


# Requirements Guarantee and financial fund

**D3.5 Discussion document for speeding up renovations by condominium associations  
by reducing the financial risks**



Figure: Renovation with performance guarantee of a building owned by a homeowner association, Flat Ellen in Assen, © BouwNext, Carl-peter Goossen

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## Abbreviations and terminology

**CA:** Condominium Association, alternative for Homeowners' Association. A CA concerns just one building.

**CM:** Condominium Manager

**Condominium:** A condominium (also called a "condo") is a large property complex comprised of individual units, and (the right to use) each unit is owned separately

**CondoReno:** Acronym of the project "Creating and Multiplying Integrated Home Renovation Services for private condominiums in the Netherlands and Flanders" (LIFE grant agreement No. 101076316)

**Financial fund (FF):** A large-scale fund out of which integral renovations (minimum energy performance label A), as well as all costs for investigation and process supervision, for condominiums with a CA can be financed on a long-term base with a minimum interest rate

**Guarantee fund (GF):** A (possibly revolving) fund to be able to put a maximum limit to the cost for a renovation and for that matter to be able to limit the living cost of each individual homeowner to a maximum value

**HOA:** Homeowners' Association, alternative for Condominium Association. An HOA concerns several buildings. An HOA can include several CAs.

**IHRS:** Integrated Home Renovation Services

**MYMP:** Multi-year maintenance plan, a thorough (30 year ahead) maintenance plan that includes all maintenance and replacement costs. Preferably drawn up in accordance with a standardized building survey such as NEN2767

**NAB:** National Advisory Board of the CondoReno project (NL)

**VEKA:** "Vlaams Energie- en Klimaatagentschap", The Flemish Energy and Climate Agency

**WP:** Work Package

## 1. Executive Summary

This report outlines the necessity of a dedicated guarantee fund and a financial fund to facilitate condominium renovations. The aim of installing such funds is to minimize risks for Condominium Association (CAs), their members, and financial institutions, making loans more affordable and encouraging renovations.

The report particularly discusses fund development from the perspective of the CondoReno project partners who aim to create and multiply Integrated Home Renovation Services for condominium associations. Together with national stakeholders, they evaluated the most important barriers in the renovation process, based on former research and focusing on financial challenges intertwined with policy and legal issues. A workshop and two focus group discussions emphasized the importance of controlling costs and risks to make renovations affordable, especially for low-income individuals and households. The role of quality assurance in establishing a maximum renovation price and the concept of living cost optimality are highlighted. The report compiles all experiences so far on this topic, explores best practices and the legal and financial requirements for financial and guarantee funds as well as the importance of healthy financial planning for CAs. Finally, recommendations are given to optimize fund development.

## 2. Introduction

### 2.1. Problem statement

Renovating a building is not an easy task. It is more complicated than building new. Renovating a building with multiple owners, like for instance the apartment buildings managed by a homeowner's association (CA), increases the level of difficulties, and from practice multiple stakeholders perceive that this is an extraordinarily complex process.

During the renovation process CAs and their Integrated Home Renovation Service (IHRS) providers face many barriers. The LIFE project CondoReno<sup>1</sup> points out all process steps in the journey of the CA before coming to a decision to renovate, analysing them, addressing all barriers and coming up with the right opportunities. Barriers on several grounds like technical, social, policy & legal and financial, have been explored. We will return to this in detail in Chapter 3. Stakeholders perceive the financial barriers as the most important ones. As such, we focus in this report on the financial barriers although these are often closely related to the policy & legal barriers.

The individual homeowner who lives in an apartment building owns a share of this building and is by law automatically member of a CA. From a perspective of the individual homeowner the most asked questions are: "What is this renovation going to cost me extra per month?", and if they are convinced of all the benefits, "Can I afford it?". This question is understandable from the perspective of apartment owners, but the question is too narrowly formulated; the question that should actually be asked is "What is the added value of this investment?"

Service providers often don't have an easy answer to respond due to so many uncertainties during the decision-making process which also takes an enormous amount of time. To improve this process and make it more accessible to a wider audience, extensive research has been conducted and the main results can be found in the other deliverables of the LIFE CondoReno project especially the documents "Investment proposal method and financial decision tool" (D5/D3.1) and "Toolkit for CA decision-making" (D6/D3.2). Besides that, service providers often encounter people with low income. That is why they must assess risks carefully and keep full control of costs by managing risks. Service providers can aim to offer a renovation as cheaply as possible, but also to limit the risk for the financier. The smaller the risk, the lower the interest surcharge for the loan. Hence, the appreciation and recognition of the invested capital is of great importance.

IHRS providers can start the collaboration with a CA-board with an extremely optimistic dialogue about their chances to improve the building thoroughly and explain what they are getting out of such renovation. These benefits can include less cost for energy, better comfort all year through and a healthier surrounding<sup>2</sup> to live in. However, in practice, the focus of the discussion in a CA setting is nearly always on the money. Especially the improvement of the indoor climate is generally underrated while in your house, your home, you stay for so many hours a day. And also, the effects of climate change and their own responsibility to make conscious choices, such as stopping fossil fuels, are

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<sup>1</sup> <https://condoreno.org/resources/>

<sup>2</sup> <https://www.rivm.nl/binnenmilieu/binnenmilieu-in-woningen>

generally no strong motivators for most people to decide for a better environmental performance of their building.

## 2.2. Context of this report

This report is a deliverable of the LIFE project CondoReno ([www.condoreno.org](http://www.condoreno.org)). The main objective of this project is to create and replicate Integrated Home Renovation Services (IHRS) in Flanders and in the Netherlands, for achieving label A condominium renovations with condominium associations. A specific objective is to develop tools and methodologies to facilitate CA's financial decision-making process, including offering financial possibilities and mitigation of risks.

In order to have access to large funds, an IHRS needs to draw attention of institutional investors, allowing financing offers with a green /sustainable character and with all the associated tax benefits. Their work aims at providing guarantees for very low energy needs, limited expenses for maintenance and assurance that the loan will be paid off in case of any unforeseen circumstances, hereby assuring banks or institutional investors less risk and thus the ability to offer a low interest rate, a long repayment period and/or low monthly repayment rate. Overall adequate standardized financing offers for CAs and condominium managers are expected, for CAs doing a renovation in one go, or step-by-step.

Furthermore, IHRS risks relate to a successful uptake of renovations by CAs. The result of exploring different renovation options for CAs can be risky for IHRS, due to the huge complexity of CA's legal, social and technical circumstances. The expenses of a feasibility study and the development of a renovation strategy are done risking a final disapproval of the general meeting so that the renovation in the end might not be carried out. The reasons for such a withdrawal can be various and highly unforeseen and are not necessarily the responsibility of the professionals involved. A careful process management and possibly a guarantee fund need to assure a high quality of collaboration during the design-phase and uppermost transparency during the decision process to help mitigate risk.



### 2.3. Goal, research question and research method

The first goal of this report is to facilitate discussion and reflection with financial and legal experts and also a broader group of experts (process guides, insurance actors, branch organisations) who work with CAs on a daily basis. The central research question explored in this report is *“Can a special financial or guarantee fund support CAs and IHRS that focus on CAs”?*.

Exploratory discussions found that the need for such a fund – particularly a guarantee fund - was unclear, leading to identifying a need for further research. Experts asked about more specific examples of unforeseen circumstances where such a guarantee fund could offer a solution. In chapter 3 we will go into these barriers and the importance of quality assurance in more detail. In Chapters 4 and 5 we then elaborate on the financial and guarantee fund. In Chapter 6 we then discuss expert viewpoints. Chapter 7 rounds up with recommendations for further research and development.

This work is a result of project partners jointly assessing the usefulness of fiscal instruments, small incentives, arrangements for renewable energy production and investment instruments such as adapted loan standards for home improvement, a loan via a revolving heat fund, energy saving and sustainability loans from financial institutes. The research was supported by a workshop with about 30 participants on barriers (March 29/30, 2023 in Tiel, The Netherlands), and two focus group meetings with about 20 experts per session, who have experience with fund development (April 11, 2024 in Delft and November 27, 2024 in Amersfoort, The Netherlands). On February 12, 2025 we spoke in Delft with two financial specialists, one focused on regular dwellings and one focused on CAs.

Based on examination of the legal context by the partners, a working document was proposed by WNR to cover the CA's risks when stepping into an integral renovation process and to identify possible funding mechanisms including the practical outline and coverage to be established locally or nationally. WNR presented and discussed the draft with Dutch expert groups on two occasions (see appendices for detailed discussions), also attempting to get stakeholders ready to implement best solution(s). In these expert group sessions amongst other WNR, KERN and external experienced Dutch experts (SVn, Segon, Woab) combined their experiences with living-cost neutral integral renovation processes guaranteeing quality and energy performance and reflected from experiences with Dutch projects.

### 2.4. Note on terminology

For the sake of clarity, we would like to point out that while drawing up the research proposal for the project CondoReno we were still discussing the establishment of a guarantee and financial fund, while during the research we came to the conclusion that experts use terms in different ways and that the term calamity fund or disaster fund doesn't cover the load completely and while discussing with several parties it seems like the term guarantee fund is more appropriate. According to experts, using the correct terminology, which may vary in different countries, is important to avoid creating false expectations.

In addition, the arguments for or against a guarantee fund and for or against a financial fund were mixed up in the discussion, on the basis of which we concluded that we need to distinguish between them more clearly. In essence, it concerns risks that cannot be prevented or insured in any other way. In all cases, it is important to make a thorough analysis of the risks and to implement the necessary countermeasures. Regular risks in construction, such as bankruptcy of an executing party can always

occur, even after thorough screening in advance and then regular insurance can be taken out against this risk. What remains are risks that cannot be calculated, or where so much research is required that these extra effort and costs are no longer in proportion to the risk.

Therefore, we first provide a brief explanation of the terms financial fund and guarantee fund, to make this paper better readable.

With a guarantee fund we mean a specific fund to be able to put a maximum limit to the cost for a renovation and for that matter to be able to limit the living cost of each individual homeowner to a maximum value. The intention for this fund is to be revolving. CAs that want this guarantee will likely have to pay a certain premium for it. We will return to this in detail in Chapter 4.

The need for a guarantee fund became apparent in practice and later on in the MMIP IEBB project of TNO financed by RVO<sup>3</sup>. In this project WNR and research partners studied the first living cost-neutral renovation, which was the Ellen flat in Assen in The Netherlands and saw that the financing would not have been achieved without a guarantee from the municipality of Assen and the province of Drenthe. To ensure that renovations of apartment complexes with an CA are not, or less, dependent on the will and possibilities of municipalities and provinces, this can be achieved by this guarantee fund.

With a financial fund we mean a large-scale fund out of which integral renovations (minimum energy performance label A), as well as all costs for investigation and process supervision, for condominiums with a CA can be financed on a long-term base with a minimum interest rate. The success of this fund is directly dependent on limiting risks for CAs and therefore also on the success of the guarantee fund.

This fund should attract huge investments, like from institutional investors such as pension funds. This fund has an acknowledged deep green profile, with sustainability reporting under SFDR<sup>4</sup>, so these investors can benefit on taxes. For the start-up phase with just a few participants and the uncertainties associated with the implementation of these integral renovations, it would be desirable that such a fund is set up by a government organization, for example supported by the EU. In the long term, due to experience, this fund will no longer be necessary, or the function can be taken over by the market. We will return to this in detail in Chapter 5.

Along the way this study focused more on the guarantee fund. If this is realised and properly organised, it could pave the way for a large financial fund to actually accelerate the energy transition of apartment complexes with a CA board with lower risk and therefore low interest rates.

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<sup>3</sup> <https://tki-bouwentechniek.nl/samenwerkingen/iebb-consortium/>

<sup>4</sup> Sustainable Finance Disclosure Regulation, [https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/sustainable-finance-disclosures-regulation\\_en](https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/sustainable-finance-disclosures-regulation_en)

## 3. The financial barriers

### 3.1. What is the problem, the essential barrier?

The basic problem for CAs and IHRS providers for CAs is that it is hard to estimate the actual cost of the renovation measures themselves, including hidden setbacks, inquiries, permits etc. and accompanying the CA over a long period of time with many tough decisions to make. The following is a brief summary of the outcomes from the CondoReno workshop Quality assurance with the partners, which took place in Tiel the Netherlands on March 30, 2023. For more information see the document “Tiel workshop\_barriers and suggestions for opportunities” or the paper written by R.Elgendy <sup>5</sup>.

Three essential thresholds reinforce each other:

1. The total costs of an integral renovation are not easy to estimate in advance and unexpected events will certainly occur, causing the costs to be higher than estimated in advance. The setbacks can be technical - such as unforeseen defects in the construction or more asbestos than expected. They can also be procedural, like for example additional investigations that are suddenly necessary for permits, but also the time to keep all owners involved and involve the owners who are new during the process. This complexity means that it is not possible to determine in advance what the total renovation will cost, down to the euro. And if the renovation costs are more than expected, who will bear these additional costs?
2. Many CAs do not have sufficient financial buffer to carry out integral renovations (energy label A / fossil-free heating). Sometimes they even have not even enough financial reserve for regular maintenance<sup>6</sup>. Because they have insufficient buffer, they will have to take out loans to carry out this complete renovation. Such renovations involve substantial amounts and therefore high loans. These loans are only realistic if they can cover a long payback term. A long term can be justified because the homes are fully modernized, and the lifespan of the apartment complex is extended by at least 50 years. For banks, these loans have an elevated risk due to lack of experience, which means that a higher risk surcharge percentage is applied. We have to minimize this risk.
3. The management of the CA plays a crucial role. A CA is formally only responsible for maintaining the building over a long period of time. The official documents like the division deed doesn't say anything about a large renovation to improve the energy performance. On the contrary, sometimes home improvement is explicitly forbidden according to this division deed. In contrast, there is a positive sound in the Netherlands. The government has indicated in a proposed amendment to the law (versnellingsagenda) that only half plus one vote is needed to take decisions on making a building more sustainable. In doing so, it sends out two signals. Firstly, that making a building more sustainable is indeed a role of the CA and

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<sup>5</sup> <https://condoreno.org/condoreno-in-sustainable-built-environment-and-urban-transition/> and [https://www.eceee.org/library/conference\\_proceedings/eceee\\_Summer\\_Studies/2024/5-sustainable-communities/barriers-and-solutions-for-homeowners-associations-undertaking-deep-energy-renovations-of-condominiums/](https://www.eceee.org/library/conference_proceedings/eceee_Summer_Studies/2024/5-sustainable-communities/barriers-and-solutions-for-homeowners-associations-undertaking-deep-energy-renovations-of-condominiums/)

<sup>6</sup> Source : <https://www.rijksoverheid.nl/onderwerpen/huis-kopen/vraag-en-antwoord/vve-geld-reserveren-groot-onderhoud>.

secondly, that it is so important that these decisions may be taken with half plus one of the votes and thus overrule all agreements in the various forms of division deeds. Management and maintenance are generally at the expense and risk of the CA, and for privately owned parts, of the individual homeowner. The CA is formally responsible, but is sometimes driven by an inexperienced voluntary board, elected within the homeowners that coincidentally live in the same building. In some cases, one can even expect that there is no CA-board active.

The fundamental question of the individual homeowner is basically how much is there to pay on a monthly base in relation to the current monthly contribution. Officially this is a question towards the CA to be answered by the board of the CA. The CA and its IHRS provider will jointly have to provide a thorough answer to this question.

Proactive boards of CAs choose to hire an expert providing an Integral Home Renovation Service (IHRS). They can guide the process and give advice on a renovation concept; they can calculate the renovation costs, and they can provide in all other types of services needed to carry out the whole project including in providing a loan.

### **3.2. Solutions to the essential barriers**

Solutions to take away the barriers and speed up sustainable renovations of apartment blocks with a CA can vary and will vary. The CA decision-making processes and IHRS processes can be improved and shortened to reduce cost. More experience will reduce the number of inquiries over time. The amount and complexity of needed permits and legal documents can be reduced in cooperation with a variety of different governmental parties. IHRS can propose technical opportunities to shorten the time needed for a renovation and so on. This will result in less cost and also less risk.

To be able to really speed up the amount of renovations CondoReno partners experienced a need to get a better grip on the cost, particularly the expected total renovation costs beyond regular maintenance, and the monthly living costs including a loan payment. A fixed (maximum) monthly homeowner contribution to the CA is the goal. This monthly payment consists of the regular maintenance costs (like for cleaning, lighting of common parts, elevator, and so on) and the monthly repayment and interest on the loan taken out by the CA to finance the renovation.

A guaranteed maximum renovation price is not only important for the homeowners in a CA, but also for the financier. Almost all major renovations have to be (pre)financed, at least partially. The amount of risk a financier has to take is directly expressed in the interest rate, which means that the affordability of the renovation is directly related to the risk the financier has to take. More guarantee on the maximum monthly payments will also lead to lower financing costs, making it easier to close the business case and thus accelerate the number of renovations. In this study we will not go deeper into the specific conditions for such a financing fund, the most important requirement is the establishment of a guarantee fund to cover the 'true' unforeseen risks and we have focused on limiting the maximum costs through quality assurance and a fund to absorb these unforeseen risks and costs.

### 3.3. Quality assurance

Quality assurance (QA) in general is any systematic process of determining whether a service meets specified requirements. Quality assurance should be interpreted as a feature of the compelling offers to create and contribute to customer confidence (ref. IEE COHERENO project<sup>7</sup>, Horizon 2020 Refurb project<sup>8</sup>). As such, quality assurance can take the form of a toolbox of quality assurance measures embedded in compelling IHRS offers. These measures and conditions can be tailored to the composition and the local context of the compelling offer. Including guarantees for energy savings can be one suitable way to create customer confidence, but there are a lot of other options possible that can achieve the desired result<sup>9</sup>.

Within CondoReno, QA is interpreted as a part of a set of CA requirements for using reliable IHRS services. The QA concerns both the process as well as the actual renovation. An optimal process will be agreed upon between the CA and the IHRS, based on providing the most optimal scenario for a specific situation. As a result of a QA-oriented process, an optimal renovation scenario is determined. This is the starting point for determining the (range of) costs of the total renovation. Before this process is started, the homeowners' association must meet a number of basic conditions, like possessing an active management, an actual maintenance plan and a reserve fund.

The party that issues a guarantee can appoint an independent Quality Assurance Specialist who is responsible for complying with QA procedures of both the supply and demand sides. This professional remotely supervises the process on behalf of the party that issued the guarantee and is therefore independent of the CA, the IHRS and the renovation contractor. Besides that, this professional is responsible for monitoring, inspecting and proposing measures to correct or improve the suggested model of the IHRS to meet the established and required quality standards as described in the contract.

Using QA procedures, the maximum investment is set, or more important, the maximum monthly contribution of the individual homeowners is set. The expected monthly payment must be both realistic and feasible for all homeowners and has to be indexed annually. Extra funding or measures might be needed for vulnerable households if the expected total monthly payment increases. An essential test that must be carried out is what the maximum financial capacity of the homeowners is. This maximum burden can be determined based on the living costs for households as percentage of their net income, which are in the Netherlands used as calculation basis by banks providing mortgages. The ethical question is whether the least capable is taken into account or whether it is acceptable to force a certain percentage to move or to provide financial support in some other way.

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<sup>7</sup> Straub, A. (2016). Collaboration for Housing Nearly Zero-Energy RENOvation. Publishable Report. [https://effizienzhaus.zukunft-haus.info/fileadmin/user\\_upload/Cohereno/COHERENO-Publishable-Report-2016.pdf](https://effizienzhaus.zukunft-haus.info/fileadmin/user_upload/Cohereno/COHERENO-Publishable-Report-2016.pdf)

<sup>8</sup> [https://www.refurb-project.eu/wp-content/uploads/2017/10/649865\\_D5\\_1\\_Approaches-for-quality.pdf](https://www.refurb-project.eu/wp-content/uploads/2017/10/649865_D5_1_Approaches-for-quality.pdf)

<sup>9</sup> Ibid.

## 4. Guarantee fund

### 4.1. Conditions Guarantee fund

A guarantee Fund (GF) is intended to cover all costs above a predetermined maximum amount. This fund is intended for unforeseen costs exceeding of the renovation budget, including all associated preliminary investigations and guidance.

What is needed to guarantee the maximum price of a renovation or who can guarantee this? A possible solution is proposed in the Business Model ESCo. A combined offer for investing in the complete integral renovation of an apartment complex run by a CA, with an associated energy performance contract, in which the risks of unforeseen costs are covered by a (commercial) party. So far, we have not succeeded in finding such a party in the Netherlands. We will continue our search for such a collaboration partner.

Another solution to maximize the monthly costs for the homeowners of a CA is a guarantee fund. The function of this fund in short is that, under certain conditions, a guarantee is given on a maximum monthly payment for the apartment owner. One of the important conditions for such guarantee fund will be the quality assurance. As described earlier, clear agreements will have to be made about the lead time of the process and the energy performance that must be guaranteed, in order to limit the unforeseen risks to an absolute minimum. In other parts of the CondoReno project, partners explore how service providers can potentially provide quality assurance based on needs procedures, high quality materials and expected staffing levels.

Setting up such a guarantee fund requires a solid financial basis. It is necessary to have multiple projects, income from contributions from participating projects and a financial backup for the risk spreading, at least for the start-up phase of this fund. It is possible that the research and approach of the municipality of Groningen<sup>10</sup>, which has now been expanded to the province of Drenthe, can serve as an example of what we are striving for. Of course, entering into a partnership with one or more non-profit organisations that already offer the same type of service is also possible. For the situation in the Netherlands, the Nationale Hypotheek Garantie<sup>11</sup> would be an obvious option.

Claiming this fund is only possible by the CA as a legal registered entity and under strict conditions. One of the conditions might be that every CA that wants to be protected by this GF, needs to pay a certain amount of fee. This fee can be calculated in advance and is a part of the total renovation cost.

This fund is **not** intended as a guarantee for the repayment of the loan by the CA or the contribution of all individual homeowners. For guarantees of repayment, national legal measures are in force and/or repayment guarantees associated with the loan provided to the CA.

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<sup>10</sup> <https://gemeente.groningen.nl/verduurzamen-als-vereniging-van-eigenaren-vve>

<sup>11</sup> <https://www.nhg.nl/>

Especially during the start-up of IHRS-services that offer integral deep renovations a solid financial backup is essential. Who is taking the risk if more money is needed than accounted for? The initiatives that are now emerging are locally or regionally oriented. For a more solid approach with national coverage, this might be a task for the national or international government. Within CondoReno partners discuss which organisations have the experience and ability to manage this type of fund, which will be discussed in continued expert groups associated with the National Advisory Board. There is also a similarity to the 'skin in the game'- bond and other Social Impact Bonds or climate disaster bonds. This might be something to look into in future research as these are interesting trading instruments.

We expect that over a period of time, by improving the IHRS process and also improving the renovation processes and materials used, the total risks will decrease and less money is needed.

**Example: Credit insurance for condominium associations**

For the Flemish situation we can point out to an initiative of the city of Antwerp in collaboration with the bank KBC and credit insurance provider Atradius to create a credit insurance especially for CAs in Antwerp. For CAs there is a possibility to get a loan from KBC for investments concerning sustainable and necessary improvements. This is possible on the condition that credit insurance is taken out with Atradius. In the meantime, the Flemish energy and climate agency VEKA has stipulated that Atradius' credit insurance runs concurrently with the borrowing period of the Flemish 'Mijn renovatie lening' (My Renovation Loan), being 25 years and 36 months to start up this loan.

In the Netherlands and Flanders there is no obligation to get a credit insurance. If there are problems with payments of one of the members of a CA, this defaulting member can be legally ordered to pay the contribution to the CA. It is important that a CA responds quickly, the essence lies in a good collection policy of the CA. In case of arrears, a quick reminder, followed by a reminder and then judicial collection. However, if the individual member (homeowner) structurally does not meet his payment obligations (contribution to the CA), the CA can have the apartment right auctioned. The responsibility lies with the CA itself, but can be outsourced to a CA manager, who might have more experience with these kinds of situations.

Special attention might be given to vulnerable target groups, particularly those that bought a home because it is cheaper than renting one. They are called "emergency buyers". They often spend their whole budget on buying a home with poor living quality and have no money left for renovation.



The Flemish emergency buying fund<sup>12</sup> is a traditional loan system that aims to improve the living quality of emergency buyers. Emergency buyers can ask local public social welfare centres an interest-free loan for maximum € 50,000 which they start paying off after 20 years with a payment plan. The institutes who help these people get € 3,000 per file. The Flemish energy houses act as IHRS and assure the follow-up of the loans given by the public social welfare centres and bring in their knowledge and expertise concerning energy renovations. Municipalities like Mechelen are now also experimenting with how to apply this fund on the context of CAs.

## 4.2. Legal requirements guarantee fund

What requirements must a guarantee fund meet? Unfortunately, the expert meetings held so far did not answer this question in detail. While a lot of input was provided for further research, the timeframe of the CondoReno project did not allow further detailed research. Some key conclusions from the expert meetings are given. .

First, integrating the quality assurance in the decision-making process is key. The quality assurance can substantially reduce the risks and hence the interest rates, making the renovation more affordable for the homeowners. The process, the research and the execution of the work must all be subject to stringent quality requirements in order to limit the remaining risk.

Second, one of the conditions will be that a thorough risk analysis has been carried out. The optimal relationship between costs for the (destructive or non-destructive) investigation and the (financial) risks that are excluded by this must be sought. An innovation research proposal might offer a future opportunity to dig deeper into the pros and cons of financial instruments for deep renovation with integrated quality assurance, also for smaller homeowner associations which have limited access to financial aid.

Third, more research is required, including advice from legal and financial experts. With the option to look at it like an investment (speculative) instrument. We will continue working on this topic during this CondoReno project and discuss the requirements of this wished for guarantee fund in a continued focus group.

A submitted and accepted Dutch follow-up project (MOOI-TRIK) will look into more detail into the risk analysis of new financial instruments, particularly also covering the smaller homeowner associations. A proposed research method could examine measures to deal with risks and could be scoped using five categories:

- Disincentives for avoiding the implementation of potential threats.
- Preventive measures inhibiting a threat realization (they act on causes and reduce the probability of occurrence).
- Protective (and mitigation) measures limiting the impact of a threat by reducing the direct consequences (they act on consequences without taking into account the occurrence).

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<sup>12</sup> <https://www.vlaanderen.be/ondersteuning-van-renovatie-van-noodkoopwoningen>



- Remedial actions limiting the consequences of the threat implementation and indirect consequences.
- Recovery measures aiming to recover some of the damage by transferring the risk (e.g. insurance) to limit final losses.

In future we will be able to provide a clearer overview of the risk's stakeholders want to address with a fund development (and which not), what direct and indirect causes are considered related to these risks, and what prevention measures can be proposed. Nine principles of prevention could then be discussed:

1. Avoid risks: remove the hazard or the exposure to it.
2. Assess risks that cannot be avoided: assess their nature and importance, identify actions to ensure no hazard and guarantee the expected performance.
3. Fight risks at the source: integrate prevention as early as possible, from the design of processes, equipment, procedures and workplaces.
4. Adapt work to man: design positions, choose equipment, methods of work and production to reduce the effects of work on the expected performance.
5. Consider the state of technological developments: implement preventive measures in line with the technical and organizational developments.
6. Replace the hazardous by what is less hazardous: avoid the use of harmful processes or products when the same result can be obtained with a method with less hazards.
7. Plan prevention integrated in a coherent package: a) technique, b) work organization, c) working conditions, d) social relations, e) environment.
8. Take collective protection measures and give them priority over individual protective measures: use of personal protective solutions only to supplement collective protection or their defaults.
9. Give appropriate instructions to stakeholders: provide them the necessary elements for understanding the risks and thus involve them in the preventive approach.

## 5. Financial fund

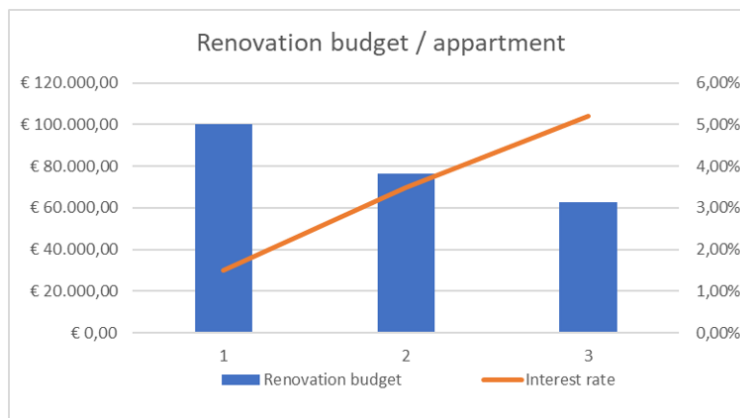
### 5.1. Conditions financial fund

If we are able to accelerate the processes by limiting risks, then a new opportunity arises to finance the high investments for these integral renovations more efficiently. Read: less risk for the financier, so also lower risk premium percentages.

There is significant less risk to finance a renovation project with high standard quality. By raising the quality assurance, fewer mistakes are made. Errors during construction can lead to lower energy savings, one of the main risk factors for financing an integral renovation with assured energy savings.

A guaranteed maximum investment will give even more certainty to investors. For the simple reason that the contribution to be paid to the CA will not be higher than previously agreed. This means that it is clear in advance whether or not the contribution fits within the maximum living quote (maximum living costs based on the percentage of income according to certain buying power standards) of each individual owner. This will result in lower risk surcharge on interest and therefore these loans will be better affordable and reach out to larger groups of CAs.

For the complexity of the energy transition in the situation of a CA the feasibility of the business case<sup>13</sup> is even more important. The effect of the risks and the added compensation to cover these risks make the interest rate higher. The height of the interest rate on the net value of the investment for renovation is huge. To illustrate, in the graphic you can see this effect, the higher the interest rate the less budget for the renovation. In this example the renovation budget is € 100,000, based on saving about € 345,- a month and a 30-year loan with 1,5% interest. The renovation drops to € 60,000 when the interest rate raises up to 5,2%.



Long term financing is needed, minimum 30 years, maybe even longer (40 to 50 years) depending on the measurements taken and based on the technical lifecycle of the products used. An issue remains how to make investing in a financial fund financially attractive for the huge investors due to its green character with tax benefits.

<sup>13</sup> With 'this business case' we mean whether the renovation of the apartment complex is financially feasible for the CA.

A large amount of money available on the market and a specified target group of homeowners in a CA are in need of a relatively large amount of money, but not comparable to this inflow. An organisation in between to manage supply and demand is recommended. For the Netherlands, this fund could operate next to the 'Warmtefondsen' ("Heat Fund" in English), which has a comparable purpose and is founded by the Dutch government. For other European countries it could add on a local service like 'Warmtefondsen' or it may be a completely new solution.

The Dutch national heat fund (in Dutch "Nationaal Warmtefondsen"<sup>14</sup>) offers loans with a favorable interest and without transaction costs for homeowner associations to make their building sustainable with energy saving measures. The loan is offered to the CA directly and the rent and payments are to be done by the CA. The CA incorporates the costs into the monthly service fee for individual homeowners. The Province of Drenthe and municipalities like The Hague, Leidschendam-Voorburg and Capelle aan den IJssel contribute to lower the interest rate even further. Specific CA desks such as the ones in The Hague and Leidschendam-Voorburg offer this loan to CAs.

## 5.2. Conditions healthy financial planning CAs

As mentioned before most of the CAs don't have a solid financial plan for maintenance in the future. It is not easy to decide together with your neighbours, the co-owners who are united in the CA, that you have to pay more monthly. Especially if there is quite a bit of money in the CA reserve fund and the reservation is intended for major maintenance in the future, perhaps only in more than 10 years. Many people have daily financial worries and saving money for maintenance over such a long time is unthinkable for them. Some local stakeholders might also have conflicting interests, such as the real estate agent who advises to keep the contribution to the CA (service costs and reservation for maintenance) low so that the house is easier to sell. For this reason, it is important that there are clear laws and regulations to help CAs to improve their financial base.

In the Netherlands there is a mandatory minimum deposit for major maintenance<sup>15</sup>. The advice to the CAs is to have a maintenance plan (MP) drawn up periodically and, on that basis, determine a monthly contribution as important part of the total contribution to the CA, including daily building service costs, actual maintenance costs and reservation for the MP. If no MP has been drawn up, at least 0.5% of the reconstruction value must be deposited annually.

In the Netherlands in 2021 only 3% of the CA had no reservation for maintenance at all<sup>16</sup>. So, 97% of the CAs do have a reservation for maintenance. A large majority of the CAs (84%) choose to base it on a maintenance plan and 13% of the CAs based the reservation on the minimum of 0.5% of the reconstruction value. This means that there is a risk that CAs – particularly the smaller ones - do not have reserved sufficient funds, even for basic maintenance.

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<sup>14</sup> <https://www.warmtefondsen.nl/vve>

<sup>15</sup> <https://www.vvebelang.nl/kennisbank/juridisch/wet-vve/>

<sup>16</sup> <https://www.rijksoverheid.nl/documenten/rapporten/2021/07/30/onderzoek-reserveren-en-presteren>

To counter the insufficient funding for (getting rid of a backlog in) maintenance of buildings owned by CAs in the Netherlands, CAs until 7 apartments that do at least one energy improvement measures can possibly apply for a stimulation loan for small CAs with national mortgage guarantee (NHG). A CA with more than 8 apartments can apply for a loan if their municipality or province offers such via the independent financial service provider with societal purpose SVn<sup>17</sup>. In that case, the CA can make use of the national Future-proof maintenance fund for CAs.

No requirements are imposed on the quality of the MPs, which means that the differences can be huge. A solid MP can look 30 years into the future, while some MPs only look ten to fifteen years ahead. Also, not all maintenance items are always included in an MP. The absence of replacing windows, for example, makes an enormous difference in the amount to be reserved.

Still, this is a very minimum reservation, and it would be much better to change the law and make the MP mandatory, like most of the CAs in the Netherlands already chose to have. To prevent huge differences in the quality of these MPs, like in the current situation, it is important to regulate this quality too. That should be the easier part because in the Netherlands we already have a solid standard described in the NEN2767. To implement this, we expect the government to take its responsibility.

On local scale the municipalities can play a more active role. For example, the municipalities in the Netherlands have the authority<sup>18</sup> to oblige a CA to carry out (overdue) maintenance. The municipalities can also enforce the CA to set up a MP. These powers are not used sufficiently, while if things go (horribly) wrong, responsibility will be placed by the municipalities.

In order to participate in this fund, various requirements will have to be drawn up, such as availability (administrative) management and a sound MYMP, including perhaps a financial contribution to (partly) cover the costs of this fund.

When a multi-year maintenance plan is available, it is recommended to include energy saving measures to the current MYMP. This results in what is called a “sustainable MYMP” (SMYMP, in Dutch: “DMJOP”). It is recommended to ask a company specialized in energy saving measures to construct the sustainable MYMP. In the Netherlands, a subsidy (SVVE<sup>19</sup>) is available for CAs to develop such a sustainable MYMP, covering 75% of the costs of amongst other an energy advice, a sustainable MYMP and process guidance. The maximum of the subsidy depends on the number of homes.

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<sup>17</sup> <https://www.svn.nl/vve>

<sup>18</sup> <https://www.rijksoverheid.nl/onderwerpen/huis-kopen/vraag-en-antwoord/vve-geld-reserveren-groot-onderhoud>

<sup>19</sup> <https://www.rvo.nl/subsidies-financiering/svve>

### 5.3. For consideration

The question that came to the table in the expert groups was: Do we need to put so much effort in guaranteeing all risks for a CAs? Many issues are related to regular activities with associated risks and costs for basic quality, and not necessarily related to providing a higher quality and/or energy performance. On the one hand, an IHRS would expect that an organization has a solid policy and can handle the financial consequences that result from it. On the other hand, it has to deal with a special social construct and legal entity, an association of owners of which a number voluntarily take a seat on the board. Of course, CAs also have obligations and must be able to cope with financial setbacks. For many households, living costs are the most important expense item. There can also be setbacks in maintenance with unexpected repairs that have significant financial consequences, like you would have for example with a car. There are no guarantee funds for cars either and yet the bills for car repairs are decided and paid quickly and you don't hear anyone talking about the payback period for a replacement part.

#### **Practical experiences with living cost optimal approach**

WNR's strategy is that CAs want to carry out the renovation in a living cost neutral way for the owners. The question is whether this is always necessary, especially if comfort improves enormously, the indoor climate improves, which has a positive effect on the health of the residents and these houses also increase in value, as recent research increasingly shows.

The previous description is an example of added value of the investment, which is not only in the interest of the owners or residents of the apartment, but also serves a social purpose. Further research is needed to quantify and express these benefits of improved health in monetary terms, so that the responsible authorities see the importance of (continuing to) support these renovations.

To increase the living cost neutral budget, WNR can take into account the average increase of value of the individual apartments. Right now, this is not common in the Netherlands and only sometimes used in Flanders. If WNR abandons housing cost optimality, then there still is a certain maximum financial capacity for the individual homeowners and therefore a maximised financial contribution to the CA.

Taking everything into account, CondoReno stipulates that limiting (financial) risks for CAs is necessary to deal with the complexity in decision-making. Otherwise, it cannot be expected that the development towards fossil-free apartment complexes will be taken up by the market and certainly the acceleration we envisage will not be achieved.

#### 5.4. Legal requirements financial fund

At the time of writing the CondoReno proposal the financial instruments for renovations by homeowner associations were virtually not existing in the Netherlands and Flanders. Partners initially started to work on a deliverable that would support the initiation of financial instruments. Along the way, subsidies and loans were introduced for homeowner associations in the Netherlands as well as in other countries, leading to a changing context and other needs for exploring financial instruments. A Dutch acceleration agenda<sup>20</sup> also provided a general long-term policy framework for supporting renovations by CAs. Therefore, developing the requirements for such funds was no longer considered a priority of the CondoReno-partners. We subsequently chose to focus more on the availability of a guarantee fund, which is a very important requirement for multiple financial funds. F On the other hand, further research within CondoReno might also look into how managing these financial funds can be an activity of an IHRS. For example, the IHRS WOAB in the Netherlands also offers loans – and is in fact recognized as a banking entity - to individual homeowners, next to their consulting services.

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<sup>20</sup> <https://www.rijksoverheid.nl/documenten/brieven/2023/09/05/vve-versnellingsagenda-verduurzaming>

## 6. Discussion

With a final valorisation meeting was organized with financial and legal experts in the field of CAs on February 12, 2025 to discuss whether a certain type of fund can make a significant contribution to accelerating making apartment complexes with a homeowners' association board more sustainable and natural gas-free. This resulted in a lively discussion with two financial advisers, one expert of WOAB focussing on regular dwellings and the other expert of SEGON specialised in CAs. Herewith we present a short summary of the most important statements to be used in later discussions in the remaining time of this CondoReno project.

### Remarks on policy developments:

- SEGON expects that financing attached to buildings instead of owners will not be made easier.
- WOAB's own financing will become less relevant with "Warmtefondsen", only for difficult cases it is still used.
- Is a large scale financial or guarantee fund needed? A financial fund is no longer a primary goal (as Warmtefondsen is already there), we want to focus on a guarantee fund. The solution in Groningen gives a lead example which risks could be covered.

### Remarks on the financing case study in Groningen:

- SEGON made an analysis where CAs still have risks that are not covered yet by a fund. However, the case study Groningen is unique due to earthquake compensations, 20000 EUR subsidy per household + other subsidies, so owners can even reach up to 100 percent financing based on social status.
- There is a lack of capacity from the municipality to support all CAs, about 600.
- There are rules for the advisory phase, the measures phases and a bonus: a 30-year loan, building consultancy, and a bonus 3000 EUR per apartment. Financing on a 30-year basis was proposed for both ZEB as well as when connecting to heat grid. In the latter case a lower insulation level is required, the expected energy performance is 120 kWh/m<sup>2</sup> per year. The latter is also about half of the investment for a ZEB.
- The advisory trajectory is well compensated. The transition to measures package is an important risk (collaboration risk + non-financed implementation parts, architect costs, preliminary design,...).
- The idea to combine SVVE with SPOR, for example when attributing about 2000 apartments to a certain building typology. This idea is in a last phase for approving instruments for apartments. SPOR is risky regarding collaboration between CAs. SEGON aims to guarantee costs in the exploratory phase not covered by the SVVE (to be approved by the council). As such the 'Garantstelling' is revolving: it is agreed with RVO to be able to exchange between projects to be able to cover collaboration risks.
- "Unfinanceable" CAs go way above the financing limit of Warmtefondsen because of a lack of maintenance. There is a variant made for Groningen that is being studied nationally. The escape net developed for the case study made for VvE Meerpaal can be an example: if people

have an income below 160 pct below minimum wage (aimed for 170 pct) the financing is cut in three stages/years. Via a district approach a financial advisor can be covered.

**Remarks on experiences with risks:**

- WOAB experiences risk for non-acceptance of loans, even for 'rich' clients that do no longer have to pay back a loan. There is also a risk of removal of ventilation when energy-saving measures are applied. A risk of owners dropping out when they already did measures remains.
- There are talks about blocking heat pump subsidies in favour of heat grids where heat grids are appointed to districts. However, this might lead to unwanted juridical procedures.
- WOAB sees a risk that people have to move if they cannot afford the payment scheme. Owners are chased to another low-cost house. WNR thinks they can also help the few exceptions for transition to a social house. WNR remarks that the energy use limit is relatively (too) high. SEGON remarks that the social dimension also plays a role for decision-making in CAs.

**Other remarks on fund development:**

- There is a strong interest from SEGON to advance in quality assurance based on performance agreements. This would require some research on the risks. Which elements of quality assurance are interesting to re-insure? A guarantee fund only makes sense if a risk model is associated with it. It is important to estimate the frequency of individual risks. Ref. "woonborg" is also based on a risk model.
- VvE Ellen triggered banks to make a marketable loan. How to make the Warmtefonds marketable? This fund is not sustainable, a 0 pct loan is by EU law not possible. In 2026 it is expected that a reduction of the interest can no longer take place. EURIBOR also indicates a minimum interest rate.
- The government does not follow the financial rules and gives a subsidized interest rate. The government cannot go bankrupt so they can give a lower rate. Banks cannot do this. Banks now cover "first loss". The government asks three big banks to participate. Other banks will only participate if they can match the marketable situation.
- Politically a softer approach might be negotiable: steer on quality assurance. EPG is needed. Guarantees are needed for installations, renovation works ("borgstellingsfonds" with bank) and for insurance (national insurance fund needed).
- See it as financing start-ups. Ref: SEGON develops financing models for municipalities, the municipalities exchange a lot of knowledge. These models lack the way the financing can be brought to the market.
- Segon started with energy performance requirements towards CAs. Builder had to commit or put aside money, a quality check premium. Work can be addressed in the MJOP, by the CA.
- The risk to maintain consistency, e.g. process delay,.. usually covers maximum 5 years. WOAB DBFMO experience: investment must be returned in 5 years, which is a statutory obligation for many companies. "Borgstellingsfonds WOAB" covers related risks (also named "waarborgfonds").
- See also examples in Germany for inspiration.



## 7. Conclusion and recommendations

This report tried to explore whether a special financial or guarantee fund could support CAs and IHRS that focus on CAs. The research finds that the development of a financial fund is already confirmed. The development of a guarantee fund while introducing quality assurance in renovation processes requires further attention. A workshop and focus group discussions emphasized that fund development should emphasize:

- assuring that basic obligations of CAs are met such as the presence of a reserve fund, a working management structure and a registration;
- introducing a comprehensive sustainable multi-year maintenance plan as a necessary basis for assessing the adequacy of the CA reserve fund;
- controlling costs and risks to make renovations affordable;
- providing financial solutions for low-income individuals and households;
- embracing the role of quality assurance in establishing a maximum renovation price;
- supporting the concept of living cost optimality as a means to support fund development.

The ongoing financial fund developments in the Netherlands and Flanders can inspire each other to optimize fund development.

Here follows a brief summary of additional recommendations.

1. Continue this research into a guarantee fund, preferably in collaboration with a party that can also implement this.
2. Improve the basic situation of owners of an apartment in a CA.
  - a. Develop awareness of the responsibilities of individual homeowners in a CA.
    - i. Starting with potential buyers of an apartment.
    - ii. Improve the provision of information by real estate agents and notaries to potential buyers.
  - b. Ensure affordability for vulnerable homeowners in a CA, with a mandatory social plan to support owners who get stuck.
3. Improve the basic situation of the CA board, so that the CA can function as a professional client.
  - a. Develop awareness of the responsibilities and powers of the CA board
  - b. Support sound advice on complex matters.
  - c. Inform and guide on the TCO calculation (Total Cost of Ownership) to make investments and operating costs transparent.
4. Improve Quality assurance in renovation.
  - a. Work with certified parties.
  - b. Require active CA management.
  - c. Require a solid MYMP and reserve fund, based on a sound building survey.
  - d. Perform active checks on the state of maintenance, safety and liveability.
5. Develop a large-scale financial fund (green, tax advantage) with low interest, specially designed for CAs.

- a. The situation in the Netherlands can serve as an example. In addition to an extensive possibility of local and national subsidies, there is a financing possibility by Warmtefonds and SVn, which has removed many of the financial barriers.
- b. Based on clear regulations and a guarantee of delivered quality, more commercial financiers will become interested.

## Appendices

Overview of the discussion points from the meetings of the expert groups held in Delft on April 11, 2024 and February 12, 2025 in the framework of the CondoReno project.



# Expert meeting April 11, 2024

11-04-2024

Minutes	
Participants CondoReno	<p>Attending:</p> <ul style="list-style-type: none"> <li>• Clarence (KERN)</li> <li>• Sarah (TUD)</li> <li>• Johan (EB)</li> <li>• Ragy (TUD)</li> <li>• Walter (WNR)</li> </ul> <p>Attending online:</p> <ul style="list-style-type: none"> <li>• Erwin (TUD)</li> <li>• Annick (MECH)</li> <li>• Claire (ANT)</li> </ul> <p>Attending invitees, see attached file</p>
Calendar (general)	<ol style="list-style-type: none"> <li>1. Introduction round, organization, own name, position and role (interest) for today</li> <li>2. Financial points of interest experienced in the LIFE CondoReno project, Erwin Mlechnik, TU Delft</li> <li>3. Experiences in process guidance for homeowners' associations and introduction workshop, Walter van Steenis, WNR foundation</li> <li>4. Workshop, principles and questions (all participants)</li> <li>5. Conclusion, Erwin Mlechnik, TU Delft</li> </ol>
Workshop	<p>Explanation of projects as a basis for the guarantee fund. Example of CA Brunssum and CA Nijmegen<sup>21</sup></p> <p>CA Brunssum, discussion about guaranteed maximum monthly amount. Risk: in the event of an unforeseen setback, the majority of owners will no longer be able to pay their housing costs.</p> <p>CA Nijmegen, choice to invest in research or the next paint job. Risk, if there is an unforeseen setback, the painting work cannot be carried out and the first overdue maintenance occurs.</p> <p>The presentation has already sparked a lively discussion, below are some statements. Almost all CAs have not saved enough, even to carry out regular (major) maintenance. An important starting point is to first draw up a thorough MYMP<sup>22</sup> and adjust the CA contribution accordingly. It may be that this correction is so large that the monthly costs for the owner have to increase so much that this is not possible in one go and several years are necessary.</p> <p>You always have to offer perspective. There are problems with overdue maintenance and/or too low CA contributions, but there is light at the end of the tunnel. (Dutch saying)</p>

<sup>21</sup> Numbers of CAs in Belgium: 93,000 and in the Netherlands: 125,000 and the legal status of Belgian VME and are CA comparable

<sup>22</sup> MYMP: Multi-year maintenance plan, a thorough (30 year ahead) maintenance plan that includes all maintenance and replacement costs. Preferably drawn up in accordance with a standardized building survey such as NEN2767

	<p>Doing nothing is also a choice. For psychological reasons, it is better to say that if you do nothing your home will be unsellable than to say that the home will become more valuable after the renovation. "You have a problem; you will no longer lose your home" is a powerful argument.</p> <p>It is important for the owner to have an idea of the housing costs before and after renovation. Renovating in a cost-neutral way is not a goal in itself for the CondoReno project, although in a number of cases this is indeed possible according to the model of the WNR foundation.</p> <p>The presentation and statements invited a lively discussion with a high degree of recognisability and unanimity, but also with the necessary opposing opinions and experiences. Below are the most important comments and quotes for each round of discussions.</p>
First round of discussions, principles and questions	<ul style="list-style-type: none"> <li>➤ Are the barriers outlined in the report recognisable?</li> <li>➤ Are the stated conclusions correct?</li> <li>➤ Is the proposed countermeasure a realistic option?</li> <li>➤ What are the alternatives?</li> </ul> <p>Barriers are widely recognisable, especially the first case Missed, increasing support, division of roles The correct conclusions from the cases are still lacking. Reasoning behind guarantee fund, how? More background information needed. For better or for worse, the message that action is necessary must be conveyed. Collective interest is difficult to organize, if you don't agree, you leave. "There must be more incentives for owners to take action." So, increase the urgency, for example say as a municipality that the gas will be turned off at time x. Focus more on communication, less on technology. Safety, fines for non-compliance, does that make sense or not? "Which municipality will be the first to close an apartment?" But CAs are financially strapped and an increase in home values is unfeasible. The first startle reaction is important to take action. Sometimes it's already too late Demolition and new construction are collectively regarded as non-negotiable. No one wants to take on this responsibility, not even the government.</p> <p>Keep an eye on the total picture, there are also many people who can afford it. An important instrument are the new financing rules for mortgages. Key figures that real estate agents use, such as that the CA contribution may not exceed € 200, are no longer up to date. In principle, money or financing should not be an obstacle to renovating. Most CAs can simply borrow for renovation, even if there is also overdue maintenance. Is the will missing? Would people rather go on holiday three times a year and not renovate?</p>

	<p>Or is there a fundamental affordability problem if you look at the areas in the Netherlands with energy poverty, the neighbourhoods with the lowest income groups and the most poorly insulated homes?</p> <p>The suggestion is made several times to extend the repayment term, even longer than 30 years. Fitting with the measures, installations shorter, construction and insulation longer.</p> <p>Covering unexpected costs, how can you arrive at unexpected costs? Then you have conducted poor preliminary research.</p> <p>Safety net arrangements deserve much more attention, which is much more important than dealing with disasters. Then you can take away people's fear that they cannot afford it.</p> <p>There are certainly unexpected things, such as a long-eared owl that suddenly leads to a ton of extra costs. Then the owl has been found for construction, so on time. No, the owl was only discovered after the flora &amp; fauna research had been completed and financing had already been agreed.</p> <p>The disadvantage of a guarantee fund is that you have to record it extremely well. Otherwise, all parties will book their losses on this fund and it will become unaffordable. If you solve that, the guarantee fund can actually be a great success.</p> <p>Everything clear, no surprises. All risks must be resolved before the start, otherwise a private individual will not agree. Arguments such as a house becoming less valuable or unsellable are not a criterion for this group.</p> <p>It is important to finance the start with a subsidy, not with a loan, because then they have a loan on something that may not go ahead.</p> <p>On the other hand, once CAs have incurred costs, there is little or no way back. If this statement is correct, it is an additional argument for stopping subsidizing preliminary research. Practice shows that few of these preliminary studies are actually implemented. There are solutions for this, including a subsidy and, if not carried out, x% of the costs of the preliminary investigation. Once the process gets started, it will continue.</p> <p>Combination of carrot and stick.</p> <p>Is an ESCO a solution? If so, who and at what price? At least 18 to 20% higher prices. Take, for example, contracts from Rijkswaterstaat and/or the construction of hospitals. Can we leave it completely to the market or do we need a government to drive this? Ethical discussion about whether 'skew residents', people who cannot afford the increase in the CA contribution, should not simply move to another home.</p>
Points of interest for the first round of discussions	<ul style="list-style-type: none"> <li>➤ Are the current housing costs (maintenance of the building) up to standard?</li> <li>➤ What is the realistic maximum capacity of the owners?</li> <li>➤ What is a realistic maximum investment in renovation? When is the decision to demolish and build new? Who is responsible for that?</li> </ul> <p>Demolition and new construction are really non-negotiable, according to BiZa. The CAs will ensure that for at least 10 years.</p> <p>What if a building is actually technically at the end of its lifespan, concrete, foundation, etc.</p>

	<p>Actually, I should devote an article to the deed of division here.</p> <p>Various positive and negative examples of demolition and new construction are mentioned.</p> <p>Further investigation into this situation seems necessary!</p>
Second round of discussions, conditions for the guarantee fund	<ul style="list-style-type: none"> <li>➤ What are the objections to a guarantee fund?</li> <li>➤ What conditions must the guarantee fund meet?</li> </ul> <p>What should this fund cover?</p> <p>What conditions must a guarantee fund meet?</p> <p>If you have any doubts about whether a guarantee fund makes sense, it is better to do something with hedging.</p> <p>Hedging<sup>23</sup> is a better development, for example extending the loan term or covering opposing movements.</p> <p>Depending on the person, the list of risks is endless and cannot be covered.</p> <p>The conditions that must be imposed on this fund are an endlessly long (legal) list</p> <p>There are many more barriers than the (financial) risk, such as monumental buildings.</p> <p>Make the monthly price a few euros more expensive and, as a CA, make a reservation for this to resolve setbacks. If you combine this with a longer loan term, the costs remain within limits.</p> <p>Owner says: "Where will I stand financially?"</p> <p>"Good reference figures go a long way", especially if you can borrow for a longer period of time, you can have a few euros in reserve with just a few extra euros. Split, compensate higher monthly costs with a longer loan term. Good process supervisor, covering risks. Tight planning with defined phases to limit risks.</p> <p>The financing of CAs in the Netherlands is good, with at most some additional options for solving overdue maintenance. A solution to this still needs to be found in Flanders and other countries. If we really accelerate in the long term, the Netherlands will also need more money.</p> <p>This deliverable is therefore primarily about covering unpredictable risks that cause great uncertainty, for which a solution is sought.</p> <p>This is crucial for the financing options, the smaller the risk, the better the CAs are able to meet their obligations, the less risk for the financier and therefore lower financing costs!</p> <p>Resolving the uncertainty is crucial, that is what the guarantee fund is intended for. Operationally difficult, what is not your fault?</p> <p>Create a clear risk model, with countermeasures. Is the fund still needed?</p>

<sup>23</sup> limit or qualify (something) by conditions or exceptions protect oneself against loss on (a bet or investment) by making balancing or compensating transactions.

	<p>Provide certainty in advance, in progress and monthly amount. It revolves around the housing costs before and after the renovation. The amount after renovation must be maximized.</p> <p>Controlling the lead time of the process is therefore crucial. A loan to a CA has nothing to do with the AFM, a CA is a business entity. To make a guarantee fund feasible, the advice is to start by identifying and covering the large, more manageable risks.</p> <p>An interesting question is, is the market waiting for this? In short, can we accelerate the decision-making process to renovate at CAs if we offer a guarantee against unforeseen circumstances?</p>
The guarantee fund is used improperly	<ul style="list-style-type: none"> <li>➤ The quality of the renovation is insufficient</li> <li>➤ The process guidance for the renovation is insufficient</li> </ul> <p>NHG<sup>24</sup> is a clearly defined risk, which is lacking in the guarantee fund! It is a development, not yet fully developed, that is why we are here. The purpose of the deliverable is to determine the preconditions. The guarantee fund is intended more to cover the risks of the process than the risks of carrying out the renovation. In order to participate in a guarantee fund, you must meet a number of conditions, such as that you have a solid MYMP, but also a completion guarantee and (sub)contractors who are certified and affiliated with a trade association. What guarantees does the market already offer? At the start of the sustainability process, the CA starts incurring costs, while they do not know whether they will actually reach the decision. There is a risk that these research funds will be spent for nothing. There is a risk that this will cause maintenance backlogs. Does the guarantee fund also solve that?</p>
Points of interest for the second round of discussions	<ul style="list-style-type: none"> <li>➤ Quality assurance, in process, design and implementation</li> <li>➤ Guarantees, energy performance</li> <li>➤ Use subsidies differently, linking them to implementation results</li> </ul> <p><b>It remains sympathetic to want to remove uncertainty from the CA.</b></p>
Conclusion	<ul style="list-style-type: none"> <li>• The CA itself is responsible for the costs of the renovation, including all necessary preliminary investigations and process guidance!</li> <li>• As the 'owner' of the collective parts, the CA is also responsible for the risks and setbacks associated with a renovation!</li> <li>• The question is whether a CA is sufficiently professional that they can act as a client?</li> <li>• The question is also whether the associated financial risk is affordable for (almost) all owners?</li> <li>• The question is whether 'the owners' have sufficient confidence in the</li> </ul>

<sup>24</sup> NHG is an organization in the Netherlands that bears the risk if a mortgage holder can no longer meet his obligations to the mortgage provider. This concerns the risk of death, disability and unemployment. This 'insurance' can be taken out up to a certain maximum amount

	<p>management by 'the CA' and the executive parties.</p> <ul style="list-style-type: none"><li>• Can a guarantee fund offer a solution to this?</li><li>• Which costs and/or which risks exactly are covered by the guarantee fund?</li><li>• What are the minimum requirements for the preliminary investigation to avoid unforeseen costs?</li></ul>
Attachment's	<ul style="list-style-type: none"><li>• Presentation Financial and Legal Issues</li></ul>







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## Expert meeting guarantee fund

## Meeting minutes

12 February 2025 16:00-17:30

*The previously announced agenda for a half-day meeting was cancelled due to limited registrations and replaced by a one-hour focused working meeting*

**Participants:**  
**Walter van Steenis (WNR), Erwin Mlecnik (TUD), Joost Schretlen (SEGON) and Henk de Jager (Woonabonnement, online), Clarence Rose (KERN, online)**

Location: Faculty of Architecture and the Built Environment, Room floor 01, WEST wing, nr 770  
 TU Delft, Julianalaan 134, 2628 BL Delft  
 &  
 Microsoft Teams Meeting-id: 370 787 874 374  
 Code: pg6Hv9KW

Agenda	General and Roundtable updates
<b>16:00</b> Welcome	
<b>16:00-16:20</b> Introductory remarks	<ul style="list-style-type: none"> <li>MOOI-TRIK – when accepted - offers opportunities to explore financial instruments related to integrated QA.</li> <li>SEGON expects that building-related financing will not be made easier. Previous crisis was related to this type of financing.</li> <li>WOAB's own financing will become less relevant with "Warmtefonds", only for difficult cases it is still used.</li> <li>WOAB experiences risk for non-acceptance of loans, even for 'rich' clients that do no longer have to pay back a loan. There is also a risk of removal of ventilation when energy-saving measures are applied. A risk of owners dropping out when they already did measures remains.</li> </ul>

	<ul style="list-style-type: none"> <li>There are talks about blocking heat pump subsidies in favor of heat grids where heat grids are appointed to districts. However, this might lead to unwanted juridical procedures.</li> </ul>
<p><b>16:20-17:10</b> Experiences with a guarantee fund in Groningen (Joost Schretlen, SEGON) &amp; discussion</p>	<ul style="list-style-type: none"> <li>SEGON made an analysis where HOAs still have risks that are not covered yet by a fund. However, the case study Groningen is unique due to earthquake compensations, 20000 EUR subsidy per household + other subsidies, so owners can even reach up to 100 percent financing based on social status.</li> <li>There is a lack of capacity from the municipality to support all HOAs, about 600.</li> <li>There are rules for the advisory phase, the measures phases and a bonus: a 30 year loan, building consultancy, and a bonus 3000 EUR per apartment. Financing on a 30-year basis was proposed for both ZEB as well as when connecting to heat grid. In the latter case a lower insulation level is required, the expected energy performance is 120 kWh/m<sup>2</sup> per year. The latter is also about half of the investment for a ZEB.</li> <li>The advisory trajectory is well compensated. The transition to measures package is an important risk (collaboration risk + non-financed implementation parts, architect costs, preliminary design,...).</li> <li>The idea to combine SVVE with SPOR, for example when attributing about 2000 apartments to a certain building typology. This idea is in a last phase for approving instruments for apartments. SPOR is risky regarding collaboration between HOAs. SEGON aims to guarantee costs in the exploratory phase not covered by the SVVE (to be approved by the council). As such the 'Garantstelling' is revolving: it is agreed with RVO to be able to exchange between projects to be able to cover collaboration risks.</li> <li>"Unfinancable" HOAs go way above the financing limit of Warmtefonds because of lack of maintenance. There is a variant made for Groningen that is being studied nationally. The escape net developed for the case study made for VvE Meerpaal can be an example: if people have an income below 160 pct below minimum wage (aimed for 170 pct) the financing is cut in three stages/years. Via a district approach a financial advisor can be covered.</li> <li>WOAB sees a risk that people have to move if they cannot afford the payment scheme. Owners are chased to another low-cost house. WNR thinks they can also help the few exceptions for transition to a social house. WNR remarks that the energy use limit is relatively (too) high. SEGON remarks that the social dimension also plays a role for decision-making in HOAs.</li> <li>Is a large scale financial or guarantee fund needed? A financial fund is no longer a primary goal (as Warmtefonds is already there), we</li> </ul>

	<p>want to focus on a guarantee fund. The solution in Groningen give a lead example which risks could be covered.</p> <ul style="list-style-type: none"> <li>• There is a strong interest from SEGON to advance in quality assurance based on performance agreements. This would require some research on the risks. Which elements of quality assurance are interesting to re-insure? A guarantee fund only makes sense if a risk model is associated with it. It is important to estimate the frequency of individual risks. Ref. “woonborg” is also based on a risk model.</li> <li>• VvE Ellen triggered banks to make a marketable loan. How to make the Warmtefonds marketable? This fund is not sustainable, a 0 pct loan is by EU law not possible. In 2026 it is expected that a reduction of the interest can no longer take place. EURIBOR also indicates a minimum interest rate.</li> </ul> <p>The government does not follow the financial rules and gives a subsidized interest rate. The government cannot go bankrupt so they can give a lower rate. Banks cannot do this. Banks now cover “first loss”. The government asks three big banks to participate. Other banks will only participate if they can match the marketable situation.</p> <p>Politically a softer approach might be negotiable: steer on quality assurance. EPG is needed. Guarantees are needed for installations, renovation works (“borgstellingsfonds” with bank) and for insurance (national insurance fund needed).</p> <p>See it as financing start-ups. Ref: SEGON develops financing models for municipalities, the municipalities exchange a lot of knowledge. These models lack the way the financing can be brought to the market.</p> <p>Segon started with energy performance requirements towards HOAs. Builder had to commit or put aside money, a quality check premium. Work can be addressed in the MJOP, by the HOA.</p> <p>The risk to maintain consistency, e.g. process delay,.. usually covers maximum 5 years. WOAB DBFMO experience: investment must be returned in 5 years, which is a statutory obligation for many companies. “Borgstellingsfonds WOAB” covers related risks (also named “waarborgfonds”).</p> <p>See also examples in Germany for inspiration.</p>
<p><b>17:10-17:30</b> Round table discussion on the finalization of Deliverable D9</p>	<ul style="list-style-type: none"> <li>• Deliver the D9 as a coherent discussion document; give clear definitions in the deliverable and pathways for continuation. Give clear definitions for Garantiefonds, waarborgfonds, ..</li> <li>• Organize a co-creation meeting to discuss later, but before the summer</li> <li>• Explore the opportunity to couple a follow-up with MOOI-TRIK</li> </ul>

### Summary of actions

- Final remarks, notes and changes in track changes from CondoReno NAB-NL partners by 19 February.
- Walter will revise D9 according to the final input by 21 or 28 February.
- Erwin will do a last quality check by 7 March.
- Walter prepares the final version and an English summary for dissemination by 21 March.
- Eva does a final check and submits to the portal.
- Dirk adds the deliverable to the website.
- Ander and Giorgia check the dissemination text and promote on social media.