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

An ICMA Report

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Housing Privatization
Trip Report

Armenia

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By

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ABSTRACT

From June to September 1994, I carried out a consulting contract in Armenia to assist in the reform of the housing sector. I worked on several projects: Triangle Ltd. is a group of buildings in Yerevan where a demonstration of condominium association management and bidding for maintenance and property management services is underway. This is one of several projects in Yerevan, which are part of an overall city strategy currently being developed.

As part of a World Bank financed project in the Earthquake Zone, approximately 700 apartments are being completed, privatized, and with USAID/ICMA assistance, organized into operating condominium associations.

EXECUTIVE SUMMARY

Under a contract with USAID, ICMA is working with several levels of government and other organizations in the Republic of Armenia on a comprehensive program to reform that country's housing sector.

One area of focus is the capital city of Yerevan, where ICMA is working closely with the Scientific Research Center for City Management (SRCCM) on several projects. As part of my recent assignment in Armenia, I assisted in the operations of the Triangle Ltd., a group of buildings organized into an association for the purpose of demonstrating the process of condominium formation and management. I assisted the association in the hiring and supervision of a maintenance contractor and a property manager, both of whom were hired through competitive bidding.

SRCCM is also engaged in developing an overall strategy for the City of Yerevan, to provide a framework for the various activities underway and planned in the sphere of housing privatization. Toward this end, a workshop was sponsored by ICMA on September 9 to allow input from various groups on what programs the city should be pursuing. It is expected that many of the policies and programs developed in Yerevan will be applied throughout the rest of the country.

In the Earthquake Zone, the World Bank is funding an ambitious program to rebuild housing, infrastructure and industry. USAID has agreed to assist in the privatization of approximately 700 apartments in the cities of Giumri, Vanadzor, and Spitak. I assisted the Government of Armenia's Project Implementation Unit (PIU), and students from the American University of Armenia to organize these new owner/residents into condominium associations, and train them in the management of their buildings. The first group of 126 units has been completed, and the balance are expected by the end of 1994.

I also assisted a group of business students from the American University of Armenia who have undertaken a project to form an association for real estate managers and brokers, professions which are expected to grow as housing reform proceeds.

I. INTRODUCTION

Under contract to the United States Agency for International Development (USAID), the International City/County Management Association (ICMA) is working with several governments and organizations within Armenia to reform that country's housing sector. From June to September 1994, I carried out a consulting assignment to assist specific programs in the City of Yerevan, and in the Earthquake Zone (EQZ) cities of Giumri, Vanadzor, and Spitak.

In Yerevan, a nine building, 161 unit complex was selected as a "laboratory" to demonstrate and refine the formation and operation of a resident/owner association, and the bid competition for and contracting of property management and maintenance services to non-government organizations. In the absence of a condominium law, this association was registered as a limited corporation, "Triangle Ltd." Triangle Ltd. is also participating in the USAID Energy Conservation Program.

The Triangle Ltd. project was largely carried out by a Working Group under the Scientific Research Center for City Management (SRCCM), with extensive assistance from ICMA. The SRCCM is involved with other projects in the housing reform effort, but perhaps more importantly, is responsible for developing and recommending to the City Council a City Strategy for privatization of its housing programs and obligations. Triangle Ltd. and the other projects must fit within the strategy being drafted.

The cities of Giumri, Vanadzor, and Spitak were badly damaged in the 1988 earthquake. Under a program funded largely by the World Bank and the Government of Armenia, about 700 units of new apartments which were begun but not completed by the Soviet Union after the earthquake, are to be finished and privatized at occupancy. USAID has agreed to assist in the formation of condominium associations to manage these buildings. The first units under this program are just being completed in Giumri.

With the development of a private, market-based housing sector, there is a clear need for training and support of the people who are participating in it. ICMA is working closely with Yerevan State University (YSU) to develop training programs for association formation and management. In addition, ICMA is providing technical assistance to an initiative of students at the American University of Armenia (AUA) in Yerevan to establish a professional association for real estate managers and brokers.

II. RECOMMENDATIONS

Based on my work these past three months with the above projects, I have a number of recommendations with regard to current operations and to expansion or replication:

A. YEREVAN: TRIANGLE LTD.

1. The Triangle Ltd. association has hired a property manager through August 14, 1995 and has a maintenance contract through April 30, 1995. The property manager is analyzing the maintenance contract to establish priorities and determine what specific work should be funded. Another critical issue, however, is the expiration of the management contract: will the association be able to find and maintain a manager on its own, or will the association be able to assume his present responsibilities? ICMA should be working with the Triangle executive and property manager to ensure that this is a well-planned transition.

2. Under the "Limited" structure, membership in the association is limited to the nine founding members, of whom only two or three are active in the association's operations. A recent survey of residents found that nearly 50% were not really aware of the new type of organization/management under which their buildings operated. It is important, therefore, that assistance be provided to increase awareness and participation of residents, especially through committees, even before conversion of Triangle to a legal condominium. A potentially very useful committee focus is the USAID energy conservation project, presently operating a pilot at the Triangle site. Guidance should also provided to ensure that the association's operations follow proper procedures and the by-laws on matters of meetings, minutes, decision-making, etc.

3. Presently, the budget of Triangle reflects only the maintenance contract, which is funded by an allocation from the City. ICMA should work with the association and property manager to develop a more complete budget which reflects other necessary costs of running a property. (Another critical issue is the need for a more comprehensive and aggressive approach to be taken to raising revenue. However, this issue must be addressed at the national level.)

4. Upon conversion of Triangle to a condominium, it will be expected to collect association fees to fund its operations. Planning for this transition must be done with ICMA assistance.

5. In future condominiums and other resident organizations, I would recommend that a property manager be hired early on, and not after the maintenance contractor is hired, as was done at Triangle. If the association is to handle those duties, however, then responsibilities should be clearly assigned to individuals. It was clear to me that the working group which functioned as the initial property manager for Triangle, against ICMA's recommendation, was not effective, due I believe to the fact that the members had other work duties and to the difficulties of management (vs. policy making) by committee.

B. YEREVAN: STRATEGIC PL..NNING

1. Because Triangle Ltd. serves as a "laboratory" for privatization of housing management, and because this experiment is still underway, it is important that SRCCM and related working groups do periodic evaluations of its progress. One such evaluation is now underway, and another should be planned for the Spring/Summer of 1995. Lessons learned should be incorporated in the planning of further housing reforms.

2. In developing any training programs and identifying participants, two things must not be overlooked. One is that some type of screening of participants be done so that the teaching effort is not wasted on those who have demonstrated an inability or unwillingness to assume work responsibilities. The other is to provide immediate situations for program graduates to begin applying newly acquired knowledge and enthusiasm.

3. Housing reform is threatening the continued livelihood of many state employees, while it is creating opportunities for those who can deal with these new uncertainties. Support should be provided to programs which assist those making this transition: training in business operations, formation of professional associations such as the AUA project, "career" counseling, etc.

C. EARTHQUAKE ZONE

1. The priority right now is to identify which entity within the Government of Armenia is to assume the balance of the developer's responsibilities in condominium formation. Specifically, these responsibilities are to form and nurture the resident associations, and to ensure that basic management and maintenance services are provided until such time as the associations are able to do so. It is not clear that the Project Implementation Unit (PIU) has the resources or the commitment to fulfill these obligations, which are critical to the successful privatization of the units.

2. Local property managers for each of the three cities in the EQZ should be hired as soon as possible. This is especially important since the project is being administered from Yerevan, which is two hours away by car and with poor communications.

3. Individuals in these cities, including prospective residents, city officials, and property managers, should be recruited for any related training presently available in Yerevan.

4. Special attention should be paid to the first group of residents scheduled to move in Giumri. It is necessary to see if, for some reason, they delay their moves; if there are unanticipated problems with the buildings (e.g. unavailability of utilities); whether they are able or willing to make loan or association payments, and what can be done if they do not, etc. Interviews of residents may be necessary, so that modifications can perhaps be made for the remainder of the project.

5. In the future, government/developer staff and consultants should consider stays in the EQZ of a few days, perhaps establishing a temporary office in the area, in order to develop better working relationships in and knowledge of these cities.

6. The developer should be working with prospective residents to form as much of the association structure (an executive, committees, etc.) as possible prior to actual move in. This includes identifying and training leaders. (This will also help to balance any undue power which a property manager may seek to acquire.)

7. Local governments or other authorities involved should consider turning over ownership of any commercial space in these buildings to the condominium/resident associations, as a potentially important source of much-needed revenue for the association.

8. I recommend that the initial maintenance services provided or planned for by the developer/sponsor be limited to trash removal and emergency repairs--work which residents cannot or should not perform. Janitorial services or less urgent repairs can either be done by the residents, or they can agree to pay more for them.

9. Developers should begin working with association leaders and property managers as soon as possible on the budget, to maximize understanding and acceptance of it.

III. THE PROJECTS

A. YEREVAN: TRIANGLE LTD.

For purposes of this project, a nine building, 161 unit, triangle-shaped complex of buildings was selected, located in central Yerevan, across the street from the Opera House. About one third of the units are privatized. The buildings are in better condition than much of the housing in the city, but nevertheless have serious maintenance problems, including the roofs, electrical panels, and the soundness of the balconies (one fell to the street this summer.)

The three objectives of this project were to test/demonstrate the formation and operation of a residents' association, obtain private maintenance services through competitive bidding, and obtain private property management services also through competitive bidding.

Pending passage of a condominium law, the association was formed as a limited corporation, Triangle Ltd., with nine founding members (eight residents, each representing a building, and one representative from the Zshek). From this group, a president was elected, and 2 to 3 volunteers joined him on the executive committee.

The City of Yerevan committed to funding the operating costs of Triangle. In practice, funding was from the commercial rents which the city collected in these buildings and from a refund of trash removal costs. (This service was part of the private maintenance contract.)

A working group headed by Artashes Arakelian of the SRCCM was formed to oversee this project and act as the initial property manager. LTA Steve Anlian of ICMA participated, with assistance from TDY consultants.

It was decided to hold a bid competition for a private company to provide maintenance services. This was done in the Spring of 1994, prior to my arrival in Armenia, and the contract was awarded to Surik Co-op. The contract signed was for a very comprehensive set of maintenance/janitorial services at a price which consumed all of the anticipated revenue. I believe it was based on services which the Zshek in theory was to provide, and not on a careful assessment of just what was affordable and what the residents could provide themselves.

Also, prior to my arrival in June, a bidding competition was held for capital repairs, specifically roof repairs, stairwell repairs and painting. No bids were submitted, and the impression I have is that bids were not solicited as aggressively as they should have been given the novelty of the process in this economy. In any case, the estimated costs of this work were not included in the Triangle budget, so it is not clear how the work would have been paid for.

My major focus upon arrival in Yerevan was the holding of a bid competition for a property manager for Triangle Ltd. This was necessary because of the increasing responsibilities which members of the working group had with other projects and the inability of the Triangle executive committee to assume the duties.

This competition benefited from the experiences of the previous two biddings. Advertisements were placed and bids were actively sought; two orientation sessions as well as informal sessions were held with interested parties. As a result, 20 bids were submitted, from which 6 were selected for interviews. Norik Vardanian was offered the position, and after about a week of negotiation, revision, and translation, the contract was signed on August 15, 1994.

A challenge, both for us and the bidders, was the requirement for a bid price. This was in the absence of any other management contracts, or a property management profession, or any guidelines as to what was fair and realistic. Also, we asked for bid prices in the national currency, the dram, which is very unstable. We eventually conceded the difficulty with this and accepted U.S. Dollar bids. The process provided us with market data for this service: 13 of the bids fell within a middle range of $70 to $300 per month, with the final contract amount being $170.

In order to support this project, it was necessary to provide funding to Triangle Ltd. for the manager's salary for one year. An important task now is to plan what Triangle Ltd. will do when this initial contract expires, and the funding becomes their responsibility.

Norik has performed very well so far. I have worked with him closely to establish his work program and priorities: to familiarize himself with Triangle's various documents and training materials, to establish an office on site, to establish a system for monitoring and paying the maintenance contractor, and to work with me and the association executive committee to revise the budget. Most of this has been done. After some problems with a previous commercial tenant, the office space has been established, and Surik's work is being monitored regularly. Much of Norik's effort has also been with the executive committee in establishing specific maintenance priorities and reallocating funds within the maintenance contract to address those. A major concern is repair of the roof before the rains begin in the fall.
Further planning will have to be done for handling of maintenance services upon expiration of the current contract in April 1995.

B. YEREVAN: CITY STRATEGY FOR PRIVATIZATION OF HOUSING OWNERSHIP AND MANAGEMENT

The SRCCM under Artashes Arakelian has been working under contract for ICMA and for the City of Yerevan on a number of projects having to do with housing sector reform. These include recommendations for policies and laws, organization, restructuring, and training, as well as demonstrations such as Triangle. Several projects and further demonstrations have been proposed by the group, so it is increasingly necessary to fit these various activities within a broad framework or strategy, formally accepted by the City Council. With such a strategy, sound decisions are more likely to be made as to which projects warrant support.

Steve Anlian, ICMA Resident Advisor, and I have met several times with Artashes to discuss the need for an articulated strategy. In particular, I have stressed the importance of evaluating

projects thoroughly and using what is learned in future work: I outlined the steps that should be taken in evaluating the Triangle Ltd. project, and contributed my own evaluation memo. We agreed that a workshop to help develop such a strategy would be useful, and the timing would allow another ICMA Consultant, John Lawton, to participate.

The workshop was held on September 9, 1994 and included participants from SRCCM, the Triangle Working Group, YSU, the City of Yerevan, and ICMA. It was useful in identifying the City's role in housing reform, and hence programs which support that role. These would address the re-evaluation of housing services, long term participation of the state in housing, public/private roles in housing, and training needs. SRCCM is drafting a strategy based on the conclusions of the workshop.

C. EARTHQUAKE ZONE

With major funding from the World Bank, the Government of Armenia is undertaking a massive project to reconstruct housing, infrastructure and industry in this region of Northwest Armenia heavily damaged by the December 1988 earthquake. Shortly after the earthquake, the Soviet Union began construction of 20,000 apartments in the region; in 1991 with the dissolution of the Soviet Union, this effort ceased and these units were left unfinished. A part of the World Bank project is to complete some these buildings: Phase 1 will provide approximately 700 new apartments in the cities of Giumri, Vanadzor, and Spitak.

The World Bank and Government of Armenia have decided to privatize all of these units at occupancy, and to incorporate a cost recovery element. Unlike anywhere else in the country, these buildings will be fully privatized, and the resident owners will be fully responsible for their management and maintenance. As well, they will make a down payment and sign a loan agreement prior to taking possession.

The Government's Project Implementation Unit (PIU) is acting as the developer in managing construction of these buildings. Three of the PIU staff, who are also students at AUA, are part of a student project team from AUA which has assumed the responsibility of organizing the condominium association structure for these buildings. USAID/ICMA is assisting this student group in their work.

An unresolved issue at the time of my departure from Armenia was the responsibility, normally assumed by the developer/sponsor, for establishing and financing the start up of the association and initial property management and maintenance. This also includes the issue of legal authority to sign contracts on behalf of the association. The PIU seemed to lack the resources and commitment to do this, so a meeting was planned with the Minister of Economy to resolve this.

The first 126 units in Giumri are scheduled for occupancy on September 21, 1994, with the balance in Giumri and the other two cities to be ready later in the fall.

A number of the issues in this project have been settled. Pending passage of a condominium

law, the first association in Giumri will be registered as a "homeowners consumers association", which allows all owners to be members, and which will automatically convert to a condominium association upon passage of the law. The charter for this association was being reviewed by the Justice Ministry and ICMA.

A loan document has been prepared, specifying a down payment of 2% of the loan amount, and payments over 25 years of not more than 25% of the official, minimum monthly salary, presently 176 drams (about USD.50). The loan amount is 25% of the completion cost, which varies among buildings, but the total loan amount works out to approximately USD $650.

The local governments are to assign the units and administer the registration and loan procedures.

Two orientation meetings were held in Giumri for prospective residents, to introduce them to the concepts of a condominium and their collective responsibility for management and maintenance of their buildings. The cost recovery mechanism was explained and was a concern. However, the greatest controversy had to do with the degree of finish of the units: single glazed windows, no stoves, no paint, no interior doors, etc. (I understand that the Government and World Bank have since agreed to supply stoves.) It was clear that there had been a substantial gap between the residents' expectations and those of the Government of Armenia/World Bank.

Because of the distance from Yerevan, where the projects are administered, local property managers are essential. Recruitment was done for the Giumri position, and a person was selected; however, a contract has not been signed pending the clarification of the developers' role and the funding for the position.

Maintenance services have not been provided for as it was decided this would be an appropriate responsibility for the property manager. As these buildings are new, there should be some lead time before extensive maintenance services would be necessary.

Just prior to my leaving Yerevan, I met with the PIU/AUA group to acknowledge what they have accomplished, and to review a list of further work necessary for successful association formation.

D. REAL ESTATE MANAGEMENT AND BROKERAGE ASSOCIATION

Another project proposal by students from AUA was the formation of an association for people in the new profession of real estate management. ICMA agreed to advise them on their effort, and the Resident Advisor, Steve Anlian, and I met with them regularly to offer suggestions and guidance on their work.

The students' plan was to organize and register an association, recruit membership, and by November 1994, turn over management of the association to them.

The initial recruitment meetings were attended by up to 20 people. It became clear, however, that most were insisting on some immediate, financial benefit for their participation, which is not generally the basis of professional associations. This desire is, however, understandable in so harsh an economy.

After further thought and discussion about this dilemma, it was decided to expand the base of this association by inviting those active in brokering real estate to participate. In addition to broadening the membership, this seemed to enable the association to offer a more tangible service: accurate data on the real estate market in Armenia. This information would also be of value to USAID programs.

At the time of my departure, the students had contacted brokers in Yerevan and were holding meetings to explore their interest in such an association.

ATTACHMENT A

MEETINGS WERE HELD WITH THE FOLLOWING PEOPLE, INDIVIDUALLY AND/OR IN GROUPS:

Triangle Working Group

Artashes Arakelian, Chairman, SRCCM
Suren Koshetsian, Member of City Council
Haykaz Karapetian, Legal Consultant
Sos Ayvazian, Chief Engineer, City Maintenance
Ruben Ter-Grigorian, Member of City Council
Kamo Khachaturian, Chair of Housing Maintenance Dept.
Samvel Hakopian, Chair of the Housing Department

Triangle Ltd. Board of Directors

Harutyun Panossian, President
Irina Issabekian, Secretary
Vardan Hovanissian
Karen Tiraturian
Ashot Kirakossian
Lendroush Sazshumian

Officials, City of Kamo

Grisha Hoveyan, Mayor
Melik Zakoyan, 1st Vice-Mayor
Vanik Bakhtikian, Vice-Mayor
Hakop Sargsian, Vice-Mayor
Gagik Mazmanian, Chief Architect

Other

Arik Basirian, Inspector for illegal construction, Yerevan Zshek

Michael Melkumian, Director, PIU, Government of Armenia

Vice-Mayor Masmanian, City of Giumri

Jelena Pantelic', World Bank Mid-term Review Team

Chris Kibarian, AUA/USAID Energy Program

ATTACHMENT B

DOCUMENTS PRODUCED BY THE AUA STUDENT GROUP FOR THE EQZ PROJECT:

1. Fact Sheet on the major provisions for privatizing the units; this went through numerous revisions based on comments from Steve and I; a useful handout, and list of talking points for meetings.

2. User Friendly Guide to the organization and operations of a condominium; a useful document which all residents should have.

3. Organization Chart of a condominium structure; another useful orientation item; could be added to the User Friendly Guide.

4. Ownership Registration or title to the privatized unit.

5. Loan Agreement, as drafted by Richard Winnie, and revised.

6. Condominium Charter and By-Laws, should be reviewed again when condominium law is passed.

7. Charter for the interim,association; was undergoing final review with the Justice Ministry, and John Lawton, when I left.

8. Budget, as developed by the PIU; should be revised with owner participation; perhaps two versions are useful:a detailed, working version, and a simplified one for the general membership.

9. Budget Guidelines, drafted by Gene Sienkiewicz, to assist groups working on reviewing or preparing budgets; translated to Armenian; (on enclosed disk).

10. Property Manager Evaluation Guidelines, drafted by Gene Sienkiewicz, to assist associations and others in evaluating the work of property managers; left with Anahit for translation to Armenian; (on enclosed disk.)

11. Property Manager Contract, Giumri, a draft by Gene S., left with PIU, (on disk.)

12. Scope of Work, Property Manager, Giumri, drafted by Gene S.,
(on disk.)

ATTACHMENT C

CRITERIA FOR PERFORMANCE EVALUATION OF PROPERTY MANAGER

It is the obligation of the Owner--represented by the executive officers, consultants, funding bodies, etc.--to review and evaluate the work done by the property manager. This is necessary to determine if payments for services should be made, identify and address problems before they become serious, and as part of the education in this new profession for all parties.

In order to do this task well, owners should meet with the property manager regularly, receive and review reports from him/her, inspect the property frequently, speak with residents, and perhaps conduct resident surveys. Problems should be raised in meetings, and plans made to address them. It is important to be as precise as possible in describing tasks and responsibilities, and setting target dates, in order to avoid confusion and provide a basis for evaluating performance.

Some criteria for evaluation:

Maintenance

* buildings and grounds are clean and in good repair;
* emergency maintenance is performed immediately;
* other repairs are satisfactorily completed in a reasonable period of time;
* residents have few or no maintenance complaints;
* contractor's work is satisfactory, and if not, the contractor is promptly notified;
* maintenance problems are anticipated;
* useful data is available on the property and it's condition;
* any capital repair bid competitions are well organized and run, with well written documents;

Financial

* records are complete, accurate, and accessible;
* bank accounts are efficiently maintained;
* budget categories are generally adhered to, with satisfactory explanations for exceptions:
* manager contributes valuable advice toward budget preparation:

Administrative

* manager runs an efficient and pleasant office;
* all reports and minutes are well written and provided when due;
* all records are complete, accurate, and accessible;
* manager effectively assists the operations of the association: organization, meetings, committees, attention to issues;

Other Factors

* manager communicates well, and is accessible to owners and residents;
* relations with residents is generally good;
* manager is often on-site, and is well informed;
* he/she displays enthusiasm and commitment to the work;
* he/she is resourceful, innovative and shows vision;
* he/she understands the "bigger picture": housing reform and development issues in the country;
* he/she contributes when asked, to the work of consultants involved with the project;
* he/she is calm and resourceful in dealing with emergencies;

The property manager's performance should be evaluated in light of these and other relevant criteria. Examples should be sought which demonstrate how tasks were accomplished and any problems solved. They should be ranked in some way; perhaps "excellent", "satisfactory", and "unsatisfactory". It is important to inject as much objectivity into this process as possible, in order to be fair to the manager and to make the review legitimate.

Evaluations should be done regularly: monthly at first, and perhaps less frequently once a good working relationship has been established. It is important that if a payment is to be withheld or a contract terminated, the owner has made every reasonable effort to advise the manager of the unsatisfactory performance and provided an opportunity to remedy the situation.

PROPERTY MANAGER PERFORMANCE EVALUATION CHECKLIST

Name: For the Period:

Property Address: Owner:

Note: * If an item is not applicable, or there is insufficient information to make a judgement, leave it blank.
* A comment should be provided if an item is graded "excellent" or "unsatisfactory."

MAINTENANCE EXCELLENT/SATISFACTORY/UNSATISFACTORY COMMENTS

Building
Condition

Grounds
Condition

Emergency
Repairs

Routine
Repairs

Tenant
Satisfaction

Capital
Repairs

Contract
Bidding

Records

Other:

FINANCIAL

Budget

Bank Account

Revenues

Expenditures

Records

Other:

EXCELLENT/SATISFACTORY/UNSATISFACTORY COMMENTS

ADMINISTRATIVE

Office

Reports &
Minutes

Records

Association
Activities

Other:

OTHER FACTORS

Accessibility &
Communications

Tenant Relations

Enthusiasm

Resourcefulness &
Innovation

Co-operation

Handling
Emergencies

Understanding
of Housing Issues

Other:

ATTACHMENT D

Scope of Work--Property Manager--Triangle Ltd. Yerevan August 1994

The Property Manager is responsible for the 9 building, 161 unit complex, including commercial spaces, at Sayat Nova, Byron and Terian.

Responsibilities fall in three areas:

Maintenance

* inspect and monitor the condition of the buildings and grounds, reporting to the executive items requiring attention;
* regularly monitor and evaluate the work of the maintenance contractor;
* assist the association in planning for any necessary maintenance work and capital repairs;
* contract out, if necessary conducting bid competitions, any work decided on;
* ensure the provision of 24 hour emergency repairs;

Financial

* work with association members on preparation of annual budgets;
* advise the association on sources of revenue and efficient expenditure of funds;
* maintain the association bank account;
* maintain all financial records;
* at the direction of the association, collect and deposit resident fees, following up unpaid accounts;
* administer payment of accounts;
* prepare and present annual financial statements;

Administrative

* maintain the association office and all records;
* handle all related clerical and administrative duties;
* attend all meetings of the association, recording and preparing minutes as directed;

The Property Manager reports directly to the Executive of the Association, and will meet with them at least monthly. A monthly summary of activities noting objectives achieved, problems to be addressed, and financial activity is to be submitted to the executive by the 10th working day of the subsequent month. A copy is to be supplied to the ICMA/AID Resident Advisor, Steve Anlian.

Evaluation of the Property Manager's performance will be done by the Executive Committee, in conjunction with ICMA/AID, and will be based on reports submitted, inspections of the

property, and information available to the Executive/residents.

Immediate Objectives

There are a few immediate objectives, falling within the above scope of work, which should be stressed:

1. Establish an office for the Triangle Association, which involves clarifying the status of the present office space, contacting relevant city officials, determining if alternate space is available, establishing an interim office (at SRCCM if necessary.) This includes setting up office operations: records, supplies, etc.

2. Begin work with the Audit/Budget Committee on revising the budget to determine among other things, if any capital repairs can be funded.

3. Establish a monitoring/evaluation routine of the maintenance work being done by Surik Co-op. This is to be tied into the payment system.

ATTACHMENT E

Scope of Work--Property Manager--Giumri August 1994

The Property Manager will have responsibility for the 130 units being occupied and formed into a consumers/owners association located in the Ani District of Giumri. These are scheduled to be occupied in August 1994.

A further 219 units in this area are scheduled for occupancy in September 1994, and will also be formed into a consumers/owners association (possibly more than one.) It is anticipated, but not yet decided, that the Property Manager will also have responsibility for these units.

The Manager's duties fall in three areas:

Maintenance

* ensure trash is removed at least once a week, or as otherwise agreed to with the owners and PIU (there is a city wide service for this; if not used, an alternative must be arranged)

* ensure an emergency repair service is in place for repair of conditions which endanger lives or the building integrity, including a communications and recordkeeping system; these are likely to be plumbing, electrical, and structural problems;

* arrange for any other repair and cleaning services which are budgeted for including if necessary a bid competition;

* help organize and monitor maintenance work which residents have agreed to provide;

* monitor and evaluate all maintenance work done on a regular basis, and decide on payment for these services;

Financial

* work with representatives of the owners and any consultants, on preparation of annual budgets;

* as directed by the association executive, collect and deposit resident fees, following up late or unpaid accounts;

* maintain all financial and bank records;

* establish and maintain an association bank account, including all deposits and payments;

* prepare monthly financial summaries, and an annual financial statement;

Administrative

* establish and maintain an association office;

* maintain all association records;

* attend all association general, executive and committee meetings, recording and producing minutes;

* organize general meetings, and other activities as directed by the association executive;

* control the use of any common areas such as basements, as directed by the executive;

* at the direction of the executive, handle the leasing of any commercial space;

The Property Manager reports directly to the executive committee of the owners association. He will also meet with members of the PIU and consultants as requested. A monthly summary of activities, including a brief financial statement, will be submitted by the 10th working day of the subsequent month, with a copy to the PIU. This summary is to note tasks accomplished, problems which have arisen, and the status of any ongoing concerns.

ATTACHMENT F

CONTRACT FOR PROPERTY MANAGEMENT SERVICES DRAFT

City of Giumri September 1994

(as the legal representative of the Homeowners Consumers Association, henceforth the Association) and
(henceforth the Manager) hereby enter into a contract under which the Manager will provide property management services for the following property:

126 units , at (street address),
Ani District, City of Giumri, Republic of Armenia.

1. SERVICES TO BE PROVIDED

Three categories of services are to be provided by the Manager, as detailed below:

Maintenance

* ensure trash removal from the site once a week;
* ensure provision of a 24 hour emergency repair service, emergency repairs to be defined as conditions with the plumbing, electrical, structural, roof or exterior wall systems which endanger residents or the integrity of the buildings;
* arrange for any other repair or maintenance services which the Association requests, including if instructed to, conducting competitive bidding;
* help organize and monitor maintenance work which residents through the Association, have agreed to provide;
* monitor any maintenance work contracted out, and evaluate it prior to payment;

Financial

* work with members of the association on budget preparation;
* as directed by the association, collect and deposit resident fees, following up any unpaid or delinquent accounts;
* maintain all financial records;
* maintain a bank account for operating funds;
* prepare monthly financial summaries, and an annual statement;

Administrative

* establish and maintain an on site office;
* maintain all records of the association activities;

* attend all general, executive, and committee meetings, recording and preparing minutes as directed;
* organize general meetings;
* control the use of common areas as per association's instruction;
* at the direction of the association, handle the leasing of commercial space;

2. PAYMENT FOR SERVICES

Payment will be 40 times the official, minimum monthly salary. This is presently 176 drams, so that the payment amount is 7040 drams. This will change as the official minimum salary changes. Payment will be made in drams on the 5th working day of each month for the previous month.

Expenditures made in the course of the Manager's duties will be reimbursed by the association upon production of validating receipts. These may include, but will not be limited to: office supplies, photocopies, long distance phone calls, business related travel.In no event may these charges exceed a total of 1000 drams per month without prior authorization by the Association Executive.

3. REPORTING AND EVALUATION

The Manager will report directly to the Executive Committee representing the association, and will be under the direct supervision of the President of the Executive. The Manager will also provide information to the representatives of the World Bank PIU and ICMA/USAID upon request.

A monthly written report summarizing tasks accomplished, work underway, issues of concern, and financial activity is to be submitted to the association Executive Committee, with a copy to the PIU, by the 10th calendar day of each subsequent month.

The Executive is obligated to inspect the buildings and grounds a minimum of once a week. The Manager will meet with the Executive a minimum of once a week. At these meetings, any issues of concern to either party should be discussed, and if possible resolved.

4. CONTRACT TERMS

Any changes in these terms must be by mutual agreement, in writing.

Disputes which cannot be resolved mutually by the parties, will go to a committee consisting of one representative of the PIU, one representative of the City of Giumri, and a third member to be agreed to by both parties. Decisions of this committee will be binding on both parties.

This contract can be terminated prior to it's expiration by written agreement of both parties. Either party can terminate it by providing 30 days notice in writing to the other party, citing the

reasons for termination.

In cases of misuse of association funds or other illegal actions by the property manager, the association may dismiss him with no notice period, by serving notice in writing citing the basis for the action.

This contract expires on _____, one year from date of its commencement. It may be extended on terms mutually agreed to.

The manager will not be in the full time employ of any other organization while this contract is in effect.

This contract is effective on the date of signing, unless otherwise specified.

Agreed to this ___th day of September, 1994

_____ representing the Association, legally residing at
_____

_____ representing the Manager, legally residing at
_____

witnessed by_____

ATTACHMENT G

To: Steve Anlian
From: Gene Sienkiewicz TDY
Date: June 22, 1994
Subject: weekly report

Arrived in Yerevan on Friday, June 17.

Several administrative items have been taken care of, including registration at the U.S. Consulate, entrance briefing with Ray Morton of U.S. AID, hotel arrangements.

Anahit Karabetian, the administrative assistant and interpreter for my TDY, and I have set up an office in the building of the Scientific Research Center for City Management (SRCCM), behind City Hall.

I have met several times with Steve Anlian, the ICMA Resident Advisor, to familiarize myself with the operations of the ICMA Yerevan office and the various housing reform programs underway, in particular those dealing with maintenance privatization and condominium formation on which I will be working. In connection with this, I have also reviewed a large volume of written material made available to me.

On Friday afternoon, we attended a meeting of the SRCCM Working Group. Present at this meeting were Harutyun Panossian, the President of the Triangle Ltd. Board of Directors, and Sargis Grigorian of the maintenance company for the Yerevan Project, "Surik", with whom we later that day toured the project site.

On Monday afternoon, we attended the scheduled bid opening for the capital repair work at the demonstration project, and learned that no bids had been submitted. As it was not clear from the project budget that this work can be funded, this probably was for the best; this call for bids should be deferred until the project owners/managers can revise the budget to make this contract viable.

On Tuesday afternoon, we met with the American University of Armenia student group which is assisting the Project Implementation Unit in privatizing the housing which is being completed in the earthquake zone.

In the coming week, I plan to meet with the various groups and individuals working on the several privatization/condominium/
training projects, and along with the Resident Advisor, identify the specific tasks with which I will be assisting.

To: Steve Anlian
From: Gene Sienkiewicz TDY
Date: June 29, 1994
Subject: Weekly Report

Yerevan Maintenance Privatization Project

Several meetings have been held with Artashes Arakelian, chair of the Working Group/Interim Property Manager for this project, at which several documents necessary for Triangle Ltd. (pending condominium) have been requested. These included the budget, foundation documents, by-laws, and minutes of any meetings. They have been provided, and are presently being translated and reviewed.

Meeting minutes are in the form of monthly summaries, which is not adequate for a corporation/condominium, so this procedure will have to be explained.

The budget is very brief, showing only annual expenses for repairs and maintenance/cleaning. Revenue information is expected soon. This procedure will also have to be clarified so that it will produce a meaningful and useful, working document.

A meeting held today with the Board of Triangle Ltd. (4 Directors, 2 Working Group members, and Sarkis of "Surik") revealed that the contractor has not yet been paid. The feeling was expressed that someone in the City Administration may be preventing the smooth transfer of funds. This may also be the case with City permission to establish a corporation office at the site, the application for which seems to have been lost. It is clear that inquiries should be made at higher levels in the City Administration, since this failure could seriously jeopardize the project.

This meeting also reported that a General Meeting of the corporation is to be held on a date between July 5 and 10, at which the budget should be presented. I will pursue this with them.

I am at work on a training presentation for both the Directors/Working Group, and all prospective property management bidders. It will consist of both a bid orientation session, and a session explaining the role of the property manager and what this profession is.

Earthquake Zone Project

One of my meetings with Artashes also included Jelena Pantelic', of the World Bank mid term review team. It was a general discussion at which we explained to her how what is being learned about housing privatization in the Yerevan Project will be applied to privatization of housing in the earthquake zone.

A meeting was held today with one member of the AUA Project Team at which further review was done of the "Fact Sheet" and memo to the PIU. I agreed to be available to the Team for

further consultation on these or any other items.

A trip to the earthquake zone is planned for July 2.

Tasks 3 and 4

First meetings with the student groups (YSU and AUA, respectively) are expected to be held within the next week. At these meetings, we can discuss specific areas where I can assist.

To: Steve Anlian
From: Gene Sienkiewicz, TDY
Date: July 6, 1994
Subject: Weekly Report

Yerevan Project

I am continuing to review the work done to date and planning the next steps, through daily contact with Artashes and weekly meetings of the Working Group.

A general meeting of Triangle Ltd. has been scheduled for July 14. I have given Artashes a draft of a notice to residents with a proposed agenda, and have stressed the urgency of providing adequate notice. Among the agenda items are presentation of the budget, and the step of hiring a property manager.

Anahit and I are proceeding with advertising for the property manager competition, after reviewing the ad copy with Artashes.

I am preparing a bid package for the p.m. competition, drawing on parts of the previous competition for the maintenance contract, and rewriting other parts as necessary. Artashes confirmed that they have Armenian versions of two model management contracts, and the CAI document "Choosing a Management Company", and I requested that he have these distributed to the Working Group prior to the July 8 meeting, so that the final wording of the contract can be discussed and agreed to.

I continue to develop a short, property management training session for this competition. We are still aiming for an August 1 commencement of contract.

On Saturday July 2, I participated in a tour of the project with Thomas Dine of U.S. AID.

Earthquake Zone Project

Also on July 2, I traveled to Giumri, one of the three cities where residents occupying the soon-to-be completed buildings are to be organized into condominium associations. This was to both participate in the Tom Dine tour of the project, and to view it for purposes of my work with condominium formation.

I have been participating in the weekly meetings of the AUA group working with the PIU on condominium formation, and as the date of occupancy draws near, I expect to begin assisting this group in planning and conducting meetings on a more frequent basis.

Association Formation

I continue to participate in the weekly meetings of this group, advising them along with the

Resident Advisor, on their plans and work product.

To: Steve Anlian
From: Gene Sienkiewicz TDY
Date: July 13, 1994
Subject: Weekly Report

Yerevan Project

A general meeting of residents and Triangle Directors is scheduled for July 14, and the competition for the property manager is underway. Consequently, most of this past week has been spent on this project.

I have met several times with the working group and/or Triangle directors, including at the project site. We have reviewed a checklist of procedures/documents required of Triangle by the by-laws, determining that most have been done, although a few need some refinement, such as the minutes of meetings. Notices of the meeting and agenda have finally been distributed.

The budget continues to be a problem, as I have been unsuccessful in convincing the working group to use a format which is complete, honest, and which provides useful information for decision-making by the company. The latest version of it was made available this evening, and some of the directors were not happy with it as well. The conclusion was reached that a very general budget would be presented at the general meeting, and work would continue on a more satisfactory version.

The maintenance contract although signed, was never legally executed; this is was apparently due to the fact that Triangle was required to have a seal and approved budget, but did not at the time of signing. They expect to do this shortly after the July 14 meeting. Triangle, the working group, and Surik must first renegotiate the contract to reflect the income actually available in the budget, and possible reduction of services.

Ads have been placed in newspapers for the property manager competition. We have been tactfully trying to reconcile the bid package prepared by the working group, with the more satisfactory version I drafted with input from Steve and Jacob. I will also be meeting with the legal consultant, Haykaz Karapetian, tomorrow to finalize a contract.

Much is being done under the pressure of deadlines, and consequently is rushed. But it appeared that without creating that pressure by setting dates, there was little incentive for the working group and directors to produce the necessary work.

Two things have also arisen which may complicate things a bit. A balcony at the project has fallen (no injuries) and after a subsequent closer inspection of the project, it appears to me that this is a serious danger for many other balconies there. The working group has assured me that this responsibility should be left to the city, but I insisted that at the least, Triangle should place some warning signs on Sayat-Nova, the street where the balcony fell, where other balconies appear to be in the same condition, and the one which has the greatest pedestrian traffic.

One of our meetings at the project was interrupted by the commercial tenants who were evicted for non-payment of rent, and whose space Triangle was using as an office. They could pass for the local mafia, and the president, Harutyun, was upset by them. Upon checking with Artashes, we were told that this eviction process is handled by the city, so the directors should not concern themselves with it. Still, it could become a nuisance.

Much of the frustration and delay in completing these tasks seems to result from the need to coordinate the work of two groups of people/committees. I have hope that upon selection of a dedicated property manager, the work at this project can be done more effectively.

To: Steve Anlian
From: Gene Sienkiewicz, TDY
Date: July 20, 1994
Subject: Weekly Report

Yerevan Project

The General Meeting of Triangle Ltd. was held on Thursday, July 14. It was well attended (about 20-30 residents) and had some spirited discussion about repairs (especially the roof) and housing charges (potential increases.) Elections were held for the Audit Commission, and I was one of several elected. This should be a good opportunity to work with an interested group of residents to develop a realistic budget, and explore options for funding roof repair work. I will be active in this committee, although more as an advisor than member, and if necessary will spur them to hold regular meetings.

The major focus of this project is currently the bid competition for a property manager. I drafted a bid package and worked with members of the Working Group to produce a final version which incorporates all of the items which we (ICMA) feel are important to include. It was at times difficult, in that I had to insist on certain items (a non-government manager, avoiding a bonus payment system, at least for the first year, etc.) without causing undue offense, but I believe that on balance we were successful.

We also encountered delays in producing the packages due to power outages and clerical tasks not getting done in the Working Group, but they were completed by the day of the first orientation.

I conducted the first orientation session on Tuesday, July 19. There were 21 prospective bidders in attendance consisting of:
individual maintenance workers, some Zhek workers, some businessmen, one woman employee of SRCCM, and possibly others.
A repeat orientation will be held on July 22, and Anahit and I are holding office hours through then to meet with any interested people.

I am also presently finalizing the forms/procedures for evaluation of bids.

EQZ Project

At a meeting with the AUA group and Michael Melkumian, the June 7 memo from P. Epstein was used to review progress to date and the priority tasks in light of the advanced occupancy date of August 15 for 110 units in Giumry. I will focus immediate attention on: preparations for the July 30 orientation of residents, bidding for a property manager, development of a budget, and provision of initial maintenance services. Work on these tasks will be in conjunction with the AUA group; we will next meet on July 23, and as frequently as necessary thereafter.

AUA Management Association Project

I participated in the July 20 meeting of this group. It was decided in discussions with the Resident Advisor that my involvement in this project would be minimal, in order to focus full attention on the EQZ and Yerevan projects.

To: Steve Anlian
From: Gene Sienkiewicz, TDY
Date: July 27, 1994
Subject: Weekly Report

Yerevan Project

We are presently in the middle of the bid competition for the Property Manager position. The second bid orientation session was held on July 22. The deadline for bid submission was 10:00 am on July 25, and the majority of the 20 bids submitted were brought in on that morning. Up until that time, Anahit and I spent a considerable amount of time meeting with prospective bidders to answer questions and explain the position and the competition procedures. A few people believed they would have an edge by making the case for their bids directly to me.

Bid opening was on July 26, and two members of the review committee and I spent much of the day evaluating and ranking them for further consideration by the full committee. This was done on July 27, and after much discussion and voting, a short list of six was agreed on for interviewing. This will be done on July 29.

I intend to work closely with the property manager for the first few days, training and briefing on tasks. Among the priorities are supervising the maintenance contract, working with the audit committee on budget revision, and setting up an office.

EQZ/PIU Giumry Project

I have been meeting almost daily with this group to monitor and assist in preparations for the occupancy of the first 130 units scheduled for August 15. The legal structure has been defined with the assistance of the Ministry of Justice. This will allow membership of all residents, and easy conversion to a condominium when the national law is passed. Cost recovery has been decided on and the loan document is being prepared with the assistance of Richard Winnie. A budget is currently undergoing a third revision.

It has been agreed to at my suggestion, that a property manager for these units (and probably all others in Giumry) be hired rather than a bid competition held, because of the short time frame and the importance of having a manager on site early in this process. I drafted the required announcements and application form. This hiring will be coordinated with the July 30 orientation to save travel time and expense.

Maintenance has been budgeted for at a minimal level: weekly trash removal and emergency repairs. Additional services will be an option of the residents, either through higher fees, or volunteering of time and labor. A major task of the property manager will be to, with the PIU, arrange the trash removal and emergency services.

The orientation for residents will take place July 30. It should provide us with information about how people will view the cost recovery and resident fee system. With my admittedly limited understanding of the Armenian economy, I have some concern that it may prove to not be viable.

Property Management Association

I continue to participate in the weekly meetings of this group and to make suggestions about their work, but am otherwise concentrating my time and energy on the first two projects.

To: Steve Anlian, ICMA Yerevan
From: Gene Sienkiewicz, TDY
Date: August 3, 1994
Subject: Weekly Report

Yerevan Project

As we are in the midst of the property management competition, most of my activity this past week has focused on the selection of this person. Interviews of the six finalists were held on July 29, and a considerable amount of time and thought went into the evaluation process, as there was no consensus in the committee, nor a clear idea of how to proceed. Two candidates were ranked above the others, and as their bid prices/structures varied considerably (but were still within the "market" range) they were invited back on August 1 for an additional interview. One purpose of this was to clarify their price structures so that there was a common basis; further evaluation then was done based on their qualifications and suitability. A person was selected and notified. We are now in the process of finalizing the contract wording, and notifying the other candidates.

I met twice this week with Artashes to clarify the next phase of the SRCCM work plan. This is to include documentation and an evaluation of the Triangle experience, plans for further demonstration projects, a strategy for condominium formation in Armenia, and a strategy for Zhek privatization. To assist in the evaluation, I am preparing a memorandum of my observations, thoughts and recommendations on this project. Based on these meetings, he is preparing a work plan, to be available for translation and review today or tomorrow.

EQZ PIU

The first orientation for residents of the EQZ was held on Saturday in Giumry. Approximately 30 out of the 71 residents who were apparently notified by the city attended. 130 units have been scheduled for initial occupancy. It is clear that better communications is required with city officials as to what is expected of them, and this was discussed in today's meeting with the AUA group. The next orientation has been scheduled for August 13, and plans for this based on what was learned July 30, made.

At the July 30 meeting, the hiring of a property manager was discussed, applications distributed and a newspaper ad arranged. Returned applications will be picked up prior to the August 13 meeting and reviewed, so that interviews with qualified candidates can be arranged for the 13th.

AUA Property Management Association

We met with the group today, as per our weekly schedule, to review progress and advise on any concerns. We provided them with a list of bidders from the Triangle Project from which they will solicit members for the Association. We have been promoting this Association to the bidders with whom we have spoken, and some have appeared interested. Plans are going ahead

for an August 16 organizational meeting, which I plan to attend.

To: Steve Anlian, ICMA, Yerevan
From: Gene Sienkiewicz, TDY
Date: August 10, 1994
Subject: Weekly Report

Yerevan Project

Norik Vardanian was selected as the Property Manager for the Triangle Ltd. project, and will be officially starting on August 15. During this past week, I have met with him almost daily, to brief him on the project, his responsibilities, and priorities for his work. As well, he has been meeting with members of the Triangle executive and the Working Group. We are also finalizing his contract, which is taking longer than I had hoped because of some questions regarding taxes, legal relationships, and the need to have the Triangle executive review it. These are all necessary, however.

I have written and faxed a lengthy memo to Peter Epstein summarizing what has been taking place with this project, and my thoughts on it.

I have been in contact with Chris Kibarian, of AUA/CBRD who is working on the AID Energy Demonstration at Triangle. We will be meeting next week along with Norik and Harutyun of Triangle Ltd. to discuss the program and plan it's implementation.

Giumri Project

In addition to the weekly (Wednesday) meeting of the AUA/PIU group, I have been contacting them daily to monitor and assist progress on the various tasks. The City Council of Giumry is not fully cooperative, so M. Melkumian is arranging a meeting with them in the next few days which I will attend. The main issues to be clarified are: the method of notifying residents of the orientation sessions, the status of the commercial space and whether the association can expect some income from it, and the role of the Inventory Bureau in the registration of unit ownership.

The group has a copy of the charter for the consumers association (the form of organization which, it has been decided, is the most appropriate at this time) and is reviewing it; they will also consult with the Ministry of Justice on it's wording. One question to be clarified is what individual(s) can have signing authority for the association, prior to it's electing officers, which will likely take some time.

Richard Winnie's draft mortgage/loan document has arrived and is being reviewed by us.

The next orientation is scheduled for Saturday August 20. I understand that delivery and occupancy of the 130 units is being moved back, due in part to the World Bank increasing the degree of finish of these units. It appears this is the result of residents' concerns expressed at the previous orientation, July 30.

I am focusing on the hiring of a property manager. We are expecting to get the applications submitted for this position this week, and the response will indicate whether we have an adequate pool from which to select, or have to continue the advertising. I have drafted a scope of work, and contract for this position; they are presently being reviewed by the group.

Real Estate Management Association

I continue to meet weekly with this group from AUA. They are finalizing plans for the August 16 meeting which I suggested, can either be an information meeting, or if it moves along smoothly, can result in the first steps of organizing this association. The advertising for the meeting is underway, and they will be contacting the bidders from the Triangle competition whose names we provided. I also suggested/clarified the distribution of a "fact sheet" at this meeting.

The group has also met with Kamo of the city Zshek (lukewarm support), is still developing a charter for the association, is revising a lease for the office space they have located, and is awaiting completion of work on the logo/name by a graphic design firm.

Other Contacts

On Friday, I participated in a meeting with city officials from Kamo, near Lake Sevan. They are a very independent minded group which is seeking assistance with their local planning efforts.
S. Anlian pointed out the suitability of their requests to the ICMA Municipal Management Program which is starting up, and promised to support their participation in it.

To: Steve Anlian, ICMA/USAID Resident Advisor
From: Gene Sienkiewicz, TDY
Date: August 17, 1994
Subject: Weekly Report

Yerevan Project

The management contract with Norik Vardanian was finally signed August 15. This involved extensive revision and translation, as well as co-ordination among four parties: the two signatories, ICMA/AID, and SRCCM. To add urgency, the President of Triangle Ltd. was leaving town for several days, but we were able to catch him on his way out.

I have been working on several short guidelines for use in this and other projects: guidelines for budget preparation and review, guidelines for performance evaluation of property managers, and an outline of the condominium formation process.

Norik and I have been meeting regularly to discuss his work. I am collecting copies of the various documents he should read, and we are making plans for opening the office, which should occur next week when the city council provides the necessary documents.
Norik has an interest in having the use of a computer for his work, and I am brainstorming with him about how this might be pursued.

We also met with Chris Kibarian who is coordinating the AUA/AID Energy Project at Triangle, to discuss ways in which we can assist this work. An on-site inspection of the buildings will be scheduled next week.

PIU/AUA Giumry Project

This project continues to move along slowly, at least based on earlier schedules. The latest date for delivery of the first 130 units now is early September. In addition to the Wednesday meetings, I am attempting to speak with members of the AUA/PIU Group daily to monitor progress and assist with any questions. They are presently reviewing the charter document for the association which will be formed, the loan agreement drafted by Richard Winnie, and their presentation at the August 20 orientation. I will attend this session.

Officials from Giumri were in Yerevan this week to discuss issues of ownership and registration. There appears to be little co-operation from them on notifying residents of the orientation, or assisting in the property manager hiring process. This I believe continues to demonstrate the importance of having an on-site property manager to look after some of the interests of this project, and I will keep pushing for this.

Property Management Association

The public organizational meeting for this group was held on August 16 at AUA, with an

attendance of about 30 (including several bidders from the Triangle Ltd. competition.) The session demonstrated the difficulty in organizing people into an association for a profession which is just starting and which is not clearly understood. The challenge is clearly, to convince potential members of the benefits--immediate--of membership, so the group will be working further on this for the next meeting, scheduled for August 23.

TO: Steve Anlian, ICMA/AID, Yerevan
FROM: Gene Sienkiewicz, TDY
DATE: August 24, 1994
SUBJECT: Weekly Report

Yerevan / Triangle Project

I continue to meet with the Property Manager, Norik daily, if even briefly. He is pursuing with the City Council, legal authority to establish an office in commercial space at Triangle. Approval has been granted, and he is engaged in finding basic furnishings and office supplies (with which I will assist.)

Norik is spending time on site inspecting the buildings, and is meeting with the Triangle President, Harutyun, and Sargis of Surik Co-op to discuss reallocation of funds within the contract for needed repairs. I am providing suggestions on this but am not involving myself in the discussions.

Harutyun and Norik are also involved with the AID Energy Project, which is presently selecting units for their demonstration. They are keeping me informed of this activity as well.

A letter of congratulations on his selection as Property Manager, has gone to Norik from ICMA/Yerevan.

We met with Artashes from SRCCM on Friday to discuss their plans for the next phase of privatization work in Yerevan. As a strategic plan has not really been thought out, we have scheduled a strategic planning workshop for September 9, to include John Lawton. I am assisting Artashes' group to complete their evaluation of the Triangle laboratory and an outline of a City strategy for consideration at the workshop.

EQZ PIU Project

On Saturday, August 20, the second orientation session was held in Giumri for the first 130 resident/owners. It was well attended--about 65 prospective owners (I understand the City of Giumri had not assigned more than 71 units at that time)--and was on the whole, productive. Signatures were obtained for the registration of the "maintenance co-operative"--the interim form of organization, and a small group of volunteers joined the students in working out more details of the privatization and occupancy.

The occupancy date of these units is moving back to mid-September. I am continuing to meet with members of the AUA group in between our formal, weekly meetings, in order to monitor progress. I am also finishing up a lengthy memo on this project to Peter in Washington.

Property Management Association/AUA Project

A follow up organizational meeting was held on Tuesday, August 23, at which 7 people participated in discussions about the role the Association could play in generating business for them. The group is facing the dilemma of moving either in the planned direction of a professional, service organization with no apparent monetary return for membership, or in the direction of a more aggressive brokering organization with all the pitfalls that carries. Some interesting things will be learned from this project.

To: Steve Anlian, ICMA Yerevan
From: Gene Sienkiewicz, TDY
Date: September 2, 1994
Subject: Weekly Report

Yerevan Project

Norik is spending most of his time at the Triangle site, where he is working on revamping the budget, particularly the maintenance portion of it, and along with Harutyun (the president) renegotiating sections of the Surik Co-op maintenance contract. Apparently it is common in Armenia for contracts to undergo almost constant renegotiation, or so they tell me.

I met with them and another member of the budget committee last Friday to discuss the budget and my guidelines for reviewing it.

It seems that the previous tenants of the Triangle office space are suing to recover it so during this dispute, Harutyun and Norik have decided to lock it up. They are working around this minor setback.

I have been meeting with Artashes and Suren (working group) about the Strategic Plan for the city of Yerevan. I reviewed the framework and process for evaluation of the Triangle project, and then suggested a sketch outlining a strategic plan in the context of housing and land reform in Armenia. They will have the Triangle evaluation and a proposed strategic plan ready for our September 9 Strategic Planning Workshop.

The AUA Energy Group is proceeding with implementing their insulation program at the site through a survey of past participants, selection of test units for additional insulation, and conducting open houses for other residents. I have reviewed and commented on some of their materials.

EQZ/PIU

On Tuesday, we traveled to Giumri to interview candidates for the property manager position. Of the three applicants, two appeared for the interviews, and we reached a consensus on one, Yeghishe Nazaretian, a 44 year old with experience in the Housing Dept. of the Shirak Regional Council, as well as managing a variety of organizations. He is certainly capable and self confident, which we felt are important traits for this particular position. We are in the process of translating the contract and sending it up to him.

Further work will need to be done clarifying the role of the PIU, especially with regard to Peter's points in his August 29 memo.
I am drafting a memo for your review to Melkumian, which will suggest certain responsibilities be assumed by the PIU at the start up of each association.

Real Estate Management Association

As you know, we have been meeting with the AUA students working on this project, and as it appears that their membership base at this time is limited, and there is more interest in a more aggressive, brokering function, we are working with them to see if they can expand their appeal. In addition to maintaining their present core of 5 to 7 regulars, they will be looking at expanding their target membership to include the real estate profession, specifically brokers, by offering services which would be of value to them.

To: Steve Anlian, ICMA Yerevan
From: Gene Sienkiewicz, TDY
Date: September 9, 1994
Subject: Weekly Report

Yerevan Project(s)

The Triangle Property Manager, Norik, is continuing work on maintenance assessment/planning and budget revision. He has submitted a revised budget, which is being translated. Work is also proceeding on the USAID Energy Demonstration, with unit selection for open houses and distribution of survey forms, according to Norik. Norik and I are meeting less frequently but at least 3 to 4 times a week. He has just submitted his first monthly report (in this case, August 15 to September 1), and it is being translated. I am also going to take him to the ICMA office Tuesday morning to introduce him to Melik and show him where copies of future reports should go.

The workshop on City Strategy was held today at the SRCCM office. Earlier in the week, I discussed these matters and developments at Triangle with John Lawton who arrived Wednesday. At the workshop, the 7 to 11 attendees (some stayed for only part of the day) discussed what programs were integral to the housing reform effort, what policy and training needs were required, and what role the city should play to tie the appropriate ones together. I again emphasized to the group the importance of preparing a thorough evaluation of the Triangle Demonstration drawing on input from all participants. The Working Group was left with the task of articulating these discussions and conclusions in a City Strategy paper.

EQZ/PIU Project

I wrote and delivered a memo to M. Melkumian arguing for a more active role for the PIU in the initial operations of the Giumri housing and in the orderly transition of responsibilities to the resident associations. I also responded to a request for some information from Peter.

The PIU has been given the translated management contract for Giumri (which had been discussed with the candidate offered the position), and we are awaiting its delivery to him for negotiation on it to proceed. On of the difficulties in this project is that, in the absence of fax or reliable mail service, documents are delivered by PIU staff who travel back and forth between the sites and Yerevan, which often slows communication.

The PIU met last week with Melkumian and John Lawton. At this meeting, we (ICMA) convinced Melkumian of the importance of the developer (PIU) to be very active in the formation and operations of the resident association, particularly through a consistent and active presence on the board of directors.

John and I continue to discuss this matter, and I plan to prepare, with his help, some guidelines for the PIU's participation in these associations and transfer of management tasks to them.

Real Estate Management Association

We are meeting with this group weekly, but no longer attending their organization meetings. Because of the limited property management membership base, we are advising them on expanding their mission to include real estate brokers, among whom there is some interest and prospects for providing information services.

Norik (from Triangle) has become a founding member of the Association.

Remaining Matters

In the time remaining prior to my September 15 departure, I will be reviewing further materials prepared by the SRCCM Working Group and providing comments and suggestions, ensuring that Norik has a clear understanding of his responsibilities at Triangle (and where he can expect advise if necessary) and meeting with the PIU as much as possible. I hope to provide them with as much guidance as I can about steps they must take to ensure successful occupancy and management of the units in Giumri.

ATTACHMENT H

CONDOMINIUM ASSOCIATION

New way of property management

Dear resident!

We are pleased to welcome you to your new apartment. We hope this new apartment will bring you happiness. It will be something different from what you are used to. You will have a well managed and maintained house, clean entrances and staircases.

We are trying to introduce you to some new concepts and ideas of managing such a property. For this reason we have prepared this package, which we hope will be an introductory guide for you. You will get acquainted with the concept of "Condominium" and the advantages soon will be clear to you.

The package has been prepared to assist you in understanding and carrying out your responsibilities with regard to the legal regulations applicable to condominiums. We will introduce you with the operations of the condominium association, with the management of the property of the condominium, and the management of the financial affairs of the condominium association. The package is prepared in a form of questions and answers, which we hope will be very interesting and educational for you.

Don't be afraid to ask questions. The package will supply you with some answers and stimulate more questions to ask as you learn about this new form of homeownership.

Good luck and success!

What is a condominium?

A condominium is a form of property ownership, the interests of which are managed by a private, nonprofit organization, the Condominium Association. It functions somewhat like a mini-democracy. This means a condominium must operate in accordance with the law and written regulations. Many decisions are made by majority vote of the members, or by elected representatives. Condominiums will be actually created under the Law of the Republic of Armenia on Condominiums. Members of the condominium do not seek profit. In other words a condominium is a form of joint ownership of an apartment building or other multiple ownership of real estate. Portions of that property are designated for individual ownership (the

living units) and the reminding area are designated for undivided common ownership by the owners of the units (the common property).

The primary interest of the unit owners is in the continuing success of the condominium. It is very important to recognize that a well-functioning condominium association means that the value of the property will be maintained or increased. Also it is important for unit owners to participate in the activities of the association to assure that the condominium is operated effectively. Thus they can protect their investment in their property.

What is a foundation deed?

The foundation deed is one of the legal documents that establish a condominium association. It describes how the owners will share the common property. The foundation deed defines the purpose, structure, and powers of the association.

What are the bylaws?

Bylaws provide more specific information about the following:

- how the association will function
- the responsibilities of the members
- the common representatives, or the executive committee
- the responsibilities of officers of the association
- how meetings of the association and the executive committee will be conducted
- general rules and regulations of the condominium
- description of the rights and obligations of the owners regarding their use of the common property

How is the Condominium formed?

Individual unit owners become members of the Condominium Association when they take possession of their unit (by purchase, gift, or inheritance, etc.). Membership in the Condominium Association will be automatic, in accordance with the legal documents needed to establish the condominium. All members must comply with decisions and regulations adopted by the association.

Each ownership of the unit and the interest in the common property is registered in the records of the appropriate jurisdiction where the condominium is located.

What are the responsibilities of the Condominium Association?

As mentioned above, a major responsibility of the Condominium Association is to protect the investment and enhance the value of the property owned by the members. The association

may also provide common services such as security, common metering for the electricity, water, and sewer charges, cleaning, trash collection, and snow removal.

The association is responsible for enforcing the rules and bylaws of the association. It can also provide social and recreation programs and set up an effective communication system among the members of the condominium association.

What are the differences between self-management by the Condominium Association and the control by the Zshek?

The main difference is ownership. In the case of Condominiums the units are assets of the owners and the price of units is controlled by the free market. Fees which are paid by individual co-owners will be used directly for the needs of the Condominium. Association members should decide where and how to spend money (taking into consideration the prepared budget and the current needs of the Condominium).

What does an individual own in the Condominium?

An individual owner in the Condominium owns real estate that is comprised of two parts: (1) the individual unit or apartment itself and (2) an undivided, proportionate interest in the common property. In most condominiums, the individual 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.

What does "Common property" mean?

The common property includes 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, parking spaces, community facilities, heat and hot water equipment, trees, pavement, balconies, pipes, wires, and common utility lines.

Why is the common property called "undivided" and what does it include?

The individual's proportionate interest in the common property is called "undivided" because it represents that owner's interest is in the whole of the common property rather than a definable piece of the common property. This kind of ownership can apply to any co-owned property. For example, if there are two individuals who own an apartment together, each with a 50 percent interest, they do not divide ownership of the apartment by drawing a line down the middle; they each own 50 percent of the whole apartment. Similarly, an owner of a Condominium unit has an undivided, proportionate interest in the whole of the common property. If the floor area of the individual unit equals 2 percent of the floor area of all the units added together, the owner of the unit does not own a particular piece of a stairway or certain tiles on the roof; he or she owns a 2 percent interest in the entire common property.

Common property ordinarily includes interior shared spaces such as stairways, halls and lobbies, and exterior components such as the building envelope and the land upon which the building sits.

What is the difference between the individual unit and the common property?

Within certain broad limits, individual unit owners are free to use, sell, or mortgage their property as they wish, but they may not separate their ownership interest in their unit from their ownership interest in the common property. All these rights depend on the certain rules and by-laws of the associations.

Is it possible to use common areas for personal needs?

Common areas can't be used for personal needs. Generally an owner can't store his private property in the lobbies, vestibules, stairways, elevators, and other common property or facilities, except with explicit permission of the Condominium Association. Sometimes, the Condominium Association will rent storage space in common areas to individual residents.

Who is responsible for managing the Condominium?

All owners are members of an Association and are responsible for managing the common property and regulation of the operations of the condominium community. Voting power in the association ordinarily is equivalent to the member's proportionate ownership interest, although the governing documents may provide otherwise. All unit owners and hired professionals often work together to manage a condominium association effectively, depending on its particular needs.

What are the main areas of management?

Association management typically involves eight areas of responsibility in a common interest community:

- Environment
- Property
- Common services
- Communication
- Finance
- General administration of the associations affairs
- Taxes and insurance
- Assistance on policy matters

What are the ways to carrying out management of the Condominium?

The management scenario selected by the members of the association depends on factors such as the number of apartments in the condominium, the condominium's physical facilities, the services provided to the members, the skills of the members and their willingness to spend their time and effort, and the financial resources available.

The three most common management options available to condominium associations are:

(1) self-management by volunteer association members
(2) management by a paid association member or common representative
(3) management by a professional management firm

What is a self-management by volunteer association members?

In this case the board can run the association with homeowner volunteers. This is usually the most tempting option because there is no additional management cost. It may be a good choice if the associations size and service do not demand much expertise and if board members and other volunteers have the time, knowledge, skills and dedication for the job.

What is management by a paid association member or common representative?

In this case board can hire a paid manager on the association payroll. Hiring an employee manager may be a good idea if the association has enough management work and if the board can find a person with the necessary skills and experience to serve as a professional association manager.

What is management by a professional management firm?

In this case board can retain an association management company. In this option, as in the professional employee option the board seeks association management experience and skill from persons who are experts in this field. An advantage hiring a management company is that there is usually a depth of manpower to meet whatever needs may arise. Professional management may be a good idea for the association with many things to supervise, control, and maintain.

What is the 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

- establishing and collecting monthly assessments from the unit owners.

What is a Managing Agent?

A managing agent is a firm or individual who is hired by his client (Owners or Condominium Association) to look after the best interests of the Association, manage the day to day business of the Association, and to provide for the care and maintenance of the common areas of the Association.

What is the General Assembly?

The unit owners, acting together in a general assembly, are the highest authority in a Condominium. For the sake of efficiency, they delegate much of this power by electing an executive committee to manage the condominium. These elected representatives are responsible to the members and must act in the interests of the members in carrying out their responsibilities.

Why to establish an Executive Committee?

The need of an Executive Committee(E.C) will be approved by the owners at a general meeting. The E.C should be composed of an odd number (not less than three) of persons. all of whom must be owners of units in the condominium. The primary advantage of the establishment of the E.C. is that work can be accomplished more efficiently.

How many votes has each unit?

Each unit shall be allocated a number of votes in accordance with its proportionate ownership interest .

What will happen if the unit owner or occupant does not comply with the provisions of the foundation deed and the bylaws or rules?

In these cases the Association may bring an action against the unit owner or other occupant of unit at associations option. If a decision of the general assembly or the associations contrary to law owner may commence a legal action against the association for invalidation of the decision with sixty days of when it is made.

Does the owner have any rights to make structural changes to his unit?

An owner shall not make structural modifications in a unit without first notifying and receiving the permission of the Association. Such changes, if approved, shall be made at the sole risk and expense of the owner.

What are the main obligations and rights of Owners?

All unit owners shall be obligated to pay regular and special assessments imposed by the Association to meet all common expenses of the condominium.

Every owner is responsible for maintaining his or her unit in good repair. An owner shall reimburse expenses of damages caused through such owners fault.

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.

Each unit owner is obligated to follow the policies and procedures set up for the condominium association.

How much will the payments be?

The unit owners shall be liable to pay to the Association their share of the common expenses, in accordance with their proportionate ownership interest. The amount of the assessment for common expenses shall be determined in a budget to be adopted by the owners at a general assembly. In the event that the assessment is inadequate because of unanticipated common expenses, a special assessment may be made upon the approval of the owners at a general assembly. No owner of any unit shall be exempt from liability for contribution toward the common expenses.

How the Condominium Association Budget is formed?

A Condominium Association budget is a plan prepared before each fiscal year begins. The budget anticipates the cost of operating the Condominium property during the coming year. The first step in drawing up a budget is to determine the expenditures that must be made during the coming year. Then optional expenditures can be considered , if it appears that the anticipated income will exceed the amount that must be spent. Among all the expenses that an Association will have, some can be predicted accurately in advance, while others can only be estimated. Taken together, the budgeted expenses determine how much income the Condominium will need to finance its operations during the coming year. This is how the Condominium determines the amount of assessments it will need to collect from the unit owners for that year. The association budget will help each owner budget for his expenses and will give all owners greater confidence in the Executive Committee and the management of the association.

What does the budget worksheet look like?

Expenses

Administrative Expenses
- Salaries
- Office expenses
- Management fee
- Telephone
- Miscellaneous

Operating Expenses
- Elevator
- Heating fuel
- Electricity
- Water/Sewer
- Gas
- Trash removal
- Cleaning
- Window washing
- Miscellaneous

Repair and maintenance
- Grounds maintenance
- Custodial
- General maintenance
- Painting exterior
- Painting interior
- Miscellaneous

Income

Regular unit assessment
Rental fees
Special assessments
Miscellaneous

What is the Renovation Fund?

In addition to covering the regular, continuous costs of operating the condominium, the owners

should anticipate the costs of larger repairs or renovations to the property. The first step in planning the renovation fund is to determine what components of the property may need major repairs or replacement, when the need will occur, and what other work might be needed or desirable to improve the property. It can be very difficult to calculate the estimated useful life of all of the systems and equipment of the building, as well as the eventual replacement cost.

The following maintenance items can be defined for the renovation:
Exterior painting
Roof of replacement
Concrete repairs
Replacement of entry doors and blocks
Replacement of common area windows, each floor

What will happen in cases of nonpayment?

Nonpayment of any regular or special assessment shall constitute a default. If an owner does not pay, after being duly notified, and after a reasonable, prescribed time period, the Association has the right to take action through the court system.

Is it possible that unit owners may offer their work?

It is quite possible in some cases. If the owner of a unit can offer his labor and/or can provide a particular service for the Condominium, and if the Association decides that the service is legitimately needed and included in the budget, then the unit owner may be exempt from a particular portion of the fees by providing the required services.

What are the sources of income?

The Condominium Association will have several sources of income, which should be projected on the budget worksheet. These include the following:

- Regular unit assessment
- Rental fees
- Special assessments
- Sales proceeds for commercial or residential units owned by the association
- Late fees
- Miscellaneous

How to assure that financial violations don't occur?

The unit owners may elect an account auditing committee to review the accounts 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.

Who has the right to enter an individual unit?

Representatives of the Condominium Association 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.

If something is wrong inside the unit, who will pay for it?

The Association ordinarily is responsible for handling all repairs to common property, including plumbing and electrical systems, roofs, doors, windows, and other parts of the basic structure of the building. The Executive Committee must determine who is responsible for the proper operation and maintenance of the electric, water, and sewer lines inside individual units. If repairs to the common property or to mechanical systems inside a unit are required through no fault of the resident, there should be no charge to the individual for repairs by the Association. If the problem is a result of a resident's misuse or neglect, however, the cost of labor and materials should be charged to that person.

When are monthly assessments collected?

The timing of the payments should be defined in the by- laws of the Association. Usually it is made between the first and fifth of each month, and adequate penalties should be charged for late payments. The method of collection is to have each member make payments directly to the Association, either to the Condominium Association management office, if there is one, to a legitimate agent of the Condominium Association, or to a designated banking institution.

Is participation by unit owners in the operations of the Association possible?

It's not only possible but also desirable. Each unit owner should be involved in the operations of the Association. Involvement may mean paying assessments on time, cooperating with the Association, and participating when help is needed on committees, including the Executive Committee. As a minimum, each unit owner should participate and vote in the general assembly of the Association.

Active involvement in the association should be a rewarding and educational experience. It provides the best opportunity for each unit owner to have a say in the management of the property and the protection of its value.

Remember, you have certain responsibilities and must live up to them. As a homeowner, take pride in your surroundings. Be concerned about how well your unit is maintained, as well as the maintenance of the entire common area. If, like most people, you have undertaken a cost

recovery obligation, be certain it's fulfilled. Budget your expenses in order to handle your monthly assessments. Don't forget that, as a condominium owner, you have certain rights over and above the average renter. You can assume an active role in the Association, on the Board of directors, merely by running for office. You have as much chance as anyone else of being elected.

You as an Owner, at the very minimum, should participate in the meetings and vote on the issues, which can directly affect your day- to-day living conditions. You, with others, can change things. Don't take for granted your opportunity to vote on the internal affairs of your condominium.

Don't acquire an apathetic attitude. The extent of your interest and the interest of the other owners is the true measure of a successful condominium.

A well planned condominium community offers both possibilities for architectural excellence and opportunities for a new and rewarding way of life that seem almost limitless.