

Shelter Sector Reform Project Newly Independent States of the Former Soviet Union

An ICMA Report

Prepared for the Office of Housing and Urban Programs
Agency for International Development



**Housing Privatization and the
Establishment of Condominiums
in the Republic of Armenia**

ARMENIA

April 1993

**Prepared for the Office of Housing and Urban Programs
Agency for International Development**

By

Carol Rabenhorst

**INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
USAID Contract No. CCS-008-C-00-2056-00
Shelter Sector Reform Program
Task Order # 11**

Abstract

The Parliament of the Republic of Armenia is expected to consider a proposed housing privatization law in the spring of 1993. This report summarizes the proposed privatization law and presents recommendations and procedures for its implementation, including passage of condominium legislation and establishment of condominiums. These recommendations and procedures were presented to the Parliament and the Government of Armenia during a technical assistance mission to Yerevan in March 1993.

Included as annexes to this report are the Condominium Decision of the Government of Armenia, a Condominium Foundation Deed, and Model Bylaws. The concept of a condominium is relatively new to many Armenians. A final section of this report answers many of the questions frequently asked by Armenians concerning condominiums.

CONTENTS

Executive Summary.....	2
Introduction.....	4
The Armenian Housing Stock.....	4
Legal Assistance in Developing a Market-Based Housing Sector: Implementation of Housing Privatization and Establishment of Condominiums.....	6
Recommendations for Further Technical Assistance.....	11
Annex A Law on Privatization of State and Public Housing.....	14
Annex B Comments and Recommendations on Proposed Housing Privatization Law.....	19
Annex C Condominium Decision.....	23
Annex D Condominium Foundation Deed.....	32
Annex E Model Bylaws.....	39
Annex F Condominium Management and Operations Training Manual.....	46
Annex G What is a Condominium?.....	48
Annex H Individuals with whom the Author Met During March 1993 Technical Assistance Mission.....	54

EXECUTIVE SUMMARY

This report discusses activities undertaken and results achieved by the author as Short Term Technical Advisor (STA) during a technical assistance mission to Yerevan, Armenia, March 17 - April 1, 1993. The objectives of the STA for the mission were:

- * preparation of a draft condominium law;
- * preparation of model legal documents for forming condominiums;
- * helping the City of Yerevan create institutional capability to assist condominium formation; and
- * enhancing the City's understanding of legal and operational issues of condominium formation.

After a brief background section on the Armenian housing sector, the report describes the STA's activities in five numbered sections: (1) the Housing Privatization Law; (2) Condominium Law and Documentation; (3) Developing City-Level Capability to Establish and Assist Condominiums; (4) the Demonstration Building Project; and (5) Real Estate and Land Use Legal Assessment. The report concludes with a section providing the STA's recommendations for future technical assistance.

A summary of the contents of the report is as follows:

Section 1 - The Housing Privatization Law. The report discusses a proposed housing privatization law that is expected to come before the Parliament of Armenia in the near future. The text of the law is appended to the report as *Annex A*. A memorandum of comments and recommendations made by the technical assistance team to the heads of the committee of Parliament responsible for drafting and sponsorship of this legislation is appended as *Annex B*.

The proposed law contains no guidance or structure for implementation of a housing privatization program. Reportedly, Parliament intends to delegate to the state and local governments responsibility for drafting bylaws and procedures for carrying out the program. Accordingly, the other legal activities of the mission were focused on developing, at the state and municipal government levels, a legal and operational framework for making privatization work.

Section 2 - Condominium Law and Documentation. After becoming familiar with essential elements of Armenian law, the STA prepared a condominium law and a condominium foundation deed, both of which are necessary before individual units in an apartment building can be transferred to private ownership. These two documents were reviewed extensively with

state and local government attorneys to assure their understanding of the underlying concepts and terminology, and to obtain their comments and approval for submission of the documents to the state government for implementation.

A sample set of condominium bylaws was also provided.

The condominium law, foundation deed, and bylaws are appended to the report as *Annex C*, *Annex D*, and *Annex E*, respectively.

Section 3 - Developing City-Level Capability to Establish and Assist Condominiums. Legal technical assistance activities included two half-day seminars and a number of other meetings with members of the City of Yerevan staff who will be responsible for implementing privatization and assisting with the establishment and operation of condominiums in the City. Preparation and translation of an extensive Condominium Operations and Training Manual, based on a model developed by the STA for use in Eastern Europe, began. The table of contents of the manual is appended to the report as *Annex F*.

In addition, the STA prepared an explanation of condominium ownership in a question-and-answer format, entitled "What Is A Condominium?" This document was translated and used as an educational tool for discussions with the city staff members during the mission. It will continue to be used both for government staff and for members of the public who will be deciding whether to privatize their housing. It is appended to the report as *Annex G*.

Section 4 - The Demonstration Building Project. The STA spoke on condominium law and operations at a meeting of tenants of the state-owned rental apartment building that will be used by the City of Yerevan as a demonstration site for privatization activities. A number of the documents prepared during the mission will be used during the course of the demonstration project.

Section 5 - Real Estate and Land Use Legal Assessment. An overall assessment of existing laws relating to real property and land use was begun. This work will be carried forward by an Armenian attorney, with whom the STA met. Then, recommendations will be made regarding additional laws necessary to complete the real property and land use legal framework and further technical assistance needs will be determined.

Recommendations. The report concludes with recommendations for further related technical assistance activities. On the republic level, these include preparation of implementing bylaws and procedures after passage of the privatization law by Parliament and adoption of a condominium law by the state government. On the city level, technical assistance will be needed to establish an office of condominium services in the city government. Training of staff, and assisting the staff with public information, record-keeping, and condominium training activities are discussed in this section.

INTRODUCTION

The Parliament of the Republic of Armenia is expected to consider a proposed housing privatization law in the spring of 1993. This report summarizes the proposed privatization law and presents recommendations and procedures for its implementation, including passage of condominium legislation and establishment of condominiums. These recommendations and procedures were presented to the Parliament and the Government of Armenia during a technical assistance mission to Yerevan in March 1993.

Recommendations for follow-on technical assistance activities are presented in the last section of this report.

Members of the March 1993 technical assistance team were: Peter B. Epstein, Project Director, ICMA Office of International Programs; Steven J. Anlian, ICMA Resident Advisor in Armenia; and the author of this report, a housing law specialist and legal consultant to ICMA.

THE ARMENIAN HOUSING STOCK

The Republic of Armenia has a population of about 3.5 million persons. Over 70 percent of the population resides in urban areas; 35 percent lives in the capital city of Yerevan, which has a population of 1.25 million.

The housing stock of Armenia can be divided into four main categories:

(1) **State Housing.** Built or expropriated by the state during the soviet regime; owned by the state and operated either by the state or by local governments as instrumentalities of the state.

(2) **Public Housing.** Owned by agricultural collectives, trade unions, and state or municipal enterprises, for occupancy by their members or employees; construction funded partially with owners' equity and partially with state subsidies.

(3) **Cooperative Housing.** Owned by members of housing construction cooperatives; construction financed by members, with interest on construction loans from the state construction bank heavily subsidized by the state. Cooperative housing has some attributes of private housing, such as the right of the members to sell or bequeath their apartments.

(4) **Private Housing.** Owned as private property by the occupants; primarily single-family homes in villages and rural areas, with a small number of apartments in urban areas purchased under a 1989 law allowing privatization of units in state-owned apartment buildings.

In the country as a whole, about 44 percent of the housing is state and public, about 4 percent is cooperative, and about 52 percent is private. In the four largest cities (Yerevan,

Ghumry, Kirovakan, and Razdan), 69 percent of the housing is state and public, 10 percent is cooperative, and 21 percent is private.

The state and public housing stock is generally adequate, although for the past three or four years, it has been very minimally maintained because of the state's inability to provide adequate funding to the state-controlled property management enterprises.

The average area of housing per person is 14.2 m², 12.9 m² in the cities and 17.2 m² in rural areas. Virtually all city housing provides electricity, indoor plumbing, central heat, and other basic services.

In 1988, an earthquake destroyed a significant portion of the housing stock in the towns and villages of northern Armenia. Many thousands of new housing units were begun but had not been completed when the dissolution of the Soviet Union and a general downturn in economic conditions in Armenia brought construction to a halt. Today, many of the people who lost their homes still live in unserviced metal shipping containers brought in to provide temporary shelter until the new housing was completed.

A severe energy crisis began three years ago, resulting from Armenia's ongoing conflict with neighboring Azerbaijan over the Nagorno-Karabakh region and other geo-political factors. Lack of fuel has exacerbated the deterioration of the Armenian economy and forced the government to shut off the electricity and running water in most housing for much of each day. For the past two years, the central heat supply to each building has been turned off entirely.

Despite these dire conditions, the Armenian government is determined to proceed with market reform of the housing sector. Legislation initiating privatization of rural land, unfinished construction projects, and certain state enterprises already has been enacted. Parliament intends to consider a law privatizing state and public housing during the current session.

Privatization of individual units in state-owned multifamily housing has been possible since 1989, under a law passed during the Soviet regime. Although the price charged was very low (the equivalent of \$20-25), only about 20,000 units were privatized in the entire country. Apparently, most people saw little or no advantage in owning their housing as long as there was little market activity, rents remained extremely low, and the state continued to own and manage most of the units and the common areas of the apartment buildings.

The new housing privatization law which has been proposed contemplates turning over control of the common areas of the buildings to the occupants under the condominium form of ownership and rents are expected to continue to increase, making home ownership a much more attractive option for most people.

LEGAL ASSISTANCE IN DEVELOPING A MARKET-BASED HOUSING SECTOR: IMPLEMENTATION OF HOUSING PRIVATIZATION AND ESTABLISHMENT OF CONDOMINIUMS

Legal activities during the mission were concentrated in five areas: (1) analyzing and commenting on the proposed housing privatization law; (2) drafting condominium documents, including a republic-level condominium law; (3) ascertaining institutional capability on the city level to establish condominiums, assist citizens with condominium operations, and develop private property management capability; (4) participating in a presentation to residents of a state-owned apartment building which will serve as a demonstration site for privatization and condominium implementation procedures, and (5) beginning a overall legal assessment of real property and land use law.

These five initiatives are discussed more fully below.

1. THE HOUSING PRIVATIZATION LAW.

Early in the March 1993 mission, the technical assistance team met with the Chair and Vice Chair of the Social Welfare and Health Committee of the Parliament, the committee responsible for drafting and introducing the law on the privatization of state and public housing in Armenia.

Housing privatization has been on the legislative agenda for over a year, but has received little attention because Parliament has been focused on the problems deriving from the conflict with Azerbaijan and the energy emergency. While the law has not been passed, the team learned that, in effect, key policy issues were decided earlier this year when two previous versions of the law were debated on the floor of Parliament. At that time, members of Parliament voted 124 to 30 for a version that provided for free, voluntary privatization. While the vote was insufficient to enact a law (an absolute majority of 141 votes is required), the heads of the committee feel there is a mandate for a law based on free, voluntary privatization, and no other model presently is being considered.

The Chair and Vice Chair of the Social Welfare and Health Committee reported that the committee believes the function of the housing privatization law is to enable the program of free, voluntary housing privatization to begin, not to spell out the details of how the program will be implemented. Parliament intends to delegate to the state government and the municipalities the tasks of establishing procedures for transfer of state and public housing to private individuals, creating condominiums, and determining how management of mixed-ownership buildings will be carried out.

While the proposed housing privatization law provides no procedures or guidance for implementation, it does contain a number of provisions that would preclude or restrict owner control of the common property in multi-unit privatized buildings. These provisions would be

inconsistent with the condominium form of ownership and management, the form which the state and city government officials expect to be adopted.

The technical assistance team prepared comments on the proposed law which were submitted to the Chair and Vice Chair of the Social Welfare and Health Committee. The comments focus on two major issues: (1) the role of the state in management of the buildings after privatization, and (2) allocation and use of urban land. With regard to the second issue, the team suggested that Parliament carefully consider and clarify its position on transfer of tenure rights to urban land and, at least initially, the state should transfer only use rights and not full ownership of urban land.

A copy of the complete text of the proposed privatization law reviewed by the technical assistance team is appended to this report as *Annex A*. The comments and recommendations made by the team to the committee are appended as *Annex B*.

Before the team's departure, the Chair of the committee expressed appreciation for the team's comments and recommendations and stated that certain modifications to the proposed law had already been incorporated. However, it is not known at this time whether the team's suggestions will be incorporated into the final version of the law passed by Parliament.

2. CONDOMINIUM LAW AND DOCUMENTATION.

The STA prepared a proposed condominium law, a condominium foundation deed, and sample condominium bylaws. These documents were reviewed with Armenian attorneys at the state and municipal levels to assure that they understood the concepts and terminology in the documents, and to allow them to suggest modifications they felt were needed to fit the Armenian legal and operational context.

Specifically, the STA prepared, and the Armenian attorneys reviewed and approved, the following documents, copies of which are appended to this report:

(a) Condominium Decision¹ - Annex C.

In accordance with the decision of Parliament that condominium legislation should be promulgated by the state government rather than Parliament, this Decision was prepared for submission to the Executive Cabinet of the state government. Decisions promulgated by that body become law for the Republic of Armenia.

The Decision provides a legal basis for full ownership rights in individual apartments in a multi-unit building and joint ownership of the building's common areas and equipment. It also

¹ "Decision" is the accepted translation of the term used in Armenia for legislation issued by the Government of the Republic (the state government).

provides a vehicle -- the condominium association -- for management of the building and for assessment and collection of fees to support building maintenance and operations.

(b) Condominium Foundation Deed - Annex D.

A condominium Foundation Deed must be recorded in the real property registration office to establish a condominium in a privatized building. This must be done before ownership of the dwelling units and common property can be transferred legally from the state to the individual private owners.

It is intended that the form of Foundation Deed approved by the legal task force will be submitted for approval by the Executive Cabinet along with the Condominium Decision. If approved, this Foundation Deed will be used for all condominiums established in state and public housing in Armenia.

In addition to meeting the requirement in the Condominium Decision that a Foundation Deed be registered to establish a legal condominium, the Foundation Deed describes and registers the state-owned property in the district real property registration offices for the first time. While private property has been registered in Armenia, records of state-owned properties were not registered in the real property registration offices but kept in the state management enterprise offices. The Foundation Deed begins the chain of title for each state-owned property, which is necessary to establish a real estate market.

The Foundation Deed also describes and registers in the real property registration office the individual units in the condominium, each of which will have separate registration and title. This begins a chain of title for each unit. After the first transfer of title from the state to the individual owner, upon subsequent sales title will transfer from the first owner to the second owner, and so on. This is also necessary to establish a real estate market.

Finally, the Foundation Deed describes how the condominium association will be organized; provides authority and procedures by which the association will make decisions about the management and operations of the condominium; and empowers the association to adopt and enforce bylaws and other internal regulations.

(c) Condominium Bylaws - Annex E.

This is a sample set of internal operating procedures for a condominium. After the unit owners' association has been formed, each condominium will be free to adopt its own bylaws, so long as they do not conflict with the Condominium Decision or the Foundation Deed.

The STA also provided a modified version of the bylaws for use by a tenants' association, should one be formed in the demonstration building prior to conversion to condominium.

3. DEVELOPING CITY-LEVEL CAPABILITY TO ESTABLISH AND ASSIST CONDOMINIUMS.

The technical assistance team met a number of times during the mission with a working group made up of representatives of the City of Yerevan who will be involved in implementation of privatization and establishment of condominiums. During these meetings, the STA discussed the legal framework under which privatization and establishment of condominiums will take place, and briefed the city representatives on what tasks the city will have to undertake and the level of effort that might be involved in implementing them.

In addition, two afternoon seminars were presented to these persons and other members of the city staff on developing a market housing economy, privatization, and establishment and operation of condominium housing.

Several documents were provided to the city representatives. These documents had been prepared by the legal advisor in large part for similar technical assistance projects in Eastern Europe. They are in the process of being modified for use in Armenia, and when completed, they will be translated into Russian so they can be used in other NIS countries.

The documents are as follows:

(a) Condominium Operations and Management Training Manual (Table of Contents) - Annex F.

The condominium training manual is designed to be a guide for persons responsible for managing and operating condominiums.

The manual contains four sections: (1) an explanation of the legal framework of condominium ownership and management; (2) an operating handbook for condominium associations and executive committees; (3) a guide to property management (building inspections, repairs, contracting for services, and the like); and (4) a guide to financial management (preparing an association budget, bookkeeping, financial statements, and the like).

An ongoing technical assistance initiative in the City of Yerevan will entail working with the city to identify appropriate local experts (e.g., lawyer, bookkeeper, property manager) to prepare training workshops for property managers and members of condominium executive committees where the manual will be used as a textbook. (See recommendations at end of this report.)

(b) "What Is A Condominium?" - Annex G.

This document is an explanation of condominium ownership in a question and answer format, prepared to help explain condominium concepts to government staff who will be responsible for implementing the privatization process, and for establishing condominiums in

state and public housing in Yerevan. It was translated and distributed to state and city-level attorneys with whom the STA met throughout the mission, to provide them with a sufficient understanding of condominium law and terminology to enable them to evaluate the condominium law and foundation deed drafted by the STA. It was also used during the second day of the seminar for city staff, discussed in Section 3.

In addition, this material was designed to be printed in pamphlet form and made available to citizens who will be deciding whether to privatize their apartments and become owners in a condominium.

4. THE DEMONSTRATION BUILDING PROJECT.

A state-owned rental apartment house in the City of Yerevan was selected by the city to serve as a demonstration project for the privatization and condominium initiatives. The project consists of 280 units in nine attached buildings, each of which adjoins a courtyard in the rear. There are commercial premises on the grounds floor of each building (a grocery, a hairdresser, and the like).

The building is in a desirable city neighborhood, across the street from the Opera House, and is in relatively good condition.

During the technical assistance mission, an informational meeting was held for the residents of the building at which two members of the technical assistance team, Mr. Anlian and the STA, spoke.

Approximately forty residents of the building came to the meeting. Many remained after the presentation to ask questions of the speakers and city staff who attended. They seemed generally positive about privatization but had a number of concerns, primarily about the condition of the building, how the building would be managed, and who would be permitted to become owners.

Using the condominium documents and training materials prepared by the STA, the city staff will continue to work with this building as the privatization program progresses to formulate and evaluate implementation procedures and to develop its capability to assist with the establishment and operation of condominiums.

5. REAL ESTATE AND LAND USE LEGAL ASSESSMENT.

The STA prepared an inventory of real estate and land use laws that are necessary for a solid legal framework in a market economy, and reviewed it with the attorney for the Urban Research Institute, a Yerevan firm that will provide consulting services to ICMA in Armenia.

The Armenian attorney will catalog existing and proposed legislation, which will then be translated for analysis by an American real estate attorney/STA. Recommendations and assistance with drafting additional legislation will then be provided as needed.

RECOMMENDATIONS FOR FURTHER TECHNICAL ASSISTANCE

A. Republic Level - Establishment of Condominiums and Implementation of Privatization.

Privatization cannot work effectively without a legal framework that enables this form of joint ownership and operation of multifamily housing stock. Assuming the privatization law is passed in the near future, technical assistance should continue to be provided to the state government to assure the passage not only of a good condominium law, but also the bylaws and decrees establishing the procedures necessary for implementation.

This work should be coordinated with technical assistance in the area of real property title registration and transfer procedures, since the establishment of condominiums entails breaking up the state-owned apartment building stock into multiple parcels of real estate before units can be transferred to individuals.

B. City Level - Offices of Condominium Services.

When large-scale privatization begins, local governments should be prepared to provide information and assistance both to individual citizens who are prospective or new purchasers of privatized units, and to the associations of unit owners who will be responsible for managing their buildings after privatization. In addition to providing this important constituent service, a municipality must have the capacity to create a comprehensive condominium policy so that it can effectively manage the housing stock under its jurisdiction. It also must understand thoroughly the state and local legal framework applicable to commonly-owned housing, both as the law now exists and as it undergoes modification to facilitate the development, financing, and regulation of a market-based housing economy.

Many condominium-related matters, in addition to training of new owners, could be coordinated and handled very effectively out of a designated office on the local government level. The staff could administer the sale of privatized housing stock, manage the stock that remains under local government ownership, develop programs to encourage maintenance and upgrading of housing stock, and assist citizens in the intricacies of purchasing units in commonly-owned property.

Establishing such an office should be very attractive to local governments as a noncontroversial, valuable constituent service, and it will be necessary for local governments to remain involved in privatized housing if they sell under the condominium model.

Technical assistance would have three main components:

(1) providing assistance to local government in setting up an office of privatized housing services -- define functions of office, staffing needs, and location within municipality's administrative structure.

(2) training and advising local staff -- in basic principles of condominium and cooperative law and operations, developing policies and positions on legislation to foster growth of a market-based housing sector, creating systems to manage government-owned housing stock in mixed ownership buildings, loan administration, preparation of public information materials, and so forth.

(3) assisting local staff with preparation of information pamphlets and presentation of seminars and workshops -- to educate legislators, lenders, property managers, public officials, present and prospective unit owners, and other persons who must understand condominium conversion and operations to make privatization work.

(4) establishing systems to retain records of government-owned units (occupancy, sales, leases, transfers, etc.).

(5) assisting staff in preparing for and sponsoring property and financial management workshop for prospective and new unit owners and other persons, such as lenders, property managers and realtors, who may be interested in privatized condominium operations and management. The workshop would be based on the prototype workshop discussed below.

C. Training in Condominium Operations and Management.

Preparation for the workshop itself would begin with the written training materials already prepared for a USAID-sponsored pilot condominium training workshop that took place in Budapest in January 1993. These materials would be modified to assure their applicability in Armenia, and translated into Armenian.

At the same time that the materials are being revised and translated, a group of credible experts would be assembled to advise and assist with final editing of the training materials and preparation of lectures for the workshop itself. Four or five people with expertise in law, accounting, and property management would be needed to present the necessary information in a workshop format.²

² For the workshop in Hungary, local experts were retained as consultants to the AID contractor responsible for the project. They were paid a daily rate based upon their individual compensation history for the number of days provided in the budget (initially, 15 days each for 5 local consultants).

AID also paid the cost of producing the materials, including translation and reproduction, as well as the fees for technical assistance by US contractors and consultants. The costs of presenting the workshop itself (rent, refreshments, etc.) were paid by AID to extent that they exceeded the small amount charged for

The workshop initially should be presented to property managers and members of executive boards of privatized condominiums in Yerevan. The contents and format should be easily replicated throughout Armenia.

D. Mass Training Through Television and/or Videotape.

Once an initial workshop has been conducted successfully and evaluated for content and quality of presentation, arrangements could be made to televise a training session or a series of sessions on specific topics. Live broadcasting should be explored because it provides the opportunity for interchange with the audience if a call-in format can be arranged, but the problems of television broadcasting when electricity is available on a severely limited basis must be addressed.

Videotaping a live broadcast, a training workshop, or a controlled presentation without audience could be arranged. A videotape format has the advantage of allowing multiple copies to be made for loan or sale to associations. Exploration of costs and format for mass production or broadcasting can be undertaken while preparation of the initial workshop is underway.

the workshop (the equivalent of approximately \$6.50).

The budget and level of effort required for the pilot workshop in Hungary should exceed by a substantial amount what it will cost to prepare a similar workshop elsewhere, since much of the initial costs will not be required to present subsequent programs.

ANNEX A

**Government of
The Republic of Armenia**

LAW ON PRIVATIZATION OF STATE AND PUBLIC HOUSING [Proposed]

This law establishes the main principles of privatization of state and public housing stock (apartment buildings and living spaces of other buildings), regulates the legal, economic, and organizational principles of modification of property relations, and provides for effective use and maintenance of the housing stock.

CHAPTER 1 GENERAL PROVISIONS

Article 1. The housing stock is privatized to citizens voluntarily, for free, by private or collective property right.

Article 2. Citizens of the Republic of Armenia have a right to own, utilize, and manage the apartments (living spaces) allotted to them, by private or collective property right, in accordance with laws of the Republic of Armenia.

Article 3. The beneficiaries of privatization are citizens who are registered in the living spaces, who are permanent residents of Armenia.

Article 4. Objects of privatization are: state housing (under the control of Local Councils, ministries, and departments of the state) and public housing (under the control of former agricultural farms, other cooperative organizations, trade unions, and other public organizations); and the apartment houses completely, including adjacent structures and common spaces.

Article 5. The owner of a dwelling house can be a group of owners of the apartments, or one of the owners by agreement of all of the owners of the apartments.

The privatization process, relations among owners and between owners and tenants, and the rights and duties of owners are to be regulated by this law and by bylaws or decisions promulgated by the state government.

Article 6. The following are subject to privatization:

- (a) individual apartments, including rooms of apartments with two or more tenants;

(b) newly constructed apartments (living spaces) which have tenants, and apartments subject to reconstruction or capital repair by existing order;

(c) apartments in buildings of historical or cultural significance, if permitted by the Monument Protection organization; and

(d) structures adjacent to the building and the common space (yards, stairs, entrances, roof, etc.), as a collective property.

Article 7. Privatized dwelling houses (apartment buildings) are subject to mandatory insurance available through state insurance bodies.

Article 8. The following are not subject to privatization:

(a) apartments of buildings located in military settlements;

(b) unsafe apartment houses that are subject to demolition, unless their occupants agree to privatize;

(c) living spaces of hostels [*communal dwellings with shared kitchen and bath*]; and

(d) dwelling units in workplaces (factories).

The enterprise, institution, or organization controlling the housing may apply to the body carrying out privatization for the transfer of property rights in the living spaces of workplaces and hostels to the employees who occupy them.

Article 9. Each citizen may acquire only one apartment by privatization.

CHAPTER 2 HOUSING STOCK PRIVATIZATION ORDER

Article 10. Privatization will be carried out in accordance with this Law and decisions of the Executive Committee of the People's Deputy Local Councils, for:

(a) housing stock at the disposal of the People's Deputy Local Councils, and

(b) departmental and public housing stock located in the territory of the People's Deputy Local Councils, in accordance with decisions of departments, enterprises, and organizations.

Article 11. Privatization of state and public housing stock apartment houses will be carried out based on application of the tenant of a given apartment, if there is a written agreement of the

family members of age living together, addressed to the corresponding Executive Committee of the People's Deputy Local Council or department, enterprise, or organization.

Privatization is to be completed not later than one month after an application is presented.

Article 12. Privatization of a state apartment is registered in the name of the tenant or jointly in the name of all family members, with the share of each member to be noted.

Article 13. Communal apartments are privatized based on the application of all tenants, if there is agreement among all members of the family who are of age.

Common space in communal apartments is registered as collective property.

Article 14. The state government will determine a fee to be charged for implementing privatization.

Article 15. Privatized apartments, as real estate, are subject to taxation in accordance with legislation established by the Republic of Armenia.

Article 16. Funds received from taxation and administrative fees shall go to:

(a) budgets of the corresponding Local Councils, and

(b) accounts of rural and settlement Councils, other cooperative organizations, trade unions, and other public organizations if the public housing stock is privatized.

These funds may be used only for financing of housing.

Article 17. Refusal to privatize may be appealed to a court.

Article 18. Improvement of problems in apartment conditions of citizens living in privatized housing is regulated by legislation of the Republic of Armenia.

Article 19. The People's Local Councils, enterprises, associations, and organizations may buy an apartment from a citizen with his/her agreement.

Article 20. Citizens leaving Armenia to live abroad permanently preserve property rights to their apartments. Maintenance and repair of the apartment is determined by contract signed with the Executive Committee of the Local Council.

Article 21. Citizens who need an improvement in living conditions have a right to a permanent loan on favorable terms for constructing an apartment. The amount and terms of the loan will be determined by the state government.

Article 22. State enterprises, associations, and organizations must partially or completely liquidate the loan or its interest allocated to construction of their employees' apartments.

Article 23. Privatized apartment houses and living spaces are removed from the state and public housing stock and included in private housing stock.

Article 24. Owners of apartment houses, by private property right, are given technical passports and house registration in accordance with existing regulation of the state government.

CHAPTER 3 UTILIZATION AND SERVICE OF PRIVATIZED APARTMENTS

Article 25. Utilization, repair, and service of privatized apartment buildings shall be at the expense of the owners, preserving service, repair, and utilization norms and rules established for the housing stock by the state government.

Owners are to create suitable associations, companies or other organizations for the service and repair of the buildings.

Article 26. The State Apartment Utilization and Repair Organizations (ZSHEKs), in accordance with a contract signed with the association of the owners, must provide service and repairs to privatized buildings in accordance with the order of the state government.

Article 27. The association of owners will determine the maintenance organization of the building, e.g., by ZSHEKs, cooperatives, private firms.

Article 28. In completely or partially privatized buildings, the association of owners and the corresponding government body will enter into an agreement to define:

(a) the borders of the surrounding land to be passed to the disposal of the association representing the owners;

(b) the scope of responsibilities of the association toward the surrounding land;
and

(c) the service norms of the surrounding land, including the duties of the respective parties.

Article 29. Technical control of privatized housing will be carried out by the local authorities, in accordance with the order established by law of the Republic of Armenia.

External alterations of an apartment house may be carried out only with agreement of corresponding specialized services.

Article 30. Utilization of common spaces (of non-dwellings and engineering structures) is established by the state government.

Article 31. The owner of each apartment is responsible for fire protection, architectural, sanitary, seismic, technical, and other requirements of the space for common use.

Article 32. Violations of technical and engineering equipment regulations in privatized dwellings and buildings results in liability in accordance with law of the Republic of Armenia.

ANNEX B

TO: Bagrat Asatryan, Chair
Hranoush Hakopyan, Vice Chair
Social Welfare and Health Committee
Parliament of the Republic of Armenia

FROM: Peter B. Epstein, Steven J. Anlian,
and Carol S. Rabenhorst - USAID/ICMA

DATE: March 29, 1993

COMMENTS AND RECOMMENDATIONS ON PROPOSED HOUSING PRIVATIZATION LAW

We enjoyed meeting with you, and learning of the considerable thought and effort which has gone into preparing the proposed law on housing privatization.

This memorandum contains some comments on this proposed law which we hope will be of help to your committee. We understand that the proposed law is still being revised, so some of our comments may no longer be relevant. We also regret any confusion we may have as a result of inaccuracies in the translation available to us.

Mr. Epstein and Ms. Rabenhorst will be in Yerevan through March 31. We would be happy to meet with you again to discuss these comments, or any other matters with which we could assist you. Please feel free to contact us by calling our advisor in Yerevan, Steve Anlian, at 52-56-93.

Our comments are divided into two parts: first, comments on basic concepts; and second, comments of a more specific nature.

A. BASIC COMMENTS

1. Is the Land Around and Under Buildings Being Privatized or Just the Right To Use the Land For Housing?

Chapter 1, Article 6(d) includes the "yard" adjacent to a building as subject to privatization.

It is not clear to us whether your intent is:

- to give owners in privatized buildings the right only to use the land on which the buildings sit and the surrounding yards for purposes connected with the apartment house; or
- to give owners in privatized buildings full ownership of the land itself.

If the latter is correct, would owners have full rights to realize all economic benefits from the land? Could they redevelop the land for a more profitable use, such as an office building or a much larger apartment building?

The law should more clearly express Parliament's intent. If you do not intend to privatize the land, then the law should clearly state that only the right to use the land in connection with the existing building is being granted. If you do intend to give full ownership rights to the land, then the law should clearly say this.

We understand that the government intends to address urban land privatization in other legislation. With this in mind, we advise you to limit privatization under this law to the existing housing structures, along with a right to continued use of the land. A separate law should address urban land privatization, and deal with this potentially very valuable resource of the state in a carefully considered manner.

2. Will the Proposed Law Create A Clear Incentive To Privatize Housing?

For several years, tenants have been able to privatize their apartments for a small payment. However, we have been informed that as of the end of 1992, only about 20,000 apartments had been privatized in the entire country. We wonder whether allowing tenants to privatize for free will be enough of an incentive to speed up the process.

To create a clear incentive to privatize, we would suggest:

- that the law declare the government's intent to raise housing rents and maintenance fees for all state and public housing, eventually to full market rates. This declaration could be softened somewhat by adding that the intent is to achieve this increase in phases over a period of time, and will take into consideration overall progress in improving economic conditions and the ability of households to pay higher rents.¹

¹ We are enclosing a copy of a report entitled "Implementing Housing Allowances." The housing allowance is a concept for continuing to provide government housing subsidies in a way that is fair, that should help gain political acceptance for increasing rents and maintenance fees, and that assists private housing markets begin to allocate housing more efficiently.

Simply stated, under the housing allowance, the subsidy goes directly to the housing occupant based on his income. Those with the highest incomes receive no subsidy; others receive a partial subsidy; [Footnote continued on next page.]

- that a specific time limit, such as one year from issuance of the law, be placed on applications for free privatization. Toward the end of the year, Parliament could extend the deadline if it appears that inadequate time has been allowed.

3. After a Building is Privatized, What Is the Government's Role In Decisions About Building Maintenance, Alteration, and Improvement?

Articles 18, 20, 25, and 29 contain provisions regarding state government regulation of the condition, maintenance, and repair of the privatized housing stock.

Typically, in market economies the role of the government in regulating the condition, maintenance, and repair of privately owned apartment buildings is quite limited. Owners are free to establish standards of maintenance and to decide whether to make alterations or improvements in their buildings.

For example: Owners of one building may decide to have the common areas cleaned every day; others of another building may clean only once a week. Over time, people who want to buy an apartment would be able to choose between buildings that provide a high level of service but also have higher fees, and buildings that provide a lower level of service and charge lower fees.

Government would intervene only if basic health and safety standards were not being met.

Zoning ordinances often contain restrictions on the use of residential buildings. For example, they may say that a resident cannot operate certain types of businesses from his/her house or apartment, or may do so only with express permission from the government.

We suggest that the language of the privatization law should make clear that the owners will have control over their property with respect to maintenance, operation, alteration, and use, provided they comply with any government safety and health regulations or zoning restrictions.

the poorest would receive full subsidy for housing. After a year of study, the City of Moscow has begun implementation of a housing allowance program.

The committee should be aware of this concept, if it is not already, and should consider supporting it through future legislation as part of an overall housing reform program.

B. SPECIFIC COMMENTS

1. Article 11. This article requires a written agreement of all adult family members in an apartment for the registered tenant to privatize. Article 12 says the private apartment becomes the joint property of all family members. The meaning is not clear.

Do you mean to say that family members on the waiting list for new housing (for example, a young husband and wife living with the parents of the husband), can decide whether to become common owners of the apartment they now occupy, or to remain on the waiting list for their own housing? If the adult children wish to remain on the waiting list, the parents should not have to get their consent to be able to apply to privatize their apartment.

2. Article 16. The requirement that revenues from real estate taxation be used only for housing by Local Councils should be reconsidered. Eventually, real estate taxation may be the source of a very substantial part of the revenue available to local governments, as it is in Western countries. It would be a mistake to tie the hands of local government in terms of using this revenue only for housing, when other needs may be greater.

3. Article 20. Privatized housing belonging to Armenians living abroad should not be maintained and serviced by the state government. The owner should be responsible for servicing and maintaining his/her apartment.

4. Article 31. The party responsible for maintaining safety standards in the common property should be the association of owners, not the individual owners.

ANNEX C

**Government of
The Republic of Armenia**

CONDOMINIUM DECISION

On the basis of the Law on Property, adopted 31.10.90, and the Law on Privatization of State and Public Housing, adopted --.---.93, the Government of the Republic of Armenia

DECIDED:

CHAPTER 1 GENERAL PROVISIONS

Article 1: Purposes. The purposes of this Decision are: to describe the legal status of condominium property; to legalize the right of ownership of a unit in a condominium property; to provide for the implementation of co-ownership and management of condominium property; and to facilitate private ownership of housing and market-based housing reform.

Article 2: Applicability. This Decision may be applied to all multi-unit apartment buildings within the Republic of Armenia, whether existing on the effective date of this Decision or constructed thereafter. In those buildings which become condominiums, operation and management of condominium property shall be in conformity with this Decision.

Article 3: Relationship To Other Laws and Decisions. No zoning or land use plan, building code, or other real property law, ordinance, or regulation may prohibit the condominium form of ownership or impose any requirement upon a condominium not imposed upon a physically similar property under a different form of ownership.

Article 4: Definitions. Unless otherwise specifically provided or the context otherwise requires, in this Decision:

(a) "Allocated interests" means the indivisible ownership interest in the common property, the common expense liability, and the voting power in the association which are allocated to each unit. Interests will be allocated to each unit on the basis of the ratio of the number of square meters in the unit to the total number of square meters in all of the individual units.

(b) "Association" means the organization of owners of all units in a condominium building.

(c) "Common expenses" means expenditures or financial liabilities of the association in relation to the common property.

(d) "Common expense liability" means the liability for common expenses allocated to each unit.

(e) "Common property" means all portions of a condominium property other than the units. Common property is indivisibly and jointly owned by the owners of individual units in accordance with their allocated interests. Common property includes all parts of the property not intended for individual use, such as: the land and grounds under and surrounding the building, the foundations, supporting walls, roof, terraces, stairways, hallways, lifts, pathways, cellars, wells, and water reservoirs. Common property also includes parts of the building for common use which have been installed or fixed during the construction of the building or which have been set up later by the owners, such as: sewerage channels, discharging columns, chimneys, electrical systems, waterworks, and gas or heating systems that may pass through the common property to distribution points in the individual units.

(f) "Condominium" means real property, portions of which are designated as individual units for separate ownership, and the remainder of which is designated as common property for joint ownership by the owners of the units. Real property is not a condominium unless the undivided interests in the common property are vested in the owners of the units and may not be separated from the owners' interests in the units.

(g) "Foundation deed" means the instrument which, upon registration in the real property registration office, creates a condominium, and which is a binding agreement between the founder and the unit owners and among the unit owners in the condominium.

(h) "Founder" means any legal entity, including the state, local government, business enterprise, person, or group of persons acting together, by or on behalf of which a foundation deed is registered, and which offers to sell, convey, or otherwise transfer units within a condominium to individual ownership.

(i) "Unit" means a portion of a condominium designated for individual ownership, which together with an undivided proportionate share of the common property, constitutes a separate parcel of real property. Except as otherwise provided in this Decision or in the foundation deed, ownership rights in a condominium unit are to be treated on the same basis as the rights of ownership of other real property.

(j) "Unit owner" means one or more persons who own a condominium unit.

CHAPTER 2
CREATION OF A CONDOMINIUM; FOUNDATION DEED

Article 5: Registration.

A. A condominium is created by registration of a foundation deed in the real property registration office in the jurisdiction where the condominium is located, in accordance with applicable laws and regulations regarding registration of interests in real property.

B. At the time a condominium is registered in the real property registration office, each individual unit together with its allocated share of the common property shall be separately registered and shall constitute a separate parcel of real property. As ownership of each unit is transferred from the founder to an individual owner and for each transfer of ownership of the unit thereafter, the date of the transfer and the name of the individual owner, together with any other information required for registration of real property in the real property registration office, shall be registered in the real property registration office for that unit.

Article 6: Foundation Deed. A foundation deed must contain:

(a) a description of the property comprising the condominium, including the land and the building structure, that is legally sufficient for registration in the real property registration office;

(b) plans or drawings sufficient to identify, by location and floor area, each individual unit within the building structure;

(c) the allocated interests appurtenant to each unit, expressed as a percentage or proportionate share of the total allocated interests in the condominium;

(d) a description of the common property; and

(e) procedures for forming and operating an association of unit owners.

Article 7: Allocated Interests. The foundation deed must allocate to each unit a fraction or percentage of undivided interest in the common property, liability for common expenses, and voting power in the association, and state the formula used to establish the allocations. The allocations may not discriminate in favor of units owned or controlled by the founder.

Article 8: Co-Ownership of Units. In units with more than one owner, co-ownership relations among owners shall be regulated in accordance with the provisions of the Law on Property, the Law on Privatization of State and Public Housing, this Decision, and the foundation deed.

Article 9: Addition or Withdrawal of Units. If units may be added to or withdrawn from the condominium, the foundation deed must state the formula to be used to recalculate the allocated interests among all units included in the condominium after the addition or withdrawal.

Article 10: Sum of Allocated Interests. The sum of the allocated interests of all the units must equal one (1) if the allocated interests are stated as fractions or one hundred percent (100%) if the allocated interests are stated as percentages.

Article 11: Amendment of Foundation Deed. Agreement of all unit owners is necessary to amend or modify the foundation deed. Any amendment or modification must be registered in the real property registration office.

CHAPTER 3 RIGHTS AND RESPONSIBILITIES OF UNIT OWNERS

Article 12: General Rights of Ownership. The owner of a unit has the right to occupy, sell, rent, bequeath, mortgage, or otherwise use his/her unit in accordance with the norms of ownership and the general provisions of the Civil Code and other laws concerning the use and transfer of privately owned real property, except that the unit and its allocated interest in the common property cannot be sold or otherwise transferred separately.

Article 13: Rights and Responsibility of Founder As Unit Owner. So long as some units are not sold or remain under the ownership or control of the founder, the founder shall remain the owner of an interest in the common property to the extent of the interests allocated to the unsold units, and shall contribute to common expenses in accordance with such allocated interests.

Article 14: Obligations of Tenants of Owners. A tenant of a unit owner may not participate in the management of the condominium or the decision-making of the association, but must comply with rules adopted by the association insofar as such rules are applicable to all occupants of condominium property.

CHAPTER 4 MAINTENANCE, REPAIR, AND IMPROVEMENT OF THE PROPERTY

Article 15: Maintenance of Individual Units; Access to Units.

A. The owner of a unit is obligated to maintain his/her unit in good repair at his/her own expense. In maintaining the unit, no owner may infringe upon, damage, or endanger the common property or the property of any other owner.

B. Upon 5 days' notice, an owner is obligated to admit a representative of the association or management to his/her unit when it is necessary to inspect, repair, or replace elements of the common property that may conveniently be reached only from the unit, except for urgent cases, when no such notice is required.

Article 16: Management, Maintenance, and Repair of Common Property. Ordinary management, maintenance, and repair of the common property is the responsibility of the association, and the expenses incurred in performing these responsibilities shall be common

expenses. The association may hire other persons or enter into contracts for the performance of these services.

Article 17: Renovation and Improvement of Common Property. Ordinary improvements to the comfort and efficiency of the condominium property may be undertaken by the association upon approval by a majority of the voting interests. Major equipment such as hot water boilers, central heating, water reservoirs, lifts, or other improvements of similar magnitude may be undertaken by the association only with the approval of at least seventy five percent (75%) of the voting interests.

Article 18: Alterations to Units by Unit Owners. A unit owner may make any improvement or alteration to his/her unit that does not impair the structural integrity of the building or any other individuals unit. A unit owner may not change the appearance of the common property without first receiving the permission of the association.

Article 19: Altering Boundaries Between Units and Common Property. The boundaries between adjoining units may be relocated by agreement of the owners of the affected units and upon approval by the association. The boundaries between individual units and the common property may be changed only upon amendment of the foundation deed with the unanimous consent of the owners.

Article 20: Damage to Common Property or Other Units. If the owner of a unit or any person acting on behalf of the owner causes damage to any part of the common property or any other unit, the owner of the unit must repair the damage or pay the costs of repair.

Article 21: Insurance.

A. Each unit owner shall be responsible for insuring his/her own property.

B. The association shall insure the common property against risks of physical loss and damage, and shall insure the association against liability, to the extent such insurance is reasonably available.

CHAPTER 5 ASSOCIATION OF UNIT OWNERS

Article 22: Formation of Association. An association of unit owners shall be formed and an organizational meeting of the association convened by the founder within sixty (60) days of the date when at least one third (33-1/3%) of the allocated interests in the condominium have been transferred by the founder to individual ownership. The membership of the association shall consist of the owners of all units, including the founder so long as the founder continues to own or control one or more units in the condominium.

Article 23: Meetings of Association; Notice. After the first organizational meeting, a meeting of the association must be held at least once each year. Special meetings of the association may be called at any time by the Executive Committee or by unit owners representing at least twenty percent (20%) of the allocated interests. All owners must be provided with notice of any meeting of the association at least ten (10) days before the date of the meeting.

Article 24: Quorum. An association meeting may be convened and decisions made if at least two-thirds (66-2/3%) of the voting interests are present, in person or by proxy. If a quorum is not present, the meeting may be adjourned and reconvened. At the reconvened meeting, decisions may be made regardless of the share of voting interests present.

Article 25: Voting. Unless otherwise provided by this Decision or the foundation deed, decisions of the association shall be made upon the vote of a majority of the allocated interests. The votes allocated to each unit cannot be divided. Votes may be cast by proxy so long as the proxy is in writing and signed by the owner on whose behalf the votes are to be cast. In case of a tie vote, the vote of the chairman is decisive.

Article 26: Powers of the Association. In accordance with provisions of this Decision and the foundation deed, the association has the power to:

- (a) adopt and amend budgets for revenues, expenditures, and reserves;
- (b) collect regular and special assessments for common expenses from unit owners;
- (c) hire and discharge a property manager or other employees or personnel to manage and operate the condominium;
- (d) initiate or defend in legal actions in its own name on behalf of itself or the unit owners on matters relating to the condominium;
- (e) make contracts and incur liabilities on behalf of itself or the unit owners in matters relating to the condominium;
- (f) regulate the use, maintenance, repair, replacement, and modification of the common property;
- (g) maintain, to the extent reasonably available, insurance on the common property of the condominium against risks of loss or liability;
- (h) impose charges for late payment of assessments;
- (i) adopt and amend bylaws and rules and regulations; and

(j) exercise other powers conferred by the foundation deed or by affirmative vote of the unit owners.

Article 27: Borrowing By the Association.

A. The association may enter into agreements to borrow money for repairs or improvements to the common property or for operating costs of the condominium with the approval of a majority of the voting interests of the association. Such borrowing may be secured with the future cash flow of the association, including the association's right to receive payments for common expenses.

B. To place a mortgage or otherwise secure a loan with the real property of the condominium, the association must obtain the unanimous consent of the owners. Each unit owner is free to mortgage his/her individual unit and allocated interest in the common property without the consent of the association or the other owners.

Article 28: Minority Rights. If a decision of the association is contrary to law or the foundation deed, or leads to considerable grievance of the interests of a minority of the unit owners, any owner may commence a legal action to challenge the validity of the decision within sixty (60) days of when it is made. Such legal action shall not interfere with the execution of the decision by the association unless the court determines that the execution of the decision should be suspended.

**CHAPTER 6
EXECUTIVE COMMITTEE**

Article 29: Election of Executive Committee. At the organizational meeting of the association, the unit owners shall elect an executive committee composed of unit owners, and shall determine the number of members of the executive committee and the length of the term for which they shall serve. The candidate who receives the highest number of votes shall be chairman.

Article 30: Authority of Executive Committee. Except for powers exclusively reserved to unit owners in this Decision or the foundation deed, the executive committee may act on behalf of the association in managing and operating the condominium. The executive committee may hire personnel or appoint other persons as it deems necessary for carrying out its responsibilities.

Article 31: Authority of the Chairman of Executive Committee. The chairman of the executive committee may represent the association in executing contracts and otherwise assuming obligations on behalf of the association, and may represent the association in legal actions, including those brought by the association against an owner who has failed to fulfill obligations to the association or by an owner to challenge a decision made by the association, or in legal actions brought by or against other persons.

**CHAPTER 7
COMMON EXPENSES; COLLECTION OF ASSESSMENTS**

Article 32: Annual Budget for Common Expenses; Fiscal Year.

A. The fiscal year of the association shall be determined by the association at the organizational meeting.

B. Prior to the beginning of the next fiscal year and for each fiscal year thereafter, the executive committee shall cause to be prepared and presented to the unit owners an annual budget sufficient to cover the anticipated expenses of maintaining and operating the common property and, if the establishment of a reserve account for replacement and improvement of the common property is approved by the unit owners, an amount needed to fund such an account. The annual budget shall be subject to approval by a majority of the allocated voting interests at a meeting of the association.

Article 33: Obligation to Pay Common Expenses. All unit owners are required to pay in advance their allocated portion of the annual budgeted common expenses. Such payments may be made on a monthly basis at the beginning of each month of the fiscal year for which the common expenses have been budgeted.

Article 34: Special Assessments for Common Expenses. Upon the affirmative vote of two thirds (66-2/3 percent) of the ownership interests, a special assessment in excess of the budgeted common expenses may be levied upon the unit owners to meet unanticipated and necessary expenses. Such special assessments shall be paid in accordance with terms adopted by the association at the time the special assessment is levied.

Article 35: Delinquency in Payment of Common Expenses.

A. The association may impose interest in an amount up to the highest rate allowable by law against any owner who is delinquent in payment of common expenses, including special assessments, for more than thirty (30) days after any such payment is due.

B. The association has the right to bring a legal action against any owner who is delinquent in payment of common expenses, including special assessments, for more than ninety (90) days after any such payment is due.

C. A judgment in favor of the association for sums due from any owner may be enforced in any manner permissible under the Civil Code or other laws for collection of debts.

**CHAPTER 8
MISCELLANEOUS**

Article 36: Termination of the Condominium.

A. Except in the case of a taking of the entire condominium property by eminent domain, a condominium may be terminated and the property liquidated only by agreement of at least eighty percent (80%) of the voting interests, unless the foundation deed provides otherwise. Proceeds from a taking or termination and liquidation of the assets of the condominium shall be distributed to the owners in accordance with their allocated interests.

B. Termination of the condominium shall be reported to the real property registration office.

Article 37: Implementation; Bylaws. The Executive Committee of the Government of Armenia shall issue bylaws for the implementation of this Decision.

Article 38: Effective Date. This Decision shall come into effect thirty (30) days after being issued.

BY: _____
Title:

Yerevan, Armenia
Dated: --.--.93

ANNEX D

CONDOMINIUM FOUNDATION DEED

(Declaration Establishing A Plan For Condominium Ownership)

**CHAPTER 1
SUBMISSION OF PROPERTY**

Article 1. The Municipality of Yerevan (the "Founder") hereby submits certain real property located at _____ [street and number], in the City of Yerevan, for condominium ownership ("the Property"). The Property is registered in the Real Property Registration Office of District _____ under Plot Registration No. _____. There has been constructed upon the Property a building consisting of a number of individual residential apartments and commercial premises (the "Units"), together with certain common areas and facilities that are not part of any residential apartment or commercial premises (the "Common Property").

Article 2. Founder submits the Property to create a plan of condominium ownership of the Property, in accordance with Government Decree No. ____, dated ---.---.93. Each of the individual Units shall be conveyed in freehold ownership. The Common Property shall be jointly owned by the owners of the Units in accordance with each Unit's proportionate ownership interest in the Property. The proportionate ownership interest shall be the same as the percentage share given for each Unit in Article 3, below.

Article 3. Listed below are each of the Units in the Property and, for each Unit, the number of square meters of floor space and that Unit's percentage share of the total number of square meters of floor space of all of the Units combined.

UNIT NUMBER	SQUARE METERS	PERCENTAGE SHARE/ OWNERSHIP INTEREST
--------------------	----------------------	---

CHAPTER 2 REGISTRATION OF CONDOMINIUM

Article 4. To establish the Condominium, this Foundation Deed, together with a description of each of the Units in the Condominium, shall be registered in the Real Property Registration Office under the denomination "Condominium," as part of the real estate registration under Plot Registration No. _____.

Article 5. A separate registration sheet shall be opened for each of the Units subject to private ownership, as Condominium No. _____, Unit Nos. ____ through _____. The description of each Unit shall include the number, floor and door designations, and the number of square meters, the number of rooms and any other premises that are part of the Unit, and the Unit's percentage share or ownership interest. As each Unit is transferred from the Founder and upon each resale thereafter, the name of each owner of each Unit shall be listed on the separate registration sheet for that Unit.

CHAPTER 3 PLAN OF OWNERSHIP

Article 6. Each Unit consists of the spaces or areas contained within the perimeter walls of the Unit. The walls and partitions contained within a Unit, and the inner decorated or finished surfaces of the perimeter walls, floors and ceilings, shall be deemed to be part of the Unit in which they are contained.

Article 7. Ownership of each Unit shall include ownership of an appurtenant undivided interest in the Common Property, in the proportionate share given for that Unit in Article 3. The Common Property shall include all parts of the building and property of the Condominium that are not part of or within a Unit, including but not limited to the land, roof, main walls, slabs, elevator, elevator shaft, corridors, staircases, lobbies, halls, attics, cellars, parking spaces, storage spaces, community facilities, heat and hot water equipment, trees, pavement, balconies, pipes, wires, conduits, air conditioners and ducts and public utility lines.

Article 8. The outer surfaces of the perimeter walls, floors, and ceilings surrounding the respective Units, and any pipes, wires, conduits, or other utility lines running through the respective Units that are utilized for or serve more than one Unit, shall be deemed to be Common Property and not part of any Unit.

Article 9. Each Unit, together with its appurtenant undivided interest in the Common Property, shall constitute an individual parcel of real estate, and shall form a unity which may only be alienated together. Subject only to that limitation and the laws and regulations applicable to all individually owned real property, each Unit may be sold or otherwise freely disposed of by its owner. Each owner may possess and use its individual property, whether for residential or non-residential purposes, in any manner not inconsistent with law or with this Foundation Deed.

CHAPTER 4
ADMINISTRATION OF THE CONDOMINIUM

Article 10. Upon becoming an owner of a Unit, each owner automatically shall become a member of the Unit Owners' Association (the "Association") of the Condominium, and shall remain a member of the Association until such time as ownership ceases.

Article 11. All agreements and decisions made by the Association in accordance with the voting percentages established by law and in this Foundation Deed, shall be deemed to be binding on all owners of Units.

Article 12. At the first General Assembly held after the establishment of the Condominium, the owners shall elect an Executive Committee which shall be authorized to act on behalf of the owners in the operation and management of the Condominium, except for matters for which a vote of the owners is deemed to be necessary by law or by this Foundation Deed. Decisions that require a vote of the owners shall be made at a General Assembly of the owners.

Article 13. The Executive Committee shall meet periodically but not less than four times during a calendar year. The number of members and length of the term of office of the members of the Executive Committee shall be determined by the owners at the first General Assembly after the establishment of the Condominium. The person who receives the highest number of votes in an election of the Executive Committee shall serve as the chairman and presiding officer of the Executive Committee and the Association.

Article 14. The unit owners may elect an Account Auditing Committee to review the accounts of the Association and advise the Executive Committee on the financial affairs of the Association. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Association.

Article 15. A General Assembly shall be convened at least once each year. The chairman of the Executive Committee may convene a special General Assembly whenever it is deemed to be necessary, or upon the request of any owner. The chairman of the Executive Committee must convene a General Assembly within 21 days of receiving a request from the owners of 20% or more of the ownership interests.

Article 16. Notice of the convening of a General Assembly shall be given in writing, delivered in person or by first class mail, at least 10 days before the date of the meeting. Such notice must include the date, time, and place of the General Assembly, and an agenda of matters to be considered there.

Article 17. To convene a General Assembly, a quorum of at least 2/3 of the ownership interests must be present in person or by proxy. If there is no quorum, the General Assembly may be adjourned and reconvened at any time thereafter. At the reconvened General Assembly, the

owners may decide the matters included on the agenda of the first scheduled meeting, regardless of whether or not a quorum of 2/3 is present.

Article 18. Decisions of the General Assembly shall be made by majority vote, that is, the vote of more than 50% of the ownership interests that are present and voting at the General Assembly, except where a higher number is required by law or this Foundation Deed. In case of a tie vote, the vote of the presiding officer shall be decisive.

Article 19. A unanimous vote of the ownership interests must be had for the following decisions: (a) modification of the Foundation Deed; (b) dissolution of the Condominium and liquidation of the entire Condominium property; (c) pledging the entire Condominium property as security for a loan or mortgage.

Article 20. Each Unit shall be allocated a number of votes in accordance with its proportionate ownership interest as given in Article 3. The votes appertaining to any Unit cannot be divided. For any Unit for which there is more than one owner, if only one co-owner is present at a General Assembly that person shall be entitled to cast the votes. If more than one co-owner is present, the votes shall be cast only in accordance with the unanimous agreement of the co-owners, which consent shall be presumed to have been given if any one of the co-owners purports to cast the votes without protest being made to the presiding officer by any other co-owner.

Article 21. Votes may be cast by proxy presented to the presiding officer of the General Assembly prior to the commencement of the meeting. A proxy must be in writing and dated, and must be executed by or on behalf of all co-owners of the Unit for which the votes are to be cast. A proxy shall be revocable only upon actual notice to the presiding officer of the General Assembly, and shall terminate automatically upon the adjournment of the first General Assembly held on or after the date of the proxy.

Article 22. Decisions and minutes of the General Assembly must be put in writing and kept among the records of the Association. The minutes of the previous General Assembly must be approved at the next General Assembly.

CHAPTER 5 CONTRIBUTION TO COMMON EXPENSES

Article 23. The Association shall be responsible for operating and managing the Condominium and for maintaining, repairing, renovating, or improving the Common Property, the costs of which shall be deemed to be Common Expenses. The owners shall be liable to pay to the Association their share of the Common Expenses, in accordance with their proportionate ownership interest as given in Article 3.

Article 24. The amount of the assessment for Common Expenses shall be determined in an annual budget to be adopted by the owners at a General Assembly prior to the beginning of each

fiscal year. The Executive Committee shall prepare a proposed budget and submit it to the owners at the same time that notice of the General Assembly is given.

Article 25. In the event that the assessment is inadequate because of unanticipated Common Expenses, a special assessment may be made upon the approval of 2/3 of the ownership interests at a General Assembly. A special assessment shall be paid by the owners in accordance with their respective proportionate ownership interests, on such other terms as approved by vote of the owners.

Article 26. A renovation fund may be established, the amount of which shall be determined as part of the budget to be adopted by the General Assembly. All owners shall contribute to the renovation fund as a portion of their regular condominium assessment, in proportion to their ownership interest.

Article 27. No owner of any Unit shall be exempt from liability for contribution toward the Common Expenses by waiver of the right to use and enjoyment of any of the Common Property or facilities or by the abandonment of the Unit or otherwise.

CHAPTER 6 DEFAULT IN PAYMENT OF ASSESSMENTS

Article 28. Nonpayment of any regular or special assessment or portion thereof by any owner for more than 30 days after any such payment is due shall constitute a default. Interest in an amount to be set from time to time by the Executive Committee but not higher than the highest legal rate shall be charged and payable to the Association by the defaulting owner for any assessment in default.

Article 29. Suit to recover a money judgment for assessments in default and interest due thereon shall be maintainable by the Association against the owner(s) of a Unit for which any assessment is in default for more than 90 days.

CHAPTER 7 RESTRICTIONS ON USE; CONSTRUCTION

Article 30. Each owner is entitled to use the Common Property within the Condominium, subject to any restrictions in the law or regulations of the authorities, this Foundation Deed, or any Bylaws or Rules and Regulations of the Association, but no owner may exercise the right to use the Common Property in such a manner as to harm the rights or interests of any other owner.

Article 31. An owner of a commercial Unit is entitled to use such Unit subject to any restrictions in the law or regulations of the authorities, this Foundation Deed, or any Bylaws or Rules and Regulations of the Association, but no owner may use a commercial Unit in such a manner as to harm the rights or interests of any other owner.

Article 32. An owner of a residential Unit is entitled to use such Unit as a dwelling for the owner, his/her family, tenants or guests. An owner of a residential Unit shall have the right to lease the Unit provided the tenant agrees that its use of the premises will be subject to the restrictions in this Foundation Deed or any Bylaws or Rules and Regulations of the Association.

Article 33. The owner of a Unit is responsible for maintaining the Unit in good repair and is liable for any damage caused by failure to do so. The owner of a Unit may perform construction in or renovation of the Unit so long as such work is performed solely at the expense and risk of the owner, and in accordance with any requirements of the municipal authorities and with this Foundation Deed and any Bylaws or Rules and Regulations of the Association.

Article 34. Ordinary maintenance or repairs of the Common Property shall be performed upon the determination of the Executive Committee or the owners at a General Assembly that such maintenance or repairs are necessary for the upkeep of the Property. Ordinary improvements in the comfort and efficiency of the Property may be undertaken upon a majority vote of the ownership interests at a General Assembly. Installation of major equipment or other improvements of similar magnitude may be undertaken upon a vote of 75% of the ownership interests at a General Assembly.

Article 35. Representatives of the Condominium shall be permitted to enter a Unit, after giving at least 15 days' notice to the owner, to make repairs, perform maintenance, renovate or replace Common Property within the Unit. If the need for access to a Unit is urgent, no such notice shall be required.

CHAPTER 8 ENFORCEMENT; BYLAWS; RULES AND REGULATIONS

Article 36. Administration of the Condominium shall be in accordance with the provisions of this Foundation Deed and any Bylaws or Rules and Regulations of the Association which shall be adopted by vote of the owners at a General Assembly.

Article 37. Each owner, tenant, or occupant of a Unit shall comply with the provisions of this Foundation Deed and any Bylaws or Rules and Regulations of the Association, and with duly adopted decisions and resolutions of the Association. Failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action brought in the name of the Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other occupant of the Unit is in violation, the Association may bring an action against the tenant or other occupant, or the owner of applicable Unit, or both, at the Association's option.

Article 38. If a decision of the General Assembly or the Association or its representatives is contrary to law or this Foundation Deed, or leads to considerable grievance of the interests of a minority of the owners, any owner may commence a legal action against the Association for invalidation of the decision within 60 days of when it is made. The legal action does not suspend

the execution of the action unless the court determines that such suspension is reasonable. The chairman of the Executive Committee shall represent the Association in actions commenced against it by an owner.

CHAPTER 9 REVOCATION OR AMENDMENT

Article 39. This Foundation Deed may be revoked or amended only upon unanimous agreement of the Unit owners.

ANNEX E

MODEL BYLAWS

BYLAWS OF _____ CONDOMINIUM

CHAPTER 1
GENERAL PROVISIONS

Article 1: Ownership. The Condominium located at _____, in the Municipality of _____, has been founded according to the provisions of law establishing condominium ownership.

Article 2: Bylaws Applicability. The provisions of these Bylaws are applicable to all present or future owners, their tenants, or any other persons who use the facilities of the Condominium.

CHAPTER 2
ADMINISTRATION

Article 3: Unit Owners' Association. The owners of the units in the Condominium shall constitute the members of the Unit Owners' Association. The Association shall be responsible for administering the Condominium, managing the common property of the Condominium, approving the annual budget, and establishing and collecting monthly assessments from the unit owners. The Association may delegate the management of the Condominium to an Executive Committee and/or another individual or firm under an agreement setting out the duties, obligations, compensation, and reasons for removal of a managing agent.

Article 4: Annual General Assemblies. The Association shall meet at least once each calendar year in a General Assembly. The annual General Assembly shall be held on the ____ [first or second or third, etc.] ____ [Monday or Tuesday or Wednesday, etc.] of _____ [month] of each year. At such General Assembly, there shall be elected an Executive Committee. The owners may also transact such other business of the Association as may properly come before them.

Article 5: Special General Assemblies. The president of the Association shall call a special General Assembly of the owners as directed by resolution of the Executive Committee or by a petition signed by 1/3 or more of the owners.

Article 6: Notice of General Assemblies. The secretary shall cause to be delivered by mail or in person a notice of each annual or special General Assembly, stating the time, date, place, and purpose of the General Assembly, to each owner, at least 8 but not more than 30 days prior to such General Assembly.

Article 7: Adjourned General Assemblies. If any General Assembly of owners cannot be convened because a quorum is not present, the owners who are present may adjourn the meeting to any time after the time the original General Assembly was called.

Article 8: Order of Business. The order of business at all General Assemblies of the Association shall be as follows:

- (a) Roll call.
- (b) Proof of notice of General Assembly or waiver of notice.
- (c) Reading of minutes of preceding General Assembly.
- (d) Reports of officers.
- (e) Report of committees.
- (f) Election of inspectors of election.
- (g) Election of members of Executive Committee.
- (h) Unfinished business.
- (i) New business.

CHAPTER 3 VOTING; MAJORITY; QUORUM; PROXIES

Article 9: Voting. Voting shall be in accordance with the ownership interests allocated to each unit in the Foundation Deed.

Article 10: Majority. As used in these Bylaws, the term "majority" or "majority of owners" shall mean owners holding more than fifty percent (50%) of the ownership interests allocated in the Foundation Deed. Unless otherwise required by law or the Foundation Deed, decisions of the Association shall be made by majority vote.

Article 11: Quorum. Except as otherwise provided in these Bylaws, the presence of at least 2/3 of the ownership interests, in person or by proxy, shall constitute a quorum.

Article 12: Proxy Voting. Votes may be cast in person or by proxy. Proxies must be signed by the owner for which the votes will be cast and filed with the presiding officer before the beginning of each General Assembly where the proxy is to be exercised.

CHAPTER 4 EXECUTIVE COMMITTEE

Article 13: Number and Qualification. If approved by the owners at a General Assembly, the Association's affairs may be governed by an Executive Committee composed of ____ [odd number not less than three] persons, all of whom must be owners of units in the Condominium, to be elected by the owners at a General Assembly.

Article 14: Powers and Duties. The Executive Committee shall have the powers and duties necessary for the administration of the Association's affairs and may do all such acts and things as are not by law, the Foundation Deed, or these Bylaws directed to be done by the owners.

Article 15: Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Executive Committee shall be responsible for administering the following:

- (a) Care, upkeep, and surveillance of the common areas and facilities of the condominium.
- (b) Collection of monthly assessments from the owners.
- (c) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium and the common areas and facilities.

Article 16: Managing Agent. In addition to the Executive Committee, the Association may also employ a managing agent to perform such duties and services as the Executive Committee shall authorize, including but not limited to the duties listed in Section Three of this article.

Article 17: Election and Term of Office. At the first General Assembly, the Association shall determine the length of the term for which the members of the Executive Committee shall serve. At the expiration of the initial term of each respective member of the Executive Committee, a successor shall be elected.

Article 18: Vacancies. Vacancies in the Executive Committee caused by any reason other than the removal of a member by a vote of the Association shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum; and each person so elected shall be a member until a successor is elected at the Association's next General Assembly.

Article 19: Removal. At any regular or special General Assembly duly called, any one or more of the members of the Executive Committee may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus created. Any member whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

Article 20: Organizational Meeting. The first meeting of the newly elected Executive Committee shall be held within 10 days of election at such place as shall be fixed by the members of the Committee.

Article 21: Regular Meetings. Regular meetings of the Executive Committee may be held at such time and place as shall be determined, from time to time, by a majority of the members, but at least four such meetings shall be held during each calendar year.

Article 22: Special Meetings. Special meetings of the Executive Committee may be called by the president on three days' notice to each member, which notice shall state the time, place, and

purpose of the meeting. Special meetings of the Executive Committee shall be called by the president or secretary in like manner and on like notice on the written request of at least three members.

Article 23: Quorum. At all meetings of the Executive Committee, a majority of the members shall constitute a quorum for the transaction of business, and the acts of the quorum shall be the acts of the Executive Committee. If, at any meeting of the Executive Committee, there be less than a quorum present, the members present may adjourn the meeting from time to time. At any such meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

CHAPTER 5 ACCOUNT AUDITING COMMITTEE

Article 24: Selection and Responsibilities. The unit owners may elect an Account Auditing Committee to review the accounts of the Association and advise the Association and the Executive Committee on the financial affairs of the Association. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Association.

CHAPTER 6 OFFICERS

Article 25: Designation. The principal officers of the Association shall be a president, a vice-president, a secretary, and a treasurer, all of whom shall be members of the Executive Committee. The offices of secretary and treasurer may be filled by the same person.

Article 26: Election. The president shall be the person who receives the highest number of votes in an election of the Executive Committee. The other officers of the Association shall be elected annually by the Executive Committee at the organization meeting of each new Executive Committee and shall hold office at the pleasure of the Committee.

Article 27: Removal. On an affirmative vote of a majority of the members of the Executive Committee, any officer other than the president may be removed, either with or without cause, and a successor elected at any regular meeting of the Executive Committee, or at any special meeting of the Executive Committee called for such purpose.

Article 28: President. The president shall be the chief executive officer of the Association. The president shall preside at all General Assemblies of the Association and meetings of the Executive Committee. The president shall have all of the general powers and duties that are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the owners to assist in the conduct of the Association's affairs.

Article 29: Vice-President. The vice-president shall take the place of the president and perform the president's duties whenever the president shall be absent or unable to act. If neither the president nor the vice-president is able to act, the Executive Committee shall appoint some other member of the Executive Committee to do so on an interim basis. The vice-president shall also perform such other duties as shall from time to time be requested by the Executive Committee.

Article 30: Secretary. The secretary shall keep the minutes of all meetings of the Executive Committee and the minutes of all General Assemblies of the Association; shall have charge of such books and papers as the Executive Committee may direct; and shall, in general, perform all the duties incident to the office of secretary.

Article 31: Treasurer. The treasurer shall have responsibility for association funds and securities and shall be responsible for assuring that full and accurate accounts of all receipts and disbursements are kept in books belonging to the Association. If there is an Account Auditing Committee, the committee shall advise and assist in carrying out the duties of the treasurer.

CHAPTER 7 OBLIGATIONS OF OWNERS

Article 32: Assessments. All unit owners shall be obligated to pay regular and special assessments imposed by the Association to meet all common expenses of the Condominium. Assessments shall be levied in accordance with the ownership interests allocated to each unit in the Foundation Deed. Regular assessments shall be paid in accordance with procedures adopted by the Executive Committee. Special assessments shall be paid in an amount and manner approved by the unit owners at a General Assembly. Regular assessments may include payments to a general operating fund, and payments to a renovation fund if such a renovation fund is approved by the owners at a General Assembly.

Article 33: Maintenance and Repair. Every owner is responsible for maintaining his or her unit in good repair and is liable for any damage caused by failure to do so. An owner shall reimburse the Association for any expenses incurred in repairing or replacing any common property or facility damaged through such owner's fault.

Article 34: Structural Changes in Units. An owner shall not make structural modifications or alterations in a unit without first notifying and receiving the permission of the Association, in writing, through the managing agent if any, or president of the Executive Committee if no managing agent is employed. Such changes, if approved, shall be made at the sole risk and expense of the owner.

Article 35: Use of Common Areas and Facilities. Each unit owner is entitled to use the common property of the Condominium, so long as such use does not harm the rights or interests of the other owners. An owner shall not place or cause to be placed in the lobbies, vestibules, stairways, elevators, and other common property or facilities, any furniture, packages, or objects

of any kind, except for refuse meant for disposal, which must be placed in containers provided for that purpose.

Article 36: Right of Entry. Representatives of the Condominium shall be permitted to enter a unit, after reasonable notice to the owner, to make repairs, perform maintenance, renovate, or replace common property within the unit. An owner shall allow representatives of the Condominium to enter the owner's unit in case of any emergency originating in or threatening the owner's unit or any other unit or the common property, whether or not the owner is present at the time of entry.

Article 37: Rules of Conduct.

(a) No resident of the project shall post any advertisements or posters of any kind in or on the common property except as authorized by the Association or the Executive Committee.

(b) Residents shall exercise care in making noise or using musical instruments, radios, television, and stereo equipment that may disturb other residents.

(c) Hanging garments, rugs, and the like, from the windows or from the balconies or facades of the common property is prohibited.

(d) Throwing garbage or trash outside the disposal facilities and containers provided for that purpose is prohibited.

(e) Residents may not install wiring for electrical or telephone installation, television antennae, machines, air conditioning units, or the like, on the exterior of the building or protruding through the walls or the roof of the building, except as authorized by the Association or the Executive Committee.

(f) Residents may keep ordinary household pets. The owner of a pet is responsible for assuring that the pet does not soil or damage the common property or any other unit, or cause disturbance to the other residents of the Condominium.

**CHAPTER 8
COMPLIANCE WITH BYLAWS**

Article 38: Conflicts. In case a provision of these Bylaws conflicts with any provision of an applicable law or the Foundation Deed, the law or Foundation Deed shall prevail.

Article 39: Enforcement. Failure to comply with these Bylaws shall be grounds for an action brought in the name of the Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other non-owner occupant of a unit is in violation, the Association may bring an action against the occupant or the owner of the applicable unit, or both, at the Association's option.

CHAPTER 9
AMENDMENTS TO BYLAWS

Article 40. These Bylaws may be amended by majority vote of the owners at a General Assembly convened for that purpose.

ANNEX F

CONDOMINIUM MANAGEMENT AND OPERATIONS TRAINING MANUAL

TABLE OF CONTENTS

Page

I. INTRODUCTION - WHAT IS A CONDOMINIUM?

II. LEGAL FRAMEWORK

**The Condominium Law
Registration of the Condominium and Foundation Deed
Registration of Property Rights**

*The Condominium Decree
Model Foundation Deed
Model Bylaws*

III. CONDOMINIUM ASSOCIATION OPERATIONS

**The Condominium Association
Association Meeting Procedures
Role of the Executive Committee**

IV. PROPERTY MANAGEMENT

**Professional Property Management
General Maintenance Guidelines
The Building Condition Survey
Repair or Replace?
What To Do First
Contracting for Major Repairs or Renovation**

*Model Management Agreement
Model Owner-Contractor Agreement
Work Order Form
Unit Inspection Record Form
Building Inspection Record Form
Grounds Inspection Record Form
Equipment Inspection Record Form*

Building Condition Survey Form

V. FINANCIAL PLANNING

**Preparing A Condominium Association Budget
The Renovation Fund**

*Budget Worksheets and Sample Annual Budget
Multi-Year Budget for Capital Repairs and Renovations*

VI. FINANCIAL RECORDKEEPING

**Accounting for Income and Expenses
Monthly Financial Reports
The Annual Financial Statement and Audit**

*General Ledger for Income Form
General Ledger for Expense Form
Monthly Summary Report Form
Unadjusted Trial Balance Form
Statement of Income and Expenses Form*

ANNEX G

WHAT IS A CONDOMINIUM?

Apartments in privatized housing in Armenia will be sold as condominium units. Some people have heard of condominiums, but do not know much about them and do not understand how this form of ownership works. To help you understand condominiums, here are the answers to some frequently-asked questions.

1. What is a condominium?

Condominium is a form of ownership of an apartment building or other multi-unit real property, with some portions designated for individual ownership (the units or apartments), and the remainder designated for joint ownership by the owners of the units (the common property).

Before a condominium can be legally formed, there must be a special law authorizing this kind of joint ownership. The Government of Armenia will vote on a Condominium Decree and, if the decree passes, condominiums will be allowed in Armenia.

2. What does a person own in a condominium?

An owner in a condominium holds title to (owns) a parcel of real estate that has two parts: (1) the individual unit or apartment itself, and (2) an undivided, proportionate interest in the common property.

The owner's interest in the common property is in the same proportion as the floor area of the owner's unit is to the total floor area of all the units. These two parts together comprise the individual's "ownership interest" in the condominium.

3. What is an example of an "ownership interest"?

Here is an example:

In Mountainview Condominium, there are 20 individual apartments with a total of 400 square meters of floor space in all of the apartments. Mr. Ademian owns Apartment #101, which has 20 square meters of floor space. Mr. Ademian's apartment accounts for 5% of the total floor space of all the apartments in the building, so Mr. Ademian has an ownership interest in Mountainview Condominium of 5%.

4. How does a person know what he owns?

A person who becomes a condominium owner will be given a description of the property he is acquiring, including the share of the common property.

A full description of each owner's ownership interest is registered in the real property registration office of the jurisdiction where the condominium is located. These are public records which cannot be altered without the consent of the owner.

5. What does "undivided interest" mean?

The individual owner's proportionate interest in the common property is called "undivided" because it represents that owner's interest in the whole of the common property rather than a definable part of the common property.

This kind of ownership can apply to any co-owned property. For example, if there are two individuals who own a house together, each with a 50% interest, they do not divide ownership of the house by drawing a line down the middle; they each own 50% of the whole house. Similarly, an owner of a condominium unit has an undivided, proportionate interest in the whole of the common property. Mr. Ademian, who owns 5% of the ownership interests in Mountainview Condominium, does not own a particular piece of a stairway or certain tiles on the roof of the condominium -- he owns a 5% interest in the entire common property.

6. What is included in the common property?

Common property in a condominium is everything other than the individual units. Common property ordinarily includes interior shared spaces of the building such as stairways and halls; exterior components of the building such as the roof and masonry walls; and the land under and surrounding the building.

7. What are some of the rights of condominium ownership?

Owners in a condominium have most of the same rights that any other owner of real property has. Within certain broad limits, condominium owners are free to use, sell, lease, or mortgage their property as they wish. However, they may not separate ownership of their unit from their ownership interest in the common property.

8. What is a condominium association?

All owners in a condominium are members of the condominium's unit owners' association. The association is responsible for managing the common property and regulating the operations of the condominium community.

Voting power in the association is equivalent to the member's proportionate ownership interest. In other words, the owner of a 5% ownership interest controls 5% of the votes in the association.

The Condominium Decree will provide for some of the respective obligations and rights of the individual owners and for the association or group of owners as a whole. All persons who

become owners must agree to be bound by the requirements of the Decree and the rules of the association.

9. What are some of these obligations?

One of the most important obligations of being a condominium owner is the requirement to pay a share of the expenses of managing and operating the condominium, including the expenses of maintaining and repairing the common property. These are called "common expenses." Common expenses are allocated among the owners according to their ownership interest.

In other words, Mr. Ademian, whose ownership interest in Mountainview Condominium is 5%, must pay 5% of the common expenses of the condominium.

10. How does each owner pay for his or her share of common expenses?

Common expenses are paid through the collection of monthly condominium assessments by the association. The amount to be collected is determined when the association adopts an annual budget, based on the amount of money it expects will be needed to run the property. Each owner can vote on the budget, but all owners must comply with the decision of the majority.

11. What other expenses does an owner have to pay?

In addition to common expenses, each owner is obligated to pay the expenses of keeping his own apartment in good repair.

12. How is a condominium formed?

To form a condominium, the owner of the entire property must register it in the real property registration office and describe how the property will be divided among the future individual owners. The Condominium Decree provides other requirements that the owner must meet, such as the drafting and registration of a foundation deed.

Individual units or apartments cannot be sold until the owner has met these legal requirements and formed a condominium.

13. What is a foundation deed?

The foundation deed is the master agreement or deed between the owner of the whole property when the condominium is formed and the persons who will become individual owners of the property after the units are sold.

The foundation deed must contain plats of survey or another legally sufficient description of the location, the boundaries, and the dimensions of the entire property and of each of the individual units within the property. It also must state the percentage ownership interest allocated to each unit.

The foundation deed also provides information about how the condominium will be governed, how the property will be managed, and how decisions will be made by the association of unit owners.

14. Can the owners see the foundation deed?

Each person who purchases a unit in a condominium will be given a copy of the foundation deed. Each purchaser must agree to comply with the terms of the foundation deed, so he should read it carefully.

A purchaser cannot make changes in the foundation deed, however, since it must be registered in the real property registration office by the owner of the whole building before the units can be sold. The owners can change the foundation deed later, but only if each owner agrees.

15. How will condominiums be formed in Armenia?

In Armenia, almost all of the apartment buildings have been owned by the state and managed by the state property management enterprise. This state-owned housing stock will become condominiums and the apartments will be transferred by the state to persons (in most cases, the tenants) who will become the owners of the condominium.

Before the apartments can be transferred to private individuals, the building must become a condominium. The state will be the founder of condominiums created in state-owned apartment buildings, and will transfer ownership of the units to the private individuals.

16. What if some units are not privatized?

In many buildings, some people will not want to become owners of their units. The state will remain the owner of those units that are not transferred by the end of the privatization period, and will continue to rent them.

17. What obligations will the state have as the owner of condominium units?

Like any other unit owner, the state will have to pay its share of the common expenses, based on the ownership interests allocated to its units, and all the expenses of keeping its apartments in good repair.

18. Who will manage the condominiums?

The state will continue to manage the condominiums on an interim basis, from the time privatization begins until a majority of the ownership interests have been transferred to private persons. Then the association of unit owners will take over responsibility for the management of the property.

Management of the condominium probably will be carried out in one of two ways: (1) by the association itself, by hiring personnel to run the property on a day-to-day basis and contracting for non-routine services as needed; or (2) by delegation of management authority to a property manager, an individual or firm with professional expertise in property and fiscal management who is authorized to act on behalf of the association and carry out policies set by the association.

The state expects that by the time the privatization period ends, there will be private property management enterprises available to take over the management of condominiums.

19. How will the association make decisions?

All unit owners in a condominium will be members of the condominium association, with voting power equal to their ownership interest. Most decisions will be made by majority vote, although a few will require a higher percentage. (For example, to incur major expenses for installation of new equipment, a vote of 75% is required.) The members will vote at a general assembly that will be held at least once a year.

The members of the condominium association will elect an executive committee to set policy and manage the day-to-day affairs of the condominium.

The state will have a vote in the decisions of the association, but its voting power will be no greater than that of any other owner of an equivalent interest in the condominium. That is, if the state owns two apartments, each of which has a 5% ownership interest in the condominium, the state will control 10% of the votes in the association.

Once a majority of the interests have been sold to private individuals, the private owners will be able to control the management and governance of the condominium.

20. What are the advantages of being a condominium owner?

People all over the world share a common interest in owning their own homes. In many countries, housing is viewed as a financial asset or even an investment. If the value of your housing increases, your wealth increases. You can sell your home and buy another that is more suitable to your needs, or you can rent it to others.

In places where the level of rents is unrestricted and subject to sharp increases, ownership can protect you from unforeseen increases in rent that may cause hardship or force you to move. In Armenia, the government anticipates that rents will have to be increased to cover the full costs of maintaining the housing.

Perhaps the most important advantage is that as an owner, you have more control over your living conditions. This allows you to have a greater sense of pride in your home. In a condominium, even though you share your property with other owners, you may participate in making decisions about how the property will be managed and maintained. This is the reason condominium housing appeals to many people.

ANNEX H

INDIVIDUALS WITH WHOM THE AUTHOR MET DURING MARCH 1993 TECHNICAL ASSISTANCE MISSION

Alen Amirkhanyan
Project Coordinator
Center for Business Research and Development
American University of Armenia
Yerevan, Armenia

Andranik Andrassian
Director of Real Estate Relations Section
Department of Economy
Republic of Armenia

Bagrat Asatryan
Chair
Committee on Social Welfare and Health
Parliament of Armenia

Laurens Ayvazian
On-Site Coordinator
Diocesan Fund for Armenia's Recovery
Yerevan, Armenia

Arteshes Arakelian
Chief of City Management Research Office
City of Yerevan

Aida Eskoyan
Attorney
Urban Research Institute
Yerevan, Armenia

Mariam Gevorgian
Chief Specialist
Finance Department
City of Yerevan

Ashot Grigorian
Assistant Project Director
Diocesan Fund for Armenia's Recovery
American-Armenian Village
Stepanavan, Armenia

Samvel Hakopian
Chief, City Housing Office
City of Yerevan

Hranoush Hakopyan
Vice Chair
Committee on Social Welfare and Health
Parliament of Armenia

Haik Karapetian
City Attorney
City of Yerevan

Kamo Khachatryan
Chief, Housing Maintenance Department
City of Yerevan

Vahagn Khachatryan
Mayor of Yerevan

Gevork Malkhasian
Real Property Attorney
Legal Department
Republic of Armenia

Gazic Muradian
Deputy Chief
Social Economic Development Department
City of Yerevan

Armen Yeghiazarian
Minister
Department of the Economy
Republic of Armenia