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**GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING
FOR COUNTRIES IN TRANSITION**

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Preface

After the mass privatization of the public rental housing stock, private ownership in multi-flat housing estates has become the dominant type of tenure in the urban areas of many countries in transition. In most of these countries a legal basis for the formation of condominiums and the operation of owners' associations has been established. However, despite the existence of this legal framework the establishment of condominiums and owners' associations has proved to be a slow and difficult process. A number of obstacles in terms of financial arrangements, and organizational and institutional aspects hinder the efficient organization and operation of housing condominiums.

It was against this background and as a follow-up to the seminar on housing condominiums held in Moscow in July 1999 that the ECE Committee on Human Settlements decided at its 60th session to prepare practical guidelines on the organization and operation of housing condominiums. In implementing this decision the secretariat invited Mr. Gert Gundersen (Norway), consultant, to work on this project. The reference group for the project consisted of Mr. Wolfgang Förster (Austria), Mr. Jon Vilberg Gudjonsson (Iceland), Mr. Alexander Maljaars (Netherlands), Mrs. Ewa Bonczak-Kucharczyk (Poland), Mr. Alexander Pavlenko (Russian Federation) and Mr. José Simeon Rodriguez-Sanchez (Spain). In parallel, a case study on condominiums in the housing policy of the Russian Federation was prepared by Mr. Sergey Filimonov (Russian Federation). A number of studies carried out by the ECE Committee on Human Settlements in recent years on related subjects were taken into consideration:

-Major Trends Characterizing Human Settlements Development in the ECE Region (ECE/HBP/108);

-Human Settlements Trends in Central and Eastern Europe (ECE/HBP/105);

-Housing Finance: Key Concepts and Terms (ECE/HBP/102);

-Towards Sustainable Human Settlements Development in the ECE Region (ECE/HBP/94);

-Guidelines on Sustainable Human Settlements Planning and Management (ECE/HBP/95);

-Land Administration Guidelines (ECE/HBP/96);

-Strategies to Implement Human Settlements Policies on Urban Renewal and Housing Modernization (ECE/HBP/97).

This work also took into account the findings of the ECE country profile studies on the housing sector in Bulgaria, Poland, Slovakia, Lithuania and Romania, as well as the Committee's case studies on urban renewal and housing modernization in Vienna, Bratislava, Budapest and Ljubljana.

These Guidelines clearly aim at providing practical advice and guidance to the many homeowners and to professional administrators of housing condominiums in Central and Eastern Europe. It is hoped that the Guidelines will provide a comprehensive background to the search for solutions to some of the major problems related to condominium ownership in Central and Eastern Europe. It has to be stressed, however, that covering a broad regional situation these Guidelines must necessarily present a general approach. Specific solutions based on them must therefore be adapted to national conditions. The present format of the Guidelines can be adapted to the specific needs of each country.

Introduction

One major, common element of the reform of the housing sector in Central and Eastern Europe was the mass privatization of the housing stock. This transfer of the ownership rights of the former State and company-owned housing stock to the sitting tenants was in some countries also accompanied by the privatization of the cooperative housing stock. At the same time the State transferred overall responsibility for the housing sector to municipalities, which in most cases did not have the management skills or the financial resources to maintain the housing stock and its infrastructure.

In general, privatization took the form of the transfer of ownership of an individual flat or unit together with shared rights and obligations for the common elements of the property (roof, stairways, technical and service systems, plot of land, etc.). This legal form of ownership, generally known by the term “condominium”, has for a number of years enjoyed considerable success in Western Europe and North America. National laws on how condominiums should be established and regulated and how they should function, normally also regulate condominium ownership of housing. Similar laws are now in force in many countries in transition.

In Western Europe the detailed structure of laws on condominiums varies widely between countries. Whilst some laws are very detailed and regulate in detail the inner workings of the condominium, others are more general and cover in detail only issues of public sector importance. These more general laws are normally accompanied by special guidelines covering the different aspects of establishing and operating condominiums. The choice between these two different approaches to the legal framework must be made in each separate case. It is however important that the law on condominium ownership together with guidelines, training and educational manuals for members of condominiums, administrators etc., should together cover all the major elements needed to make condominium ownership a success.

General responsibility for the preparation of this overall framework for condominium ownership rests with parliaments, governments and housing authorities. If condominium ownership of housing is to operate efficiently, a sound national land administration system covering the registration of real property rights (a land register) is an absolute prerequisite. This is of particular importance to secure funds for the purchase, repair and renovation of a condominium property. A prudent balance of the rights and obligations of owners of condominium units must be included in the legal framework regulating this form of tenure.

An important issue is whether or not national legal regulations require the establishment of an owners’ association in each privatized multi-dwelling residential building, or group of buildings, to act in law on behalf of all the owners in matters of common ownership. Compulsory membership in owners’ associations is a legal requirement in all most advanced economies. An owners’ association is considered essential to safeguard the interests of individual owners, the common ownership, and national and municipal interests. The existence of this legal provision is very important for the success of housing reform and privatization in countries in transition.

Ultimately, the success of condominiums as an effective form of tenure in the housing market will depend on the satisfaction of the owners of condominium units. Such satisfaction can only be secured by educating the owners in the nature of this new form of tenure, its values and advantages, and to help them in the practical operation of condominiums. Without

specific strategies and actions on condominiums issues the housing markets in the ECE countries in transition will face serious problems.

These Guidelines are intended to address the main challenges set out above. They do not, however, set out to define standard solutions to each of these challenges. Each country in transition has its own traditions and experience in housing matters. This experience, together with best practices from other ECE countries should be drawn on to tailor specific solutions to each specific national context.

I. PRIVATE OWNERSHIP IN MULTI-UNIT CONDOMINIUMS

A. Some basic definitions

The Guidelines cover the real property aspects, the division into multiple privately owned units, and common parts of the property, which may be owned by all or some of the parties. Such real property is described under the general terms “condominium” and the ownership form as “condominium ownership”.

“Condominium ownership” applies within the scope of these Guidelines to a number of physical and functional forms of real property:

- Multi-flat buildings exclusively for residential purposes;
- 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 unit” or “privately owned unit” is to be understood as that part of real property which forms a clearly demarcated part of a building or a plot of land as described in such registration documents as the “declaration of division of ownership” or the “agreement on division of property” and/or other registration documents relating to the building.

The “jointly owned parts” of a condominium are all those parts of the property, including the land plot, which cannot be clearly defined as “privately owned units”. Such jointly owned parts include all engineering systems, equipment, circuits and devices which serve the entire property, or parts of it, covering more than one “privately owned unit”. “Jointly owned parts” are generally defined as the joint property of all owners of the condominium.

An “owners’ association” is defined as a legal body established with the legal authority to act on behalf of all the owners of the condominium. These Guidelines advocate that it should be compulsory for all owners of condominium units to be members of the owners’ association. Membership of the association is considered a legally inseparable part of the ownership of a condominium unit. The Guidelines deal also with transitory cases where there is no such legal requirement. It should, however, be clearly understood that these Guidelines do not recommend such transitory solutions, but see them only as unfortunate cases where national constitutional arguments against compulsory membership in owners’ associations prevail.

An “administrator” is a legal person contractually charged with the day-to-day management of the owners’ association, who has to see to the maintenance and operation of the common parts and all matters of common interest. These duties should be in accordance with the provisions of the act on condominiums, the contract of administration, and the resolutions and decisions of the owners’ meetings. The administrator shall not be allowed, personally or through any entity in which he, directly or indirectly, has interests, to carry out or be responsible for any activity for the condominium, which is not specified in the contract of administration. The administrator can be an owner of a unit in the condominium, an external professional or a company.

B. Condominium ownership

Condominium ownership may seem complicated and troublesome to people who are unfamiliar with it. In fact, such ownership is just one common way for people to own properties containing a number of flats or units. When a condominium is properly organized and the owners' association functions effectively, this form of ownership has a number of advantages for the owners of individual flats.

1. What is condominium ownership?

In a condominium, parts of buildings containing flats are owned by an individual, a family, a company or a municipality. Each of these flats and any commercial or business unit (shops, offices, etc.) in the building are called "units". All the other parts of the building which are not units are called "common property". This common property is owned jointly by the owners of the units. In most buildings the common property includes the roof, staircases, exterior walls and windows, building foundations, infrastructure such as piping, electrical cables, etc. The land under and around the building, including any greenery and play courts and recreation areas, is also jointly owned by the unit owners.

2. Ownership share

Each unit owner therefore also owns a share of the common property. This share, which is specific for each unit, is called the "ownership fraction" and is calculated as follows:

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

The ownership fraction is normally expressed as a percentage. The area of the common property is not included in the sum of the gross area of all the units. The ownership fraction applies only to the common property of the condominium. Each owner has full and unlimited ownership rights to his unit, unless limited by special laws or regulations. Examples where other laws can limit the owner's exclusive rights could be: (a) changes in the use of the unit, e.g. from residential to commercial, or (b) subdivision of the unit. The ownership fraction is very important for the owners and for the owners' association. It determines each owner's responsibility for the costs of maintaining and repairing the common parts of the property, as well as for the operating costs of the owners' association.

3. The owners' association: organization and functions

An owners' association in a condominium is a private, non-profit organization. Individual owners of units automatically become members of the association when they buy their unit. Ownership of a unit and membership of the association is inseparable. When an owner sells his unit he also transfers his membership in the association to the new owner, who cannot refuse this membership.

The owners' association is a fully democratic organization. The way it functions can be summarized as follows:

- (a) The association functions according to national laws and its own regulations;

- (b) The members of the association sitting in a formal meeting are its supreme authority and they take decisions by voting;
- (c) The board, elected by the members, has responsibility for the running of the association between members' meetings;
- (d) The administrator, appointed by the board, is responsible for the day-to-day operation of the association;
- (e) Committees, elected by the members, have specific tasks (audit, social activities, etc.);
- (f) External professional parties are contracted to carry out specific tasks (cleaning, repair, maintenance, etc.).

It is in the interest of all owners to have an efficiently functioning owners' association. As a consequence of the privatization of flats in Central and Eastern Europe, municipalities, and in some cases States, still own a number of flats in condominiums. Municipalities and States should, in these cases, have the same rights and obligations as any other owner. Municipalities or States, irrespective of how many units they own in a condominium, should not, however, dominate the affairs of the owners' association. The national act on condominium ownership should limit the voting power of any owner, including a municipality/State, to about 30 per cent, irrespective of the number of units owned.

Such limitations should apply only to the rights of large owners, but not to their obligations, e.g. their duty to pay for the repair and maintenance and the operation of the owners' association. So, if an owner possesses units representing 60 per cent of the ownership fraction in a condominium he should be obliged to pay 60 per cent of the repair and maintenance costs of the common property, and of the association's operating costs. His vote, however, should be not more than 30 per cent of the total vote in the members' meetings.

The willingness of owners to accept the need to pay higher costs for their housing is a crucial element in securing and strengthening the advantages of condominium ownership. Each owner of a unit in a condominium has very clear obligations to cover related costs. It is important that these obligations should be clearly understood. An owner has his own responsibility for all costs related to maintenance, repairs and improvements to his unit. Moreover, an owner is responsible for a certain share of all expenses connected to the common area of the condominium. This share is defined by, and limited to, the ownership fraction for the unit(s) owned. Owners of flats, commercial units and other types of units are all bound to share such costs. Units owned by a municipality or the State are treated in the same way as privately owned units.

Condominiums with owners' associations that operate professionally and effectively will incur costs which for each individual owner will be higher, sometimes considerably higher, than the rent paid before privatization since:

- (a) Sensible investment in repair and maintenance on a regular basis is necessary to keep the property in good conditions and to maintain its market value. Planning and implementation of such investment is dependent on the effective, professional administration of the owners' association;

(b) It is expected that rent levels will increase sharply in future years. A possible reduction in direct and indirect State subsidies, increased costs of utility services and the need for landlords to invest in the repair and maintenance of the housing stock will force rents up.

4. Advantages of condominium ownership

In a normally functioning housing market owners of units in efficient condominiums have a number of advantages.

Security of tenure

Before privatization, tenants in a multi-flat building had secure tenure. However, in a private housing market their security of tenure is limited to the protection given by the law and their leases. In such markets owners have the right to increase rents and terminate tenancy in special cases. Owners of units in a condominium do have security of tenure: as long as they follow the rules of the condominium, nobody can take their dwelling away from them.

Housing rights are valuable investment

Unit owners have exclusive rights to use, rent or sell their property. They dispose freely over all income accruing from it. As the market for housing develops, the economic value of housing property will increase. As in all property markets, location, type and quality will decide prices. Units in condominiums where the owners individually and the owners' association take great care to maintain and upgrade the flats and the common property will increase more in value than housing stock where this is not the case.

If an owner of a unit wants to move, he can rent out the flat or sell it. For well maintained property, the profit made from renting or selling it can be used to buy a larger, more attractive home or a home in a better location.

Owners of condominium units do not pay rent; they invest in their own property

Tenants have limited influence on rent increases. Neither can they decide how much of the rent is reinvested in their homes and how much the landlord can pocket as a profit. Owners in condominiums invest directly in their own property. They also participate in democratic decisions on what costs levels are acceptable and for what purposes the accumulated income should be spent. Finally, they have full insight into how the money was actually used.

II. NATIONAL FRAMEWORK CONDITIONS FOR CONDOMINIUMS

Shared ownership of properties with more than one dwelling forms a community that need rules to regulate common matters. Its success is totally dependent on national framework conditions and the efficient implementation of such conditions.

A. Condominium ownership in a national housing strategy

Although in Central and Eastern Europe the governments have decentralized major responsibilities within the housing sector to municipalities, the private sector and individuals, the importance of the housing condominium at national level must not be overlooked. The State should recognize this importance, reflect it in national housing objectives and in practical actions to secure the successful operation of condominiums, and help local authorities to promote housing condominiums.

The need for national initiatives must cover the whole range of issues from national framework conditions, through municipal housing strategies and programmes, to implementing practical training for condominium owners. This does not mean that all such activities have to be established and operated by central government institutions alone. The national initiatives are necessary if municipalities and private sector are to fulfil their tasks within the condominium sector.

B. Legal framework

1. Legislation in support of condominium ownership

A number of legal instruments determine the success of condominium ownership. These Guidelines deal with three major areas of legal regulations that are crucial for condominium ownership:

- (a) National laws and regulations on condominium ownership;
- (b) National laws on land (real property) registration and cadastre;
- (c) National laws and regulations on taxation.

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

- (a) Clear, legal definitions of the rights and obligations of ownership (law on condominium ownership of housing);
- (b) A legal definition of property rights (law on land registration);
- (c) Sound administrative structures and procedures for the transfer of property rights;
- (d) Effective and transparent legal procedures to handle property disputes;
- (e) 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 and these legal aspects can only be addressed at national level.

In the next section, the Guidelines will address some central issues within the law on condominium ownership of housing. The issues of land administration and the registration of the real property rights are covered by the ECE Committee on Human Settlements in its Land Administration Guidelines (ECE/HBP/96).

As for taxation, the general idea is that a condominium should not be regarded as a commercial entity, but as a non-profit organization. Taxation, bookkeeping, etc. rules should be adapted to such definitions. Generally speaking, efficient management and the maintenance of property organized as condominiums should be regarded as a common good, and should therefore be rewarded through taxation regulations.

2. Law on condominium ownership of housing

The legal structure

In Western Europe and North America, national laws regulating condominium ownership vary considerably in structure and content. General, short laws normally require additional regulations and guidelines, whilst specific laws do not require such detailed supplementary documentation. These Guidelines have no preference as to the degree of detail figuring directly in the law and/or in supportive regulations. The following, very general structure could be recommended for the law on condominium ownership:

- PART I: Scope of regulations;
 Central definitions.

- PART II: 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;
 Meeting and decision making;
 Board and management;
 Budget; bookkeeping and accounts;
 Joint expenses -- obligations to pay;
 Third-party liability for owners.

Owners' association – compulsory or voluntary membership?

As stated in the Introduction, compulsory membership of the condominium owners' association is clearly stated in laws regulating this form of tenure in Western Europe and the United States of America. Although such compulsory membership has raised serious constitutional debate in a number of countries in transition, these Guidelines recommend that

compulsory membership should be included in the national Law on condominium ownership. This legal requirement is well in line with established democratic practices in the ECE region.

Without an owners' association where all owners are represented, the sound management of the jointly owned parts of condominiums (roofs, staircases, external walls, pipes and wiring, etc.) is not possible. The absence of such management would have dramatic consequences for the national housing stock, and for the value of the privately owned units. Indirectly, this would also slow down the reform process.

The only alternative way to secure administration of the jointly owned property of condominiums if owners' associations do not exist is by the de facto de-privatization of these parts of condominiums. This can be done in practice by municipalities or municipal entities taking over the functions of owners' associations. In countries where compulsory membership in owners' associations is not acceptable, alternative methods for ensuring the administration of the jointly owned property must be introduced. Normally such solutions will be set out in the law itself or in supplementary regulations to the law. Annex I gives an example of this sort of legal framework.

The owners' association – a legal entity?

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 to sue and be sued in the courts. For these reasons the Guidelines recommend that the owners' association should be registered as a legal entity in the appropriate national registers.

Some countries in transition decided not to register owners' associations as legal entities, mainly for social reasons. If an association becomes a legal entity, all owners become jointly responsible for the association's liabilities, including debts. If a lender is not able to reclaim a defaulted loan from the association, he can claim from each individual owner, who may then lose his property.

These Guidelines are based on the assumption that the private owners in a condominium are the ultimate guarantors for third-party claims against the owners' association. If this is not the case, no lending to secure maintenance, repair and upgrading of the property is possible, as there is no satisfactory collateral for loans to the owners' association.

Although there is a clear need for a safety net in a privatized housing market where a large number of owners do not have resources to pay the cost of ownership, this could not be achieved through a law on condominiums. The only way to provide a safety net in the privatized housing sector is by the provision of a well-targeted, transparent housing benefit system. Another possible solution is to introduce a de-privatization scheme and re-establish rental housing for the present owners who clearly, in the foreseeable future, will not be able to pay the real cost of ownership, but at the same time do not wish to sell the dwelling and move out.

Public ownership of condominium units

The massive and rapid privatization of housing in countries in transition has created a situation where the public sector, in particular municipalities, still remains the owner of a number of units in some condominiums. In this case the public sector has the same obligations as others.

A more immediate concern for the legal framework is a provision in the law on condominiums to limit the influence on the decision-making process of any owner of many units in a condominium. This is necessary for the democratic functioning of the owners' association. It is therefore recommended that the law should limit the voting right of an owner of multiple units in a condominium, but not his obligations (see chap. I, sect. B).

C. Institutional framework

One of the most important elements of State 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 a clear distribution of responsibilities within this structure.

The great potential of the housing sector in national social and economic development should be in the focus of parliamentary responsibility. For housing in general, and for the condominiums in particular, the concentration of responsibility for major housing policy issues within one parliamentary committee 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. Whether this takes the form of a separate ministry of housing or a special division for housing in another ministry is not important. What is important is that the unit with responsibility for housing should have sufficient competence and capacity to address effectively major housing issues at national level.

The government should accept clear responsibility for supporting the creation and the 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 property.

III. MUNICIPAL FRAMEWORK CONDITIONS FOR THE EFFECTIVE OPERATION OF CONDOMINIUMS

Most of the privatized, multi-flat housing in the countries in transition is located in the cities and towns. The effective creation and operation of condominiums and owners' associations at municipal level are therefore crucial to the future development of these urban areas.

A. Condominium ownership in municipal housing policy

It is at municipal level that national housing policies must be converted into practical actions and results. The structure, procedures and efficiency of political and administrative bodies at municipal level are therefore of ultimate importance for practical solutions to housing problems.

A major element of the restructuring of the housing sector in the countries in transition has been the transfer of responsibilities from national to municipal level. However, this process has not always been accompanied by the appropriate restructuring and strengthening of municipal political and administrative capacities in housing matters.

Therefore municipalities are not always in a position to accelerate the development of a functioning housing market. To improve the situation, political responsibility in housing matters should be concentrated in, and highlighted by, a housing committee or sub-committee under the municipal council.

This committee should have responsibility for the following four major sectors:

- (a) Overall municipal housing policy and strategies;
- (b) Cooperation with the private housing sector;
- (c) Social housing; and
- (d) Sustaining and improving the quality and value of the municipally owned housing stock.

The committee will have two main roles in the privatized housing represented by condominiums:

- (a) Providing assistance in the effective establishment and operation of condominiums and owners' associations; and
- (b) Being the owner of units in condominiums.

Municipal assistance in the establishment and operation of condominiums

An important basis for any cooperation between municipalities and condominiums should be a clear definition of the responsibilities of both parties:

- (a) Private owners/owners' associations should have full, unlimited responsibility for their property;

(b) The private sector is responsible for all management and operation services offered to condominiums and owners' associations;

(c) The responsibility of a municipality in condominiums is limited to its ordinary rights and obligations as the owner of unit(s), and its responsibility as landlord for the tenants living in these units.

Municipal ownership of housing units

A housing committee in the municipal administration should have full responsibility for the professional management of condominium units owned by municipalities. This management should not be carried out by municipal maintenance companies. The management of municipally owned units should focus on two issues:

(a) Taking care of municipal ownership rights by attending and voting at owners' meetings; and

(b) Administering the municipal tenants in the units.

Municipal maintenance companies

In countries in transition the municipal maintenance companies that still exist may have a monopoly of administrative and management services to the housing stock, including condominiums. This kind of situation, in general, should be terminated. Municipal maintenance companies could, however, offer services to condominiums as one of the parties tendering for them.

B. Establishing and supporting owners' associations

The municipality should actively support condominiums and owners' associations by:

(a) Producing and distributing to the unit owners information on the advantages of organizing their co-ownership into registered condominiums and owners' associations;

(b) Producing and distributing handbooks, training material, etc. related to the practical operation of condominiums and associations;

(c) Taking an active role as the initiator of professional management of the jointly owned property in condominiums where the law does not make this compulsory;

(d) Creating financial incentives for establishing and registering associations by setting up financing schemes for repairs and renovation of the housing stock in condominiums where associations are established. In many countries the central element of these incentives are State funds for repairs and renovation. These funds can contain both direct grants and loans on favourable terms; and

(e) Providing some financial assistance for approved training schemes for the organization and training of owners and managers.

An important issue is the establishing of municipal/regional associations of condominiums and enabling such associations to set up and operate information centres for the above purposes.

IV. OWNERS' ASSOCIATIONS - STATUTES AND ORGANIZATION

National laws, internal statutes and agreements govern owners' associations in condominiums. Countries view differently what degree of detail should be included in the national laws and what regulating powers should be left for the owners' association to agree internally. These Guidelines express one particular option for the division of responsibilities between national and internal regulations. The Guidelines are, however, not in contradiction with other views on this division. It is only a question of moving regulations from association to law or vice versa.

A. Statutes and agreements

The State is responsible for drawing up the general legal framework for owners' associations. Irrespective of how detailed the laws are, the association has to draw up legally binding rules for its internal affairs. Such rules are worked out and agreed democratically by the owners at a general meeting. After that they are binding on existing and future members of the association. In the future, the members of the association can change these rules at a general meeting.

In general, the following statutes and agreements are needed for a condominium and an owners' association to function effectively:

- A condominium agreement
- A declaration of division of ownership
- A management contract
- House rules

1. The condominium agreement

This agreement is the central document regulating the internal relationship between the members of the association. It allows for more precise rules and regulations for the association than those normally included in national laws on condominiums.

A notary must certify the agreement after it has been approved by the required majority at a general meeting of owners.

The condominium agreement applies equally to all owners and admits no reservation. The agreement must be presented as a non-negotiable condition of sale by any seller of a unit in the condominium. The agreement must be accepted and signed by the buyer as part of the sales contract. (Annex II presents a model for a condominium agreement.)

A particular point in the agreement covers the voting rights of the owners at general meetings. There are different practices both with regard to what kind of decisions require more than a simple majority, and whether owners should vote according to "one unit = one vote" or if voting should be weighted in some way according to ownership fractions.

2. Declaration of division of ownership

A declaration of division of ownership is normally not legally required in countries with appropriate laws and administrative systems for the approval and registration of property rights. Since many countries in transition do not yet have satisfactory systems for the registration of property rights, a declaration of division of ownership is a helpful intermediary solution.

Normally, specific rules for calculating ownership fractions are included in the national law on condominium ownership or in regulations applying the law. A declaration of division of ownership should therefore be made for all condominiums where no satisfactory, clear and registered agreement on property division exists.

The declaration, which must be signed by all the owners of units in the condominium, must clearly indicate the following:

- (a) The building or buildings involved, defined by municipality, street name and house numbers;
- (b) A general description of the building, e.g. size, construction type, general purpose;
- (c) A description of each privately owned unit, its position within the building, its purpose (e.g. flat, commercial), its size (e.g. square metres and rooms) and any particular characteristics;
- (d) The calculation of ownership fractions for each unit. The method and assumption on which the calculations are made;
- (e) A clear definition of all common property including equipment and land plots under, inside and outside the building(s);
- (f) The specific rights and/or obligations pertaining to one or more units;
- (g) The drawings, plans and technical certificates of the buildings and adjacent property.

The notarized declaration of division of ownership should normally be required by the municipality as one of the conditions for the registration of the condominium and of the owners' association.

3. The management contract

It is advisable for medium-size and large associations to hire a professional manager to take care of the day-to-day running of the association. The association then formally contracts the manager. Although most national condominiums laws identify the management functions, and sometimes also define management duties and obligations, it is advisable for the owners' association to enter into a specific and detailed contract with the appointed manager.

Management contracts should define in detail the rights and obligations of both parties. Contracts should be identical whether it is an individual or a commercial company that is hired to carry out the management. If a multi-person management is engaged, e.g. selected from amongst the owners, it is recommended that separate contracts should be

established with each person, clearly defining their duties in the management of the association. A single contract can, however, also be made for such multi-person management cases. A model management contract is presented in annex III.

4. House rules

House rules are an important, but normally very sensitive item in the regulation of the internal life of a condominium and an owners' association. House rules are sensitive because they govern the day-to-day relationship between the owners. Normally the discussion on house rules in an owners' association centres on the question of: "what should be my personal freedom as owner, and how much must I adapt to the interests of the other owners?" The choice should be made on the clear understanding that the rules are a decisive factor in the quality of living conditions and environment in the condominium. Annex IV presents specimen house rules.

It is recommended that the house rules should be divided into "general rules" with appendices serving as regulations and instructions for special items. These appendices can later be amended independently without affecting the whole set of rules. Fire instructions must be drafted to suit national/local fire regulations, building layout etc.

If the cleaning and daily maintenance of jointly owned areas is taken care of by the residents themselves in turn, instructions for this work should be prepared. There might also be instructions for each owner's freedom to fit extra lighting, flag posts, window boxes, etc. on the balconies and/or exterior walls of the buildings, etc.

B. Organization of an owners' association

The major responsibility of the owners' association is to protect and increase the value of the owners' property. In this respect operating an owners' association is similar to running a business. As in any successful business, the association needs an organizational structure, with clearly defined rights and obligations at each level. An owners' association cannot take care of its interests just by general meetings. At the same time it is a private-sector organization. It, therefore, cannot and should not depend on the State or the municipality to carry out its functions.

The general meeting

The owners acting together in a formal general meeting are the supreme authority of an owners' association. In the interests of efficiency they delegate large parts of their powers for the day-to-day running of the association to a board elected by and from among the owners. The owners, through the general meetings, may also choose to delegate specific responsibilities to committees constituted of owners. The board is responsible for implementing the tasks of the association and specific decisions of the general meetings as efficiently and cost-effectively as possible. Members of the board are responsible to the owners and must act solely in the interests of the owners. To carry out their duties correctly the board is empowered to engage professional management to assist the association.

Committees

Committees are authorized by the general meeting to prepare and/or implement specific tasks. Normal examples are the auditing, election and environmental and activity committees. The election committee is responsible for proposing to the annual meeting candidates to be elected to the formal positions in the association. The environmental and activity committee could be given the very wide mandate of proposing physical and social improvements in the conditions in the condominium, and of organizing and carrying out activities by and amongst the owners.

The manager

The manager is contractually responsible for the day-to-day activity of the owners' association. The manager can be a professional person or company, or can be one or more persons appointed from among the owners. The manager is supervised by the board and reports regularly to the board. The manager is formally responsible to the owners and reports to them at the general meeting.

Contractors

The manager will normally require professional services, e.g. for repair, maintenance and administration. The professional services of lawyers and engineers/architects, and the technical services for infrastructure, cleaning, etc. will be contracted as needed. Tendering and commercial contracts are the rule.

Utility suppliers

Suppliers of hot water, gas, electricity, etc. will normally have separate commercial supply contracts with each owner. Such contracts should not normally be the concern of the associations, which should have supply contracts only for jointly owned property. In special cases the association could accept temporary contracts between the owners and the utility suppliers.

Employees

Where necessary, the owners' association can hire full- or part-time employees. Typical examples are janitors and cleaners. Employees are contracted and supervised by the manager.

Cooperation issues

It is important to stress that the board and the manager can operate successfully only with the support of the owners. Cases of dissatisfaction with the day-to-day operation of the association should not lead to an automatic demand for the resignation of the board and/or the manager. Both these bodies need time to prove their worth and efficiency. Efficient board and management operations will invariably lead to mistakes. The owners' review of such mistakes should be critical, but also constructive. The owner's assessment of the board and the manager should normally be carried out once a year at the annual meeting. Only in cases

of severe misconduct by the board and/or the manager should the owners formally discuss their dismissal between yearly meetings.

The board

Since it is not possible to have meetings of owners frequently, it is necessary for the owners' association to find some practical way of helping the owners to propose policies and to oversee their implementation and that of other matters decided by the meetings of owners. A general solution for that is the creation of a board.

The board is elected by the owners, normally at the annual general meeting and consists of three to five members (for small condominiums it is also possible to operate with a one-person board, e.g. the president of the association). These members are delegated by the owners to take responsibility for overseeing and controlling the activity of the association between meetings of owners. Board members are elected for a limited period, normally one or two years.

In small condominiums, the board can take direct responsibility for executive functions such as hiring employees, performing certain management functions and entering into contracts for repair and maintenance work. For medium and large condominiums, however, it is normal for the board, at the request of the owners, to hire outside professional expertise for the management of the association. Where an external manager is hired it is the responsibility of the board to monitor and control his activities.

Although the board is given wide powers to act on behalf of the owners, the board cannot make decisions on issues that should be discussed by all owners in a general meeting. It is important that this division of responsibility should be clearly set out in the condominium agreement.

For a board to function effectively it must always focus its work on the interests of the owners as a whole. This requires objectivity and integrity from the board members. Their individual interests as owners must always be secondary, and personal interests, whether financial or otherwise, must never be allowed to play a part in their consideration or decisions. Such conflicts of interests must be avoided at all cost if the trust of the owners is to be maintained.

It is of particular importance that board members should not receive financial compensation, either directly or indirectly, from any party with commercial connections with any part of the association's activities. Receiving compensation should be regarded as gross misconduct and should lead to immediate dismissal.

The board members may be paid for the tasks they perform for the association. Such payment should be decided by the owners in advance, and should be disclosed to all owners prior to the general meeting where the board is elected.

A critical part of the responsibility of the board is to provide comprehensive, clear and frequent information on the activities of the association to owners. Such information is vital to the continued trust and confidence between the owners and their board.

Finally, it must be stressed again that the agreements, rules, and regulations and decisions of the owners' association are critical for the success of the board. These documents should be comprehensive, clear and specific on how issues are to be handled and decided. Such documents are the cornerstone of a successful owners' association.

C. Meetings

An owners' association consists of a number of owners with equal rights. Discussion and decisions on issues normally take place at formal meetings. Clear and binding procedures for the calling and conducting of, and reporting from, such meetings are therefore important for the success of the association. Most important decisions by the owners and the board are made at formal meetings. This section gives guidelines on how such meetings should be called, conducted and reported. A specimen agenda is given in annex V. A specimen announcement of a general meeting and specimen minutes of a general meeting are shown in annexes VI and VII, respectively.

1. Annual general meeting of owners

The highest authority of the owners' association is the general meetings of the condominium unit owners. Among such meetings the annual general meeting is the most important. It must be called regularly, normally once a year. In most countries its duties are regulated by the law on condominiums.

Calling the meeting

The annual general meeting must be convened once a year within the first quarter of the year, and with 14 days' written notice to all owners, stating the date, time and venue of the meeting, and including the agenda presenting all matters to be discussed and agreed.

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

The annual general meeting is normally legally able to adopt resolutions when 50 per cent or more of the unit owners are present or represented by approved proxies. If this quorum is not attained, a second annual general meeting must be convened as soon as possible. This meeting will, however, have the power to take decisions regardless of the number of owners and/or proxies present. This fact should be stated in the convening letter.

Agenda for the meeting

The agenda for this meeting will naturally consist of a number of formal points in order to satisfy the requirements of laws, statutes and agreements. It is important that the agenda should clearly state proposals for the decisions that the meeting is being invited to take.

Decisions and elections

All matters to be decided in the annual general meeting must be included in the agenda. As far as practical, a draft text for the decisions should be attached to the agenda. In formal or routine questions, e.g. approval of the annual financial report, this will not be strictly necessary. However, in most cases, a written statement presenting the reasons for the decision and a draft of it will be a valuable contribution to the discussions and ensure proper procedure. To prepare elections at the following annual general meeting, the general meeting should elect an election committee consisting of three unit owners. This committee should prepare all elections.

Voting rules

Voting on decisions and other matters can be conducted in properly convened meetings or as postal ballots. Postal 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 control reasons, they are not recommended. Voting in meetings can either be by show of hands or in writing. If required by more than 10 per cent of the unit owners present, the voting can be conducted in writing.

Voting can be based on one vote per unit owner, or weighted on the basis of ownership fraction. Both procedures are in use. However, these Guidelines are based on the principle of one vote per unit owner. This procedure is the easiest to conduct and control. If the procedure is based on ownership fraction, this must be provided for in the condominium agreement.

In most matters involving elections, approvals or decisions, a simple majority of those present and voting 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. As pointed out above, 50 per cent or more of the unit owners (or votes) must be present for the meeting to be able to take decisions. If this is not the case, and a second meeting is convened with the same agenda, the 50 per cent quorum does not apply, and the meeting can take decisions with a simple majority. Although the majority of decisions at owners' meetings are normally taken with a simple majority, a number of matters of major importance require a majority of at least three quarters of all owners.

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

- Amendments to a registered declaration of ownership rights and ownership fractions;
- The sale or permanent disposal of significant parts of the jointly owned property;
- The permanent division of one unit into a number of units (if not otherwise agreed in the condominium agreement);
- Fundamental changes in the use of units (e.g. from residential to commercial use);

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

- Amendments to the condominium agreement;
- Repairs, maintenance and improvements that are substantially more extensive and costly than ordinary and necessary.

Before voting takes place, it is important that all proxies should be checked and approved and that all votes present be counted to establish the meeting's authority to carry motions.

Minutes

The minutes of the annual general meeting must be taken. They should be signed by the chairman of the meeting, the secretary and the two unit owners elected to do so. The minutes should be distributed to the manager and all unit owners of the condominium as soon as possible. The method of distribution can be agreed in the meeting, the alternatives being:

- Minutes sent by post to the owners;
- Minutes posted on the condominium's notice board.

It is recommended that minutes of the annual general meeting and owners' meetings should be sent by post to individual owners to promote the flow of important information.

The minutes must include the agenda and all proposed decisions and state which motions were carried. The discussions do not have to be reflected, but participants have the right to ask that their points of view should be included.

2. Owners' meetings

Owners' meetings are convened between annual general meetings whenever necessary. Normally they are called because of urgent issues that need to be decided before the next annual general meeting. The owners' meeting might also serve for the purposes of current information or "identity-building". The meeting can be convened by the manager or the board, or at the request of at least one tenth of the unit owners.

To take decisions the meeting has to be convened with the same procedures as the annual general meeting and the agenda has to include the opening procedures and the opening elections. The rest of the agenda should be reserved for the discussion of substantive issues. Decisions and resolutions should be adopted in accordance with the same procedures as in the annual general meeting. Minutes of an owners' meeting should be distributed in the same way as the minutes of the annual general meeting.

3. Board meetings

The Board should meet regularly, normally every month. A typical agenda for the meeting would include 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 owners or the manager.

As a general rule, the board may decide to conduct open meetings, which all unit owners may attend. The alternative is to have closed meetings to facilitate open and free discussion within the board. If open meetings are chosen it will be necessary to close parts of meetings where confidential matters related to individual unit owners are discussed.

A meeting of the board is formally called by the chairman or by two of its members. The manager can ask for the meeting to be called in cases where the board's advice is necessary, or for purposes of information.

The board has no formal authority except in cases where such authority is given by decisions of the owners' association. Decision by condominium agreement or voting is needed on special issues. When this is the case, a simple majority among the members is required. In the case of tied votes, the chairman has a casting vote.

Individual unit owners may be allowed or asked to appear in owners' council meetings to present their issues or opinions to the council.

Minutes of meetings of the owners' council should include the agenda and major points of the discussions. Minority views and decisions by voting should be presented. The minutes should be available to the unit owners upon request or posted on notice boards.

D. Establishing an owners' association

Most condominiums in Western Europe and the United States of America are created before construction is complete and thus before or at the moment of the sale of units to the owners. In the countries in transition the majority of condominiums are created in existing buildings where sitting tenants have become owners. Such condominiums need special advice and assistance in forming and registering the condominium and the owners' association. Municipalities should have a role in providing this advice and assistance. In countries where the association is a legal entity, registration of the owners' association should be compulsory. Where such associations are not legal entities, registration would be voluntary.

1. Creation of owners' association in existing, privatized buildings

While any national law on condominiums is based upon the assumption that private owners act according to their own decisions, it is understandable that in the new situation of private ownership it is difficult for new owners with little experience in private ownership, little information and a lack of practical guidance to adapt to this situation. However, a properly organized and well managed condominium is the best way for private owners to sustain their property and at the same time create a good living environment.

In most cases the main obstacle in setting up a condominium is the lack of an initiative since there is no knowledge of how to start. Normally, all the necessary agreements and documents on which the owners' association should be based should be prepared by the owner (developer or seller), and presented to the buyer of the private units as a condition of sale, so that the constituent meeting would only have to elect a board and committees and formally approve agreements, budgets, activity plans, etc.

When this is not the case, individual owners themselves should start organizing an owners' association to protect their present and future interests. A step-by-step process for organizing an owners' association is presented below. It is based on the recommendations made in the relevant parts of these Guidelines.

First step. A unit owner or a group of unit owners charges the former owner (developer/seller, or the municipality) to prepare the necessary documentation (see step 4 below) and to call a constituent meeting within 60 days.

Second step. If this is accepted, the unit owners should elect a committee of no more than three capable members to act as a reference group in the preparation of documents and elections of the board.

Third step. If, for any reason, the process described above is not possible, the unit owners themselves must form an initiative group of no more than five members to prepare the organization of the owners' association. These five members must be willing to accept the work involved, and preferably have some knowledge relevant to the work. The former owner (developer/seller) should be invited to join the group as one of the members, but the group should not depend on such participation.

Fourth step. The initiative group should:

- (a) Draft the condominium agreement;
- (b) Collect certified copies of entitling documents for each unit. These are deeds, sales contracts, etc., normally in the possession of the unit owner. Where such documents are not available the group should prepare a declaration of division of ownership (chap. IV, sect. A);
- (c) Collect the necessary documents, drawings and data to identify the property, common space, etc., and calculate the ownership fraction for each unit. In most cases, such documents can be obtained from the municipality. In new projects they will be in the possession of the developer;
- (d) Draft the management contract;
- (e) Prepare for the election of a board (or a temporary board), the first activity plan and call the first general meeting.

The initiative group could invite other unit owners with the appropriate knowledge and background and/or external experts to assist it in the preparation of the agreements and other documents, where necessary.

Fifth step. The initiative group shall, within 90 days, call a constitutional owners' meeting. The meeting should be convened in writing with 21 days' notice to all unit owners. The meeting should discuss and agree on:

- (a) The formation of an owners' association by approving the draft condominium agreement;

(b) The election of a board or a temporary board (in that case the temporary board prepares the first annual general meeting);

(c) The management contract (approve it directly or recommend it for approval at the annual general meeting).

The constitutional meeting is valid 50 per cent or more of the unit owners are present or represented by proxy. If the meeting is inquorate, a second constitutional meeting should be called with 14 days' notice. This meeting can make decisions with the simple majority of the owners present (even if less than 50 per cent of the unit owners participate). Detailed minutes should be taken of the constitutional meeting and signed by two units owners elected for this purpose.

Sixth step. The board (or the temporary board) should collect the data and prepare the documentation necessary for registering the property according to the act on perpetual books and mortgages, and should present the signed condominium agreement to the public notary.

Seventh step. The board registers the association as a legal entity with the State/municipal office for legal entities.

Eighth step. After obtaining certificates of registration, the board should:

- (a) Register the building ownership;
- (b) Register with the ministry for taxation;
- (c) Register with the pension authority;
- (d) Obtain a seal and stamp;
- (e) Open a bank account; and
- (f) Inform in writing all employees, business contacts, etc. of the formation of the association.

The board should then start its activities according to the relevant agreements and the annual activity plan. The formation of owners' associations is often delayed because the municipality is reluctant to hand over, or does not have, the drawings and documents needed to calculate ownership fractions and register the condominium in land registers, etc. In such cases, one can only appeal to the municipal authorities for cooperation and, if documents do not exist, ask for assistance in producing them. Such documents and drawings can also be prepared by external consultants and architects at the expense of the association.

V. OWNERS' ASSOCIATIONS – MANAGEMENT AND OPERATION

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. This primary objective can be split into two major areas of responsibility:

- (a) The financial management; and
- (b) The operation, maintenance and repair of the jointly owned property.

To effectively address these two responsibilities the association needs qualified management, which can be obtained in different ways. Each method can function effectively. The most appropriate method of managing the jointly owned property must be chosen carefully for each individual owners' association. Only in this way can effective management be secured. The rights and obligations of all parties should be clearly stated (see annex VIII).

A. Management of a jointly owned property

1. Definition of the management of jointly owned property

In these Guidelines, management of the jointly owned property of a condominium, irrespective of the method of management chosen, is defined as “all tasks and duties concerned with the administration, operation and maintenance of the condominium”.

A manager can run the jointly owned property alone, or be assisted by experts from different professions, either all from one particular company or hired individually.

2. The manager's responsibilities

The manager and his staff compose the management. The management, irrespective of the method of management chosen, acts according to the appropriate laws, statutes, agreements and decisions, such as:

- (a) The civil code and code on civil procedures;
- (b) The act(s) on condominium ownership;
- (c) The condominium agreement;
- (d) The management contract;
- (e) Decisions taken by the owners' association.

In practical terms the tasks of the management will in most cases include:

- (a) Administrative tasks:
 - Carrying out all necessary tasks to ensure proper meeting procedures;
 - Implementing all decisions taken at owners' and board meetings;
 - Proposing the annual activity plan;
 - Preparing monthly/quarterly management status reports;
 - Hiring, supervising and terminating employed personnel;
 - Assuming external contract responsibility, including insurance, legal and municipal relations, records and files;
 - Communicating information to new owners/tenants, etc.;

- (b) Financial tasks:
 - The opening and control of bank accounts;
 - Preparing the budget and accounts;
 - The control and payment of invoices, bills and taxes;
 - The control and follow-up of owners' payments;
 - Paying out salaries for employed personnel, etc.;

- (c) Property operation:
 - The supply of utilities;
 - Maintenance, repairs and improvements;
 - The drafting and application of house rules;
 - Voluntary work by members, etc.

3. Alternative models for management of the owners' association

There are a number of alternative ways of managing the owners' association and the jointly owned property. In general terms these are:

- (a) Management by the owners (one or many);
- (b) Professional management by contracting a professional person or company;
- (c) Management by State/municipal maintenance companies.

It should be noted that management by hiring a manager as a permanent employee of the association is not considered a viable option. Hiring an external professional manager should only be effected by entering into a time-limited management contract. Although management by State/municipal maintenance companies is an option, it should only be a short-term solution. Such companies will, over time, disappear, as they are monopolistic, non-competitive organizations with a lack of incentives for efficient, cost-effective operation. A summary of the main advantages and disadvantages of each method of management are:

	Owners	Professional management	State/municipal company
ADVANTAGES	Low cost	Specialized, professional skill	Has experience in property
	Using skills/professional qualifications of owners	Competition drives down cost	Good relations with municipality
	Create identity in condominium	Flexible use according to need (type of expertise)	Good relations with utility suppliers
		Clear contractual relationship	
DISADVANTAGES	Lack of continuity	Requires control and supervision	No competition
	Difficult to control the quality of work	There may not be enough competition	Usually does not give value for money
	Integrity and confidentiality can be problematic	Requires efforts in hiring process	May disappear over time
	Objective criticism of performance is difficult	Requires professional contract	

In general, management by owners (volunteer management) is recommended only for small condominiums with up to 10 units. For larger condominiums, professional management by contract, either with individuals or property management companies, is recommended. The municipality should help owners' associations by publishing and updating lists of persons/companies approved for property management. In time professional associations will provide this service.

In practice, the selection of the management model depends on how and when the condominium is formed. The property developer or seller of all the units in the building can choose the management model, define it in the agreement and have the buyer approve it as a condition of purchase.

The owners' association in an established condominium can adopt a new type of management, by including it in a new condominium agreement. It could also agree on it by the revision of related provisions in an existing agreement, or by the adoption of a method of management as a separate document. All such decisions must be concluded by notarial deed.

If a condominium is expanded by adding successive new units over time (gradual privatization), the previously agreed method of management must be approved by the signatures of all new unit owners. If no agreement on the management of the jointly owned property can be reached among the owners, the national law on condominium ownership normally provides specific instructions as to what type of management should be adopted and how.

4. Contracting a professional manager

Selecting and contracting a manager is a very important and time-consuming process. It should normally be the responsibility of the board or of a special appointment committee. A committee can either be selected by the owners' meeting or by the board. Contracting a manager is an important decision and the process of selection and contracting is easier if the committee has expertise in business, property and technical/engineering matters.

The committee needs to draw up the terms and conditions for the job, defining what is expected of the manager. Such requirements should be specified on the basis of the proposed management contract (see annex III). After completing the terms and conditions, the committee usually advertises the job of manager in the press and in professional journals. It is also useful to talk to other associations to find out their views on previous and current managers.

After potential candidates have been identified, the committee should analyse each application form and compare it to the requirements. All applications should include a number of references and could also include a bank reference. The committee, as part of the preliminary analysis of the application, should check relevant references.

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

- (a) The applicant's specific experience;
- (b) The applicant's views and opinions of the terms and conditions of employment;
- (c) Whether the candidate has the capacity to do the job (time, availability);
- (d) Compatibility with the owners (the personal feeling).

After completing the interviews, the committee should discuss in plenum each candidate. Second interviews with individual candidates could be arranged if necessary. The committee should present a recommendation for appointment to the board. This recommendation can be unanimous or there can be a majority and a minority recommendation. It is an advantage if more than one candidate is recommended. If so, candidates should be recommended in order of preference. The board makes the decisions, offers the selected candidate a contract and, if the candidate accepts it, signs the management contract.

B. Financial management

Successful financial management is the foundation of the effective operation 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 people involved. Such integrity must be accompanied by high-quality oversight and control systems. Information on and from such control systems should be available to all unit owners (normally at owners' meetings).

1. 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. 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.

Budget contributions can be collected and estimated in different ways. 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.

The annual budget also includes a section on services to separate units. This applies when external services to the separate units are delivered on the basis of collective contracts between the supplier and the condominium, and are charged to each owner on the basis of his

ownership fraction. This separation of cost accounts is considered important for control purposes and normally 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”. The group accounts and the separate accounts for the annual budget are listed in annex X. The list of accounts can, of course, be extended.

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. Revenues such as loans, grants, subsidies, etc. should be budgeted under 1610.

Management costs/financial costs

The costs budgeted under this heading are costs 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 be included in the total budget, whether they are misplaced or not. Sound judgement must be used in such cases.

Operating costs

It is important to note that the operating costs budgeted under 3410 to 3420 are costs related to jointly owned space only (see sect. C below). 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 (sect. C 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.

2. 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 (annex IX). In small condominiums and/or when the condominium'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 so as to achieve maximum financial income by depositing surplus liquidity on the best terms, or to minimize short-term liability and/or liquidity loans.

3. Bank accounts

Normally all condominiums 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. Under no circumstances should funds for more than one association, or for an association and other legal bodies or persons, be kept on the same account.

The manager or board will be given power of attorney to open the bank account in the name of the condominium. In small condominiums, the civil code provides for accounts to be opened by joint representation from all unit owners. The banking agreement names the persons responsible for the financial affairs of the association and also contains their sample signatures. Only these persons may conduct banking transactions. If a person authorized to conduct such transactions is suspended from his management duties, then he legally loses the right to conduct banking transactions on behalf of the association.

The manager should audit the state of the bank accounts, including transactions, commissions deducted and interest deposited on the basis of the agreement signed with the bank. The account transactions will also be audited by the internal and external auditor. Interest accumulated on the bank account is exempt from income tax. Information on the bank account will normally be included in the manager's monthly or quarterly status reports.

4. Accounting

Statutory accounting in associations

The law on condominiums should specify which regulations should be adopted for accounting instruments. According to most national legal frameworks, owners' associations must 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 is 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 which allow interested parties to read and interpret the information from the accounts, and in particular the financial reports without difficulty. Simplified standards can be adopted only if they do not affect the fairness and clarity of the accounting information.

Most countries now have an accounting law. The law normally applies to all entities engaged in business and non-business operations, and provides for individual entities to choose the most suitable form of accounting. This does not, however, mean 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.

Accounting is a profession that should be carried out by trained people. Condominiums must therefore hire a professional accountant to undertake the work. Since the necessary professional knowledge goes beyond what can be presented in these Guidelines, the intention in this case is merely to indicate what standards should be applied.

The account books

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

- (a) A journal;
- (b) The general ledger accounts where each transaction is entered in accordance with double-entry standards;
- (c) Auxiliary ledgers accounts;
- (d) Register of assets and liabilities;
- (e) Trial balance of the general ledger and a listing of balances from the auxiliary ledgers.

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

- (a) The data necessary for the proper preparation of a balance sheet;
- (b) The profit and loss account and other information derived from the accounts;
- (c) The data required to assess taxes and complete financial transactions with suppliers and employees;
- (d) Effective internal control of the conducted transactions and assets held by the condominium.

A professional accountant must be hired to keep the books. The accounts are kept in the head office of the association.

The association should have documentation describing the accounting standards adopted, 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 and, if computerized, a list of files which are the equivalent of the accounts books maintained in computer-readable form, documentation of computerized data processing and any amendments to this documentation.

The account books are opened at the date when the association is founded and at the beginning of each subsequent financial year. The books are closed 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.

5. 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 statement consists of the following:

- (a) The balance sheet with notes;
- (b) The profit and loss account with notes.

The accounting law also defines the details in which the statement 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 a financial statement in full.

The financial statement is prepared on the basis of 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.

The manager or board is responsible for submitting the financial statement to the owners' meeting and other relevant bodies within the time limits defined in laws, statutes and

agreements. The financial statement 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 financial statement may be issued. Such a statement can be quarterly or half-yearly, and will ensure a closer control of the association's finances.

6. 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 on the basis of the financial statement and report his findings to the annual owners' 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.

7. 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 these Guidelines, or by the person responsible for the particular part of the budget where the cost is included. Invoices should be cross-checked by the manager or the board member responsible. This control should include the formal approval of the invoice as a legal document for accounting purposes.

The signature of the manager or board member(s) responsible 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 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 cover minor

administrative expenses. In such cases limited amounts can be paid from petty cash. The number of such payments should be limited. All invoices should be filed as supporting documents for the accounts.

8. Taxation

The owners' associations in condominiums should be exempt from taxes. The general principle is that all revenues obtained by the association are for maintenance costs. Excess revenues can be paid to the unit owners proportionately to their ownership fraction, or be kept in the association's bank account for maintenance purposes 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. Any income (surplus) can justifiably be exempted from taxation since, in the future, it will be allocated to association expenses.

9. Insurance

The association should take out insurance to cover buildings, other common property, equipment and also third-party liability and injury to employees. 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 units or equipment in commercial units. Such insurance must be taken out by individual owners or operators.

10. Annual activity plan

The annual activity plan is the working programme for the management of the association. The document defines 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 which 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. Before 15 December the draft plan should be presented to the board for revision. The board decides on the final version of the plan and presents it to the annual owners' 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 needed according to the condominium agreement, and other information concerning management, administration and living conditions in the condominium. Suggested headlines and short comments on the content for the annual activity plan are:

(a) Finance:

- The annual budget;
- Amount of monthly payment of common costs (the presentation 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 towards service costs for individual units (if these costs are charged on the basis of common agreements between the supplier and the association, the basic calculations and the list of payable 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:

- The sale or rent of a common space;
- The 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 areas like order, cleanliness, parking, pets, etc.);
- Voluntary work;
- Meetings and social events.

C. Operations, maintenance and repairs

In condominiums the most important managerial task is to secure sound and safe living conditions for the occupants. This includes the daily servicing (later called operations), maintenance, repair and improvement of the buildings and their surroundings. Since such upkeep of the property also is vital to secure the investment of each private owner, and constitutes a major cost factor in the annual budget, it is very important that the work should be planned and executed systematically and efficiently. This section illustrates a managerial process that, step by step, will describe the basis on which to plan, decide and execute the necessary activities. It also describes the procedures and tools for gathering background information, presenting execution plans and controlling quality.

The process starts with a thorough inspection of the jointly owned property. Inspections should be carried out annually by people with relevant know-how and expertise. The results of the inspections should be documented in sufficient detail with specific descriptions of activities and work to be undertaken. On this basis, an estimate of the necessary manpower, materials, contracted work, etc. should be made and presented as the costs calculated for each activity.

The sum of all such costs will decide if the condominium can afford to carry out all the work within a realistic budget. If not, and this is normally the case, the work and activities will have to be prioritized taking into account the technical standard of the building, security and living conditions, and costs. The activities will then be entered into the budget in order of priority.

1. Definitions

The planning and carrying-out of construction and other activities concerned with everything from the daily servicing and upkeep to major repairs of jointly owned property in a condominium is called maintenance and repairs.

Experience from property management in general shows, however, that to plan the work and control the costs, it is necessary to distinguish between the different categories of activity and construction work. These categories are:

- (a) Operations;
- (b) Maintenance and repairs;
- (c) Improvements.

To establish the distinction all participants should have the same understanding of activity types, which requires a definition of the terms used in these Guidelines.

Operations

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

Operations means

“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

“Operation objects” are the parts of buildings and outdoor spaces, installations and equipment that are subject to operational activities. Such objects can for instance be 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.

Operating costs

“ Operating costs” are all costs related to the daily operations of the property. This includes the cost of personnel, operations means, service contracts, taxes, fees, insurance, energy, 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 agreements.

Maintenance

“Maintenance” is defined as 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 the replacements

needed because of wear and tear. Repair work and replacements identified from routine service inspections and service agreements are also defined as maintenance. All activities related to improving the standard and quality of the building and its installations are defined as improvements and should not be included in maintenance.

Planned maintenance

“Planned maintenance” is defined as all regular, routine activities concerned with preventing damage and breakdowns, and maintaining 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.

Repairs

“Repairs” is defined as all unforeseen activities connected with the repair and replacement of building parts and technical installations, due to damage or technical breakdowns.

Maintenance objects

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

Maintenance costs

“Maintenance costs” are all costs related to maintenance and repairs. This includes the cost of labour, spare parts, replacements and other means. Maintenance costs, as defined here, are solely those 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 agreements.

Improvements

“Improvements” are 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.

2. 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. 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.

Responsibility

The manager/board is responsible for the inspection. However, they can authorize a qualified person or persons 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” is useful to help registration. A model is presented in annex XI. 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 (see definitions above): (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 are produced for each object identified under each category according to the procedures 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. So it is recommended that the inspectors should make detailed notes that are marked and referred to in the registration form for future use. The reference column should also make reference to manufacturers’ manuals, service guides and consulted experts, contractors or craftsmen. The completed registration form “operation and maintenance objects”, together with all notes and other material referred to in the form, constitutes the yearly inspection report.

3. Operations

The terms connected with operations are defined above. In short, operations can be looked upon as 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 (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 operations 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/board is 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

The definition of operating costs is given above. The 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 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. Depending on experience, the method of calculation will vary. The method is not, in itself, important as long as the costs are 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 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 the year preceding the financial 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 presentation form (annex XIII).

In the presentation form, 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'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 accounts are presented in the condominium'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 the presentation form 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 condominium'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 is responsible for the preparation of the monthly operations instructions and report. The instructions must be approved by the manager (board).

4. Maintenance and repairs

For new and modern buildings maintenance and repairs is fairly manageable as long as it is carefully planned and receives the necessary continuous 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 yearly inspection report.

Planned maintenance activities

The registration form “ operations and maintenance objects” identifies all objects for which maintenance activities are planned (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.

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/management 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. This is, however, a purely academic question, and is normally

solved by defining all work of a certain cost that does not have to be repeated regularly as repair.

There are many reasons why repair should be given high priority in an association. In some cases it is necessary to secure safe conditions for occupants and the general public, in others it is necessary to avoid 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 should be 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 are calculated. Also, the costs for the separate activities serve as a background for decisions on method, use of external contractors or own employees, etc.

The method of calculation will vary according to experience. The method in itself is not important as long as the costs are calculated and presented in a manner that serves the purposes mentioned above and also gives 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 (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 should be 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 metre 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 metre 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 which 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 temptation to copy previous years' budgets must, however, be avoided.

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 presentation form 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 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.

5. Improvements

At certain intervals in the lifetime of an association, 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:

- (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. The work is planned and calculated and the costs are entered in the annual budget in accordance with the financial arrangements made for the particular activity.

In most such cases the manager/board relies 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 report the end result to the association.

6. Control of operation, maintenance and repair costs

Cost control is an important managerial duty that should be given high priority. One of the most important functions of the budget is to allow for financial control.

The control of costs at budget level is the responsibility of the manager/board. However, in practice control starts at a lower administrative level with the person responsible for the activity. 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.

On the basis of this control, the invoices and internal costs should be approved. In the case of deviations from agreed, expected or planned costs, the matter 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.

Annex I

LEGAL REGULATIONS FOR THE ADMINISTRATION OF JOINTLY OWNED PROPERTY IN CONDOMINIUMS WITHOUT OWNERS' ASSOCIATIONS

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.
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

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 of 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 consists of:

- 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.
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

MANAGEMENT CONTRACT

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 10th 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.

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 sect. 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 ofper square metre of total floor area per month, in totalper 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 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 IV

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).
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 V

**OUTLINE OF THE AGENDA FOR
THE ANNUAL GENERAL MEETING OF OWNERS**

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

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 incl. budget
 Proposals and drafts decisions.
 Proposals from the Election Committee.

Annex VII

MINUTES OF THE GENERAL MEETING

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. ...
- ...
- ...
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:....

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

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

(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 SOLUTIONS**

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, 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

	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													

EXPENDITURES

MANAGEMENT COST/FINANCIAL COSTS

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													

	J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
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													
3490 Radio/TV													
3510 Insurance													
3610 Taxes/Fees													
3710 Security													
3810 Building operations													

GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING FOR COUNTRIES IN TRANSITION

3820	Plumbing/ventilation operations																			
3830	Electrical installation operations																			
3840	Telecommunication/ automation operations																			
3850	Other installations operations																			
3860	Outdoor items operations																			
	SUBTOTAL																			

MAINTENANCE COST

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																			
	SUBTOTAL																			

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

COST OF NEW CONSTRUCTION AND MAJOR REPAIRS

5110	New construction																			
5210	Major repairs																			
	SUBTOTAL																			

COSTS OF SERVICES TO SEPARATE UNITS

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 IN 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 objects

NO	OPERATIONS OBJECTS	FREQUENCY				EXTERNAL ASSISTANCE	COMMENTS		
		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								
723	Gas								
724	Power supply								
725	Telecommunications								
		Approved by:		Date:		Written by:		Date:	

GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING FOR COUNTRIES IN TRANSITION

NO	OPERATIONS OBJECTS	FREQUENCY				EXTERNAL ASSISTANCE	COMMENTS		
		D	W	M	Y				
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	FREE								
9	FREE								
		Approved by:		Date:		Written by:		Date:	

Annex XII

OPERATIONS MANAGEMENT - OPERATIONAL ACTIVITIES

<p>1.</p>	<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. The instructions shall be presented on a standard "OPERATIONAL ACTIVITY CARD"(see below).</p>
<p>2.</p>	<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>
<p>3.</p>	<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>

OPERATIONAL ACTIVITY CARD

Operations object		No.
-------------------	--	-----

Responsible	
Control by	
Frequency	
Activity	
References	

Page 1 of 1	Approved by:	Date:	Written by:	Date:
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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		
147	3460	Refuse		
	3490	Radio/TV		
15				
	3510	INSURANCE		
16				
	3610	TAXES/FEES		
17				
	3710	SECURITY		
Page 1 of 3				
Approved by :		Date :	Written by :	Date :

GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING FOR COUNTRIES IN TRANSITION

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.)		
Page 2 of 3				
Approved by :		Date :	Written by :	Date :

GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING FOR COUNTRIES IN TRANSITION

NO	BUDGET ACCOUNT NO	BUDGET ITEM	COSTS	
TRANSFERRED				
5		TELECOMMUNICATIONS/AUTOMATION		
51	3840	GENERAL		
52	3840	DATA COMMUNICATION		
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

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			
Page 1 of 2	Approved by :	Date :	Written by : Date :

GUIDELINES ON CONDOMINIUM OWNERSHIP OF HOUSING FOR COUNTRIES IN TRANSITION

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 :