

◆ Valters  
Kronbergs



Most of the aspects of buying, owning and selling Latvian real estate have advanced to the stage that there is almost nothing of controversy left in the process. Conveyancing is mostly trouble-free these days, provided the parties have the sense to exercise caution when faced with powers of attorney and use sensible escrow closing procedures. But what about co-management of a building once an apartment within the building is acquired? Is law reform still necessary in this area?

Where an original owner has set up a framework for management of a multi-unit building, there is no real issue. But what of the cases where each of the units of a building has been privatized, but there is no real agreement over common area management and renovation works?

Consider the following hypothetical situation. Some of the individual unit owners of a building want to get on with the management of the building. They call some house meetings, and some of the unit owners show up. The meetings result in decisions of those in attendance to renovate the stairwells, including painting a few different colored stripes up and down the walls of the stairs, installing a lamp in the court yard, putting in a gate and an intercom system.

But not so fast. One of the unit owners not attending the meeting hears about these decisions and basically decides to opt out. He is dissatisfied with being presented with a bill by the coordinator of the renovation works and decides not to pay any of it. He wants no part of the intercom system, he thinks the paint job in the stairwell is tasteless. He decides to remove the stripe in "his" part of the hallway between a couple of floors, so he paints over the freshly uniformly painted work and puts in one stripe instead of two in "his" part of the stairs.

### *My stripe or yours?*

When a couple of the other unit owners are upset by his unilaterally imposed "un-renovation," he shoots back with a critique of the fact that every unit holder is putting up his own style of front door – some with metal, some with huge and in his view oversized handles, some with an original wood design. If the unit owners can't respect the need to have uniformity in door design, he says, why should they expect to him to respect uniformity in wall stripe design?

As you can probably appreciate, this is not a great start to a common ownership arrangement. Who is right, and what is to be done?

Current law requires that unit owners must pay for emergency necessary renovation, not discretionary renovation. So our "hold out" unit owner in the above case cannot be compelled to pay the bill for renovation he did not approve. But that is where the clarity ends. There is no adequate statutory framework in existence today to deal with these issues.

This shortcoming has not been lost on the government of Latvia, and that is why there is a draft law currently under consideration on residential property with a view to augmenting the 1995 law on the same topic. Highlights of the draft law include an obligation on the part of unit owners to participate in decision making concerning the building and pay for upkeep and renovation. Hopefully the adoption of the new law will help unit owners avoid clashes of the sort outlined above over stripes and doors, (a true story) and help continue to improve what is already widely acknowledged to be an attractive real estate market in Latvia.

*Kronbergs & Cukste is a member of Baltic Legal Solutions, a pan-Baltic integrated legal network of law firms which includes Teder Glikman & Partnerid in Estonia and Jurevicius, Balciunas & Bartkus in Lithuania dedicated to providing a quality 'one-stop shop' approach to clients' needs in the Baltics.*

**KRONBERGS & CUKSTE**