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## Renovation of multifamily residential buildings for energy efficiency

# ENGAGEMENT TOOLKIT



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## Annex 2: Deliverable cover page template

### DELIVERABLE

#### SHEERenov\_D5.3\_ Toolkits for standardizing EE comprehensive renovation of MFBs

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## List of Acronyms

FG	Financial grant (non-refundable financial support)
EE	Energy efficiency
EER	Energy-efficient renovation
CP	Condominium Property (commonhold of a building)
EU	European Union
ESM	Energy-saving measures
OCA	Obligations and Contracts Act
CMA	Condominium Management Act
ESIFMA	European Structural and Investment Funds Management Act
SPA	Spatial Planning Act
AFS	Application for financial support
IB	Indicative budget
MFRB	Multifamily residential building
GM	General Meeting
SDA	Statement of delivery and acceptance
WP	Work package
CIW or Works	Construction and installation works
IU	Individual (housing) unit
SM	Specialised Middleman



AAO	Association of Apartment Owners
IUO	Individual (housing) unit owner
TS	Technical specification
EERSF	Energy Efficiency and Renewable Sources Fund



## Introduction

This Engagement Toolkit is a product (D5.3) of Work Package 5 (WP5) of the SHEERenov project. In combination with the other WP5 products, the aim of the Toolkit is to standardize and optimize the building renovation process at each of its phases on the basis of the situational analysis and the studies carried out under the project (WP2) as well as on the basis of relevant good practices from Europe (WP3).

The objective is to:

- raise awareness and build confidence among homeowners in the quality and benefits of energy-efficient renovation (EER); and
- contribute to the standardisation and optimisation of the EER process using public financial support in combination with financial contribution from the owners.

Together with the Technical Toolkit, the Engagement Toolkit will be tested in practice within the activities under WP6 (Business Alliances), WP7 (Awareness and Capacity Raising) and, mostly importantly, WP8 (Building a pipeline of Multifamily Residential Buildings (MFRBs)/Associations of Apartment Owners (AAOs) that have decided to renovate their buildings and are prepared to proceed with their renovation project).

Where necessary and on the basis of the feedback received from end-users, the two Toolkits will be refined.

This Engagement Toolkit provides detailed information on the journey to attaining the objectives of modernizing and improving the energy performance of residential buildings.

The provided information consists on the one hand of a refined set of requirements of the financing schemes available in Bulgaria and on the other hand it reflects good practices and examples from Bulgaria and the EU as regards the implementation of a market-driven model for the co-financing of projects in **multifamily residential buildings (MFRB)**. *Multifamily residential buildings are buildings with more than three individual residential units and more than one owner, managed in accordance with Condominium Management Act (CMA).*

The Toolkit describes the organisational activities and interfaces required for the implementation of the one-stop-shop mechanism in which owners contribute to the financing



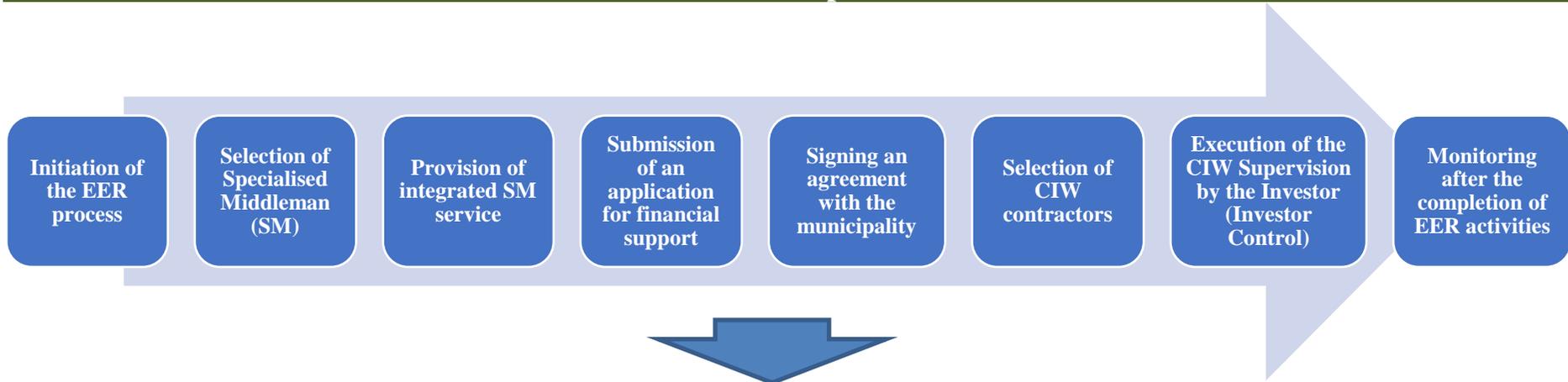
of their renovation project (co-financing model). At the same time, the design of the mechanism is sufficiently flexible and provides room for adaptation to the different conditions applied by newly emerging schemes which provide public support for improving the energy efficiency (EE) of residential buildings (including single-family buildings).

The information contained in this Toolkit is intended for the following target audiences:

- Individual unit owners (IUOs) (whose units can be residential, commercial, etc.), as well as house managers;
- Businesses which provide services to the market for energy-efficient renovation of residential buildings;
- Staff of municipal administrations to help them carry out their EE awareness functions;
- Everyone interested to obtain knowledge about the possibilities and principles of organising the EER process in the residential sector.



The EER process consists of multiple components and requires a wide range of competencies and expertise which IUOs do not possess



#### Competences and expertise required

- MOTIVATE IUOs TO ENGAGE IN EER AND FACILITATE THE ESTABLISHMENT OF THE AAO
- CALCULATE THE FINANCIAL CONTRIBUTION (CO-FINANCING) OF EACH IUO
- DESIGN OF IUO CO-FINANCING MODEL — PERSONAL FUNDS, LOAN, DEDICATED ASSISTANCE
  - FACILITATE THE SECURING OF BORROWED FUNDS
  - MEDIATE TO RESOLVE THE PROBLEMS OF SOCIALLY VULNERABLE OWNERS
  - PREPARE THE DOCUMENTS NECESSARY FOR APPLYING AND RECEIVING A FINANCIAL GRANT
- SELECT CONTRACTORS FOR THE PREPARATORY TECHNICAL ACTIVITIES — DEVELOP TECHNICAL SPECIFICATIONS, SELECTION CRITERIA, DOCUMENT TEMPLATES (TENDER/CONTRACT FORMS)
  - SUPERVISE THE EXECUTION OF THE INDIVIDUAL CONTRACTS
    - VERIFY THE QUALITY OF THE DELIVERABLES
  - SUPERVISE THE CIW ON BEHALF OF THE INVESTOR (INVESTOR CONTROL)
  - ENSURE THE TIMELY AND FULL REPAYMENT OF THE LOAN



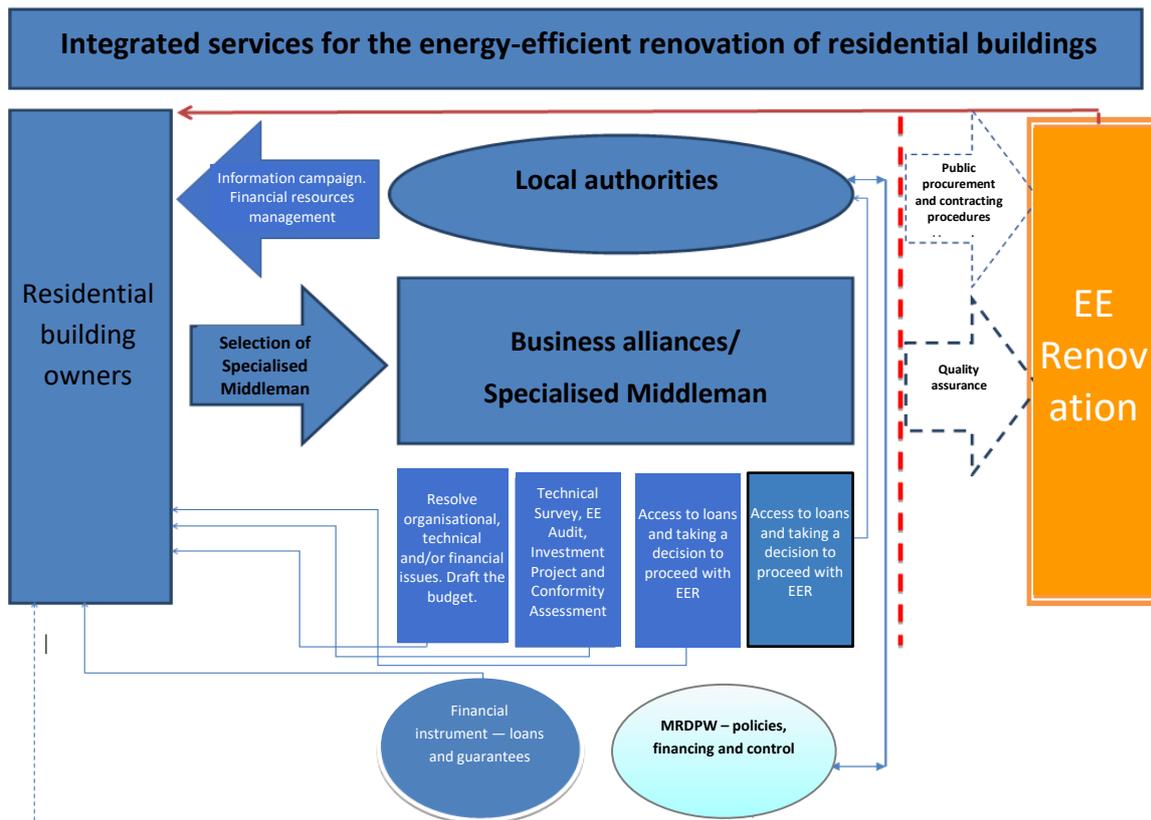
## **One-stop-shop and the figure of the SM — a mechanism and a mix of complementary competences for the provision of services to IUOs**

On the basis of an analysis of (1) a survey conducted among individual unit owners and providers of services in the residential EE market; (2) lessons learned from the implementation of national EER schemes; (3) best practices from the EU and in particular from Estonia, Hungary and Lithuania for the implementation of a sustainable, market-driven EER model which combines public support and co-financing by owners, the SHEERenov proposes to IUOs in MFRBs to adopt the one-stop-shop (OSS) concept, which has already gained recognition and is promoted by the European Commission. This is a (virtual and face-to-face) desk at which homeowners can obtain the information and services they will need throughout the EER process.

Broadly speaking, there are two business models for operating one-stop-shops in Europe — an All-Inclusive OSS operated only by private entities (e.g. ESCOs) and a Coordination OSS ran in coordination between the public and private actors, with each entity performing its inherent activities. SHEERenov opts for the Coordination OSS model. Each process involves certain actors and stakeholders from the private or public sector. The interventions of the various actors and the collaboration between these actors are defined by supply and demand in the energy renovation market. The inclusion of private businesses in the model is justified by their economic viability, given the natural aspiration of businesses to grow. In turn, this creates appropriate conditions for the generation and increase of supply and demand in the MFRB EER market.

The model used for the provision of the coordinated EER services is presented the next organigram:





The organigram demonstrates that throughout the entire journey — from awareness raising and motivation to engagement in EER and then to obtaining a quality product, IUOs are supported by the public sector in the face of municipal authorities and by the private sector through established alliances between businesses with complementary competencies. In order to perform its function successfully, the one-stop-shop encompasses a combination of free-of-charge and paid services across the entire EER implementation chain:

- 1) Informing citizens and raising their awareness as a necessary condition for increasing the ‘demand’ for energy efficiency. This includes:
  - raising the awareness of the benefits brought about by energy renovation,
  - explaining the funding opportunities available for EE initiatives; and
  - providing information to private business actors in the energy renovation market such as designers, EE services providers, professional process managers, quality assurance professionals, etc.

Information activities are a public service provided free of charge and are carried out by local authorities through municipal staff to whom this responsibility is entrusted.



2) Recruitment of Contractor for the construction and installation works. This activity is inherent to municipal authorities in case that public support exceeds 50% of the total EER costs, and has been repeatedly carried out by them in the context of the implementation of previous EE renovation schemes.

*In the event that the public support is equal to or lesser than 50% of the total cost for the EER project, the CIW Contractor will be selected by the Condominium Property/the Association of Apartment Owners on the basis of competitive bidding.*

3) Organisational and expert support in the form of a combination of paid services for professional management of the MFRB with complementary consultancy services provided by the private sector for the purpose of EER. This service involves the development of customized technical proposals for the EER project, a plan (including a financial plan adequate to the financial capacity of the owners with a view to designing an appropriate financial support structure), coordination of the renovation process on behalf of the building owners for the purpose of obtaining a quality product during the implementation of the EER project, and subsequent monitoring, including of the quality of the works carried out and of the energy savings achieved, monitoring of the savings and so forth, as detailed below.

The one-stop shop concept, in particular its purpose of providing organisational and expert services to the IUO, requires the introduction of an actor which combines the complex and complementary expertise required to steer the IUOs through the whole EER journey, that is the Specialised Middleman (SM).

The need for the participation of SMs in the MFRB energy-efficient renovation process stems from the fact that EER is a complex activity requiring professional competences and expertise which the members of the Condominium Property (CP) do not possess.

The need for SM support has been proven by best practices in EU Member States, including Estonia, Hungary and Lithuania, where specialized consultants in the field of building stock management and EE project management have been the decisive factor for the success of both preparatory and renovation activities. The benefits for individual unit owners are: optimisation of the resources (temporal, human, financial) for organising the management and maintenance of the structural condition of the building and for increasing its energy efficiency, defusing potential conflicts between neighbours and obtaining a professional level of service.

The mix of complex expertise needed for purposes of the EER project can be provided by



fully market-driven business alliances between Professional House Managers and Energy Efficiency Consultants listed in the Register under Article 44 of the Energy Efficiency Act and providing services to the residential EE sector.

Replacement/inclusion of additional/other competences in existing or prospective alliances is also possible as long as compliance with the applicable regulatory framework is ensured.

In broad terms, these partnerships/SMs provide an integrated product which consists of organisational, expert, technical, and financial and mediation support to CP/AAO to ensure the quality and profitability of EER projects. The components of this support vary depending on the complexity and conditions of the funding scheme/programme.

Alliances can be established at the initiative of any of their potential members in response to demand in the EER market driven by CPs/AAOs or as part of a product marketing strategy.

The fundamental principles on which alliances should be based are:

- Their activities and status cannot be incompliant with the applicable laws and regulations;
- Where the SM does not possess specific expertise which is required for the EER project, such expertise should be provided by external contractor;

The SM should provide paid expert services to the AAO throughout the preparation and the implementation of the EER project. The list of required services includes:

- Explaining the benefits of renovation at information and awareness meetings held on-site;
- Calculation of the financial contribution of each Individual Unit Owner (IUO);
- Support to ensure that as many IUOs as possible agree to participate in the process;
- Facilitate the establishment of an Association of Apartment Owners (AAO);
- Mediation for the design of a model for co-financing by IUOs — personal funds, loan, dedicated assistance;
- Facilitate the provision of borrowed funds, where necessary;
- Mediation to resolve the problems of socially vulnerable owners;
- Preparation of the documents necessary for applying and receiving a financial grant;
- Selection of contractors for the preparatory technical activities — develop technical specifications, selection criteria, document templates (tender/contract forms);



- Supervision of the execution of the individual contracts;
- Verification of the quality of the deliverables;
- Supervision of the construction and installation works on behalf of the Investor (Investor Control);
- Ensuring the timely and full repayment of the loan
- Document management, accountability and record keeping services.

Depending on the competences and qualifications possessed, the SM may also:

- Perform an Energy Efficiency Audit and issue an Energy Performance Certificate for a building in operation as provided for in Article 48 of the Energy Efficiency Act, the scope and content of which must be compliant with the requirements set out in the Regulation referred to in Article 48 of the EEA;
- Assess the conformity of the Investment Project and issue an assessment report in accordance with Regulation No 7 of 2004 on the energy efficiency of buildings.

*The expertise required for the purposes of the EER project which cannot be provided by the SM will be procured from Contractors other than the SM (hereafter External Contractors) selected by the CP/AAO with the assistance of the SM on the basis of a competitive bidding process.*

## **Timeline of the steps required to initiate action and establish organizational relationships to successfully apply for funding and successfully implement the EER project**

### *STEP 1: Expression of interest by the Condominium Owners for EE renovation*

Once an EER financing opportunity emerges, a preliminary analysis will be carried out and if the chances of success tend to be positive, the more proactive Individual Unit Owners (IUOs)/the condominium manager/the professional house manager (if there is already a functioning house manager at that time) will convene a General Meeting of the CP in order to present that financing opportunity to them.

**Information** about emerging EER financing opportunities may come to the attention of CP from the following sources:

- publications on the website of the municipal administration;
- information disseminated (by leaflets, e-mails, internet) by the municipal administration;
- information days held by the municipal administration;



- professional house managers and/or EE consultants or service providers operating in the EER market;
- mass media, social media, etc.

In the building of the municipal administration representatives of the CP/AAO may obtain additional and specific information of interest, including information about the private actors in the EER market, such as designers, EE service providers and professional project managers, explanations of how to the quality of implementation can be assured and so on. Also in the building of the municipal administration representatives of the CP/AAO will understand which websites publish registers of qualified/licensed professionals (where applicable).

The General Meeting will be convened with the aim to obtain, albeit informally (although compliance with the provisions of the Condominium Management Act is advisable), a consent to start the EER process from owners representing more than 50 % of the common areas of the condominium building. Considering the effort and resources that the members of the Condominium Property (CP) have to devote for through the full preparation and renovation cycle, the more owners become committed to the initiative from the very beginning, the better. Lack of interest or weak interest at this stage would suggest that the venture may be at risk of failure.

*STEP 2: Selection of the Specialised Middleman (SM) — professional house manager and energy efficiency consultant in the residential sector*

*The process through which the CP will select the SM will depend on the method by which the energy-efficient renovation (EER) is to be financed — with public funds (i.e. financial grant) or at the expense of the CP.*

### **EER funded by a financial grant**

Already at the General Meeting the owners should decide on the CP arrangements for seeking a financial grant, i.e. how and where in the EER market they will search for experts having the competences of professional house managers and EE consultants.

The following options are available to the CP:

#### Option 1

Where the CP has already a functioning professional house manager, that manager will conduct market research in order to identify EE consultants which provide EER services for



residential buildings and will propose at the General Meeting of the CP a list of firms that have expressed interest.

Information about energy efficiency consultants can be found on the website of the Sustainable Energy Development Agency:

<https://portal.seea.government.bg/bg/Companies/Register>.

#### Option 2

The CP does not have a professional house manager. In this case, the CP will itself research the market in order to identify firms which offer the services of a professional house manager.

#### Option 3

Either professional house managers or EE consultants can proactively offer their services to the CP on a market basis.

For all three options, it is important to note that the selection of these firms by the CP must be carried out in a lawful manner. This means that the CP must remain compliant with the regulations in force. At present these are the European Structural and Investment Funds Management Act (ESIFMA) and Decree of the Council of Ministers (DCM) No 160 of 1 July 2016 laying down the rules for the examination and evaluation of tenders and the conclusion of contracts by ESIF beneficiaries through public tendering procedures (DCM 160/2016).

The relevant legal and regulatory framework can be found at <https://www.eufunds.bg/bg/taxonomy/term/19>.

*If the amount of public support (the financial grant) is equal to or lesser than 50% of the total EER budget, the CP/AAO is not obliged to apply the pertinent legislation when selecting its contractors.*

*However, compliance with the applicable provisions is a precondition for the reimbursement of the costs incurred.*

Even in cases where the amount of public support (the financial grant) is equal to or lesser than 50% of the total EER budget, the CP is expected to select the SM on the basis of competitive bidding and respect the principles of non-discrimination and transparency. This means that:

1. For each service (for a professional house manager on the one hand and for an EE consultant on the other hand) it is advisable to request at least three offers.
2. These offers should include a price for the proposed service as well as references/evidence of similar services performed. Ideally, the information contained in



the references/evidence should be verified — either on the internet or by checking it directly with the clients.

3. Offers should contain comparable information for each type of service. This is achieved through the development of a Technical Specification/Term Sheet (TS) which precisely describes the type and scope of services required.
4. The offers are to be brought to the attention of the General Meeting which will select the contractors having regard, among other things, to their competences and previous experience in carrying out similar activities as indicated in the references/other evidence.

The description of the services required from the professional house manager in the context of EE renovation is the core of the Technical Specification/Term Sheet and should include:

- services aimed at reaching an agreement among owners for renovation of the building;
- facilitation of the establishment of an Association of Apartment Owners (AAO);
- assistance to the AAO with the selection of contractors for the preparatory technical activities;
- finding the original plans of the building at the relevant municipal administration;
- maintain liaisons between the AAO and commercial banks/financial institutions where loans are needed;
- identification of the extent to which each apartment owner will need a loan;
- ensuring that the condominium's financial contribution is available in due time;
- identification of any insolvent owners and apply measures to resolve the problem;
- helping the owners complete loan applications;
- helping the AAO complete the application for financial support;
- keeping track of the timely repayment of loans;
- maintaining a file of original documents.

The description of the services required from EE consultants in the context of EE renovation is the core of the Technical Specification/Term Sheet and should include:

- an assessment of the eligibility of the building (can the building apply for financial support);
- indicative estimation of the costs and budgeting (indicative budget for design, construction and supervision) and an indicative allocation of the costs among apartment



owners;

- an energy efficiency audit and identification of the necessary energy saving measures (ESMs) in accordance with the requirements of the relevant support scheme, including the provision of the information necessary for the audit and data from the various energy providers on the energy demand of the building and of each Individual Unit Owner (IUO);
- an assessment of the conformity of the technical designs with the essential requirement set out in Article 169(1)(6) of the Spatial Planning Act (SPA). This assessment is to be carried in accordance with the rules laid down in Ordinance No 7 of 2004 on the energy efficiency, heat conservation and energy saving in buildings; and
- helping the AAO exercise control during the execution of the EE measures.

*The expertise required for the purposes of the EER project which cannot be provided by the SM will be procured from Contractors other than the SM (hereafter External Contractors) selected by the CP/AAO with the assistance of the SM on the basis of a competitive bidding process.*

#### **EER financed by own (private) means**

The Specialised Middleman will be the one to proactively generate interest in the CP and convince the condominium owners engage in EER. The SM will present to the CP all EER options available in the open market. If the CP is interested, the SM will organize a General Meeting and invite technical experts to provide initial information about the EER process. Competently provided information and expertise works to build trust in the CP.

In this case the CP will select the Specialised Middleman on the basis of an informed decision which can only be reached when the condominium owners have obtained the required information and confidence. This is where businesses have an important role to demonstrate a proactive approach, knowledge and competence in order to attract potential customers. The one who has generated initial interest will continue to work in collaboration with their informal partner with complementary competencies.

It should be noted that initially businesses operate not only on their own initiative but also at their own risk and responsibility. Competently conveyed information and expertise can be a reliable basis for reaching genuine contractual relationships with potential customers.

A Contract under the Obligations and Contracts Act (OCA) will be concluded with each of





**(I) Assessment of the eligibility of the building (can the building apply for financial support)  
Inspection of the building and assessment of the visible features**

Typically, the conditions, requirements and procedure for obtaining public support are announced by the relevant public support scheme/programme as part of the calls for proposals and/or in the guidelines addressed to potential applicants.

As a first step, the SM should assess the extent in which the building complies with the announced conditions and requirements, i.e. whether it is eligible for public support. For this purpose, the SM will assess the eligibility of the building against the conditions and requirements set out in the announced funding scheme or programme. Particular attention should be paid to the individual units in which business activity is carried out and to their eligibility against the requirements of the scheme/programme.

The SM will also (1) inspect the building and assess its structural stability on the basis of the visible features *provided that the SM possesses the necessary competencies, i.e. where the SM entity includes a fully licensed structural engineer/designer*, or (2) assist in engaging a fully licensed structural engineer/designer to assess the structural stability of the building on the basis of the visible features.

If the assessment results are satisfactory the SM will issue a recommendation to continue with the process. If this is not the case, the SM will recommend a detailed audit to be carried out in accordance with the regulations.

What else is advisable to analyse and assess?

- i.** In the case of connected (attached) buildings, i.e. when several block-units or blocks are attached to each other without space between them, and thus form an architectural ensemble, and depending on the requirements of the scheme, the SM will develop options for the establishment of the Association of Apartment Owners (AAO), namely one for each block-unit or one for the whole building.
- ii.** If one or more of the entrances (sub-units) have already set up an AAO for the management of their sub-unit, the SM will, taking into account the requirements of the scheme, decide whether an AAO should be founded by a new AAO constituent meeting, etc., in accordance with rules set out in the Condominium Management Act.
- iii.** If there are any unoccupied/vacant flats, an assessment should be made as to whether they would be able provide the necessary co-financing and access for the execution of the construction and installation works.



On the basis of the above considerations, the SM will issue an opinion on the eligibility of the building and the appropriateness of proceeding to the next activity.

**(2) Awareness-raising meetings and consultations on the need for EE renovation**

Experience from previous publicly supported EER schemes/programmes for residential buildings demonstrates that more than a few individual unit owners (IUOs) may initially will refuse to join any discussion on the EER on of their building. In many cases however they embrace the EER initiative after being provided with arguments on the benefits of such a project.

The aim of this step is precisely to have the sceptical IUOs motivated by the benefits brought about EE renovation as explained at information and education meetings. Experience has shown that the wider the agreement to apply for financial support is, the more willing the IUOs will be to provide assistance and comply with their obligations.

These meetings and consultations are (usually) arranged by the Professional House Manager. They should be held at times convenient for the owners. The owners will be advised on all key aspects of the renovation (starting with the benefits that come with a renovated building, including lower energy bills, improved comfort of living and higher value of the property); the necessary steps of the process and the support which will be available from the Specialised Middleman. The discussions will address issues related to the most significant bottlenecks of the process and will involve owners who may initially oppose the idea of renovating their building.

What else is advisable to be done at this stage?

Already at this stage, the SM should take stock of the specific situation and assess how prepared/eligible is the condominium to apply for financial support. This would save the SM the effort of taking actions that would not be worth taking for a building whose chances of success are minor. In order to gather initial information for analysis and make their conclusions, SMs are advised to do their own surveys (by means of e.g. questionnaires, checklists, etc.)

Information that would be a valuable source for analyses at this stage includes:

- IUO attitudes about engaging in EER;
- what is the stumbling block for reluctant IUOs and what are the ways to overcome it;
- are all IUOs willing to join the AAO — he aim is to engage socially vulnerable and



low-income owners as well as to eliminate the need for convening another General Meeting for the adoption of a decision to apply for financial support as required by the Condominium Management Act;

- the structural condition of the individual apartments/units — can it be a barrier to EER;
- whether any partial energy saving measures (ESM) have been applied previously.

The SM is also advised to collect the information which characterizes the individual apartments/units in the building:

- for what purposes they are used — for living or some business activity. Units in which business activities take place come in the scope of the rules for State aid/de minimis aid;
- the floor area of the individual apartments/units and the corresponding shares of the common parts of the building. This is needed for calculating the financial contribution of each IUO and for the quorum required for the forthcoming meetings.

*This Toolkit provides a reference checklist which SMs may decide to use.*

*Data about the share of the individual apartment/unit owners in the common parts of the building can be obtained from the register of occupants of the building or should be provided by the owners on the basis of their title deeds or other ownership documents.*

*If the sum of the owners' shares (in per cent) in the common parts of the building is not equal to 100%, these shares will be determined in accordance with the rules laid down in Article 17, paragraphs 4, 5 and 6 of the Condominium Management Act (CMA): By a decision of the General Meeting, the share of each individual apartment/unit will be determined as a ratio (in per cent) between (a) the sum of the floor area of each individual apartment/unit and of the storage room(s) belonging to it and (b) the sum of the floor areas of all individual apartments/units and of all storage rooms belonging to them. A decision of the General Meeting for the allocation of the shares in the common parts of the building must be taken in the cases described in the CMA (Article 17, paragraphs 4, 5 and 6) and must be recorded in the minutes of the General Meeting, namely:*

- *in case that the title deeds of the individual apartments/units in the condominium building do not indicate the corresponding shares in the common parts of the building;*
- *in case the sum of the owners' shares (in per cent) in the common parts of the building is not equal to 100%;*
- *in case each entrance (sub-unit) is managed separately and the sum of the owners' shares (in per cent) in the common parts of the building is not equal to 100%.*



The analysis of the information thus collected can be used in order to assess the risks and obtain clarity about the magnitude of the problems, their relative weights and the likelihood of resolving these problems. Especially worth appreciating are the following aspects:

- IUO attitudes to the idea of setting up an association;
- the type and extent of repairs already carried out in the building;
- the type of innovative energy saving measures (ESM);
- the presence of units in which business activities are carried out;
- the willingness of IOUs in which business activities are carried out to accept the terms of the announced scheme;
- the existence of an already registered Association of Apartment Owners (AAO);
- whether there are vacant/unoccupied apartments in the building.

Depending on how many problematic IUOs there are in the condominium building, the SM will develop a strategy for further work with the CP or will decide to stop working with that CP. The likely impediments include: inability to contact owners of vacant/uninhabited apartments, large number of insolvent owners and/or of owners who are unwilling to engage, combined with absence of solidarity and cooperation on the part of the majority.

### **(3) Search and find (where possible) the original plans of the building in the relevant municipal administration**

The Contractors will need the original plans of the building in order to audit the building and to design the renovation works. For buildings constructed on a commercial basis (privately), the required documentation is likely to be kept on file by one of the owners in the building. For buildings constructed by municipalities or other public bodies, the SM should facilitate/undertake a search at relevant municipal administration.

At this stage it is also necessary to assess the likelihood of obtaining an EER permit for the entire building, having regard to the modifications already applied by owners in the meantime. This would avoid unpleasant ‘surprises’ at a later stage if the municipal administration refuses to grant a building permit which in turn will disable the AAO from carrying out the EER project. This assessment should be carried out by an expert in the SM entity or by an external expert if the SM entity does not have one. In the event that the type and extent of these modifications is an obstacle for the issuance of a building permit, the project cannot proceed without the condominium owners taking appropriate corrective action in due course. The SM should explain the underlying reasons to the condominium owners and



help them undertake whatever action is necessary if they wish so.

#### **(4) Drawing up an indicative budget (cost estimation and budgeting)**

What is an indicative budget (IB)?

An indicative budget is necessary in order to determine the estimated total cost of the EER project and the contribution of the AAO/each IUO. The IB includes a package of ESM as well as preparatory and ancillary activities as required by the announced scheme/programme. The IB should be drawn up on the basis of a preliminary assessment of the type and gross floor area (GFA) of the building, the typical energy performance of similar buildings and the proposed measures for improving the building's energy performance, any existing EE measures already applied in the building and any alternative measures<sup>1</sup> proposed by the owners.

The calculations should be carried out by specialists with sufficient experience and skills in carrying out such cost estimates. If the SM does not have the necessary specialists, the SM should outsource the required skills from external experts.

More information about the components and the preparation of the indicative budget can be found in the Technical Toolkit.

This stage is key in the SM's communication with the condominium owners. Through dialogue the two parties should try and find optimal solutions which satisfy both the requirements of the relevant scheme/programme and the preferences of the condominium owners. The SM should endeavour to find common ground between the expectations and capabilities of the individual owners and the needs of the community of owners. Greatly important here is the experience of the Professional House Manager for communication with the condominium owners as well as the synchronization with the experts of the EE Consultant who have the necessary technical expertise.

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<sup>1</sup> Alternative installations and systems in the meaning of Article 31(2) of the Energy Efficiency Act (EEA) are:

- decentralised systems for the production and consumption of energy from renewable sources;
- combined heat and power plants;
- central or district heating and cooling installations and installations based fully or partially on renewable energy; and
- heat pumps.



**(5) Identification of the extent to which each IUO will need a loan Identification of any socially vulnerable owners and of measures to resolve the problems**

Once each IUO receives an individual bill of the renovation costs from the SM, it is necessary to identify the source of the necessary funds — personal savings, loans or targeted assistance for socially vulnerable owners. To this end, the SM should gather information (either by conducting a survey or gathering information by other appropriate means) about the following aspects:

- IUO attitudes and capabilities to contribute to the project either their own funds or borrowed funds;
- self-assessment of creditworthiness.

The information collected in this way could be consolidated in a kind of reference spreadsheet.

*This Toolkit provides an example of a spreadsheet which SMs may decide to use.*

The SM should analyse the information and identify already at this stage the number of IUOs unable to pay their own contribution, the number of vacant apartments whose owners cannot be found, the type of ownership (private, municipal, etc.) in order to obtain understanding of the issues related to co-financing and assess the risk of failure to cover the entire cost of the project.

The SM should use the results from the analysis in order to assess the risk in respect of:

- the allocation of the costs to individual IUOs and the likelihood of acceptance/non-acceptance of these allocations by the IUOs;
- potential sources of IUOs' financial contribution (cash or credit);
- borrowing opportunities;
- the proportion of unwilling or incapable owners and vacant apartments;
- the options to overcome the hurdles faced by insolvent owners;
- the possibility of obtaining a loan or loan guarantee from the Energy Efficiency and Renewables Fund (EERSF);
- the possibility of obtaining a secured collective loan.

Having clarified the magnitude of the problems and their relative weight, the SM should assess the likelihood of solving these problems as well as the methods to be applied.

With regard to insolvent owners, the SM should provide assistance in securing the co-



financing expected from these owners. **To be completed when there is clarity.**

In carrying out this activity the SM may choose to involve a credit intermediary among those listed in the register of the Bulgarian National Bank, pursuant to a market-based contract: (<https://www.bnb.bg/BankSupervision/BSCreditIntermed/BSCIRregister/index.htm>).

This stage is one of the main challenges in the whole process insofar as the SM will either succeed in supporting the condominium to solve the various financial issues so that the process can move on, or will give up and all efforts made so far by both parties will remain futile. This is the stage at which the information about the financial standing and attitudes of the individual owners is consolidated and thereby an assessment is made of the ability of the condominium as a whole to continue the process: how many owners are willing and able to contribute their own funds, how many need a loan and how many need additional targeted support. This information is necessary for the SM to take adequate measures to help resolve individual problems and search for collective solutions that can lead to an effective outcome.

**(6) Mediation to facilitate access to borrowing — there is not enough information yet**

The SM should maintain organisational and communication links between the CP/AAO and financial institutions (such as banks, the EERSF, etc.). The SM should adopt a customized approach on the basis of the circumstances of the case:

- is it the case that a limited number of IUOs need a loan and have sufficient and sustainable disposable income to cover the loan repayment instalments;
- is there a case for granting a collective loan to CP/AAO under the terms of the existing financial mechanisms;
- is it necessary to resort to a portfolio guarantee.

The SM should inform the IUOs about the parameters and conditions of the products included in the EER financial services package and the required documents. If necessary, the SM should initiate interim consultations and request assistance from the financial institutions involved.

The SM should assist the CP/AAO with the completion and submission of the documents required for a bank loan/guarantee.

By maintaining constant communication with the IUOs and financial institutions, the SM will have up-to-date information on the loan applications submitted by the IUOs and accordingly of the approved loan applications.



SM may also choose to resort to the expertise of a credit intermediary among those listed in the register of the Bulgarian National Bank, pursuant to a market-based contract:

(<https://www.bnb.bg/BankSupervision/BSCreditIntermed/BSCIRregister/index.htm>).

SM steps to facilitate the provision of targeted assistance to socially disadvantaged homeowners — **Will be developed once there is clarity about the government's plans.**

#### **(7) Facilitating the establishment of an Association of Apartment Owners (AAO)**

The establishment of an AAO is a mandatory condition for access to public funding. The AAO must be established and registered in accordance with Section III of the Condominium Management Act (CMA).

Although the CMA provides that an AAO can be founded by owners representing not less than 67% of the shares in the common parts of the condominium building, failure to include all IUOs in the AAO would cause the following problems at a later stage:

- Lack of interest from IUOs who are not members of the AAO and at the same time do not have sufficient income to cover their own contribution if they join the collective loan scheme;
- Obstruction of the construction and installation works by refusing access to the individual apartments/units;
- In accordance with CMA requirements, it may become necessary to convene and hold an additional General Meeting specifically for taking a decision to apply for financial support — see activity 9.

It is essential therefore that the SM uses all available methods and techniques, including support from external experts, if necessary, in order to persuade the ‘problematic’ IUOs join the AAO.

The situation would be different if there are IUOs that have the personal means to secure their own contribution or declare their willingness to honour their commitments under the collective loan, but for some reason do not wish to participate in the AAO. In these cases, the AAO can be established without them, meaning that the IUOs will be left with the task to convene and hold an additional General Meeting specifically for taking a decision to apply for financial support — see activity 9.

The General Meeting for taking a decision must be convened by a Notice of Meeting (*ANNEX I: NOTICE OF GENERAL MEETING OF THE CONDOMINIUM PROPERTY*), signed by the persons



convening the General Meeting (Articles 12 and 13 of the Condominium Management Act). The notice should be posted at a prominent and publicly accessible place at the entrance of the building not later than 7 calendar days prior to the date of the meeting. The period of seven calendar days begins on the day following the date of the notice and ends on the day following the expiry of the full seven-day period (e.g. if a notice of meeting is posted on the first day of the month, the seven-day period will start on the second day and will end on the eighth day of that month). In this case, the meeting will be considered lawful if it is held on the ninth day at the earliest). If there are individual units owned by the municipality, the State or another authority, the mayor of the municipality or the other authority which owns the unit should also be notified. The Notice of Meeting should include the agenda, the date, time and place of the General Meeting.

The date and time must be noted on the Notice by the persons who convene the General Meeting, and this must be documented in a written record (Article 13(1) of the CMA). There is also template of the written record of the act of posing the Notice of Meeting (*ANNEX 2: WRITTEN RECORD OF THE ACT OF POSTING THE NOTICE OF MEETING*). This record serves as evidence of the date and time at which the Notice is posted and is used as a confirmatory/certification document.

All decisions taken must be recorded in the Minutes of the General Meeting. The meeting must elect a secretary (record keeper) whose task is to keep record the discussions. The Minutes (*ANNEX 3: MINUTES OF GENERAL MEETING OF THE CONDOMINIUM PROPERTY*) must include the following details: date and place of the General Meeting, the agenda, the attendees and their respective shares in the common parts of the condominium building, a summary of the statements made, the proposals tabled and the decisions adopted. The Manager's signature under the decisions recorded in the Minutes must be certified by a public notary.

The agreement by which an Association of Apartment Owners is established (*ANNEX 4: AGREEMENT FOR THE ESTABLISHMENT OF THE AAO*) ?????????? - **TBD**. Within 14 days of the constituent meeting at which the AAO is established in accordance with the procedure set out in the law, the SM should take the necessary steps in order to register the AAO with the municipal administration. The municipal authorities will enter the AAO in the public register and provide a Certificate of Registration to the new association.

The SM is also obliged to register the AAO in the national register BULSTAT (Article 25(5) of the CMA).



## **(8) Carrying out the preparatory technical activities**

Three key events must have occurred before this activity can proceed:

- the IUOs have agreed with their individual budgets;
- the AAO is established and registered;
- the financial contributions from the IUOs are secured.

Preparatory activities are activities that have to be completed in order to make the AAO eligible to apply for public financial support. They will be paid for by the AAO and, depending on the specific scheme/programme, part of the costs incurred by the AAO for these activities could be eligible for reimbursement afterwards. The purpose of these activities is to achieve a high extent of project readiness in the context of competitive selection and market mechanisms. The reason for attributing exactly this type of expenditure to the AAO is the role of Investor which the AAO acquires. It is this role that empowers the AAO to exercise dual control:

- through the SM, the AAO will exercise control on the work carried out by the Contractors for the preparatory technical activities;
- through the SM and the Contractors for the preparatory technical activities, the AAO will also supervise the CIW Contractor.

The preparatory technical activities include:

- Energy Efficiency Audit (EEA) of the building. The EEA will be carried out either by the SM through EE Consultants listed in the Register referred to in Article 44 of the Energy Efficiency Act or, in case the SM does not possess the required competences, by an external EE Auditor/Contractor specifically selected for this purpose with the assistance of the SM. The objective of the EEA is to determine the level of energy demand, identify specific options to reduce it and recommend measures to increase energy efficiency. The output from this activity is a Report and Certificate of Energy Performance of the building.
- Survey of the technical characteristics of the building and preparation of the technical design — technical survey and TD. This activity is to be carried out by a Contractor specifically selected for this purpose with the assistance of the SM. The survey will establish the structural stability of the building. A technical passport will be issued



containing prescriptions and recommendations for the necessary repairs, including a timetable for their implementation.

- Investment Project in accordance with the Spatial Planning Act (SPA). This activity is to be carried out by a Contractor specifically selected for this purpose with the assistance of the SM. (!! Subject to the public procurement regulations, the same Contractor can perform both the technical survey/technical design and develop the Investment Project !!). The Investment Project must be developed in accordance with the SPA, Regulation No 4 of 2001 on the scope and content of investment projects and other related rules as applicable to the various types of works, depending on the activities which are eligible for funding.

To ensure strict compliance with the design during the execution of the construction and installation works, the design firm, through the individual qualified designers who prepared the design, will supervise the Works on behalf of the designer in accordance with the requirements in Article 162 of the SPA. The outputs from this activity are an Investment Project, including the required appendices, and Reports on the supervision carried out by the designer.

- Assessment of the conformity of the Investment Project with the essential requirements for construction works and supervision on the construction works. This activity is to be carried out by a Contractor specifically selected for this purpose with the assistance of the SM. The outputs from this activity are a Conformity Assessment Report and Reports on the supervision carried out on the construction works.
- Assessment of the conformity of the Investment Project and issuance of an assessment report in accordance with Regulation No 7 of 2004 on the energy efficiency of buildings. This activity will be carried out either by the SM through EE Consultants listed in the Register referred to in Article 44 of the Energy Efficiency Act or, in case the SM does not possess the required competences, by an external Contractor specifically selected for this purpose with the assistance of the SM. (!! Subject to the public procurement regulations, the same Contractor can perform both the conformity assessment and the EE audit/EE certification!!) The output from this activity is a Conformity Assessment Report.

The selection of the Contractors/Auditors should be based on the same approach and



principles as the selection of the SM. Transparency of the approach and respect for the principles of non-discrimination and competition is a good indication for the financing institution. In this regard, it is necessary to ensure that:

1. The selection of each Contractor is based on at least three offers.
2. These offers should include a price for the proposed service as well as references/evidence of similar services performed. Ideally, the information contained in the references/evidence should be verified — either on the internet or by checking it directly with the clients.
3. Offers should contain comparable information for each type of service. This is achieved through the development of a Technical Specification/Term Sheet (TS) which precisely describes the type and scope of services required.
4. The offers are to be brought to the attention of the General Meeting which will select the contractors having regard, among other things, to their competences and previous experience in carrying out similar activities as indicated in the references/other evidence.

The SM will assist the AAO in selecting the Contractors.

All agreements should be formalised in bilaterally signed contracts and payments are to be made on the basis of original accounting documents and in accordance with the provisions of the signed contracts.

The SM should monitor closely the implementation of individual activities. In particular, the SM should:

- maintain regular communication with the Contractors;
- support the liaisons and contacts between the AAO/IUO and the Contractors to ensure the effective and efficient execution of the activities, including arrangements for access to individual housing units and common areas;
- facilitate communication between the different Contractors;
- keep the records assigned to it and manage the documentation.

Depending on its competences, the SM may be the Contractor of some of the activities.

The SP will assist the AAO in verifying that all outputs are compliant with:

- ✓ the terms of the contract;
- ✓ the applicable legislation;
- ✓ the specificities of the building.



All activities should be accepted by Statements of Delivery and Acceptance and such acceptance should be a condition for making payments to the Contractors.

**(9) Adoption of a decision to apply for financing from a specific scheme**

The preceding activities can be carried out at any time, independently and regardless of the existence of a functioning public support scheme for EER. Their aim is to achieve a high degree of preparedness, as this is a continuous process and public resources are limited.

The actions described below are to be carried in preparation for applying for a specific scheme and in the context of submitting a specific application for a scheme which is already open for applications. The steps for organising the application process are described. Depending on the specific circumstances, certain procedures and documents may need to be adapted.

The SM is expected to initiate, organize and document the lawful conduct of the General Meeting of the AAO for the purposes of the application process. Although the CMA provides that the consent is valid if it is supported by owners representing not less than 67% of the shares in the common parts of the condominium building, in practice the SM should aim to obtain the consent of all individual unit owners (IUOs) because the forthcoming construction and installation works (and the related commitments, such as provision of access) concern all IUOs. The consent should be recorded in the Minutes of the GM (*ANNEX 5 MINUTES OF THE GENERAL MEETING OF THE AAO*).

The Minutes of General Meeting must include the following details: date and place of the General Meeting, the agenda, the attendees and their respective shares in the common parts of the condominium building, a summary of the statements made, the proposals tabled and the decisions adopted. The Manager's signature under the decisions recorded in the Minutes must be certified by a public notary.

The decisions recorded in the Minutes depend on the requirements of the specific scheme/programme. These decisions may include:

1. Decision to apply for financial support for the building.
2. Decision to file an application for financial support with the municipality for the purpose of renovating the building and to authorise a certain person to file the application for financial support;
3. Decision on the allocation of the shares in the common parts of the building (if



- necessary) — see activity 2;
4. Decision on the provision of access to all individual units;
  5. Decision to carry out the eligible activities proposed by the Technical Survey and the EE audit;
  6. Decision for the conclusion of a Partnership Agreement between the AAO and the municipality;
  7. Decision for selecting a person (a professional or the legal representative of the AAO) who will be authorized to represent the AAO in the performance of following functions: supervision on the execution of the construction and installation works on behalf of the AAO; signing the statement for the handover of the construction site to the Contractor (site clearance), the statement for confirming the usability of the site, the certificates for accepting the amounts and types of works executed, etc.

The above decisions need not be taken at a single General Meeting. They can be taken at different meetings as long as the provisions of the CMA are complied with.

If the AAO does not include all owners of individual units in the condominium building, the decisions of the AAO need to be submitted for adoption by the General Meeting of the CP (*ANNEX 6: (MINUTES OF THE GENERAL MEETING OF THE CP)*). The Managing Board (the Manager) of the AAO is the one to convene a General Meeting of the CP in accordance with Section II of the CMA. In this case the AAO members will either participate in the General Meeting of the CP or nominate a representative who will have as many votes as the number of shares in the common parts of the building by which the decision was approved by the AAO. The decision to appoint an AAO representative at the General Meeting of the CP must be taken in the framework of the General Meeting of the AAO at which the decision to apply for financial support is approved.

If the AAO includes all owners of individual units in the building, the General Meeting of the AAO will have the same powers as the General Meeting of the CP.

#### *STEP 4: Submission of an Application for Financial Support (AFS)*

*The actions described below are subject to change depending on the requirements and conditions of the specific scheme. The purpose of the explanations below is to give the IUO and the SM an idea of the documentation which may need to be compiled and filed in relation to the submission of the AFS to the municipal administration.*



The AAO can apply for funding to the municipal administration by filing an AFS (*ANNEX 7: AFS*).

The AFS must be submitted by the AAO. The application must contain a statement of the intent of the AAO and must be signed by the person who represents the Association. The application must be accompanied with certain annexes as required by the specific scheme/programme. These annexes will most likely include:

1. Certificate of registration of the AAO — this document confirms that the Association is listed in the public register of the respective municipality in accordance with the CMA), and a certificate of registration in the statistical register BULSTAT);
2. Information on how the IUOs will contribute to the project;
3. Outputs from the preparatory activities — the Investment Project, the EE Audit Report, the Technical Survey and the Technical Passport;
4. Document by which all IUOs who use their units for business activities, or rent them for residential purposes to other people or for business purposes to traders/freelancers, express their consent to receive de minimis aid and pay the relevant costs, where applicable (including completion of the relevant declarations — *ANNEX 8: DECLARATION BY BUSINESSES NOT COVERED BY THE DE MINIMIS AID SCHEME*);
5. Permits and/or consents from relevant institutions (if required under Bulgarian law).

Each copy of these documents must be certified as ‘True copy of the original document’.

#### *STEP 5: Signing a Partnership Agreement with the municipal administration*

*This step describes the scenario in which the AAO and the municipal administration enter into a partnership and sign a contract for the provision of public financial support from a financing body. A similar implementation mechanism is foreseen under the Recovery and Sustainability Plan and also under the Regional Development Programme 2021—2027.*

*The steps set out below are subject to change if the rules for management and disbursement of public resources are different.*

The completeness and eligibility of the submitted AFS will be verified by the municipal administration.

If the municipal administration finds deficiencies in the application, it may request additional information and/or documents in order to resolve these deficiencies. Accordingly, the SM will be expected to help the AAO prepare and submit the additional documents.



The AAO will receive a positive assessment if its AFS contains the full package of documents and is compliant with the requirements.

The municipal administration should notify the AAO of the positive assessment.

AAOs whose applications have not been successful will also be informed in writing with an explanation of the reasons. Resubmission of an application from the same building is possible at the discretion of the municipal administration.

AAOs whose applications are successful (i.e. approved) should be invited by the municipal administration to enter into a Partnership Agreement (*ANNEX 9: AGREEMENT BETWEEN THE AAO AND THE MUNICIPALITY*).

The Partnership Agreement governs the relations between the municipal administration and the AAO. It sets out the terms and conditions for reimbursement of the costs incurred by the AAO as well as the rights and obligations of the parties.

On behalf of the AAO, the Partnership Agreement is to be signed by the Manager/Chairperson of the Managing Board.

A copy of the Partnership Agreement should be provided to the SM for the latter to ensure compliance with the Agreement through appropriate measures and activities.

#### *STEP 6: Selection of CIW Contractors*

There are two possible scenarios for the selection of the CIW Contractors.

Scenario 1: The public support exceeds 50% of the total cost of the EER project.

In this scenario, the municipal administration will select the CIW Contractors in accordance with the rules and procedures applicable to the established financial management and control system.

Scenario 2: The public support is equal to or lesser than 50% of the total cost of the EER project.

In this case, the CIW Contractors is to be selected by the AAO with the assistance of the SM in accordance with the principles of competitive bidding, non-discrimination and transparency.

#### *STEP 7: AAO involvement in the execution of the construction and installation works. Investor Control*



*This activity is detailed in the Technical Toolkit. The purpose of the guidance provided below is to flag to the IUO and SM the complexity of the construction and installation works execution process, and the need to be responsible about it, including by taking proactive action.*

The AAO, acting through its authorised representative and with the assistance of the SM, must honour the obligations arising from the signed contract/partnership agreement and from its status as owner of the EER project. The aim is to ensure that the AAO receives the best value for the money invested.

In this respect the AAO will be assisted by the SM, which will carry out the following activities:

1. Liaise with the IUOs (in accordance with the schedules of the CIW Contractor) so they can provide access to their individual units as well as clear their attics and basements (if necessary);
2. Review/endorse the Statement of delivery and acceptance of completed construction and installation works before it is signed by the owners. The following verifications/checks should be carried out for this purpose:
  - verification of the conformity of the unit prices with the prices quoted by the Contractor;
  - verification of the conformity of the amounts of Works with those reflected in the detailed logs and in the certificates of concealed works;
  - check for arithmetic errors;
3. Assist the CIW Contractor to ensure that any issues arising during the execution of the Works are promptly addressed and resolved, and that the construction and installation works are executed in accordance with the approved schedules;
4. Assist the CIW Contractor to ensure compliance with the requirements for safety at work, with the sanitary standards and with the fire regulations during the execution of the project insofar as the construction and installation works will be carried out while the building is continuously inhabited;
5. In collaboration with the IUOs, coordinate the resolution of hidden defect that may emerge in the course of the construction works due to inadequate workmanship, weaknesses in the organization of work or non-compliance with the technological



- process by the Contractor;
6. Notify the AAO of any suspension or delay of the Works which leads to a disruption of the approved schedule, and propose corrective action;
  7. In case that inadequate quality is identified during the Works, participate/initiate the following activities on behalf of the AAO and in collaboration with the CIW Contractor and the Supervisor:
    - drawing up fact-finding reports;
    - taking of samples to verify the quality of the building materials supplied/used;
  8. If the project includes measures relating to the internal systems of the building which require comprehensive tests, 72-hour tests in operational mode and/or other tests required by the Bulgarian standards and norms, liaise with the CIW Contractor, the Supervisor and the AAO in order to facilitate and coordinate the performance of these tests;
  9. Provide assistance in organizing all procedures related to the delivery of the project to the AAO and its commissioning;
  10. If the project includes measures relating to the internal systems of the building, organize training for the individual unit owners or their representative on how to properly operate and maintain the plant and equipment;
  11. Take part, on behalf of the owners, in the work of the Pre-acceptance Commission (a commission which confirms that the project is ready for official acceptance by issuing Act/Form 15), and provide reasoned opinions (if necessary);
  12. Ensure that the full set of construction papers related to the completed EER project is duly submitted to the AAO, including the Investment Project, all acts and protocols drawn up during construction process, contractual conditions regarding defect liability periods and time-limits for the rectification of defects, declarations of conformity and certificates for the materials used, technical specifications and test reports for the plant and equipment, as-built drawings and any other documentation that certifies the completed construction and installation works.

*STEP 8: Monitoring after the completion of EER activities*  
*See the Technical Toolkit.*

