

Energy efficiency in multi-owner residential buildings: legal considerations

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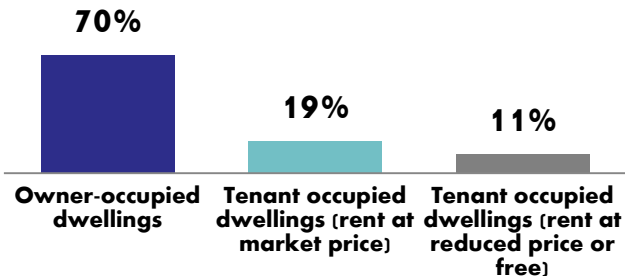
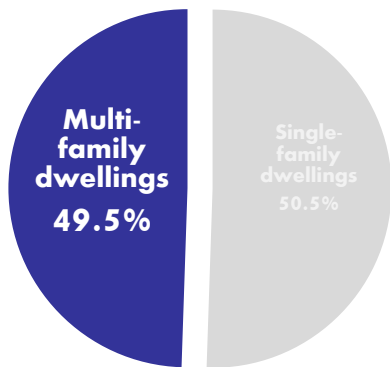
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Why?

EU28 IN 2014



- **Complex governance process**
- **Rules regulating decision making procedures**
- **Multi-party management**
- **Legal status of main decision making body**
- **Varying incentives between co-owners or between tenants-owners**

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Review legal, management and administrative obstacles in multi-owner buildings in 7 selected Member States, identify good practices and draw policy needs

1. Belgium (Flanders)
2. Finland
3. Germany
4. Poland
5. Portugal
6. Spain
7. United Kingdom (England/Wales, Scotland)

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Part A: Definitions

- Unitary/composite ownership
- Housing association/homeowner community/board of directors of homeowners
- Simple/qualified/absolute majority
- Maintenance/major renovation

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Part A: Definitions

Part B: Legal status

- Most common apartment ownership model
- Recent property law updates to encourage renovation of apartment blocks
- Communal parts of building under condominium law
- Mixed public/private ownership issues
- Main actors in charge of apartment management
- Required majority needed for decisions & procedure under maintenance and major renovation works

Rental-specific:

- Setting of private and social rental prices & duration of typical contract
- Provisions that allow landlords to renegotiated contracts due to renovation and pass costs of energy efficiency upgrades to tenants

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Part A: Definitions

Part B: Legal status

Part C: Energy efficiency policies

- Minimum energy performance requirements in renovations
- Specific energy-related requirements in apartment buildings and specific requirements on renewable energy technologies
- Special financial/fiscal incentives in apartment buildings or rented properties
- Loan arrangements in case of large investments in apartment buildings
- Energy Performance Certificates and impact on potential upgrades if produced at individual flat or building level
- Successful policies, measures etc. on energy efficiency upgrades in apartment buildings and rented properties

Definitions

Unitary Ownership	Unitary ownership refers to an undivided apartment building, of which owners own shares
Composite Ownership	Composite ownership refers to a system where the owners own their apartment and all owners jointly own the common parts and land
Housing association	A housing association is a non-profit making organisation that provides low-cost "social housing" for people in need of a home
Homeowner association	A community of private homeowners in an apartment building. They may elect a board of directors to represent them.
Building management company	Building management company is an external professional company hired by building owners to carry out maintenance duties and handle day-to-day operations in apartment buildings. They perform duties decided by the board of directors
Board of directors of homeowners	A group of elected/appointed homeowners of an apartment building whose role is to serve the homeowner community and take decisions regarding the operation and management of common areas of the building
Simple majority	Simple majority refers to majority of those voting that reaches more than half of the total number of votes cast
Qualified majority	Qualified majority refers to majority of those voting that reaches a pre-set threshold larger than 50%
Absolute majority	Absolute majority refers to majority of all members, not just those choosing to vote
Maintenance work	Maintenance work refers to routine and preventive maintenance work required to keep a building, utilities, and grounds in an acceptable and safe operating condition
Major renovation	Major renovation refers to extensive changes/improvements to the property which lead to a significant upgrade that would most likely lead to an impact on the overall value of a property.

Some highlights

- Composite ownership model (except Belgium, Finland, UK)
- Required majority for maintenance & renovations can range from just 51% to 100%
- In general, there are no provisions that allow landlords to renegotiate existing contracts (except Germany)
- Cost of energy efficiency upgrades can **indirectly** be shifted to the tenant through a new agreement only
- No specific energy-related requirements in apartment buildings

Today's workshop

- Are certain ownership models more problematic than others?
- What is the “right” level of consensus in decision making?
- What reforms are necessary to simplify governance and management in multi-owner residential buildings?
- What clauses would render rental contract more "energy efficiency friendly"?
- Do we need EU-wide policy action to help alleviate some of the issues? And if yes, what should it include?

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