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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.