensuring the administration of the jointly owned property must be introduced. This may include a provision for self-management jointly by the owners or contracting administration services from an outside party and the law or its supplementary regulations should set this out. In instances of outside party administration, the law should specify the type of services that could be provided, define the standards expected for these services, specify whether a license is required to undertake such services, and provide solutions in the event of failure to perform. The fee structure for the administration services should also be defined. Annex I shows an example of a legal framework where an administrator is employed.

### GOVERNANCE AND VOTING

The right of unit owners to vote on matters that influence the governance of an owners' association is a specific area that requires legislative guidance. It must be decided if individuals or legal entities can own more than one unit as this could influence the voting rights of unit owners. The legislation should give careful consideration on this, in such a way that tenure and ownership rights are protected against a possible voting monopoly resulting from concentration of ownership among limited individuals or legal entities. In general, co-owners of a single unit share a single vote.

Similar decisions must be made regarding the voting rights of unit owners with respect to the sizes of their units. For example, the owner of a larger unit may have had a larger acquisition cost, be substantially making larger contributions in monthly condominium fees and may also face the greater impact from board decisions but these may or may not translate into additional voting rights. The State must decide as to whether each unit will be allocated one vote regardless of size or whether voting rights are based on percentage of overall ownership of the unit and weighted according to the unit size. Each State should address these issues in its condominium laws as appropriate for its culture and other guiding legislation.

The State should also specify what types of decisions can be approved by voting and ensure that the results of a legitimately conducted official voting are legally binding for all unit owners, regardless whether a unit owner participated in the voting process. A thorough legislation should stipulate instances when a simple or a specified majority vote is required. Decisions with greater potential impact should require a larger percentage of affirmative votes than basic management decisions. Regulations should clearly define which types of decisions fall in which category. Legislative efforts should also be made to define a suitable quorum for votes to avoid scenarios in which either (a) a small number of unit owners compromises a majority due to poor attendance or (b) the specified majority vote is too high that it impedes the process of making basic management decisions.

### UNIT OWNER OBLIGATIONS

Governing legislation must require all unit owners to be responsible for the maintenance of their individual units and to participate in the cost of maintenance and repairs of the condominium's common property, which is normally achieved through the payment of condominium fees. Specific rules for calculating ownership fractions and the resulting fees can be included in the national law on condominium ownership or in regulations applying the law.

Maintenance of individual units, compliance with condominium agreement regulations, and the payment of condominium fees should be strictly required as they are critical for maintaining the overall quality of the condominium buildings as well as for generating the necessary funding to manage, maintain, and renovate them. Therefore, national laws should specify and support the enforcement of consequences to unit owners for failing to make the necessary repairs to their condominium units and for non-payment of the required condominium fees. The law could consider the following penalties to unit owners:

- a. Imposing a fine for maintenance violations of the individual condominium unit;
- b. Granting right to owners' association to undertake required repairs and invoice the unit owner for the work;
- c. Applying interests on delinquent payments or delayed payments;
- d. Granting right to owners' association to impose a lien on a condominium unit until payment for its sale or transfer has been made;
- e. Use of a private collection company to collect dues;
- f. Disconnection of the condominium unit from shared services and utilities (if applicable);
- g. Eviction of the unit owner and/or auction of the condominium unit;
- h. Other court determined resolutions.

The law could also consider suspension of owner's voting rights as a penalty for non-payment of condominium fees. The State must determine a realistic grace period (or moratorium) before a penalty is imposed on the defaulting party.

### MANAGEMENT PROVISIONS

Legislation should clearly establish the roles of the condominium board and management body. This is critical for clear understanding of the requirements and tasks required for the management of a condominium. National condominium laws should identify management functions and define the duties and obligations of the manager, the board, and the owners' association, as appropriate. Further, the law should specify if owners' associations or condominium boards are considered legally competent entities authorized to enter into contracts for services, utilities, or other things.

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The law should also specify all the possible circumstances that could lead to failure to organize management bodies. When such is the case, the unit owners should have the right to organize a general meeting and choose a management structure and/or request from the concerned government authority to do this for them.

### ACCOUNTING

Most countries have laws regulating accounting practices. Such laws normally apply to all entities engaged in business and non-business operations and provide individual entities the option to choose the form of accounting most suitable to them. This does not mean, however, that the entities may maintain their accounts as they wish. The law normally specifies the accounting obligations and emphasizes that the accounting practice must ensure a fair and clear presentation of the financial status of the entity.

The law on condominiums should provide regulations on accounting instruments. According to most national legal frameworks, owners' associations must maintain professional accounting and where national laws do not specify this, associations should nevertheless lay down strict accounting rules.

### TAXATION

With respect to taxation, a condominium owners' association should not be regarded as a commercial entity, but as a residential non-profit organization. Tax laws should provide clear and appropriate procedures that should be properly coordinated with condominium laws. Rules on taxation, bookkeeping, etc. should be adapted to such procedures. In general, the efficient management and maintenance of property of condominiums should be regarded as a common good and should therefore be rewarded through tax incentives. A well-developed tax policy could contribute to preservation of condominium buildings. Government entities should legally establish property tax incentives, for example, for energy efficient improvements of old building structures.

Income received by the owners' association from condominium fees and other fees should not be taxed. Property taxes for individual condominium units should be paid directly by unit owners to the appropriate government authority while any property tax associated with the common property must be paid by the owners' association through the manager. The common property should be identified separately from the condominium units for taxation purposes and should be assessed or valued according to regulatory requirements based on measurement and surveying criteria. When developing a tax policy, governments can draw from existing international standards, such as those provided by the International Association of Assessing Officers (IAAO)<sup>2</sup>.

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<sup>2</sup> They are available at [https://www.iaao.org/wcm/Resources\\_Content/Pubs/Technical\\_Standards.aspx](https://www.iaao.org/wcm/Resources_Content/Pubs/Technical_Standards.aspx)

Condominium properties that include a commercial/retail component should be assessed and classified appropriately depending on the legal framework of the city where the condominium is under jurisdiction. Any commercial revenue collected by the owners' association could be subject to taxation, depending on governing regulations.

### CREATION AND DISSOLUTION

The legal identity of condominiums is established through the filing of a legally sound condominium agreement with the proper government authority. Approval for construction of a new condominium may be tied to the filing of this document within a defined period. The State must decide if a condominium when an existing condominium could be dissolved and under what conditions or reasons.

The State may also need to refine laws that allow multi-unit rental buildings or municipal housing buildings to be converted into condominiums. Regulations should define how the owners' association should be formed. This may occur automatically if the condominium conversion is required to happen concurrently for all units in a building or may be tied to a percentage of units converted if the conversion occurs on a unit-by-unit basis. A specified period for the creation and registration of the owners' association should be provided in detail in the law. In some cases, the legislation alone is not sufficient to ensure the formation of an owners' association and its related board, and management body. In the absence of an owners' association, unit owners could be encouraged to establish assemblies themselves through financial incentives and a condominium may consider including a provision on this.

## 2.2 Municipal legislation

It is at the municipal level that national housing policies transform into practical actions to achieve the desired results. Efficiency of political and administrative bodies at the municipal level is, therefore, important in implementing practical solutions to housing problems. As previously stated, any critical issues not within the scope of action at the national level should be addressed at the municipal level. These include conversions of multi-unit buildings into condominiums, zoning regulations, condominium development approvals, environmental goals, and social housing programmes.

Political responsibility in housing matters should be delegated to a dedicated housing committee or sub-committee or other recognized public body under the municipal council. This committee should be responsible for the following areas:

- 1) Overall municipal housing policy and strategies, including budget;
- 2) Cooperation with the private housing sector and local housing stakeholders, including the owners' associations;
- 3) Social housing;

## Guidelines on the Management and Ownership of Condominium Housing

- 4) Sustaining and improving the quality and value of housing stock, including environmental and energy efficiency goals;
- 5) Providing assistance for effective operation of condominiums and owners' associations;
- 6) Organizing tenders for selecting a management company for a building without management system.

Cooperation between municipalities and owners' associations on condominium matters should be based on clearly defined responsibilities of each party to avoid confusion. Private unit owners and condominium owners' associations should have full, unlimited responsibility for their property while municipalities have the administrative and regulatory responsibility to facilitate inclusion of condominiums within the context of its larger housing agenda. Further and as appropriate, the municipality should consider providing subsidies to owners' associations for renovations, repairs, and energy efficiency upgrade of condominiums.

Financial and institutional support from local government bodies, municipalities, and/or advisory centres is often necessary to help in the establishment of management bodies for condominium buildings converted from existing rental properties. For instance, local councils of municipalities can assist a condominium owners' association on matters such as the creation, reorganization, operation and management of condominiums. In instances where a condominium board or manager fails to meet specific obligations, the local councils may assist the owners' association in organizing a general assembly to resolve the situation or organize election of new board members.

### Municipal maintenance companies

In some countries with economies in transition, the municipal maintenance companies that still exist have a monopoly on the delivery of administrative and management services to the housing stock, including condominiums. In general, this is not efficient and should be changed. However, municipal maintenance companies could still participate in tenders for services to condominiums.

## 3. MANAGEMENT AND OPERATIONS

### 3.1 Condominium agreement

Most condominiums in Western Europe and the United States of America are legally created before construction is completed by filing a condominium agreement with the municipality concerned. In countries with economies in transition, majority of condominiums were created from existing buildings and the sitting tenants became the unit owners. In this case, municipalities should have a role in providing special advice and assistance in forming and registering the condominium and owners' association.

#### Purpose

The condominium agreement is the central document regulating the internal relationship between the unit owners, the owners' association, the board and its committees, and the professional manager (if retained). The condominium agreement allows for more precise rules and regulations for the association than those normally included in national laws on condominiums. These documents should be comprehensive, clear and specific on how issues are to be handled and decided. Condominium agreements are the cornerstone of a successful owners' association. In new condominium developments, the condominium agreement is often the legal vehicle by which the condominium is created.

The condominium agreement applies equally to all owners without exception. Upon sale or transfer of an individual unit, the unit owner must present the agreement as a non-negotiable condition of sale or transfer, and it must be accepted with signed acknowledgement by the buyer as part of the sales contract. Annex II presents a model for a condominium agreement. The condominium board should give sufficient time to the new unit owner to repair any damages or defects inherited from the purchase of the unit.

#### Contents

The condominium agreement must clearly indicate the following:

Description of the relevant physical aspects of the condominium, such as:

- The building or buildings involved, defined by municipality, street name and house number
- General description of the building, e.g., size, construction type, general purpose
- Description of each privately-owned unit, its position within the building, its purpose (e.g., flat, commercial), size (e.g., its square metres and number of rooms) and any particular characteristics, assigned storage units, parking spaces, etc.
- The calculation of ownership fractions for each unit as well as the method and assumption on which the calculations are made



## Guidelines on the Management and Ownership of Condominium Housing

- Clear definition of all common property including equipment and land plots under, inside and outside the building(s)
- The specific rights and obligations of unit owners
- The drawings, plans and technical certificates of the buildings and adjacent property.

Description of the relevant administrative structures and procedures, such as:

- Structure and function of the owners' association
- Meeting formats and procedures
- Voting rights and procedures
- Financial accounts
- Condominium fee obligations and special assessments
- The Board, including its authority and duties
- Roles and responsibilities of managers.

Condominium agreements should also outline the rules of conduct for unit owners and penalties for violations. The house rules could be a separate document but incorporated into the condominium agreement. House rules is an important but often sensitive regulatory component of a condominium agreement because it contains the rules of behaviour and standards that must be observed to maintain good relationship among unit owners. They could include building quiet hours, whether pets are permitted, restrictions on what can be stored on balconies, and limitations on unit owners' freedom to fit extra lighting, flag posts, window boxes, or antennas on the exterior walls of the buildings, etc. Annex III presents a specimen document on house rules. It is recommended that house rules have "general rules" separate from regulations and instructions for special items, and these could be added as appendices. In this manner, when amendments are needed for any of the appendices, the whole set of rules need not be changed. If the cleaning and daily maintenance of jointly owned areas is handled by the unit owners/residents themselves, instructions on how this should be carried out should be available.

The contents of the condominium agreement and its adoption by the unit owners (in cases where the property developer has already prepared one) must be guided by and set in accordance with any applicable state law. It is a best practice to outline the obligation of unit owners, the board, and any management entity in the condominium agreement even if these are already specified in a law. This will ensure that all parties concerned are informed of their obligations, especially in instances where the parties may not be familiar with the existing relevant legislation.

### 3.2 Structure and functions of the owners' association

#### The owners' association

As per recommendations of the relevant legal framework, all unit owners should automatically become part of the owners' association upon the purchase of a condominium unit and membership is compulsory. The principal responsibility of the owners' association is to ensure the satisfactory maintenance and repair of the jointly owned property and the most effective use of the association's funds. To achieve this, the association needs an organizational structure with clearly defined rights and obligations. An owners' association cannot fulfil its responsibilities by the conduct of general meetings alone and it should not depend on the state or the municipality to carry out its functions.

In order to preserve the interests of the owners in the jointly owned property, an owners' association must be able to enter into contractual agreements, to raise capital in the market, and could act as plaintiff and defendant in courts. For these reasons the Guide recommends that the owners' association should be registered as a legal entity in appropriate national registers. The Guide assumes that the unit owners in a condominium are the ultimate guarantors for third-party claims against the owners' association. The guarantee serves as a satisfactory collateral for loans to owners' associations that will allow them to maintain, repair and upgrade jointly owned properties as necessary.

If an owners' association becomes a legal entity, depending on the national legal framework, all owners share responsibility for the obligations of the association including debts. If, for example, a lender cannot claim back the money from an owners' association that defaulted on its loan, the lender can claim from each individual owner who may stand to lose the property.

The owners acting together in a general meeting is the supreme authority of the owners' association. To be efficient, the owners delegate large part of their authority for the day-to-day running of the association to a board elected by and among the owners. The board is responsible for implementing the tasks of the association and specific decisions of general meetings in the most efficient and cost-effective way. Members of the board are responsible to the owners and should act solely in the interests of the owners. To carry out its duties effectively, the board is empowered to engage professional management to assist the association. At the general meetings, the owners can also delegate specific responsibilities to committees composed of owners. More detailed information on meetings will be provided in section 3.3 of the Guide.

### THE CONDOMINIUM BOARD

Since holding of meetings of owners is often not possible, the owners' association should find practical ways to assist owners by proposing policies and overseeing their implementation, as well as decisions taken at meetings of owners. A general effective solution to this is to create a condominium board.

For newly developed condominium buildings, the developer will act as a board and manage the condominium until a sufficient number of units have been sold and until the owners' association can begin to function and hold elections. Many developers will continue to participate in the work of the board until after the sale of final units to ensure successful transition of operations.

The board is elected by the owners usually at an annual general meeting and consists of three to five members (for small condominiums it is also possible to operate with a one-person board, for example, the president of the association). Board members are elected for a limited term of one or two years, typically. These members are appointed by the owners to oversee the activities of the association between the meetings of the owners.

In small condominiums, the board may be directly responsible for executive functions such as hiring employees, performing management functions and entering into repair and maintenance contracts. For medium and large condominiums, however, it is normal for the board, to hire outside professional expertise for the management of the association. In this case, the external manager (or management company) is responsible for the supervision and control of the management.

Although the board is given the powers to act on behalf of the owners, it cannot decide on issues that should be discussed by owners altogether in a general meeting. This limitation in the responsibility of the board should be clearly set out in the condominium agreement.

For the effective functioning of the board, it should always focus its work on the interests of the unit owners as a whole. This requires objectivity and integrity from the board members. Their individual interests as unit owners must always be secondary, and personal interests, whether financial or otherwise, should not play a role in considering or making decisions. Conflicts of interests should be avoided to maintain the trust of the owners. Board members may be dismissed by a vote of no confidence from the unit owners, if permitted by the condominium agreement.

Board members should not receive financial compensation, directly or indirectly, from any party with commercial ties for the association's activities. Receiving compensation should be regarded as gross misconduct and ground for immediate dismissal.

## Guidelines on the Management and Ownership of Condominium Housing

However, board members may receive remuneration for the tasks they perform for the association. The payment should be decided by the unit owners in advance and communicated to all owners prior to the general meeting board election.

A critical part of the board's responsibility is to provide the owners with comprehensive, clear and regular communication and information on the activities of the association. This is vital to ensure a continued trust and confidence of the owners on the board. The condominium agreement may provide specific recommendations on the type and frequency of communication of information to owners. For example, the board could distribute to all unit owners a summary of each general meeting within a certain number of days after the meeting has concluded. The meeting summary helps to inform owners who did not attend the meeting and creates a formal record of business discussed. All communications should be in a form recognized as legally valid under national laws. This may include email, physical mailing of letters, or both.

The board may have its own meetings to discuss management issues and/or listen to committee reports and recommendations. These meetings may be held open to the unit owners, although they do not have the right to vote on the issues discussed in such meetings. The number of these meetings may be specified in the condominium agreement but should occur at least four times a year (or once per quarter). Board meetings should be tied to the organization's fiscal year if different from the calendar year.

### COMMITTEES

Committees are authorized by the condominium agreement and approved by a vote of the unit owners at the general meeting to prepare and/or implement specific tasks. Examples include committees for landscaping, audit, election, and activities. The election committee is responsible for proposing candidates at the annual meeting for official positions in the association.

### THE MANAGER

It is advisable for medium and large size associations to hire a professional manager to take care of the day-to-day management of the association. The manager is supervised by the board and reports regularly to the board. The manager can be a professional person or company, or several people appointed from among the unit owners. Although most national condominium laws define management functions and sometimes the responsibilities of the manager, it is recommended that owners' association conclude a separate and detailed contract with the manager.

Management contracts should define in detail the rights and obligations of both parties. Stipulations of the management contracts for individual or commercial companies should not differ. If multi-person management is engaged (selected from amongst the owners), it is

recommended to establish a separate agreement with each person, clearly defining their responsibilities. However, a single contract can also be made in this case. A model of a management contract is presented in Annex IV.

### **CONTRACTORS**

The manager provides professional services for repair, maintenance, landscaping, and administration, for example, and concludes contracts as necessary for professional services of lawyers and engineers/architects, and technical services for infrastructure, cleaning, etc. In hiring a contractor, a condominium agreement may require a minimum number of bids/applications, usually three, to be submitted to the board for approval.

### **UTILITY SUPPLIERS**

Suppliers of hot water, gas, electricity, telecom, and other utilities often enter into separate commercial supply contracts with individual unit owners to serve their units. These types of contracts are normally not the concern of condominium associations, which are required to have supply contracts for jointly owned property only. In special cases, the association may accept temporary contracts between owners and utility suppliers.

In many countries with economies in transition, unit owners may enter into agreements directly with utility companies or, in some cases, the condominium association may enter into agreements with utility providers or provide certain of services on their own. The list of such services and corresponding payment procedures are established in the contract concluded between the condominium association and individual unit owners. Whether the owners' association is legally entitled to earn revenue from fees or commissions from such an arrangement, as may be the case when condominium buildings are offered preferential pricing, is a matter for the national law.

### **EMPLOYEES**

Where necessary and in accordance with the law, the owners' association may hire full- or part-time employees such as janitors and cleaners. Employees are hired and supervised by the manager.

## 3.3 Meetings

An owners' association consists of several unit owners with equal rights. Discussions and decisions on relevant issues normally take place at formal meetings and it is where important decisions of the owners and the board are made. Therefore, clear and binding procedures for convening and calling these meetings and reporting on their outcomes are important for the success of an owners' association. This section provides guidelines for convening, conducting and reporting on the meeting. A specimen agenda is given in Annex V. A specimen

announcement of a general meeting is provided in Annex VI and Annex VII provides a specimen minutes of a general meeting.

### Annual general meeting of owners

The highest authority of the owners' association is the general meeting of condominium unit owners. The most important of these meetings is the annual general meeting. It must be convened regularly, usually once every fiscal year depending on the date the condominium was established.

#### CALLING THE MEETING

The annual general meeting must be convened once a year within the first quarter of the fiscal year. The owners must be given 14 day written notice of the meeting and the notification should state the date, time and venue of the meeting, including the agenda containing all matters to be discussed and agreed. The number of days of notification may refer to business days or calendar days and is governed by national law or determined in the condominium agreement if not specified in the national law. As previously stated, the legally acceptable way to submit a written notice may be through email or mailed hard copy letter, depending on what is permitted by law or specified in the condominium agreement.

The notice should include reports on the previous year's activities and financial performance, annual activity plan, and proposals of the election committee. The manager is responsible for convening the annual general meeting. If the manager fails to do so, the meeting is convened by the board. If the board also fails to do this, the annual general meeting may be convened by any of the unit owners.

At the annual general meeting, the owners' association has the right to adopt resolutions when 50 per cent or more of the unit owners or authorized proxies were present at the meeting. If this quorum is not reached, a second annual general meeting must be convened as soon as possible. However, this meeting will have the right to take decisions regardless of the number of owners and/or proxies who attended. This provision should be stated in the letter convening the meeting and included in the condominium documents.

#### AGENDA FOR THE MEETING

The agenda for the annual general meeting consists of a number of items requiring formal discussions and/or decisions in order to meet the requirements of laws, statutes and agreements. It should also include matters that are important to the operations of the condominium and owners' association. All issues that must be resolved at the annual general meeting must be included in the agenda. It is important that the agenda clearly state proposals for decisions that need to be taken by the meeting. These proposals are often

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related to the conduct of elections and discussion and adoption of recommendations costs for various maintenance and improvement initiatives.

### VOTING RULES

The owners' association exercises its authority by voting on decisions presented by the board at the general meeting. Voting on decisions and other issues can be carried out in properly convened meetings or, as permitted by the condominium agreement, through absentee voting or by proxy. Absentee ballots require the distribution of precise and extensive information and exclude the necessary exchange of views among the unit owners. For this reason, and for management purposes, they are not recommended. Voting in meetings may be by show of hands or in writing. If certain percentage of the unit owners present (usually 10 percent) is required, the voting may be conducted in writing.

Voting can be based on one vote per unit owner or a weighted vote based on ownership fraction/shares, as provided for by any applicable national or municipal legislation and indicated in the condominium agreement. Both procedures are used; however, this Guide is based on the of one vote per unit owner as this is the easiest to conduct and control. Before voting takes place, it is important that all proxies are checked and approved, and that all votes are counted to establish the meeting's authority to carry motions.

In most issues related to elections, approvals or decisions, the presence and votes of a simple majority of the unit owners is required to carry a motion. This means that more than 50 per cent of the votes must be cast in favour of the candidate or the motion in question. Otherwise, a second meeting is convened with the same agenda where decisions are taken by a simple majority regardless of quorum.

Although majority of decisions at unit owners' meetings are adopted by a majority vote, the most important issues require a specified majority. In some countries, this majority is defined as two thirds all unit owners in attendance or all unit owners in the condominium. The specific voting rules should be clearly described in the condominium agreement.

Examples of issues that in many countries require approval by all unit owners are:

- Amendments to the condominium agreement or the corresponding registered declaration of ownership rights and ownership fractions
- Sale or permanent disposal of significant parts of the jointly owned property
- Permanent division of one unit into several units (unless otherwise specified in the in the condominium agreement)
- Fundamental changes in the use of the units (e.g., from residential to commercial use).

Examples of issues that in many countries require approval by three quarters of owners are:

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- Amendments to the condominium agreement
- Repairs, maintenance and improvements that are substantially more extensive than conventional and necessary
- Decisions on loan agreements
- Decisions regarding construction agreements affecting the condominium building and/or common property.

If permitted under applicable law and the condominium agreement, the owners may have the right to adopt resolutions without calling a general meeting. In this case, the Board shall send a draft of the resolution to all owners, specifying the time period by which the owners must present their position on the draft resolution. If a unit owner does not give notice of his/her decision on the resolution within the specified time period, the action will be considered as either abstaining, supporting, or opposing the resolution depending on what is defined in applicable laws and condominium agreement.

### MINUTES

Minutes of annual general meetings must be taken. They should be signed by the chairman of the meeting, the secretary, and the two unit owners selected for this purpose. The minutes should be distributed to the manager and all unit owners of the condominium as soon as possible. The minutes is distributed using the method specified in condominium documents or agreed in the meeting, the alternative methods being:

- Minutes sent by post to the owners
- Minutes posted on the condominium's notice board
- Minutes sent by email, provided all unit owners have access to email
- Posted on the condominium website, provided all unit owners have access to the internet.

To disseminate important information, it is recommended to send minutes of the annual general meeting and meeting of owners by post or email to individual owners. Minutes can also be posted on any private and secure community website.

The minutes must include the agenda, all proposed decisions, and state which motions were approved. The discussions need not be reflected in their entirety, but participants have the right to request to include their points of view.

### Meetings of unit owners

Meetings of unit owners are convened in between annual general meetings whenever necessary. These meetings are called when there are issues that need to be resolved urgently before the next annual general meeting and which cannot be decided within the authority of



the board and/or manager. Such meetings can be convened by the manager or the board, or at the request of at least one tenth of the unit owners.

The convening of meetings of unit owners follow the same procedures as the annual general meeting, including in the adoption of decisions and resolutions and distribution of the minutes. The agenda must include an opening procedure and the rest of the agenda items should be reserved for discussion of substantive issues.

### Board meetings

The board should meet regularly and ideally, every month. A typical agenda for a board meeting would include a discussion on completed, ongoing and planned repairs and maintenance, a review of monthly reports on financial and other management issues, and discussion of issues raised by the owners or the manager.

As a rule, the board may decide to conduct open meetings, which may be attended by all unit owners. An alternative is to have closed meetings to facilitate open and free discussion within the board. If open meetings are chosen, it is necessary to close parts of the meeting where confidential matters related to individual unit owners are discussed. Individual unit owners may be allowed or invited to appear in board meetings to present their issues or opinions to the board.

A board meeting is formally called by the chairman or two of its members. The manager can request for a meeting in cases where the advice of the board is required, or for reference purposes.

The board has no formal authority except when such authority is granted by the owners' association or provided in the condominium documents. Decision making through voting of board members is needed on special issues. In this case, a simple majority of the votes of the board members is required. In case of tie vote, the chairman shall have a casting vote.

Minutes of a board meeting should include the agenda and major points of the discussions. Minority views and decisions by voting should be presented. The minutes should be made available to the unit owners.

### 3.4 Management of jointly owned property

As noted earlier, the principal responsibility of an owners' association is to ensure the satisfactory maintenance and repair of the jointly owned property and the most efficient use of the association's funds. This task can be divided into three major areas of responsibility:

- Administrative management
- Financial management
- Operation, maintenance and repair of the jointly owned property.

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To effectively address these responsibilities, the association needs qualified management, which can be obtained in different ways. A manager can run the jointly owned property alone, or be assisted by experts from different professions, either all from one company or hired individually. The most appropriate method of managing the jointly owned property must be chosen carefully for each individual owners' association because only in this way can effective management be secured. The rights and obligations of all parties should be clearly stated (see annex VIII).

### Responsibilities of the manager

The management consists of a manager and his/her staff. Irrespective of the method of management chosen, the manager acts according to appropriate laws, statutes, agreements and decisions, such as the:

- Civil code and code on civil procedures
- Act(s) on condominium ownership
- Condominium agreement
- Management contract
- Decisions taken by the owners' association.

In practical terms, the tasks of the management will in most cases include the following, which may be further supplemented by requirements of applicable laws or professional industry standards:

#### **ADMINISTRATIVE TASKS:**

- Carrying out all necessary tasks to ensure proper meeting procedures
- Implementing all decisions taken at meetings of owners and the board
- Proposing annual activity plan
- Preparing monthly/quarterly management status reports
- Hiring, supervising and terminating employees
- Accepting external contract obligations, including insurance, legal and municipal relations, reports and documents
- Communicating information to new owners/tenants, etc.
- Notifying unit owners of violations and/or delinquent condominium fee payments
- Representing the condominium.

#### **FINANCIAL TASKS:**

- Opening and control of bank accounts
- Preparing the budget and accounting
- Control and payment of invoices, bills and taxes
- Control, collection, and follow-up of unit owners' condominium fee payments

- Paying out salaries to employees, etc.

### PROPERTY OPERATION:

- Supply of utilities
- Maintenance, repairs and improvements
- Implementation of condominium rules as specified in the condominium agreement
- Volunteer work by employees, etc.
- Ensuring compliance with safety and evacuation guidelines in accordance with national law.

### Hiring a professional manager

Selecting and concluding contract to hire a manager is an important and time-consuming process. The responsibility lies with the board or a special committee that is elected at a meeting of the owners or board. Hiring a manager is an important decision, and the process of selection and conclusion of agreement is simpler if the committee has expertise in business, property, and technical/engineering matters. In countries where the formation of an owners' association is not required by law, it is usually preferable for the unit owners to decide on professional management through simple majority vote rather than engage in self-management, particularly for large properties consisting of many condominium units and extensive common property.

Unless a management description is provided by the condominium agreement, the committee must draw up the terms and conditions of the job and define what is expected of the manager. All these should be specified in the proposed management contract (see annex IV). Once the terms and conditions of the job have been finalized, the committee usually advertises the job opening in the local job market to identify as many qualified candidates as possible.

After identifying potential candidates, the committee should review each application in terms of job requirements. All applicants should provide references, which could also include bank references, if needed. The committee, as part of the preliminary analysis of the applications, should check relevant references.

The review of applications usually results in a shortlist of applicants considered suitable for the job. These candidates are then invited for official interviews. Each interview should be carried out as similarly as possible and try to elicit the following information:

- Applicant's work experience
- Applicant's views and opinions on the terms and conditions of employment
- Capacity of the applicant to do the job (qualifications, time, availability)
- Applicant's compatibility with the vision and goals of the owners' association.

After completing the interviews, the committee should discuss on each candidate and present a recommendation to the board. Second interviews with individual candidates could be arranged if necessary. The recommendation of the committee can be unanimous or made by a minority or majority. It is preferable to nominate more than one candidate for consideration; however, in this case, candidates should be recommended in order of preference. The board makes the final hiring decision and offers the selected candidate a management contract. If the job offer is accepted, the candidate signs the contract. A board should work with qualified unit owners, lawyers, other boards, or the municipality to obtain information necessary to evaluate a management contract before signing.

### 3.5 Financial management

Successful financial management is the foundation for effective functioning of the owners' association. Well-prepared budgets and sound financial planning are prerequisites for ensuring that income is sufficient to meet expenses. More than any other aspect of the owners' association, financial matters require high personal integrity from the parties involved. Such integrity must be accompanied by high quality systems of oversight and control. Information about and from these control systems should be made available to all unit owners (usually provided during owners' meetings).

#### Financial planning and budgeting – association's annual budget

The annual budget is the financial programme for the condominium. The budget anticipates planned income and expenditure for the coming year and is the basis for control and balance of the association's finances. A specimen annual budget is shown in Annex IX.

The annual budget is prepared by the manager or board and is included in the annual activity plan. The general meeting approves the budget as part of the procedures for approving the annual activity plan.

Budget contributions come from different sources. Condominium fees are often the sole revenue source and used for maintenance and operation of building and common areas. However, revenue may be collected from other sources such as fines, maintenance fee collections, special assessments, or rental income for use of public spaces, among others. Budget contributions can be collected and estimated in different ways. The manager must collect condominium fees in a timely manner and ensure the safe transfer of the funds to the condominium owners' association financial accounts. It is, however, important that the calculations and evaluations are presented in such a way that the input can be used for periodic budgets and other control purposes. For operation and maintenance, systematic planning and calculation are very important.

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Normally expenditures are planned and calculated first, which means that each item creating a cost for the condominium must be evaluated and its cost considered. Previous years' accounted costs will represent valuable input for the budget, but it is vital that the new budget should be based on new cost estimates, tenders and calculations, and is not presented as an adjusted copy of the previous year's budget. The budget should also report liabilities as well as accruals matured from the previous year's operations.

The annual budget also includes a section on services to separate units. This applies when external services to the separate units are delivered based on collective contracts between the supplier and the condominium owners' association and are charged to each owner based on ownership fraction. This separation of cost accounts is considered important for control purposes and usually applies to utility services (gas, electricity, hot water, etc.)

The annual budget must be balanced, i.e., total revenue must equal total expenditure. This means that payments for services provided to the association should be balanced by fees paid by the owners to the association. Planned costs for new construction or major repairs should be balanced by funds or loans budgeted under "other revenues". Sample income and expenditure line items for group accounts and separate accounts for the annual budget are listed in Annex X. The list of accounts can, of course, be extended.

Excess revenues can be paid back to the unit owners proportionately to their ownership fraction or be kept in the association's bank account for maintenance purposes or in preparation for large or costly capital improvements if the owners so decide. Owners will also bear expenses and liabilities not covered by the association's income and revenues proportionately to their ownership fraction.

The following sections should be included in the annual budget:

### **REVENUES**

This section presents all the incomes of the association throughout the year, as in Annex X. Account 1110 shows all the monthly payments towards common costs. Part of these will cover repair and maintenance. This account must be separated from account 1410, which should only contain payment to cover the costs of services to each unit paid through the condominium owners' association. Revenues such as loans, grants, subsidies, etc. should be budgeted under 1610.

### **MANAGEMENT COSTS/FINANCIAL COSTS**

The costs budgeted under this heading are those connected with the administration and finance of the association. In some cases, it is difficult to distinguish between administration and operations. A caretaker will normally be budgeted under operations, whilst a technical manager will be part of the management team. However, it is important that the costs should

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be included in the total budget, whether they are misplaced or not. Sound judgment must be used in such cases.

### **OPERATING COSTS**

It is important to note that the operating costs budgeted under 3410 and 3420 are costs related to jointly owned space only. These accounts should not be mixed up with the accounts for services to separate units (6110 to 6120).

### **MAINTENANCE COSTS**

These budgeted costs are calculated in, and transferred from, the detailed maintenance budget as described in greater detail below.

### **COSTS OF IMPROVEMENTS AND MAJOR REPAIRS**

The costs budgeted under this heading will vary extensively from year to year depending on the amount of work planned for the year in question. The budget entries should be based on detailed calculations of each separate activity planned.

### **COSTS OF SERVICES TO SEPARATE UNITS**

The costs budgeted under this heading are costs for services delivered to each unit but invoiced by the supplier to the association. Such collective invoicing should be avoided if possible. When this is not the case, the costs should be budgeted (and later accounted) separately to assist control. The budgeted costs should be based on tenders and/or officially approved fees from the suppliers.

### **Periodic budgets**

A balanced budget does not ensure that the association has enough money in the bank at any time to pay the incoming bills when they are due. It is therefore important that budgeted expenditures should be allocated to the specific periods when they occur so that they can be balanced with the income of the corresponding period to prevent possible liquidity problems and the need for external financing.

In most associations, common costs, rent for common space and fees for services will be paid monthly. It is therefore natural to split the budget into monthly periods both for revenues and expenditures (see annex IX). In small condominiums and/or when the condominium owners' association's financial commitments are not too complex; the budget may be split into quarterly periods and still allow for suitable control.

The budget should be split into appropriate periods for each account in the annual budget. It is important that both costs and incomes should be entered in the period when they occur and indicate the amount to be received or paid in that particular period. This means that

some entries will be in equal periodic sizes, whilst others will be irregular according to seasonal activities and costs. It is thus necessary to anticipate when, for instance, operational and maintenance activities occur, and when irregular payments and incomes are due. Given the periodical breakdown of the budget, the manager will have a basis on which to plan the association's finance to achieve maximum financial income by depositing surplus liquidity on the best terms, or to minimize short-term liability and/or liquidity loans.

### Bank accounts

All condominium owners' associations should have a bank account in which revenues are deposited and from which payments are made. In many cases it is also advisable to have more than one account so that funds for different purposes are kept separate and balanced individually. Depending on national laws, the condominium agreement, and decision of the board, funds may be kept in separate accounts and dedicated for different purposes, such as those related to building management and general maintenance; and refurbishment/renovation. These accounts can be named for clarity in record keeping, for example as the Operating Fund and the Repair and Renovation Fund respectively. In countries where the law restricts the owners' association or other forms of operation to a single building, then each individual building and operational/management structure should maintain individual bank accounts.

The manager or board will be given power of attorney to open the bank account in the name of the owners' association. In small condominiums, the civil code may provide for accounts to be opened by joint representation from all unit owners. The banking agreement should name the people responsible for the financial affairs of the association and also contain their sample signatures. Only these people may conduct banking transactions. If a person authorized to conduct such transactions is suspended from his/her management duties, then he/she legally loses the right to conduct banking transactions on behalf of the association. Under no circumstances should funds for more than one association, or for an association and other legal bodies or people, be kept on the same account.

The manager should audit the state of the bank accounts, including transactions, deducted commissions and deposited interest based on the agreement signed with the bank. The account transactions will also be audited by the internal and external auditor as will be described in section 3.5.6. Interest accumulated on the bank account is exempt from income tax. Maintaining reliable bank account records of cash flows and overall balance is advisable and it is especially important in instances where this information may be used as collateral for future loans to repair, renovate, or improve the energy efficiency of the condominium building(s).

Information on the bank account will normally be included in the manager's monthly or quarterly status reports and discussed during the owners' and board meetings.

### Accounting

#### STATUTORY ACCOUNTING IN ASSOCIATIONS

As outlined in the discussion on condominium legislation, the law on condominiums should specify which regulations should be adopted on accounting as well as it should specify that owners' associations should maintain professional accounting. Where national laws do not specify this requirement, associations should nevertheless lay down strict accounting rules.

#### ACCOUNTING STANDARDS

The basic goal of accounting in condominium management aims to identify, measure and communicate information about events with a financial impact taking place within the association, to reflect its financial condition, and to show the financial relations between the condominium and the owners of individual units. The accounts also serve as a transparent and complete database for future planning and budgeting.

To achieve these goals, the accounting system must be based on certain standards of practice and applicable templates that allow interested parties to read and interpret the information from the accounts, and the financial reports without difficulty. Simplified standards and templates can be adopted only if they do not affect the fairness and clarity of the accounting information.

Accounting is a profession that should be carried out by trained people. Condominium owners' associations must therefore hire a professional accountant to undertake the work; however, the account records should be kept in the head office of the association. Since the necessary professional knowledge goes beyond what can be presented in this Guidelines, a checklist of applicable procedures is given here below.

#### THE ACCOUNT BOOKS

The account books should be maintained on a routine basis. They consist of:

- (a) A journal which contains details of all transactions carried out on credit;
- (b) The general ledger where each transaction is entered in accordance with double-entry standards;
- (c) Auxiliary ledgers (such as personal, impersonal, etc.);
- (d) Balance sheet (register of assets and liabilities);
- (e) Trial balance of the general ledger and a listing of balances from the auxiliary ledgers.

The accounting template adopted by the association should show its financial condition and profits/losses clearly and allow for easy review of the books. The template should specifically facilitate the collection of:

- (a) Data necessary for the proper preparation of a balance sheet;



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- (b) Income statement and other information derived from the accounts;
- (c) Data required to assess taxes and complete financial transactions with suppliers and employees;
- (d) Information to gain effective internal control of the conducted transactions and assets held by the condominium owners' association.

The association should keep the documentation describing the accounting standards adopted for as long as required by applicable law, especially:

- (a) An accounts chart which includes: the list of accounts in the general ledger (general accounts), data entry procedures, asset and liability valuation procedures, procedures regarding the ancillary accounts (detailed accounts) and their allocation in the accounts of the general ledger;
- (b) A list of account books used.

The account books should be "opened" or begin the accounting record for the year at the date when the association is founded and at the beginning of each subsequent financial year. The books should be "closed" or completed on the final day of the financial year and at the date of liquidation. The books should be closed no later than 15 days from the approval of the financial statements for a given financial year.

### Financial statements

According to most national laws, owners' associations are normally required to prepare a financial statement at the end of the financial year. The financial statements include:

- (a) The balance sheet with notes – this document explains the association's financial situation by comparing assets minus liabilities to give a net worth. This report will show how much money is in the association's bank account;
- (b) The income statement with notes - this statement shows the occurred transactions for a certain time period (i.e. one month, quarterly, or annually) and shows the amount the association spent for the given time period compared to the budgeted amount for the same period.

Accounting laws usually also define the details in which the statements should be presented, and for most associations the minimum requirements will be the same. Since all associations will have a professional accountant to keep their books, the comments below are general, and not intended to describe the financial statements in full.

The financial statements are prepared based on the account books and the numerical, internally balanced data derived from these books, and should be presented not later than three months after the books have been closed for a given financial year.

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The manager or board is responsible for submitting the financial statements to the owners' meeting and other relevant bodies within the time limits defined in laws, statutes and agreements. The financial statements should be dated and signed by the professional accountant keeping the books and the manager or the board members.

In large associations, or where the unit owners so decide, a periodic income statement may be issued. Such a statement can be quarterly or half-yearly and will ensure a closer control of the association's finances.

### Auditing

Auditing should always be adopted as a control procedure in the association's management routines, whether it is a legal requirement or not. Audits can be carried out by an external auditor or as an internal procedure.

It is recommended that the association should adopt both internal and external auditing. The board, or a special audit committee, if appointed by the owners' meeting, should act as internal auditor on a regular (quarterly) basis, making sure that revenues and expenditures are within the budget, that assets and liabilities are balanced and that bank accounts are kept in an orderly manner. Errors and discrepancies should be reported to the management and corrected. Failure to correct should be reported to the unit owners and measures to avoid future errors should be taken. The external auditor should audit based on the financial statement and make a report of findings that is submitted to the annual owners' association meeting, so that the meeting can approve the financial performance or decide to take measures as recommended in the report.

All auditors, whether external or internal, should receive close attention from the management and the bookkeeper, and receive all information necessary to obtain a clear picture of the association's financial status.

### Payment of invoices

All invoices should be subject to cost control before being paid. This cost control will either be conducted according to the procedures described in this Guidelines in section 3.6.4, or by the person responsible for the part of the budget where the cost is included. Invoices should be cross-checked by the manager or the responsible board member. This control should include the formal approval of the invoice as a legal document for accounting purposes.

The signature of the manager or responsible board member(s) approves the invoices for payment. The payment is made by the person authorized through the association's relevant bank account.

The general meeting may, by resolution, limit the amount that can be paid by a single transfer and/or the amount exceeding the scope of the budget that can be approved by a single

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person. In such cases special procedures for authorizing larger payments will be adopted to ensure the necessary control.

In principle, all payments should be made through the relevant bank accounts. However, it may be practical for the management to keep petty cash to pay for minor administrative expenses, which should be limited in number and amount. All invoices should be filed as supporting documents for the accounts.

### Taxation

The owners' associations in condominiums should be exempt from income taxes on revenue. The underlying principle being that all revenues obtained by the association are for sustaining the property, such as for maintenance costs. Any income (surplus) can justifiably be exempted from taxation since, in the future, it will be allocated to association expenses. The board and manager should confirm the tax status of the owners' association under applicable laws.

While property taxes for individual condominium units are to be paid to the appropriate government authority directly by unit owners, any property tax associated with the common property should be paid by the manager.

The board and manager should be aware of any tax incentives provided by the government with respect to energy-efficient renovation projects or other improvements.

### Insurance

The association should take out an insurance policy for itself to cover buildings, other common property, equipment, and also third-party liability and injury to any employees that the owner's association may hire directly. The extent of the insurance and its cost depend on a number of factors related to the type of building, activities in the building and common areas, building construction, type of equipment and measures taken to protect the property against damage, burglary, etc.

It is advisable to insure against damage to buildings and installations from fire, water, lightning and other natural causes. Building installations and other property should also be insured against damage resulting from the defect of materials and constructions, against rot and fungi, etc. The insurance must also cover third-party liability towards persons and things, caused by falling objects, or resulting from activities in and around the property. Finally, employees should be insured against injury at work.

Detailed specifications of the items covered by the insurance, the conditions of the insurance and the costs should figure in the insurance policy. The insurance costs should be approved by the owners' meeting as part of the association's annual budget. The final insurance policy should be signed by the manager or the board. The insurance referred to above does not

cover personal belongings in the individual condominium units or equipment in commercial units that may be a part of the structure. Such insurance must be taken out by individual owners or operators.

### Annual activity plan

The annual activity plan is the working programme for the management of the association. The document defines planned activities for the year including landscaping efforts, signage installation, drainage improvements, and other works. It also includes the financial framework for the coming year, and describes the consequences and actions resulting from decisions by the owners' meetings. The document may also describe other administrative measures and actions considered necessary to improve the financial, technical and social standards of the jointly owned property.

The annual activity plan may be presented in different forms. It is, however, important that the plan contains the association's budget, and describes the activities that provide revenue to the budget. Since the annual activity plan is a suitable means of communication between the management and the unit owners, it is also recommended that the plan should be used to describe other planned actions and activities aimed at improving management, administration and living conditions in the condominium.

### RESPONSIBILITY

The manager (or the board) is responsible for the preparation of the annual activity plan. If it is considered that the closure of the fiscal year is 31 December, the draft plan should be presented to the board for revision before 15 December. The board decides on the final version of the plan and presents it to the annual general meeting.

### CONTENTS

As indicated above, the annual activity plan can be presented in different forms. The following suggested list of contents is an example of the formal information to be included in the plan according to the condominium agreement, and other information concerning management, administration and living conditions in the condominium:

- (a) Finance;
  - The annual budget
  - Amount of monthly payment of common costs, including utilities (the document should contain the basic calculation and the list of payable amounts per unit. The amounts allocated to the repair and maintenance fund should be presented separately)
  - Amount of monthly payment of service costs for individual units (if these costs are charged based on common agreements between the supplier and the association,

- the basic calculations and the list of payable paid amounts per unit should be presented)
- The level of remuneration of the manager and/or members of the board
  - Bank accounts (planned or anticipated changes in the conditions and administration of funds).
- (b) Management;
- Changes in the management organization
  - Staff (changes in staff)
  - Powers of attorney
  - Relations to unit owners.
- (c) Operation;
- Operation routines (only changes in routines that will be experienced by the residents, such as cleaning, refuse handling, security, etc.)
  - Supply of services (changes in service delivery contracts, renegotiations, etc.)
  - Insurance (planned or anticipated changes in, or new, insurance policies).
- (d) Maintenance and repairs;
- Planned maintenance activities (activities, time of execution and consequences for the use of buildings and areas)
  - Major repairs and improvements (activities, time of execution and consequences for use of buildings and areas).
- (e) Major changes in the condominium;
- Sale or rent of a common space
  - Combination of units
  - Changes in the use of common space.
- (f) Environment and social life
- Observation of the house rules and added rules (with the focus on issues like order, cleanliness, parking, pets, etc.)
  - Voluntary work
  - Meetings and social events.

### 3.6 Operations, maintenance and repairs

In most countries, the board, guided by unit owner voting as appropriate, makes decisions about the use, operation, rehabilitation/reconstruction, improvement, and reorganization of the common property, while the manager undertakes to support such decisions as required. The manager is also responsible for general and routine maintenance, repair, and operation of the common property as well as the purchase of equipment and other supplies if appropriate. In some cases, the manager's activities may be guided by a formal maintenance and operation manual or may fall under the purview of the manager's professional experience.

### Inspection

A thorough inspection of the building structure, building parts, surfaces, technical and other installations, equipment, outdoor spaces, etc. should be conducted once a year to assess the technical condition of all objects of operation and maintenance. This will facilitate the planning of activities necessary for the upkeep and improvement of the common property. The first inspection to be carried out will establish a basis for the future technical management of the association and should therefore be given sufficient time and attention.

Later inspections are equally important and will benefit from the experience and results of the initial inspection. The inspection should be carried out in late autumn leaving ample time for the planning to be concluded as input to the annual budget at the end of the year. The word "inspection" is also used for regular service inspections as part of operations and maintenance. It is important to distinguish between these inspections and the yearly inspection.

In addition to internal inspections, the manager should be available to assist with any municipal or other government inspection as may be necessary from time to time.

#### RESPONSIBILITY

The manager and board are responsible for the inspection. However, they can authorize a qualified person(s) to do the practical work. It is recommended that two persons with technical and/or janitorial background should conduct the inspection, and that craftsmen or experts are consulted when special technical matters so require.

#### REGISTRATION AND REPORT

The form "objects of operation and maintenance objects" is useful to help registration. A model is presented in Annex XI. The completed form together with all notes and other material referred to in the form, constitutes the yearly inspection report. Furthermore, the form serves different purposes:

- (a) It presents a comprehensive list of building parts, installations, and spaces to ensure a systematic registration process covering all objects. Since the form is general, not all the objects are relevant for each association. A shorter, more appropriate form can be made on the same model for individual condominiums.
- (b) The form permits the identification of the different categories of work: (i) operations; (ii) planned maintenance; and (iii) repairs. All objects must be considered and classified, since they will require different activities to be documented later in the process. It should be noted that some objects will fall into more than one category, depending on the type, condition and age. Activity cards, which are further described in 3.6.2, are

produced for each object identified under each category according to the procedures discussed in the section “Operational Activities” below .

- (c) The column “type of activity” should be used to identify the main activity/activities in broad terms and is primarily meant to give a general presentation of the type of work or action to be undertaken. It should also serve as a reminder in the production of activity cards.
- (d) The last column “comments/references” is for all-purpose use: short comments can be noted, but it should mainly be used for reference. In a thorough inspection, all findings, thoughts, and ideas cannot be presented briefly. In most cases it is necessary to describe the state of the object and the suggested action in detail. Therefore, it is recommended that the inspectors make detailed notes that are marked and referred to in the registration form for future use. The reference column should also include reference to manufacturers’ manuals, service guides and consulted experts, contractors or craftsmen.

### Operations

Operations refer to all the services necessary to keep the building, installations and surroundings in a functional condition on a daily basis. In practice, good living conditions can be maintained in a condominium only when the operation activities are carefully planned and executed. The basis for such planning is the inspection report.

#### **OPERATIONAL ACTIVITIES**

In the registration form “operation and maintenance objects”, all objects that need operations are identified through the inspection. Each of these objects should be given an operations activity card (see annex XII), with the object’s name and identification number stated in the heading.

The purpose of the card is to describe the work to be undertaken for the particular operations object. Whether it is cleaning the stairs and corridors, daily and/or weekly inspection of the heating system or changing filters in the ventilation system, the activity(ies) should be presented in detail to act as instructions or routines for the work. The card should also indicate the frequency of work, whether it is daily, weekly, monthly, seasonal, etc. Also, activities such as service inspections, conducted by contracted specialists, should be presented in an activity card. For some activities the description will be based on practical know-how and for others on technical information, inspection instructions, laws and regulations. When feasible, references to additional sources, experts, manufacturers, contractors, etc. should be included.

The manager and board are responsible for the production of operations activity cards. However, it is advisable that the person(s) conducting the inspection, assisted by the

necessary experts, should carry out the practical work. The cards should be approved by the manager, the board or an authorized person. The operations activity cards should be recognized as an important part in the systematic management of operations and should therefore be produced paying proper attention to all objects. The cards should be filed and will serve as reference not only when work instructions are prepared, but also in the calculation of costs and in budgeting. Whenever a routine does not work as intended or when installations or building components are changed, the operations activity card should be amended.

### **CALCULATION OF OPERATING COSTS**

Operating costs can be divided into two types:

- (a) All costs related to the operations activities as they are described in the operations activity cards. These costs will include personnel, operations means, technical service agreements and other inspection/service costs; and
- (b) Costs related to public services delivered (heating, water, gas, electricity, etc.), insurance, security, taxes, fees, etc.

The calculation and presentation of costs serve several purposes. In the budget process, the costs serve as input to the operations budget, which is part of the annual budget, and from which, among other things, the individual unit owners' shares of the common costs are calculated. Also costs for the separate activities serve as a background for decisions on work methods, use of external contractors or own employees, etc. The costs should be calculated and presented in a manner that serves the purposes mentioned above and gives sufficient background for cost control.

Previous experience and costs registered in previous years are important information as a basis for the calculations. All service agreements should have fixed, tendered prices to be used directly, and the costs of operations means should be partly based on tenders and partly on market prices for the various items. The cost of personnel should include all contracted and/or employed personnel, fully or partially occupied with operational duties.

The cost of cleaning can be treated in two ways. If the activity is contracted out, the costs should be recorded under "cleaning". If, however, it is done by employed personnel, the costs should be recorded under "employed personnel" and "operations means". The same applies to other activities, such as gardening, service inspections, etc. Costs described in point (b) above do not normally need to be calculated. In most cases these costs are extracted from tenders or contracts with external suppliers and service companies. Such costs can be entered directly into the operations budget.



### **DECIDING OPERATIONAL ACTIVITY PRIORITIES AND SCALE OF SERVICES**

The operating costs as calculated and/or presented by external service providers and contractors are evaluated and used in the prioritizing of activities and services. Normally the type of activities and services necessary for the daily functions of the common spaces and installations of the buildings and their surroundings are relatively fixed. However, the frequency of the actions and the quality of work and operations means, and also the degree of comfort of heating, lighting, etc., can vary and thus influence the operating cost. It is the responsibility of the manager/board to evaluate the order of priorities and to present conclusions and/or alternatives to the annual meeting as part of the annual activity plan and the annual budget.

### **OPERATING BUDGET**

The operating budget is made up of all costs related to operational activities, services received and means necessary to support the ordinary daily functioning of the common space of buildings and their surroundings. Such costs include:

- Personnel (caretakers/service personnel)
- Cleaning
- Operations means
- Services (heat, water, gas, electricity, etc.)
- Insurance
- Taxes/fees
- Security
- Service agreements (contracts) and other operating costs

The operating budget is a part of the annual budget. The costs in the budget are the costs connected with the common space. Costs that are covered by the association but related to individual units should be invoiced to individual units and not be presented in the operation budget.

The manager/board is responsible for presenting the operating budget, as part of the annual budget, before 1 December of the year preceding the considered fiscal year, or at the date set by the owners' meeting.

The operating budget should not be a copy of the previous year's budget, but should be based on new evaluations, calculations and tenders.

The costs are transferred to their respective groups and positions in the operating budget's template (see annex XIII).

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In the template, the personnel costs are presented under item 11, the costs of operations means under item 13, and the costs for service agreements, cleaning contracts and other costs under item 12 and 21 to 74.

To complete the operating budget, the costs for services related to common space are presented under item 14. The condominium owners' association's insurance costs under item 15, taxes and fees under item 16 and costs related to special security arrangements (security guards, etc., but not alarms) under item 17.

The costs of services (item 14) relate only to common space (areas) or common services. Costs related to each unit but invoiced through the condominium owners' association's accounts are presented in the owners' association's annual budget, accounts 6110 to 6190. These costs will in turn be invoiced to each unit owner separately.

The operating budget as shown in Annex XIII is used as a basis for the financial control of all service deliveries, operational activities and related costs. The completed presentation form also serves as input to the owners' association's annual budget, where the costs are presented under their respective budget account numbers.

### **OPERATIONS INSTRUCTIONS AND REPORT**

The description of the operations process above presented possible routines for planning the execution and control of operations. Procedures for the practical work are presented below.

The suggested approach is to issue a work order or operations instructions and report for each month, specifying the operational activities for that month. The activity is described according to the procedures given for the particular activity/object in the operations activity card, with regard to work sequences and frequency (daily, weekly, monthly, etc.).

All activities should bear the operations object number concerned. The number serves as a reference to the activity described on the operations activity card. The manager, board, or a person appointed by him/her is responsible for the preparation of the monthly operations instructions and report. The instructions must be approved by the manager or the board.

### **MAINTENANCE AND REPAIRS**

For new and modern buildings maintenance and repairs are typically fairly manageable as long as they are carefully planned and receive the necessary on-going attention. In old buildings, however, the deterioration of installations is often beyond repair, or the equipment is too old to satisfy the required standards even if maintained properly. In such cases improvements should be considered as a better long-term, economic solution than maintenance and repairs. The basis for the systematic planning of maintenance and repairs is the above-mentioned yearly inspection report.

### PLANNED MAINTENANCE ACTIVITIES

As mentioned, the registration form “operations and maintenance objects” identifies all objects for which maintenance activities are planned (see annex XI). Each of these objects should be given a planned maintenance activity card, with the name and identification number of the object stated in the heading. The purpose of the card is to describe the maintenance work to be undertaken for a particular maintenance and repair object.

Some planned maintenance activities are repeated at certain intervals, but the frequency may vary, for instance from the yearly, general overhaul of the heating pipes and equipment, to the planned painting of stairwells and corridors every sixth year. Some activities are not repetitious but are planned on the basis of the inspection report and executed in time to avoid a breakdown, for instance replacing a valve in the heating system or changing a window frame with clear evidence of rot. Regardless of the type of activity, the cards should contain the necessary detail to act as instructions or procedures for the work and can be modified to include a priority score to assist in determining which interventions should be completed as a matter of priority.

For some activities the description will be based on practical know-how and for others on technical information, inspection instructions, laws and regulations. When feasible, references to additional sources, experts, manufacturers, contractors, etc. should be given. The manager and/or board is responsible for the production of planned maintenance activity cards. However, it is advisable that the person(s) conducting the inspection, assisted by the necessary experts, should carry out the practical work. The cards should then be approved by the manager/ board or an authorized person.

The planned maintenance activity cards should be recognized as an important part of the systematic management of maintenance and repairs and should therefore be produced paying proper attention to all objects. The cards should be filed and will serve as reference not only when work instructions are prepared, but also in the calculation of costs and in budgeting. Should activities be undertaken by external contractors, the cards will also serve as background information for the tender documents.

### REPAIRS

In some cases, repair work must be carried out immediately, whilst in others the work can be postponed in order to fit in with a work schedule or in order to have it properly planned. In the latter cases it is sometimes difficult to distinguish between what is maintenance and what is repair. Generally, all work of a certain cost that does not have to be repeated regularly is considered as repair.

There are many reasons why repair should be given higher priority by an association. In some cases, a repair secures safe conditions for occupants and the general public; in others it

prevents further damage or deterioration of the property. Technical installations must receive immediate attention when they break down, and it is important for the occupants and their investments that the value of the property is maintained. Sometimes it is vital to undertake the repair work first, and worry about the costs later, but in most cases the work should be carefully planned, specified and calculated/tendered before execution.

### **CALCULATION OF MAINTENANCE AND REPAIR COSTS**

The calculation and presentation of costs serves several purposes. In the budget process the costs serve as input to the maintenance and repair budget, which is part of the annual budget, and from which, among other things, the individual owner's share of common costs is calculated. Also, the costs for the separate activities serve as a background for decisions on method, use of external contractors or own employees, etc.

With respect to operating costs, the method of calculation will vary according to experience. However, the costs should be calculated and presented in a manner that serves the purposes mentioned above and by means of giving sufficient background for cost control.

For each planned maintenance object presented in an activity card, the costs are presented in total and then broken down for entry into the maintenance and repair budget (see annex XIV). Previous experience and costs registered in previous years are important information as a basis for the calculation. The costs of spare parts and other means should be based on tenders or market prices. The cost of personnel should include all contracted and/or employed personnel fully or partially occupied with operational duties.

Maintenance and repair work in many cases demands special skills and equipment and is also labour-consuming. Therefore, external contractors should be considered and employed on the basis of competitive tenders based on accurate specifications. The costs of external contracts are entered under total costs in the calculation form. Unforeseen repair should be calculated with reference to previous experience as a fixed sum based on the costs per square meter observed for previous years and adjusted to the relevant price index.

It is possible to make the calculation more comprehensive by dividing the property into parts and using costs per square meter from previous years for each part or group of parts. However, it is important that the cost data used are based on realistic assumptions and the necessary know-how. The anticipated costs of unforeseen repairs are presented directly in the maintenance and repair budget, account 4310.

### **DECIDING MAINTENANCE AND REPAIR PRIORITIES**

Maintenance costs as calculated and/or given in tenders by external contractors should be evaluated and used in the prioritization. The reasons for giving priorities are to balance the

financial expenditure of the association. It is therefore an important responsibility of the manager/board to evaluate the consequences of such priorities both technically and financially, and to present conclusions and/or alternatives to the annual meeting as part of the annual activity plan and annual budget.

### **MAINTENANCE AND REPAIR BUDGET**

The maintenance and repair budget is made up of all costs related to maintenance, repairs and replacements that were planned and executed to maintain the quality and standard of the building and to prevent damage and breakdowns. Planned maintenance (and planned repairs) is calculated and presented in the budget as costs per object. Repairs (and replacements) cannot normally be planned and calculated for budgeting purposes. But the maintenance and repair budget must allow for repairs, and in order to do so the related costs must be specified based on experience and the expected amount of work to be undertaken. The budgets of previous years should not be copied.

The maintenance and repair budget is used as a basis for the financial control of all service deliveries, maintenance and repair activities and related costs. The completed template also serves as input to the annual budget, where the costs are presented under their respective budget account numbers. The manager/ board is responsible for the presentation of the maintenance and repair budget as part of the annual budget, before 1 December of the year preceding the considered budget year, or at the date set by the owners' meeting.

### **MAINTENANCE INSTRUCTIONS AND REPORT**

As for the operations activities, it is also suggested that the practical work connected with planned maintenance (and minor planned repairs) should be based on work orders or maintenance instructions and report. The instructions are issued for each month, specifying the activities for that month. The activities are described according to the procedures given for the particular activity/object for execution and frequency. The instruction should also include minor repairs and replacements resulting from damage or breakdowns that have occurred during the last month and that need attention. Major repairs and replacements will normally be planned and executed on the basis of individual specifications and tenders. The manager/board or a person appointed by them is responsible for the preparation of the monthly maintenance instructions and report. The instructions must be approved by the manager/board.

### **Improvements**

At a certain stage, the question of making improvements to the property will occur. Depending on the age and condition of the property, or the financial situation of the association, such improvements could include:

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- (a) Increasing the original standard of the property;
- (b) Changing the function of parts of the property;
- (c) Adding new elements to the property.

Work connected with additional thermal insulation of the building, changing a shop into a community room for the association (change in use) or building a shed in the children's playground, are all examples of improvements. In a properly organized association such work is based on discussions and decisions made in the governing bodies. After the work is planned and anticipated costs are calculated, the costs are entered in the annual budget in accordance with the financial arrangements made for an activity.

In most cases, the manager and board rely on the use of external consultants and contractors to design, plan, and execute the work on the basis of tendered contracts. The main functions of the management will therefore be to advocate competitive tenders and to effect quality and financial control throughout the construction phase, and to regularly report the results to the association and to the owners.

### Control of operation, maintenance and repair costs

Cost control is an important managerial duty that should be given high priority. This duty is addressed by the budget.

The control of costs at budget level is the responsibility of the manager and board. In practice however, control starts at a lower administrative level with the person responsible for the activity, such as the association's accountant. The actual costs resulting from invoices from suppliers and contractors, the costs of employed and hired personnel, the purchase of materials and equipment, etc., should be compared to the calculated costs for the activity.

By controlling each activity, the invoices and internal costs should be approved. In the case of deviations from agreed, expected or planned costs, the issue should immediately be reported to the person responsible for the budget. The control is completed by attestation (signing) from the controlling person, and the invoice and the internal costs are then handled according to the payment process adopted by the association.

## 4. ALTERNATIVE OCCUPANCY OF CONDOMINIUM UNITS

Typically, condominium units are occupied by the unit owner, for whom the unit serves as a primary residence. However, alternative forms of occupancy exist, including:

- Units that are frequently and/or continuously unoccupied by the unit owner, but which are not abandoned (e.g. vacation homes or second homes)
- Units that are used primarily as rentals, for either short or long periods (e.g. via annual rental contracts or through shared economy arrangements such as AirBnB)
- Units that are abandoned
- Units that are illegally or informally occupied by a party or entity other than the unit owner.

The challenges created by alternative forms of occupancy can include:

- Communication challenges wherein the board and/or manager cannot readily and reliably contact the unit owner
- Maintenance issues that can affect other condominium units and unit owners, such as an appliance failure in an unoccupied unit that causes water to leak into a downstairs adjacent condominium unit
- Disturbances, liability issues, and/or safety concerns associated with both the long- and short-term rental of units not occupied by the unit owner; and/or
- Inability to effectively collect the condominium fees owed.

Many condominium laws and related hospitality and/or property laws do not adequately address forms of alternative occupancy, nor provide sufficient guidance on resolving associated challenges.

In instances where the legislative framework does not directly address issues related to alternative forms of occupancy, it may be possible to address them in the condominium agreement. This can be achieved by the thorough design of a new condominium agreement or, if permitted, by amending an existing condominium agreement. The latter will almost certainly require a majority vote of the unit owners at a formal meeting. However, in no instance can the terms of the condominium agreement contradict or violate prevailing statutes. Owners' associations seeking to amend their existing condominium agreements should consult with a competent attorney before proposing changes.

Solutions to ameliorate the challenges created by alternative occupancy in condominium units will vary by country and circumstance. In some cases, and as permitted by law, it may be possible to include clauses and conditions in the condominium agreement to address specific challenges. Examples of these are described in the following sections.

### UNOCCUPIED UNITS AND ABSENTEE OWNERS

Some units may remain unoccupied for extended periods of time. This is especially common in condominiums where a large percentage of the units consist of second homes or vacation homes, although a similar situation can arise if a unit owner travels extensively for work. To improve the timeliness of communication in such instances, the board may be able to require unit owners to provide (and maintain) a valid email address. It is also important to ensure that the condominium agreement gives the board and/or manager the right to enter the unit and conduct emergency repairs on behalf of the unit owner. Any costs associated with such repairs will be the obligation of the unit owner. In cases where the absenteeism creates operational problems or material disruptions for other residents, it may be appropriate to restrict voting rights such that absentee owners do not participate in decision relating to major investments or expenditure of funds. Similarly, requiring that unit owners attend meetings in person in order to participate in important votes (as opposed to voting by proxy or absentee ballot) can be considered.

### RENTED UNITS

Imposing rental term limitations and/or prohibiting the rental of condominium units can help reduce the challenges associated with non-owner occupancy. If renting units is prohibited, the condominium agreement should include specific fines or other consequences for unit owners found in violation. However, such a restriction may be unwelcomed by unit owners, particularly in condominiums where a large percentage of the units consist of second homes or vacation homes that are rented out to supplement the owner's income. In such cases, the board may consider a variety of mitigation policies and can present a motion at the annual meeting calling for the adoption of a short-term rental policy. This policy can include measures such as:

- Imposing a rental fee payable by the unit owner (in addition to any regular condominium fees owed) to cover expenses of additional wear and tear, damages, liability insurance, special assistance by staff (if applicable), and other costs that may be incurred as a result of rental tenants and their activities
- Requiring unit owners of rented units to notify the board of each rental, including dates and relevant guest information, to ensure an accurate record of non-owners that have access to the property
- Imposing reasonable regulations on non-owner tenants, such as: quiet hours, arrival times, a requirement to check-in with the manager or other staff upon arrival, pet and smoking restrictions, etc.
- Imposing fines on unit owners that fail to comply with policy requirements and/or who fail to ensure the compliance of rental tenants.



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In all cases, the board and manager should be aware of changes to hospitality law that may impact rental activity in the condominium and advise unit owners accordingly.

### **ABANDONED UNITS**

With respect to treatment of abandoned units, the responses of the manager and board as well as any clauses contained in the condominium agreement should be guided by relevant legislation. In most cases, it will be necessary to establish that abandonment has truly occurred. This is especially important to avoid potential conflicts if a unit owner or the heirs of a unit owner make a future claim. Conditions for establishing abandonment will most likely be tied to the unit being continuously vacant for an extended period; the unit owner being delinquent on taxes, utility bills, and condominium fees; and a complete lack of contact with the unit owner.

Upon establishing that a unit has been abandoned, continued maintenance for the abandoned unit may fall to the owners' association or the board and manager may be required to follow eviction proceedings established by law. In some countries, ownership and responsibility for the unit may be transferred to the municipality. In such instances, the municipality should be obliged to maintain the unit and contribute fees as per the condominium agreement.

### **INFORMAL OCCUPATION AND VULNERABLE GROUPS**

Informal occupation of a condominium unit can occur for several reasons. For example, a short-term rental tenant may refuse to vacate the premises and, in countries where short-term rentals are not subject to tenants' rights laws, this can create an informal occupancy. In other instances, an unoccupied unit may become inhabited without the unit owner's knowledge. Depending on the circumstances, the responsibility and costs for initiating eviction proceedings may fall primarily to the unit owner or to the board and manager. The board and manager should engage the professional services of a competent attorney in determining how to proceed.

An additional challenge posed by illegal or informal occupancy centres on the treatment and protection of vulnerable groups. One such example would be a pensioner or other person who has no alternative housing but who can no longer afford to make the necessary payments associated with a condominium unit and may have lost ownership as a result of bank foreclosure. Approaching such situations in a respectful and productive manner while remaining cognizant of the needs and rights of other unit owners can pose an immense challenge for both the board and manager.

When facing such situations, the board and manager should seek resources from the municipality and organizations specializing in the protection of vulnerable groups. It may be possible to introduce public sector housing support systems guaranteeing the ability of low-

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income owners to meet the financial obligations stemming from condominium ownership. These may take the form of direct transfers, tax breaks, or "de-privatization" wherein the government acquires the condominium from low-income owners and guarantees their right to stay on as tenants.

Solutions sought by the board and manager should be in accordance with the goals outlined in leading international documents, such as the SDGs of the 2030 Agenda for Sustainable Development, the Geneva UN Charter on Sustainable Housing, and the New Urban Agenda.

## 5. FINANCING FOR CONDOMINIUM PROJECTS

An acute problem faced by condominiums in many markets is financing renovations and improvements. Most laws designate the owners' association, through the actions of its board and manager, as the organization tasked with generating the financial resources to repair, renovate, or improve deteriorating buildings. However, funds generated by condominium fees are often insufficient to undertake large-scale projects. Project costs can be further exacerbated if the condominium suffers from poor quality initial construction or if repairs and maintenance have not been conducted assiduously over time. Income inequalities among unit owners and vulnerable groups, such as pensioners or single-parent households, mean that the board is not always able to pass motions to enforce special assessments in order to raise additional funds. Therefore, financing condominium projects often becomes a challenge for the owners' association.

### PUBLIC AND DONOR FUNDING

Public funding schemes can benefit smaller and/or less well funded owners' associations that might be rejected by traditional lending sources, such as banks. Further, public assistance in renovating common property may include social considerations to help offset income inequalities among unit owners. However, such schemes inherently require the availability of public funds and are often not sufficiently robust to provide the necessary funding under all scenarios.

Donor supported funding, particularly if the framework for its distribution exists under the law, is another possible source of funding in which owners' associations become partners to donor initiatives and grant schemes. In such instances, the existence of an owners' association is critical because of the way donor support schemes are structured: for example, assemblies (owners' associations) can be counterparts to EU institutions under such initiatives, while individual unit owners cannot. Donor funding can be especially beneficial in improvement initiatives where the owners' association is identified as the beneficiary in energy efficiency grant schemes.

In general, public sector and donor-based grant schemes may only be available to certain groups or to cure severe systemic defects, while traditional loans may be the primary source of funding for interventions that feature financial benefits.

### TRADITIONAL PROJECT FINANCING

Renovations and improvements that must be funded through traditional financing or bank loans depend on the existence of certain key conditions for a condominium to borrow money. As described in preceding chapters, the owners' association should have a bank account controlled by the board and manager. The bank account and financial history of the association will need to be considered as part of any loan evaluation. The owners' association

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must also have a functioning structure and the necessary legal status to exercise decisions over the common property, including the use of such assets as the subject for improvement of and/or as collateral for loans.

Owners' associations have limited options when seeking to satisfy a bank's requirement for collateral and/or a guarantee in order to approve a loan. One possible structure may involve using common property or the maintenance fund as collateral. Alternatively, the cash flow of the owners' association itself may be accepted as collateral by banks under certain conditions.

Before committing to any loan agreement, the board and manager must be sure a sustainable method of repayment exists. The specifics of repayment are dependent on the project and any resulting cost savings from operations or accruing to individual unit owners. However, in many cases, new improvements or curing significant defects in the condominium structure do not generate any form of cost savings. In such instances, the unit owners may be asked to vote on a motion to either accept a special assessment or increase condominium fees in order to cover the loan repayment or else forgo the improvement. Note that increased fees attributable to improvements to limited common elements, such as balconies, should only (or predominately) affect those unit owners that benefit from the limited common elements in question.

### **FINANCING FOR WATER AND ENERGY EFFICIENCY**

There are environmental, economic, and health benefits to water and energy efficient retrofits of older housing stock, including condominiums. In addition to debt products to finance basic renovations or improvements, some lenders offer special "green financing". These products usually feature preferred (lower) interest rates in exchange for specific environmental outcomes, usually tied to improving water or energy efficiency. While such loans are often aimed at multi-unit rental properties, they may be applicable to certain condominium projects.

Savings from energy-efficiency investments may be achieved through reduced energy bills due to the energy savings over time. However, retrofitting existing buildings has long payback periods and does not always produce results exactly as anticipated due to a variety of factors. Further, savings may largely benefit individual unit owners rather than common property or the owners' association as an entity. This can lead to challenges in structuring an appropriate repayment scheme if project funding or loans are obtained by the board on behalf of the owners' association as an entity, rather than by individual unit owners. Boards must work closely with their owners' associations and lenders to structure the loan and payments accordingly. For example, unit owners benefitting from a reduction in utility costs may be required to pay some proportion of the savings in the form of an increase in condominium fees to be used by the board for loan repayment. Note that such arrangements

are easier to structure in schemes where shared utilities are provided by the owners' association to the unit owners.

Green financing is a developing field and financial institutions should endeavour to incorporate energy efficiency projects in their practices, raise technical expertise for related appraisals, and work with owners' associations, boards, and managers to identify successful loan structures. Guidance can be sought in many contemporary documents. The Geneva UN Charter on Sustainable Housing<sup>3</sup> has articles dedicated to the environmental and energy performance of housing while several of the SDGs of the 2030 Agenda for Sustainable Development are related to health, housing, and the environment. The evolution of green financing may be further facilitated by the existing global community of stakeholders working to disseminate information and increase awareness surrounding residential energy efficiency. These actors and/or agencies can assist in contracting for technical audits and baseline assessments, organizing residents and educating unit owners, and preparing the necessary documentation.

The support and assistance of expert stakeholders is particularly necessary when owners' associations and/or their professional managers do not have sufficient experience to prepare and implement renovation and improvement projects. Encouraging and facilitating stakeholder support should be an integral part of any program or initiative aimed at bringing together communities, condominium owners' associations, and public and private sector actors (including financial institutions) for the purpose of incentivizing large-scale energy-efficiency upgrades of the overall housing stock.

### **ENERGY POVERTY<sup>4</sup>**

Even in most developed Western European countries, a considerable portion of the population lives in energy poverty, as defined by the need to spend more than 10 per cent of household income on energy in order to heat homes to a minimum standard of warmth. Energy poverty is frequently tied to lower income and vulnerable groups. The cycle of energy poverty tends to worsen given that the same groups are unable to afford investments in energy efficiency.

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<sup>3</sup> The document is available online at <http://www.unece.org/housing/charter.html>

<sup>4</sup> Habitat for Humanity Armenia (2014): Legal-Regulatory Solutions for Strengthening Civic Involvement in Condominium Management in Armenia: Utilizing the Knowledge Wealth from Visegrad States and Ukraine. Study prepared for Habitat for Humanity Armenia by Astghine Pasoyan. Available at <https://getwarmhomes.org/wp-content/uploads/2016/05/HOA-recomendations-HFH-A.pdf> ; Habitat for Humanity International (2017): How to improve residential energy efficiency in South Eastern Europe and CIS: Policy Discussion Brief for national governments and international organizations. Available at [https://getwarmhomes.org/wp-content/uploads/2017/06/How-to-improve-REE\\_policy-brief\\_HFHI.pdf](https://getwarmhomes.org/wp-content/uploads/2017/06/How-to-improve-REE_policy-brief_HFHI.pdf)

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Boards and managers should be cognizant of the needs of these groups when considering green financing projects. If the bank and applicable laws allowing the owners' association freedom in developing and approving a schedule for the manner and period of repayment for each unit owner, fees may be waived or discounted for low-income households. Green financing may also be combined with appropriate public subsidies wherein vulnerable residents can be assisted through the existing social allowance system, either through an expanded allowance or through additional funding by other social protection institutions. Regulations should encourage substantial financial support from the government at the local or national level in order to reduce the payback period on improvements so that energy-efficient investments are more attractive and affordable, especially for the low-income owners. The board and manager can assist in seeking subsidies and grants for low-income unit owners to allocate toward improving the energy efficiency performances of their dwellings through retrofit projects.

# ANNEXES

## **ANNEX I Legal regulations for the administration of jointly owned property in condominiums without owners' associations**

(Specimen)

### Introduction

Where the national law on condominiums does not make owners' associations compulsory in all private, multi-flat buildings, the law or regulations should state that such associations exist de facto through the functions of an administrator. Administrators appointed for the jointly owned parts of private, multi-flat property should have the same rights and obligations as administrators employed by owners' associations in buildings where such associations exist. The only exemption from this principle follows from these regulations.

It is recommended that the national law should have a clause stating clearly that for condominiums whose owners do not set up and register an owners' association of all owners within three months of registering the condominium, the municipality, represented by the mayor, has the exclusive right to appoint an administrator in accordance with the following regulations.

### Regulations

1. The municipality is obliged to:

- (a) Establish and periodically update a register of qualified administrators;
- (b) Appoint and, on behalf of the private unit owners, enter into a contract with the first administrator for the jointly owned parts of the property;
- (c) Appoint and, on behalf of the private unit owners, enter into a contract with any subsequent administrator, where a court has dismissed the previous administrator;
- (d) Produce and publish, yearly:
  - (i) A standard list of functions to be carried out by administrators (for guidance only);
  - (ii) Advice on acceptable tariffs to be charged by administrators for administrative functions for commonly owned parts of property.



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2. The local authority should have no legal or other obligations regarding administrators than those explicit in paragraph 1.
3. The contract of administration established by the municipality can only be terminated by either:
  - (a) A final decision by a competent national court; or
  - (b) The formal formation and registration of an owners' association within the housing complex.
4. The court can decide to dismiss the administrator only if it has been proved that the administrator has acted negligently with regard to his contract of administration.
5. Where the owners form and register an owners' association this should be regarded as a formal termination of the contract of administration within a specified notice period (three months). The association is then contractually free to retain or change the administrator and to enter into a new, renegotiated contract.
6. All unit owners are legally obliged to pay to the Administrator a fee for his services. This fee cannot be higher than the maximum tariffs for administrative functions published yearly by the local authority.
7. All unit owners are legally obliged to enter into individual binding contracts with all utility suppliers delivering services to the property. Such contracts should be structured in two parts:
  - (a) Services delivered directly to the unit owner/the privately-owned unit. For these services the unit owner is fully responsible; and
  - (b) Services delivered wholly or partially to the jointly owned parts of the property. For these services the unit owner is legally responsible pro-rata, according to established ownership ratios or fractions.
8. The administrator has no responsibility, legally or otherwise, for any aspect of the contractual relationship between unit owners and utility suppliers (para. 7 (a) above). He is, however, obliged to assist and advise the owners on all such contractual relationships.
9. The administrator is obliged to advise the unit owners on the form and contents of contracts proposed by the utility suppliers.
10. The administrator is obliged to advise the unit owners on all legal and practical aspects of forming an owners' association.

## ANNEX II Condominium agreement

(Specimen)

### 1. Members of the owners' association

The owners of individual units in

\_\_\_\_\_

form the owners' association of the property in the local authority of \_\_\_\_\_ Real estate number \_\_\_\_\_ Name \_\_\_\_\_

The owners are listed with full names, description of individual units and ownership fractions.

### 2. Legal status of the owners' association

1. The owners' association is a legal entity competent to acquire rights and to take on obligations; it can sue and be sued in courts of law.
2. The owners' association has unlimited liability for common property; internally each unit owner's liability is limited to his ownership fraction in the common property.
3. The association cannot establish or participate as owners in commercial enterprises.

### 3. Individual property and common property

1. The individually owned property is the self-contained unit together with the auxiliary space. This includes everything inside the unit: internal walls, all doors (including entrance door to a flat), the inside surface of window frames, floor coverings, wall coverings, ceilings, all technical installations inside the unit which serve the exclusive use of the individual flat, kitchen and built-in cupboards.
2. The common property is (among other things, as far as these legally belong to the Condominium) the plot of land under the buildings, outdoor space such as roads, gardens and playgrounds, foundations, external walls, external doors and windows, load-bearing walls, structural floors, roofs, staircases, all internal doors not serving individual units, lifts, technical distribution systems for electricity, gas, water, sewage, heat and common TV aerials. The common property also includes common laundry rooms, technical rooms, rooms for caretakers and other rooms, such as attics, cellars, halls, etc., that are not individually owned. Management funds and repair funds are also common property along with equipment purchased by the condominium association in order to operate the property.

3. The rights and obligations of the co-ownership of the common property cannot be abolished by an individual owner of a unit. The individual owner's share of co-ownership of the common property is defined by the ownership fraction.

### **4. Rights and duties of the unit owners**

The rights and duties of the flat owners are governed by the [Act of \_\_\_\_\_ on Condominium Ownership] unless otherwise stated below:

1. The unit owner has the exclusive right to use his individual property within the limit of the law and this condominium agreement. The unit owner has to bear all costs related to his individual property.
2. The unit owner has the right to co-use the common property, and to receive any benefits and revenues according to his ownership fraction. The unit owner has to bear all costs related to the common property, in particular the management costs, according to his ownership fraction.
3. It is the unit owner's right to jointly manage the common property, in particular to participate and decide in the general meeting on all issues related to the common property. The unit owner can delegate powers to the manager of the condominium or to another unit owner.
4. The unit owner is obliged to exercise his rights with due respect for all other unit owners' rights. The unit owner has to observe the house rules.
5. Commercial activities within a unit initially planned for housing need the consent of the owners' association. The consent can be withdrawn by a resolution passed with a simple majority. The owners' association can delegate the power of consent to the manager. The consent can only be withheld for good reasons such as the commercial activity disturbing the unit owners or leading to unwanted use of the common property or limiting its proper use and influencing the character of the estate, etc.
6. The unit owner is free to let his property. This does not, however, free the owner of his rights or responsibilities towards the owners' association. The owner must inform the manager before letting the unit and give the name and number of his tenants.
7. The unit owner has to give access to third persons if this is needed for maintenance, repair or replacement work. The unit owner cannot claim compensation for such access.
8. The unit owner is free to sell the unit. He is obliged to pass on all obligations to the purchaser. The purchaser accepts all the seller's obligations; in particular, the purchaser is bound by the running management contract. The unit owner and the purchaser are jointly liable for all costs and duties. In the case of sale, the common funds mentioned under section 3, paragraph 2, remain with the owners' association.

9. Any seller of a unit is obliged to provide the buyer with written information on:
  - All relevant agreements;
  - Current cost levels;
  - Important decisions made by the association;
  - Any other relevant information relating to, or having an impact on the rights of and obligations for the unit being bought.

### **5. Forced sale of individual property**

1. The owners' association has the right to bring action against any unit owner who persistently and gravely disregards his obligations. The association can sue for the forced sale of the individual property, in particular if a unit owner:
  - Is in arrears for three months with the regular financial obligations; or
  - Persistently and gravely violates the house rules; or
  - Behaves in a way that is detrimental to the other unit owners' interests.
2. The decision to sue a unit owner must be passed by a simple majority of all unit owners at a formally called owners' meeting.
3. The unit owner whose unit has been sold does not have any claims for substitute housing on the association.

### **6. Maintenance, repairs and modernization**

1. Maintenance of the common property is the responsibility of the manager and should be carried out on the basis of the maintenance budget agreed by the general meeting.
2. Major repairs, modernization and extensions of the common property require a decision of the owners' association by a three-quarters majority. The costs of such work are covered by the repair fund or by separate funding.
3. The repair fund is financed by a portion of the owners' monthly advance payments, allocated to a separate repair-fund account. This monthly portion is agreed by the owners' association at the general meeting.

### **7. Costs of common property**

1. The individual owners are obliged to cover their share of the costs of the common property according to their ownership fraction.
2. The costs of common property consist of:

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- Management costs;
  - Operating costs;
  - Maintenance costs; and
  - The repair fund.
3. The anticipated yearly costs are presented in the budget and determined by the owners' association at the general meeting.
  4. To cover the common costs each owner shall make a monthly advance payment invoiced to him by the manager, or pay on the basis of a rent book, not later than the 10th of the month. The payment is made to a special account for common costs. From this account the manager transfers the agreed portion to the "repair-fund" account.
  5. The common-costs account is balanced yearly as part of the yearly financial report and the general meeting decides on action regarding profits or losses.
  6. In case of price or cost increases not foreseen in the budget, the manager has the authority to increase the advance payment during the fiscal year by up to 15 per cent on a yearly basis. The increase per month cannot, however, exceed 10 per cent of the former month's payment. Increases exceeding 15 per cent on a yearly basis must be agreed by the owners' association with a simple majority.
  7. Costs for electricity, water, heat and gas for each individual unit are invoiced directly from the supplier to the owner of the unit. (If such agreement cannot be reached with the suppliers, individual owners should pay their proportional share through the monthly payments.)

### **8. Management**

1. The owners' association may establish and elect a board from amongst the owners. The board shall be responsible for the proper functioning of the association between general meetings.
2. The condominium's main responsible body is the owners' association. The association has the power to appoint a manager to carry out daily management tasks.

### **9. Responsibilities of the owners' association**

The responsibilities of the owners' association are to:

- (a) Approve the annual activity plan including the budget and the amount of advance payment;
- (b) Approve the yearly financial report and the manager's activities;

- (c) Conclude the management contract, in particular decide on the remuneration of the manager;
- (d) Give special powers of attorney to the manager when necessary;
- (e) Take decisions on major changes in the condominium, i.e. sale of common property or division and/or change of use of the common property;
- (f) Take decisions on major repair and modernization activities and new construction of common property requiring external financing or extensive use of common funds;
- (g) Grant permission to combine or to divide units;
- (h) Take the decision to initiate legal proceedings on a forced sale of individual property;
- (i) Make changes in the condominium agreement;
- (j) Approve the house rules; and
- (k) Elect the board.

### **10. Meetings of the owners' association**

1. The owners' association exercises its powers by decisions in meetings of its members.
2. There should be at least one annual meeting, the general meeting, convened not later than within the first quarter of the year.
3. Additional meetings, owners' meetings, can be convened at the request of the board, the manager or at least one tenth of all unit owners.
4. All such meetings should be convened in writing at least 14 days in advance, stating the place and time for the meeting and the items to be discussed and agreed upon.
5. Except for decisions on changes in the condominium agreement (sect. 15), major changes in the condominium (sect. 9, para. 5) or major repairs, modernization and new construction (sect. 9, para. 6), which need a three-quarters majority, decisions require a simple majority when 50 per cent or more of the unit owners are present or represented by proxy.
6. A proxy must be presented to the meeting in writing, signed and dated by the owner.
7. The votes are counted on the basis of one vote per unit. The meeting can decide on a written vote if more than 10 per cent of the unit owners present request it.
8. No owner owning more than 30 per cent of the units in the condominium may have more than 30 per cent of the total number of votes.

9. A unit owner has the right to appeal to court against any decision on the grounds of its unlawfulness or inconsistency with the condominium agreement. A decision must be challenged within six weeks of it being approved by the meeting or announced to the unit owner in writing. The lawsuit is brought against the owners' association. Unless the courts suspend the execution of the decision until the case is considered, the decision is put into effect.

### **11. Convening the general meeting**

1. The general meeting is convened by the manager in the first quarter of the year.
2. Should there be no manager or should the manager, contrary to his duties, fail to convene the general meeting, then the owners' association, the board or one of the unit owners can convene the meeting.
3. The general meeting is convened in writing at least 14 days in advance, stating the place, time and agenda for the meeting.
4. No decisions may be taken on questions that are not included on the agenda.
5. The general meeting elects its chairman and two unit owners as tellers and they sign the minutes together with the chairman.
6. The general meeting also elects a unit owner or a member of the management to take the minutes of the meeting. All decisions taken in the meeting should be recorded in the minutes. The minutes shall be distributed to all unit owners.
7. Should the general meeting not be attended by the 50 per cent of unit owners necessary to take decisions, a new general meeting shall be convened. This second meeting will have the power to take decisions regardless of the number of unit owners present.

### **12. Appointment and dismissal of the management**

1. The owners' association can, by majority vote, appoint a manager for a period of up to three years. The manager can be a private person or a legal entity. One or more unit owners can also be appointed as managers.
2. The manager shall enter into a management contract with the owners' association. The contract defines the scope of work and the remuneration of the manager.
3. The manager can be reappointed by a new decision of the owners' association.
4. The manager can be dismissed, and his contract terminated, because of the clear breakdown of the confidential relationship between him and the owners' association, of his bankruptcy, of breach of contract or his failure to implement decisions.

5. If no manager is appointed or the appointed manager seriously fails in his duties but is not dismissed, any unit owner has the right to have a new manager appointed by the courts.
6. If there is disagreement between the majority of unit owners and the manager, the manager has the right to submit his case to the courts.

### **13. Responsibilities of the manager**

1. The manager represents the owners' association externally and internally according to the provisions of the management contract and the powers of attorney given with the following responsibilities:
  - (a) The implementation of decisions taken by the owners' association;
  - (b) The execution of all activities necessary to operate and maintain the common property, including the administration of employed personnel and/or contracting of external contractors;
  - (c) Taking the action required to minimize damage to common property in emergencies;
  - (d) Invoicing and/or controlling advance monthly payments to cover common costs and repair fund; enforcing payment by legal action if necessary;
  - (e) Keeping the management fund (common costs) and repair fund on separate accounts in the name of the owners' association;
  - (f) Controlling costs and paying all invoices on behalf of the owners' association;
  - (g) Keeping the books and balancing the bank accounts;
  - (h) Preparing the yearly financial status and reporting it to the general meeting;
  - (i) Preparing the quarterly financial status and reporting it to the board;
  - (j) Preparing the annual activity plan, including the annual budget, and presenting it to the general meeting;
  - (k) Convening the general meeting according to the provisions of this condominium agreement;
  - (l) Seeking decisions on the annual activity plan, the annual budget and the size of the advance monthly payment;
  - (m) Controlling the application of the house rules; and
  - (n) Seeking advice from the owners' council when necessary.

### **14. The board**

1. The owners' association elects a board among the unit owners to act as an advisory body to the manager.



## Guidelines on the Management and Ownership of Condominium Housing

2. The board consists of a chairman and two to four members elected for a one-year term by the general meeting. The members can be re-elected.
3. The board has no formal authority other than that given by special decisions of the owners' association.
4. The manager consults the board when preparing the annual activity plan and budget and submits the annual financial report and the quarterly reports to the board for internal audit. If there are irregularities, the board reports to the manager or, in special cases, puts the matter to the owners' association in a general meeting.
5. The chairman of the board signs the management contract on behalf of the owners' association.
6. If the manager fails to convene the general meeting under the provisions of this agreement, the board has the right and duty to convene the meeting.
7. The board is convened by the chairman or by two of its members.

### 15. Final provisions

1. The [Act of \_\_\_\_\_ on Condominium Ownership], together with all other relevant acts, shall apply in all matters not regulated by this condominium agreement.
2. This condominium agreement may be changed only by a decision in the general meeting or an owners' meeting with a three-quarters majority.

Date \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_ Signature \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_ Signature \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_ Signature \_\_\_\_\_

## ANNEX III House rules

(Specimen)

For

\_\_\_\_\_ [name of condominium]

The house rules below were approved by the decision of the owners' association on \_\_\_\_\_ [date].

1. All unit owners and their families, tenants and visitors should observe the house rules. Violation of the rules will lead to warnings from the management and repeated violation may lead to legal action being taken by the owners' association.
2. Residents and visitors are required to observe silence during the night from 10 p.m. to 6 a.m. This means that radios, television sets, etc. should be turned down and the sound from musical instruments or singing should be kept low, so as not to disturb the neighbours. Washing machines or dishwashers should not be operated on weekdays from 9 p.m. to 8 a.m. and there should be no disturbing sounds from repair or maintenance work. The same applies from 4 p.m. on Saturdays till 8 a.m. on Monday mornings. It should be noted that sound from open windows and/or balconies might cause extra disturbance.
3. The balconies should not be used for storing items that are higher than the railing of the balcony, and drying clothes should also be kept below the railing. Refuse and, in the winter, ice and snow should be removed from the balconies. The beating of carpets, clothes and bedding should not take place on the balconies but be kept to places designated for this purpose. Such activities should not take place between 9 p.m. and 8 a.m. on weekdays and not at all on Sundays.
4. All residents should use the technical facilities in the building, such as lifts, washing machines/dryers, gas installation, electrical installations, etc. according to these rules and any specific instructions annexed to the house rules. Damage to water pipes, sewage systems, gas supplies or electrical supplies in the individual flat or in common areas should be reported immediately, and secondary damage restricted as far as possible.
5. No television or radio aerials should be installed on external walls or balconies. Aerials may be installed on the roof, but only with the permission granted of the management. If this installation causes damage to the roof, the user(s) will be held responsible (the use of common aerials should be encouraged).

## Guidelines on the Management and Ownership of Condominium Housing

6. Refuse should be properly wrapped (in paper, plastic bags, etc.) before being deposited in the refuse containers or chutes. Special care should be taken not to litter the areas around the containers or chutes.
7. Residents or visitors should not litter areas of common use. If limited activities in these areas cause littering, then the litter should be removed as soon as the activities permit it.
8. Storerooms and/or cellars should be used according to special instructions.
9. The driving and parking of motor cars and motorcycles should be restricted to roads, parking areas and garages designated for this purpose by the management. Residents or visitors riding bicycles on common areas should pay attention to the safety of pedestrians, and bicycles should be left in areas for this purpose.
10. Residents are permitted to keep cats and dogs in the flats. Permission must be obtained from the management, and the owner must respect special instructions, if such exist.
11. Flowerpots, window boxes etc. kept on window sills and balconies should be properly secured.
12. Residents and visitors should be careful not to start a fire. This especially applies to the disposal of cigarettes or ashes, the use of candles or open fires, and the use of gas, electricity and supporting installations. Fire instructions must be prepared to suit the demands of the fire authorities, the building layout, etc.

## ANNEX IV Management contract

(Specimen)

1. The owners' association of

\_\_\_\_\_

(the condominium)

by a majority vote on the \_\_\_\_\_ decided to enter into a contract for the management of the common property of the condominium with

\_\_\_\_\_

(the manager)(company and/or person)

and gave authority to the chairman of the board to sign this contract.

2. The contract is entered into for a period of one year and will, if it is not terminated, automatically be renewed for a new one-year period. The owners' association with a simple majority vote may decide to terminate the contract. Each unit owner represents one vote. Termination must be announced to the manager in writing at least three months before the contract expires.
3. The manager can terminate the contract by written notice to the owners' association at least three months before the contract expires.
4. Both parties are entitled to give written notice of termination in the case of serious default or neglect, such as breakdown of the confidential relationship, bankruptcy, non-execution of resolutions and breach of this contract. Termination under this clause may take immediate effect.
5. The manager represents the condominium externally and internally, and acts according to the provisions of this contract, the condominium agreement, the Act of \_\_\_\_\_ on Condominium Ownership and the special powers of attorney given to him.
  - 5.1 The manager executes all relevant decisions taken by the general meeting or an owners' meeting.

- 5.2 The manager plans and executes all activities necessary to operate and maintain the common property. This includes the employment and administration of personnel and the contracting of external contractors and suppliers.
- 5.3 The manager invoices and/or controls the monthly advance payments from the unit owners of the amount decided by the general meeting. These payments should be made not later than the 10<sup>th</sup> of each month, for the month to follow. If necessary, the manager can invoice additional payment of up to 15 per cent of the agreed payment on a yearly basis. The monthly increase should not be higher than 10 per cent of the previous month. Additional payment (exceeding 15 per cent) must be approved by the association. The manager informs unit owners in arrears two weeks after payment was due, and again after four weeks. Not later than two months after the payment is due the manager is obliged to start default action. All additional costs are charged to the debtor.
- 5.4 The manager is authorized to open bank accounts on behalf of the association. The monthly advance payments should be separated into "common costs" and "repair fund" and kept on separate accounts. "Common costs" include the remuneration of the manager. Under no circumstances should funds belonging to the association be kept on accounts belonging to the manager or other bodies.
- 5.5 The manager controls and pays all invoices on behalf of the association by charging them to the proper accounts. He also balances the accounts on a monthly basis.
- 5.6 The manager is responsible for the bookkeeping and the presentation of the quarterly and the yearly financial report. The quarterly financial status is reported to the board of the association. The yearly financial status is reported to the general meeting after internal auditing by the board or the audit committee, if such exists.
- 5.7 The manager prepares the annual activity plan and presents it to the owners' council for revision before 15 December of the previous year. The plan, containing operational activities, planned maintenance, major repairs, modernization, etc., the yearly budget and the recommended level of monthly advance payment should be approved by the general meeting.
- 5.8 The manager convenes the general meeting in accordance with the condominium agreement, and presents the annual financial report, the annual activity plan and other necessary matters to the meeting for approval.
- 5.9 The manager convenes owners' meetings when necessary on his own behalf or at the request of the board or of at least 10 per cent of the unit owners.

## Guidelines on the Management and Ownership of Condominium Housing

- 5.10 In order to inspect maintenance, repair and modernization of the common property, the manager is entitled to access individual units. In such cases due notice should be given to the owner. The manager shall also keep records of the sale of individual units in accordance with the provisions of the condominium agreement (see section 4).
  - 5.11 The manager concludes and updates all necessary insurance policies for the common property, such as damage by fire, water, storms or thunderstorms to buildings and installations and indemnity insurance.
  - 5.12 The manager represents the association in all legal and other matters, in and out of court. The manager has the authority to enforce the unit owner's payment of common costs, repair fund and other expenditures approved by the association. In all other legal matters, the manager needs a power of attorney from the owners' association. The manager is not personally responsible for legal claims or actions against the association.
6. The board acts as a supervisory body to the manager and represents the association in all formal and contractual questions. The manager is encouraged to seek a close working relationship with the board and to seek informal advice from the board whenever feasible.
- The board also acts as the internal controller of the association and should be supplied with the quarterly and annual financial report and the annual activity plan to be able to perform its duties.
7. For his regular work, the manager is remunerated in the amount of \_\_\_ per square metre of total floor area per month, in total \_\_\_ per year. This remuneration covers all daily management duties concerning operation, maintenance and financial matters, according to this management contract. Extraordinary work connected with major repairs, modernization and new construction is remunerated separately according to an agreed amount included in the budget for the activity in question.
  8. The manager is liable for damage caused by him intentionally or by gross neglect. Therefore, the manager should take out insurance covering losses to the amount of \_\_\_ per instance. This contract is not valid if such insurance is not entered into and submitted to the chairman of the board.
  9. The association and the manager hereby declare that they will do their utmost to settle disputes that might arise from the execution of this contract by direct negotiations between them. If they fail to reach an agreement, the parties can ask for the matter to

## Guidelines on the Management and Ownership of Condominium Housing

be put to the owners in an owners' meeting or the general meeting. If no internal agreement is reached, the matter should be put to the Court of Arbitration in \_\_\_\_\_

\_\_\_\_\_  
(Place/date)

\_\_\_\_\_  
The manager

\_\_\_\_\_  
The owners' association

## ANNEX V Outline of the agenda for the annual general meeting of owners

(Specimen)

On \_\_\_\_ (day) \_\_\_\_\_ (month) \_\_\_\_\_ (year)

1. Opening of the meeting
  - (a) Adoption of the agenda;
  - (b) Acceptance of proxies; and
  - (c) Attendance and stipulation of number of votes present.
2. Election of Chairman
3. Election of two unit owners as tellers
4. Election of Secretary to take minutes (two unit owners to sign the minutes)
5. Presentation and discussion of report on last year's activities.
6. Presentation and discussion of report on last year's financial report including auditor's reports.
7. Decision on last year's reports on:
  - (a) Finances;
  - (b) Management performance.
8. Presentation of proposed annual activity plan including budget.
9. Discussion and decisions on proposals with budgetary consequences:
  - (a) \_\_\_\_\_ ;
  - (b) \_\_\_\_\_ ;
  - (c) \_\_\_\_\_ ; etc.
10. Decisions on annual activity plan:
  - (a) Budget spending;
  - (b) Level of monthly payment.



11. Discussion and decisions on other proposals

- (a) \_\_\_\_\_ ;
- (b) \_\_\_\_\_ ;
- (c) \_\_\_\_\_ ; etc.

12. Election of:

- (a) Owners' Council;
- (b) Audit Committee; and
- (c) Election Committee.

13. Closing of the meeting

## ANNEX VI Announcement of the general meeting

(Specimen)

Date \_\_\_\_\_

Owner \_\_\_\_\_

Address \_\_\_\_\_

On behalf of the Condominium Association of \_\_\_\_\_ [name], and according to the Condominium Agreement of \_\_\_\_\_ [date], I/we hereby convene the General Meeting for 20 \_\_\_\_\_

The meeting will be held at \_\_\_\_\_ [place] on \_\_\_\_\_ [date], starting at \_\_\_\_\_ [time].

Agenda:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Unit owners who are not able to attend the meeting can be represented by proxy. Such proxy must have a written power of attorney stating the name and address of the unit owner, the place and date of the General Meeting and the name of the person representing the unit owner. The power of attorney must be signed by the unit owner and presented to the General Meeting by the proxy for approval.

\_\_\_\_\_  
Signature

Enclosed:      Report on last year's activities  
                    Last year's financial report  
                    Annual activity plan including budget  
                    Proposals and drafts decisions  
                    Proposals from the Election Committee

## ANNEX VII Minutes of the general meeting

(Specimen)

Conducted on \_\_\_\_\_ [date], at \_\_\_\_\_ [place]

### 1. OPENING OF THE MEETING

(a) The meeting was convened in writing within the deadline set in the Condominium Agreement and with the following agenda

1. Opening procedures
2. \_\_\_\_\_
3. \_\_\_\_\_
- .
- .
13. Closing of meeting

Decision:

The General Meeting was lawfully called (or the opposite if this is the case)

(b) All powers of attorney were presented and checked.

Number of proxies accepted: \_\_\_\_

Number of proxies rejected for formal reasons: \_\_\_\_

(c) Attendance and stipulation of number of votes present.

Annex: the list of unit owners attending the General Meeting. (The list must be annexed to the minutes.)

Number of unit owners present: \_\_\_\_

Number of accepted proxies: \_\_\_\_

Total number of votes present: \_\_\_\_

Total number of unit owners in the Condominium: \_\_\_\_

Decision:

- The General Meeting was represented by the number of votes necessary to carry motions (or the opposite if this is the case).
- The number necessary for a simple majority was: \_\_\_\_;
- The number necessary for a qualified majority was: \_\_\_\_

## Guidelines on the Management and Ownership of Condominium Housing

### 2. ELECTION OF CHAIRMAN

\_\_\_\_\_ [name] was elected to chair the General Meeting.

### 3. ELECTION OF TWO UNIT OWNERS AS TELLERS

\_\_\_\_\_ [name] and \_\_\_\_\_ [name] were elected.

### 4. ELECTION OF SECRETARY TO TAKE THE MINUTES AND TWO UNIT OWNERS TO SIGN THE MINUTES

\_\_\_\_\_ [name] was elected as Secretary to take the minutes.

\_\_\_\_\_ [name] and \_\_\_\_\_ [name] were elected to sign the minutes together with the Chairman and the Secretary.

### 5. PRESENTATION AND DISCUSSION OF THE REPORT ON LAST YEAR'S ACTIVITIES

(The minutes should include major points from the discussion.)

### 6. PRESENTATION AND DISCUSSION OF LAST YEAR'S FINANCIAL REPORT, INCLUDING THE AUDITOR'S REPORT

(The minutes should include major points from the discussion and state that the Auditor's Report was read out in the meeting.)

### 7. DECISIONS ON LAST YEAR'S FINANCIAL REPORT AND MANAGEMENT PERFORMANCE

#### a. Financial report

Decision:

Last year's financial report was approved with the following remarks (if any):

---

---

---

(or the opposite if this is the case)

#### b. Management performance

## Guidelines on the Management and Ownership of Condominium Housing

Decision:

The management's performance for last year was approved, and the Manager released from his responsibility with the following remarks (if any):

---

---

---

(or the opposite if this is the case).

### 8. PRESENTATION OF THE PROPOSED ANNUAL ACTIVITY PLAN INCLUDING BUDGET

(This point is intended to present the plan and promote a discussion on the proposed activities. The major points from the discussion should be included in the minutes. Decision(s) on the plan will be made under item 10 after the discussion and decisions on proposals that might influence the annual activity plan.)

### 9. DISCUSSION AND RESOLUTIONS ON PROPOSALS WITH BUDGETARY CONSEQUENCES

(The minutes should include the proposals and decisions made point by point.)

### 10. DECISIONS ON THE ANNUAL ACTIVITY PLAN

#### a. Budget outgoings

Decision:

The budget for next year's activities was approved with the following remarks (if any):

---

---

---

(or the opposite if this is the case).

#### b. Level of monthly payment

Decision:

The monthly payment for 20 \_\_\_\_ is \_\_\_\_\_ [amount].

### 11. ANY OTHER BUSINESS

## Guidelines on the Management and Ownership of Condominium Housing

(This item includes all matters that do not go into the annual activity plan. The proposals, major points of discussion and decisions are presented.)

### 12. ELECTIONS

#### Owners' Council

The proposal from the Election Committee was presented and the General Meeting was invited to propose additional candidates for the Owners' Council. The following candidates were added:

\_\_\_\_\_ [name]

\_\_\_\_\_ [name]

etc.

The elections resulted in the following:

Chairman \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

#### Election Committee

The General Meeting proposed the following candidates:

\_\_\_\_\_ [name]

\_\_\_\_\_ [name]

\_\_\_\_\_ [name]

The elections resulted in the following:

Chairman \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

Member \_\_\_\_\_ [name]

13. CLOSING OF MEETING

The meeting was closed with the following remarks and proposals:

\_\_\_\_\_  
\_\_\_\_\_ etc.

Closing time \_\_\_\_\_

\_\_\_\_\_  
Place/date

\_\_\_\_\_  
Chairman of the General Meeting

\_\_\_\_\_  
Unit owner

\_\_\_\_\_  
Unit owner

\_\_\_\_\_  
Secretary of the General Meeting

## **ANNEX VIII Rights and obligations of interested parties - some examples of possible disputes and solution**

Ownership of housing in the form of condominiums may give rise to conflicts and disputes between the parties involved. Below are some examples of areas where disputes may arise and indications on how they can be solved. The legal and/or contractual basis for solving disputes should be integrated in the national legal framework and/or in the contracts and agreements regulating the internal life of condominiums.

1. If the owner does not pay his share of common expenses:

The owners' association can establish a lien on the owner's share of the property as security for the share of expenses and all interest and collection costs.

Such a lien must be followed by legal action within six months.

2. If the owner does not carry out maintenance of a private unit:

The association has the right of access to carry out the necessary maintenance work at the owner's expense. If the association bears the cost connected to this, it can establish a lien on the owner's property to cover this cost, see above.

3. Liability of owner:

Any owner is liable towards other owners of units and parties entitled to use units for any financial damage to their property resulting from failure to maintain a unit, equipment, etc., and mistakes in use and/or maintenance.

4. Liability of association:

The owners' association is liable towards owners and parties entitled to use units if financial damage or loss is caused by failure to maintain any jointly owned property, mistakes in their operation or maintenance or malfunctioning of jointly owned property.

5. External liabilities of owners:

Owners of units are liable towards anybody holding claims against the owners' association. Such liability is limited to that fraction of the total claim corresponding to each owner's ownership fraction. Any claimant must first attempt to have claims paid by the association. If payment is not made within 60 days after the claim, the claimant may seek payment from one or more of the owners. If an owner has paid his financial liability,



## Guidelines on the Management and Ownership of Condominium Housing

see above, he automatically acquires the right to appeal against the association and/or the other owners, including legal claims on units.

6. Violation by owner – Rights of association:

If the owner is guilty of gross or repeated violation of obligations, the association may prohibit residence and ensure the voluntary or forced sale of the unit. This can only be carried out after due and satisfactory written warning, stating clear cause. If the owner does not comply, the association can enforce its decision through the courts.

7. Rights and obligations of the management: (see management contract)

8. Rights and obligations of the board: (the same as for the association)

9. General:

It should be noted that any legal claim established by the association against any owner, or by an owner against any other owner, normally should take precedence over any external claims against that owner.

## ANNEX IX Condominium annual periodic budget

(Specimen)

	J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
REVENUES													
1110 Monthly payment of common costs													
1210 Revenues from the renting of common floor space													
1310 Revenues from the renting of other common space													
1410 Monthly fees for services to unit owners													
1510 Interest on bank accounts													
1610 Other revenues													
TOTAL REVENUES													

## Guidelines on the Management and Ownership of Condominium Housing

### EXPENDITURES

J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
---	---	---	---	---	---	---	---	---	---	---	---	-------

### MANAGEMENT COST/FINANCIAL COST

2110 Management contracts													
2120 Employed management													
2130 Board management													
3180 Other personnel													
2210 Management consultants													
2220 Legal fees													
2310 Office rent													
2320 Office furniture													
2330 Office equipment													
2340 Management systems													
2350 Office accessories													
2360 Telephone / fax													
2380 Other office costs													
2410 Interest on loans													
2420 Other financial costs													
SUBTOTAL													

## Guidelines on the Management and Ownership of Condominium Housing

J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
---	---	---	---	---	---	---	---	---	---	---	---	-------

**OPERATING COST**

3110 Contracted personnel													
3120 Employed personnel													
3210 Cleaning													
3310 Operations means													
3410 Electric power													
3420 Gas													
3430 District central heating													
3440 Water													
3450 Sewage													
3460 Refuse													
3490 Radio/TV													
3510 Insurance													
3610 Taxes/Fees													
3710 Security													
3810 Building operations													
3820 Plumbing/ventilation operations													
3830 Electrical installation operations													
3840 Telecommunication/ automation operations													
3850 Other installations operations													
3860 Outdoor items operations													
SUBTOTAL													

## Guidelines on the Management and Ownership of Condominium Housing

	J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
<b>MAINTENANCE COST</b>													
4110 Building maintenance													
4120 Plumbing/ventilation maintenance													
4130 Electrical installations maintenance													
4140 Telecommunication / automation maintenance													
4150 Other installations maintenance													
4160 Outdoor items maintenance													
4210 Replacement													
4310 Unforeseen maintenance													
SUB-TOTAL													
<b>COST OF NEW CONSTRUCTION AND MAJOR REPAIRS</b>													
5110 New construction													
5210 Major repairs													
SUB-TOTAL													
<b>COSTS OF SERVICES TO SEPARATE UNITS</b>													
6110 Electric power													
6120 Gas													
6130 District central heating													
6140 Water													
6150 Sewage													
6160 Refuse													
6190 Radio / TV													
SUBTOTAL													
TOTAL EXPENDITURES													
BUDGET BALANCE													

## ANNEX X Income and expenditure of the annual budget

(Specimen)

### Income

- 1110 Monthly payment of common costs
- 1210 Revenues from the renting of common floor space
- 1310 Revenues from the renting of other common space
- 1410 Monthly fees for services to unit owners
- 1510 Interest on bank accounts
- 1610 Other revenues

### Expenditures

#### MANAGEMENT COSTS/FINANCIAL COSTS

- 2110 Management contract
- 2120 Employed management
- 2130 Board members
- 2180 Other personnel
- 2210 Management consultants
- 2220 Legal fees
- 2310 Office rent
- 2320 Office furniture
- 2330 Office equipment
- 2340 Management systems
- 2350 Office accessories
- 2360 Telephone/fax
- 2380 Other office costs
- 2410 Interest on loans
- 2420 Other financial costs

#### OPERATING COSTS

- 3110 Contracted personnel
- 3120 Employed personnel
- 3210 Cleaning

- 3310 Operations means
- 3410 Electric power
- 3420 Gas
- 3430 District central heating
- 3440 Water
- 3450 Sewage
- 3460 Refuse
- 3420 Radio/TV
- 3510 Insurance
- 3610 Taxes/Fees
- 3710 Security
- 3810 Building operations
- 3820 Plumbing/ventilation operations
- 3830 Electrical installation operations
- 3840 Telecommunication/automation operations
- 3850 Other installations operations
- 3860 Outdoor items operations

### MAINTENANCE COSTS

- 4110 Building maintenance
- 4120 Plumbing/ventilation maintenance
- 4130 Electrical installations maintenance
- 4140 Telecommunication/automation maintenance
- 4150 Other installations maintenance
- 4160 Outdoor items maintenance
- 4210 Repairs

### COSTS OF IMPROVEMENTS AND MAJOR REPAIRS

- 5110 New construction
- 5210 Major repairs

### COSTS OF SERVICES TO SEPARATE UNITS

- 6110 Electric power
- 6120 Gas

6130 District central heating

6140 Water

6150 Sewage

6160 Refuse

6120 Radio/TV



## ANNEX XI Operations management – operations and maintenance objects

(Specimen)

NO.	OPERATIONS OBJECTS	FREQUENCY				EXTERNAL ASSISTANCE	TYPE OF ACTIVITY	COMMENTS/ REFERENCES
		D	W	M	Y			
54	ALARMS							
541	Distribution network							
542	Fire alarm							
543	Burglar alarm							
544	Entrance control							
545	Other equipment							
6	OTHER INSTALLATIONS							
61	BACK-UP POWER							
62	LIFTS							
63	ESCALATORS							
64	CLEANING INSTALLATIONS							
641	Refuse (also outdoor)							
642	Vacuum-cleaner system							
65	SPECIAL PIPING							
7	OUTDOOR							
71	STRUCTURES							
711	Garden walls							
72	TECHNICAL INSTALLATIONS							
721	Water supply							
722	Sewage							

## Guidelines on the Management and Ownership of Condominium Housing

723	Gas						
724	Power supply						
725	Telecommunications						
73	ROADS/AREAS						
731	Roads						
732	Pavements						
733	Squares						
734	Playgrounds/equipment						
74	GARDEN						
741	Lawns						
742	Trees, bushes						
743	Flower beds						
744	Tables/benches						
8	F R E E						
9	F R E E						
Approved by:		Date:		Written by:		Date:	

## ANNEX XII Operations management – operational activities

(Specimen)

1.	<p>Specification of operational activities.</p> <p>All operations objects registered in the form "OPERATIONS OBJECTS " should be subject to written instructions specifying the operational activities and their frequencies for each separate object. The specifications are to be used in the daily operation of the property.</p> <p>The instructions shall be presented on a standard "OPERATIONAL ACTIVITY CARD"(see below).</p>
2.	<p>Responsibility.</p> <p>The manager/management board is responsible for the specification of activities but can authorize a qualified person or persons to carry out the preparations. Persons with operational responsibility should contribute to the specification of activities. The manager/management board should approve the operational instructions by signing the operational activity cards.</p>
3.	<p>Preparation of operational activity cards.</p> <p>The standard form "operational activity card" shall be used.</p> <p>The operational activity card shall specify the object and its number according to the registration form "operations objects" and state the activity or activities to be carried out for the particular object.</p> <p>The operational activity card shall specify the person or persons responsible for the operational activity and, if appropriate, the person responsible for control. The card also states the frequencies of the operational activities.</p> <p>The instructions given must be based on practical know-how and all available information from technical specifications and instructions, laws and regulations, etc. The operational activity card shall also make reference to these sources.</p>

## Guidelines on the Management and Ownership of Condominium Housing

### OPERATIONAL ACTIVITY CARD

Operations object		No.
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Responsible	
Control by	
Frequency	
Activity	
References	

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## ANNEX XIII Operating budget – presentation form

NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS
1		PERSONNEL, OPERATIONS MEANS AND OTHER	
11			
111		PERSONNEL	
112	3110	Contracted	
	3120	Employed	
12			
	3210	CLEANING	
13			
131		OPERATIONS MEANS	
132	3310	Workshop/store	
133	3310	Tools and equipment	
134	3310	Working clothes and safety equipment	
	3310	Consumable means	
14			
141		SERVICES	
142	3410	Electric power	
143	3420	Gas	
144	3430	District central heating	
145	3440	Water	
146	3450	Sewage	

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147	3460	Refuse	
	3490	Radio/TV	
15			
	3510	INSURANCE	
16			
	3610	TAXES/FEES	
17			
	3710	SECURITY	
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## Guidelines on the Management and Ownership of Condominium Housing

NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS		
2		BUILDING			
21	3810	FOUNDATIONS			
22	3810	BUILDING STRUCTURE			
23	3810	EXTERNAL WALLS			
24	3810	INTERNAL WALLS			
25	3810	FLOORS/CEILINGS			
26	3810	ROOFS			
27	3810	FIXTURES			
28	3810	STAIRS/BALCONIES			
3		PLUMBING/VENTILATION INSTALLATIONS			
31	3820	PLUMBING			
32	3820	HEATING			
33	3820	FIRE PROTECTION			
34	3820	GAS			
35	3820	REFRIGERATION			
36	3820	VENTILATION			
37	3820	COOLING			
4		ELECTRICAL INSTALLATIONS			
41	3830	SUPPLY			
42	3830	HIGH VOLTAGE			
43	3830	DISTRIBUTION			
44	3830	LIGHTING			
45	3830	HEATING			
46	3830	OTHER EQUIPMENT (radio/TV, etc.)			
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## Guidelines on the Management and Ownership of Condominium Housing

NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS
TRANSFERRED			
5		TELECOMMUNICATIONS/AUTOMATION	
51	3840	GENERAL	
52	3840	DATACOMMUNICATION	
53	3840	TELEPHONE	
54	3840	ALARMS	
6		OTHER INSTALLATIONS	
61	3850	BACK-UP POWER	
62	3850	LIFTS	
63	3850	ESCALATORS	
64	3850	CLEANING INSTALLATIONS	
65	3850	SPECIAL PIPING	
7		OUTDOOR ITEMS	
71	3860	STRUCTURES	
72	3860	TECHNICAL INSTALLATIONS	
73	3860	ROADS/AREAS	
74	3860	GARDEN	
TOTAL			
Page 3 of 3	Approved by :	Date :	Written by : Date :



## ANNEX XIV Maintenance and repair budget – registration form

(Specimen)

NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS
1		FREE	
2		BUILDING	
21	4110	FOUNDATIONS	
22	4110	BUILDING STRUCTURE	
23	4110	EXTERNAL WALLS	
24	4110	INTERNAL WALLS	
25	4110	FLOORS/CEILINGS	
26	4110	ROOFS	
27	4110	FIXTURES	
28	4110	STAIRS/BALCONIES	
3		PLUMBING/VENTILATION	
31	4120	PLUMBING	
32	4120	HEATING	
33	4120	FIRE PROTECTION	
34	4120	GAS	
35	4120	REFRIGERATION	
36	4120	VENTILATION	
37	4120	COOLING	
4		ELECTRICAL INSTALLATIONS	
41	4130	SUPPLY	
42	4130	HIGH VOLTAGE	
43	4130	DISTRIBUTION	
44	4130	LIGHTING	
45	4130	HEATING	
46	4130	OTHER EQUIPMENT (radio/TV, etc.)	
TRANSFERRED TO NEXT PAGE			
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## Guidelines on the Management and Ownership of Condominium Housing

MAINTENANCE AND REPAIR BUDGET			PRESENTATION FORM	
NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS	
	TRANSFERRED			
5		TELECOMMUNICATIONS		
51	4140	GENERAL		
52	4140	DATA COMMUNICATION		
53	4140	TELEPHONE		
54	4140	ALARMS		
6		OTHER INSTALLATIONS		
61	4150	BACK-UP POWER		
62	4150	LIFTS		
63	4150	ESCALATORS		
64	4150	CLEANING INSTALLATIONS		
65	4150	SPECIAL PIPING		
7		OUTDOOR ITEMS		
71	4160	STRUCTURES		
72	4160	TECHNICAL INSTALLATIONS		
73	4160	ROADS/AREAS		
74	4160	GARDEN		
	PLANNED MAINTENANCE AND REPAIRS			
	4210	UNFORESEEN REPAIRS		
	TOTAL			
Page 2 of 2	Approved by :	Date :	Written by :	Date :



# Guidelines on the Management and Ownership of Condominium Housing

The study “Guidelines on the Management and Ownership of Condominium Housing” intends to assist national and municipal authorities, and new unit owners by providing timely guidance on issues requiring legal-regulatory intervention, design of financing schemes and best practices. It builds upon its predecessor document “Guidelines on Condominium Ownership for Countries in Transition”, produced by UNECE in 2003, and expands its scope to address contemporary challenges in the entire UNECE region.

The study is a cooperative effort of the UNECE secretariat, the UNECE Real Estate Market Advisory Group, and international experts.

Information Service  
United Nations Economic Commission for Europe

Palais des Nations  
CH - 1211 Geneva 10, Switzerland  
Telephone: +41(0)22 917 12 34  
E-mail: [unece\\_info@un.org](mailto:unece_info@un.org)  
Website: <http://www.unece.org>

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