Complicated Planning and Permitting Regulations Put the Breaks on Investment in Greece

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FIG Com 3 & 7 Workshop on Information and Land Management: A Decade after the Millennium 15-17 November Sofia, Bulgaria
Major Problems that Investors have to Overcome

- Zoning regulations in general are not delineated on maps
- Lack of Cadastral maps (about 10% coverage) (insecure land tenure - insecure purchases)
- Lack of ratified forest maps
- Lack of ratified coastal zone maps
- Forests & coastal zone (the buffer between sea shore line and winter wave line) are considered to be public/state land
Major Problems that Investors have to Overcome

- Overlapping and unclear responsibilities of permitting public agencies
- Complicated, conflicting and continuously changing legal framework
- Unstable taxation policies – totally un-competitive with neighbouring countries (Turkey, Bulgaria, Cyprus)
- Greek state provides poor motives and creates an unfavourable, insecure investment environment
Greater Area Land Use

Land uses are ruled by Governmental Gazette issue (166Δ/1987).
Any type of investment needs to fit within the defined legal land-uses

- City centre: for investments like shopping malls
  a. obnoxious industry / manufacturing
  b. Industrial Park to reschedule,
  c. Whole sale for industrial investments depending on the degree of perturbation.

- Tourism–recreation for touristic investment
Greater Area Land Use

Land uses are spatially defined through the General Urban Plans (GUP) for urban areas (scale: 1:10000) or through the Urban Development Control Zone Plans for greater areas (scale 1:25000).

Such maps have about 10% coverage of the whole jurisdiction.

The investment cannot be permitted in a location unless it is compatible with the legal land uses.
Procedures to make an investment

1. Obtain the use permit
   Within a city plan:
   Duration for the compilation of a GUP in an area of acreage 100ha is 3 years
   Permitting is needed from:
   Permit has to be ratified by a Ministerial Decision
Example of a GUP (Halandri Municipality)
Procedures to make an investment

- In case the specific use of the investment project is not included in the GUP, a revision of the GUP is needed. Precondition for a revision is the compilation of specific studies (environmental, traffic control, etc) that justify the new land use. Revisions can only be done every 5 years.

- Then a revision of the city plan is required to redefine the land uses at plot level. Same requirements are necessary; ratification by a Ministerial decision follows. Mean duration time for revision of GUP and city plan is 4 years.
Example of a city plan: Halandri municipality
Procedures to Make an Investment

For areas without a city plan:

Land uses are ruled either by GUP (at the municipality boundary) or by the Urban Development Control Zone plan (for the greater area) according to Laws 2508/97 and 1337/83.

Permitting is required from the similar with the previous case agencies. For special cases more agencies are involved (e.g., Ministry of Economy, Competitiveness and Shipping for a marine).

Permit needs to be ratified by a Presidential Decree duration for the above is 3-4 years under smooth circumstances.

If legal land uses have not been defined in an area, then local urban plan needs to be approved by a Ministerial Decree for the place of interest according the same laws and procedures- Mean duration time: 2 years.
Example of Urban Development Control Zone plan: Lavreotiki
Procedures to Make an Investment

2. Supportive studies

• Environmental impacts study
  Permits are required from the:
  Prefecture or the Region or the Ministry (according to the size of the project)
  road construction service, public power corporation supply agency, water supply agency, archaeological service.
  Mean duration for such permits is 1-2 years

• Transportation study
  road intersections studies are compiled to connect with existing road networks according to the PD 696/74. Mean duration for the ratification of such studies is 6 months
Procedures to Make an Investment

3. Additional permits
   a. Forest office only for areas without a city plan. If there a decision already exists for the greater area then duration is 2 months; if not duration time for the decision is 1 year.
   b. Archaeological service
      Ephorates of Classical antiquities
      Ephorates of Byzantine antiquities
      Ephorates of Contemporary and Modern Monuments
      Requirements are depending on the case. Duration is 2 months, but archaeologists must inspect excavations on-site during construction!
   c. Coastal zone.
      Control and ratification is done by Hydrographic Service of the Hellenic Navy and must also be ratified by the Hellenic Public Real Estate Corporation. Ratification duration: 6 months—publication in the Governmental Gazette is required
Certificates and Studies for Acquiring a Building Permission

- Application
- Technical documentation
- Architectural study. Ratification duration: 8 working days.
  Control by Architectural Control Committee duration: 5 - 15 days.
- Surveying plan
- Cost study – payments for engineers
Certificates and Studies for Acquiring a Building Permission

- Study for passive fire protection – Electric/mechanical studies (water supply, sanitary sewer system, insulation, elevator, fuels, etc). Ratification duration: 10-12 working days and submission to the fire brigade
- Elevations
- Site plan
Certificates and Studies for Acquiring a Building Permission

- Static study
- Safety and security study

Control is made by state employees - engineers

Permit must be commissioned within 9 months from submission date, otherwise a 9-month prolongation may be given by the Prefecture.
Certificates and Studies for Acquiring a Building Permission

Special cases

- Certification is required that the project is not close to the airport by Airport Service (10 days)
- Certification that it is not close to a stream route by the water supply company (10 days)
- In case of an industrial use a certificate is required from the Ministry of Industry (1-2 months)
- In case of a hotel a certificate is required from Greek Tourist Organization (1-2 months)

Building permits are valid for 4 - 6 years (hotels, factories); revisions are possible for the architectural and static studies during the validation period.
Bank Funding Options

- In the past bank loans would cover up to 70% of the total investment (land purchase and construction costs).
- Mean duration of repayment is 5 years, mean interest 5%.
- After 5 years, additional loan may be offered if there is no construction risk and the project has started operation and income is obtained. Repayment of the new loan can be made within 20 years.
- The last 2 years due to the economic crisis bank loans are reduced, interests have increased and need to be better backed.
Case Studies Which have failed or have faced long delays

- **Kantza Commercial centre** (318,732 m², 4000 job positions capacity), land uses are not defined and for 12 years investors are struggling to obtain a land use permit by applying the Organized Development Areas of Productive Activities planning tool according to Law 2742/99. A joint Decision is required (Ministry of Environment, Energy and Climate Change, prefecture council, and the central council for Spatial Planning).

- **Costa Navarino** (the most advanced hotel project of 550 million Euros, including a golf field, convention centre, airport connection with Athens-Kalamata, of acreage size 1000ha, and 1200 job-positions employment capacity) was completed in more than 15 years. For land use permitting it followed the Organized Area of Tourist Development specific planning tool never applied before and the responsible permitting agencies delayed the certificates.
CASE STUDY: Escape Centre
Location: ILION
ESCAPE CENTER

Dense residential-low income zone presenting high rates of development lately. Lack or entertainment and retail center in the surrounding areas. Wide range of influence. Well located (Enviromental Awareness Park- Carrefour Hypermarket). Easy access via Attiki Odos 3,500,000 visitors per year.
ESCAPE CENTER

- GLA 13183 s.m.
- 600 PARKING LOTS
- 8 SCREEN MULTI-PLEX CINEMAS > 2000 SEATS
- 16 LANE BOWLING ALLEY 1800 sm
- RETAIL-CAFÉ-BAR RESTAURANTS
ESCAPE CENTER

- Land purchase in 1996, after a revision of the GUP (226Δ/91) in Ilion, for the legal definition of the specific land use.
- The state claimed ownership rights on the land (!) - 5 years court procedure for clarification (lack of cadastre)
- Studies for permitting (2 years)
- Construction works (15 months).
- The delays reduced expected incomes.
### Planning Regulations - Permitted Construction Coverage

<table>
<thead>
<tr>
<th>Planning regulations &amp; Permitting construction acreage</th>
<th>Data of Design Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land parcel acreage</td>
<td>Underground level -4.1</td>
</tr>
<tr>
<td>Area floor ratio (a/f)</td>
<td>2.587 m²</td>
</tr>
<tr>
<td>Permitted construction acreage according to a/f ratio</td>
<td>Underground level -0.8</td>
</tr>
<tr>
<td></td>
<td>3.861 m²</td>
</tr>
<tr>
<td>Additional construction acreage</td>
<td>Ground level</td>
</tr>
<tr>
<td></td>
<td>8.090 m²</td>
</tr>
<tr>
<td>coverage</td>
<td>Attic</td>
</tr>
<tr>
<td>Permitted coverage</td>
<td>310 m²</td>
</tr>
<tr>
<td></td>
<td>A’ floor</td>
</tr>
<tr>
<td></td>
<td>2.027 m²</td>
</tr>
<tr>
<td></td>
<td>H/Y ground floor</td>
</tr>
<tr>
<td></td>
<td>531 m²</td>
</tr>
<tr>
<td></td>
<td>H/Y A’ floor</td>
</tr>
<tr>
<td></td>
<td>310 m²</td>
</tr>
<tr>
<td></td>
<td>Common use area. Within a/f ratio.</td>
</tr>
<tr>
<td></td>
<td>1.043 m²</td>
</tr>
<tr>
<td></td>
<td>Common use area in excess of a/f ratio.</td>
</tr>
<tr>
<td></td>
<td>84 m²</td>
</tr>
<tr>
<td></td>
<td>total</td>
</tr>
<tr>
<td></td>
<td>18.842 m²</td>
</tr>
</tbody>
</table>

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Sofia, Bulgaria
Building’s Sections & Side Views

FIG Conf 3 & 7 Workshop on Information and Land Management a Decade after the Millennium
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### Economic data

<table>
<thead>
<tr>
<th></th>
<th>Acreage (m²)</th>
<th>Costs (Euros)</th>
<th>VAT (Euros)</th>
<th>Total cost (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underground</td>
<td>6.448</td>
<td>1,611,968</td>
<td>290,154</td>
<td>1,902,122</td>
</tr>
<tr>
<td>Above ground</td>
<td>10.427</td>
<td>6,360,440</td>
<td>1,144,879</td>
<td>7,505,319</td>
</tr>
<tr>
<td>Surrounding area</td>
<td>10.950</td>
<td>602,250</td>
<td>108,405</td>
<td>710,655</td>
</tr>
<tr>
<td>Total costs</td>
<td></td>
<td>8,574,358</td>
<td>1,543,438</td>
<td>10,118,095</td>
</tr>
</tbody>
</table>

- Studies, permits (4%) 318,896 Euros
- Unpredicted costs (3%) 239,172 Euros
- Land purchase: 16,360,500 Euros
- Transaction tax: 13%
- Total cost: 18,487,365 Euros
## Income

<table>
<thead>
<tr>
<th></th>
<th>Acreage (m²)</th>
<th>Rents (Euros/m²)</th>
<th>Annual Rents (MEuros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>5,068</td>
<td>24</td>
<td>1,430</td>
</tr>
<tr>
<td>Cinema</td>
<td>2,843</td>
<td>8</td>
<td>273</td>
</tr>
<tr>
<td>Luna Park</td>
<td>416</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Restaurants</td>
<td>2,766</td>
<td>33</td>
<td>1,095</td>
</tr>
<tr>
<td>Parking Spaces</td>
<td>500</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total Annual Income</strong></td>
<td><strong>TOTAL</strong></td>
<td><strong>TOTAL</strong></td>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Maintenance costs 12% of annual income.

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## Funding Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td>10,676 M Euros</td>
</tr>
<tr>
<td>Construction Duration</td>
<td>15 Months</td>
</tr>
<tr>
<td>Private Funds (% of the total)</td>
<td>50%</td>
</tr>
<tr>
<td>Loan (% of the total costs)</td>
<td>50%</td>
</tr>
<tr>
<td>Rate Return on Equity</td>
<td>17%</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>5.2%</td>
</tr>
<tr>
<td>Tax</td>
<td>25%</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>10.56%</td>
</tr>
</tbody>
</table>
Comments on the investment

- A' loan instalment 2001
- B' loan instalment 2002
- C' loan instalment 2003
- Repayment of A' instalment in 2006 and the rest in 2010
- Total expenses (instalments + initial capital) for repayment of a loan of 8,051,854 €
- IRR=11.05% (for 20 years)
- Without delays 15%
- NPV=791 € (for 20 years)
- If the land purchase was also done through a loan, the project would have failed
- If land was offered for 20 years and a mean annual rent is 380,000 €, IRR=20.66 and the NVP=4,605 M€

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Proposals - Solutions

- Simplified spatial planning-determination of land uses is necessary
- Forest maps
- Cadastre
- Merging of archaeological services and mapping of protected archaeological sites
- E-government (e-services, less bureaucratic procedures)
- Reduction of multiple controls and overlapping permitting requirements (Planning office, Greek Tourist Organization, Hellenic Ministry of Culture and Tourism, Chamber of Commerce and Industry, Industry of Development)
- Restrictions on permitting times should be valid so that bureaucracy will be minimized.
Proposals - Solutions

New Law “fast track” procedures will be adopted for large investment.

- For strategic investment
  a. Of total costs 200 million Euro
  b. 75 million Euro and 200 new job positions
  c. 3 million Euro every three years for works of high technology
  d. for 250 new job positions

- Public private partnerships
- Commissioning without a bid procedure after a bilateral international agreement
- Strict deadlines for control and ratification of investment plans
Proposals - Solutions

Legal draft plan?? For fast track.

- Ratification by a decision of the Inter-ministerial committee for strategic investment under the supervision of the State Minister.
- Fast and transparent tenders and permitting procedures
- Land expropriation principles must be updated and coordinated with European legislation for enabling fast land acquisition without harming the owners
- Environmental restrictions must be simplified, standardized, prioritized and clarified
Conclusions

- Fast track approach should be applied for other smaller investment as well.
- Creation of a favourable investment environment is necessary.
- "Fast track" procedures should replace existing legislation and bureaucratic procedures to avoid political conflicts and citizen confusion in future.
- There is an urgent need for a legal reform in Greece.