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CONDOMINIUM OWNERSHIP OF HOUSING

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Introduction

1. As a follow-up to the preparation of the Guidelines on Condominium Ownership of Housing for Countries in Transition, the Committee's Bureau decided that it would be useful to discuss some central issues concerning this topic. The Bureau invited the Chairman of its Housing and Urban Management Advisory Network to prepare a discussion paper. The paper concentrates on policy aspects at State and municipal levels. The Guidelines focus mainly on the rules, regulations and functioning of condominiums and homeowners' associations, while the policy issues set out in this paper form the framework for condominium ownership. Such policy issues must be addressed at the central government level and are, therefore, appropriate for discussion by the Committee on Human Settlements.
2. The majority of recommendations contained in the Guidelines are not specifically presented to the Committee for discussion, although the delegations are welcome to express their views on them. This discussion paper contains eight statements on policy issues and each statement is accompanied by questions for discussion. The statements are not meant to be always universally accepted, rather they represent a specific point of view on each issue and are intended to facilitate the discussion.

MAIN ISSUES FOR DISCUSSION

Statement 1:

A central element of the transformation of the housing sector in all countries in transition has been the privatization of the multi-flat housing stock. Although the degree of privatization varies from country to country, it has in general taken place on a large scale and increased the share of owner-occupation in the tenure structure.

Question 1:

1.1. The large-scale privatization of housing in the countries in transition represents similar challenges. Does it require similar solutions in all the countries concerned?

1.2. As private ownership of multi-flat housing is now the dominant form of housing tenure in the countries in transition, can the experience on policy issues and related solutions from the West be of any use? How?

Statement 2:

The distribution of tasks and the influence of central and local government vary from country to country, but most have experienced a significant transfer of tasks and responsibility for housing from the State to the municipalities and to the private sector.

Question 2:

Does the main responsibility for creating the framework necessary for securing the efficient functioning of condominium ownership of housing lie, and must it continue to lie, at central government level? What is the suitable government structure to allow such a policy framework to be effective?

Statement 3:

Compulsory membership of an "association of owners" in a condominium is the general practice in the most advanced European countries. However, in a number of countries establishing a non-profit organization which citizens are expected to join is still an issue.

Question 3:

3.1. Is there a real conflict between the right to freedom of organization and compulsory membership of an association of condominium owners?

3.2. If so, how can the functioning of condominiums be secured if compulsory membership is not accepted?

Statement 4:

Condominium ownership of housing requires owners to have clear rights and obligations. Owners who seriously fail to meet their obligations can be evicted. Compulsory eviction is normally accompanied by rules of appeal. In a number of countries the legal system does not provide for eviction.

Question 4:

Is the legal imbalance between condominium owners' rights and obligations in some countries a threat to the success of condominium ownership as an effective form of tenure?

Statement 5:

The large-scale privatization of housing in countries in transition has led to a large proportion of new owners with little disposable income, such as old-age pensioners and single-parent households. The financial contribution required from owners of condominium units is considerable. The need for direct financial contributions and/or financial guarantees for capital borrowing is particularly acute because of the poor construction and lack of repair and maintenance over a long period.

This combination of low-income owners and the need for investment in operation, maintenance and repair of the run-down housing stock is not sustainable in the medium or longer term. One solution is to introduce public sector housing support systems guaranteeing the ability of low-income owners to meet the financial obligations stemming from the ownership. An alternative solution is to introduce a system of "de-privatization" whereby the public authority (State or municipal) buys back the condominium unit from such owners while at the same time guaranteeing them the right to stay on as tenants. By this method the public owner retains the long-term value of the flat, whilst meeting the social requirements of low-income owners in the short and medium term.

Question 5:

5.1. What solutions are considered realistic to safeguard the interests of low-income owners of condominium units, while at the same time encouraging the fastest possible investment of owners in necessary operation, maintenance and repair of condominium housing?

5.2. Is "de-privatization" a realistic option?

Statement 6:

Condominiums and owners' associations need active State and municipal support to be successful. One area where State support is particularly needed is in relation to financial and taxation issues. At present, in many of the countries in transition, condominiums and owners' associations are considered to be ordinary commercial entities, and as such are subject to commercial rules of taxation.

Question 6:

6.1 How easily can State loans and grant systems be introduced to help finance major repair and maintenance work? Which regulations must be in place?

6.2 Should condominiums and owners' associations be considered as "not-for-profit" organizations for taxation purposes?

Statement 7:

Some housing management and maintenance services have been privatized. They are now provided either by joint-stock companies controlled by local authorities or by private management companies. This has resulted in much higher client satisfaction. However, some large State-owned companies still exist; they are less efficient.

Question 7:

How can the existing large municipal housing maintenance companies be made more efficient? Is there any good practice that can be shared?

Statement 8:

The success or failure of condominium ownership ultimately depends on the owners themselves. This does not, however, remove from the State and municipalities the crucial obligation to create the necessary framework around this form of housing tenure.

Efficient ownership is dependent on a clear understanding of the rights and obligations stemming from it. This requires considerable information and training.

Question 8:

What kind of initiatives to provide owners with adequate information, training and assistance have been taken? What have been the results so far? How will the guidelines be used? Will these guidelines be translated and widely distributed? How does your country intend to disseminate the information contained in the guidelines?