

UNECE WPLA

**“Supporting global economic recovery: the
role of land registration authorities”
London, 11 - 13 October 2012**

***Informal Development
Some Examples from Greece***



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FIG Commission 3 (2007-2010)
FIG Vice President (2011-2014)



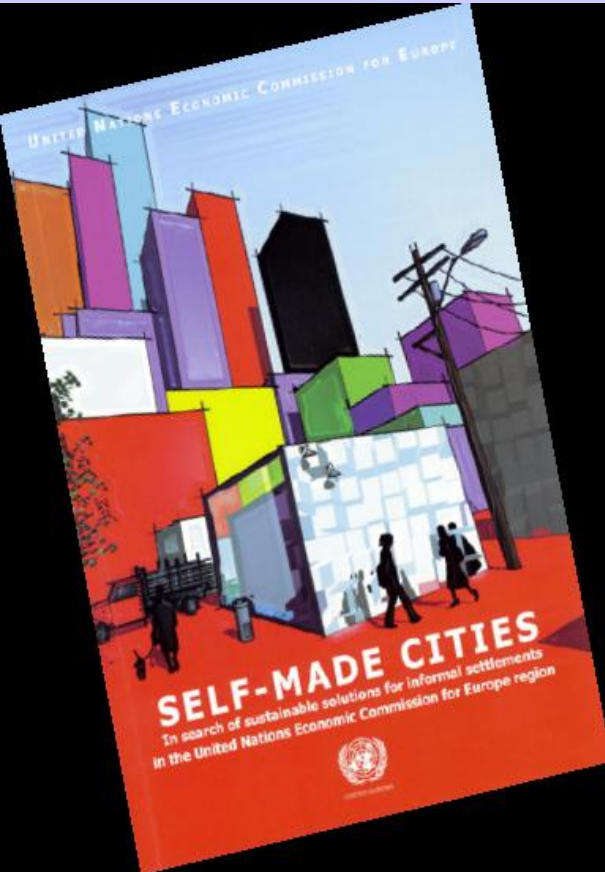
UN ECE

Working Party on Land Administration
Bureau member (2001-2013)

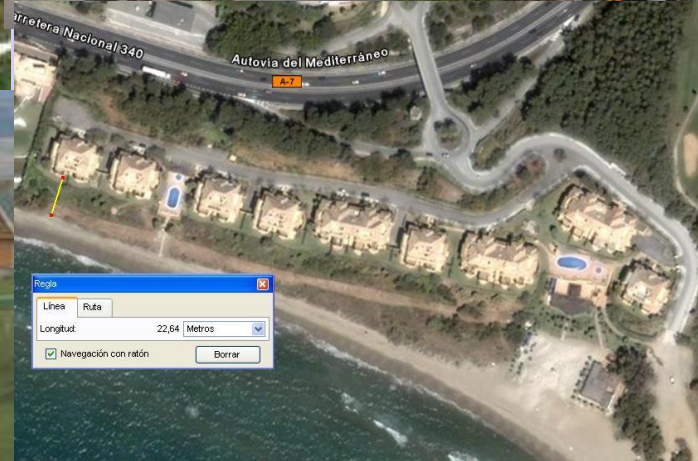


UNECE 2009 publication: Informal Development within UNECE Region

http://www.unece.org/hlm/publications_recent8.html



- **50M people** in the greater Europe live in informal settlements; **dead capital?**
- ID has a **multidimensional nature** and the whole spectrum of formality/informality should be taken into consideration.
- There is a significant **regional diversity** of ID in the European region
- on-going **legalization projects**: property titles; planning & construction permits
- Technology is easy ; **Good Governance is difficult**

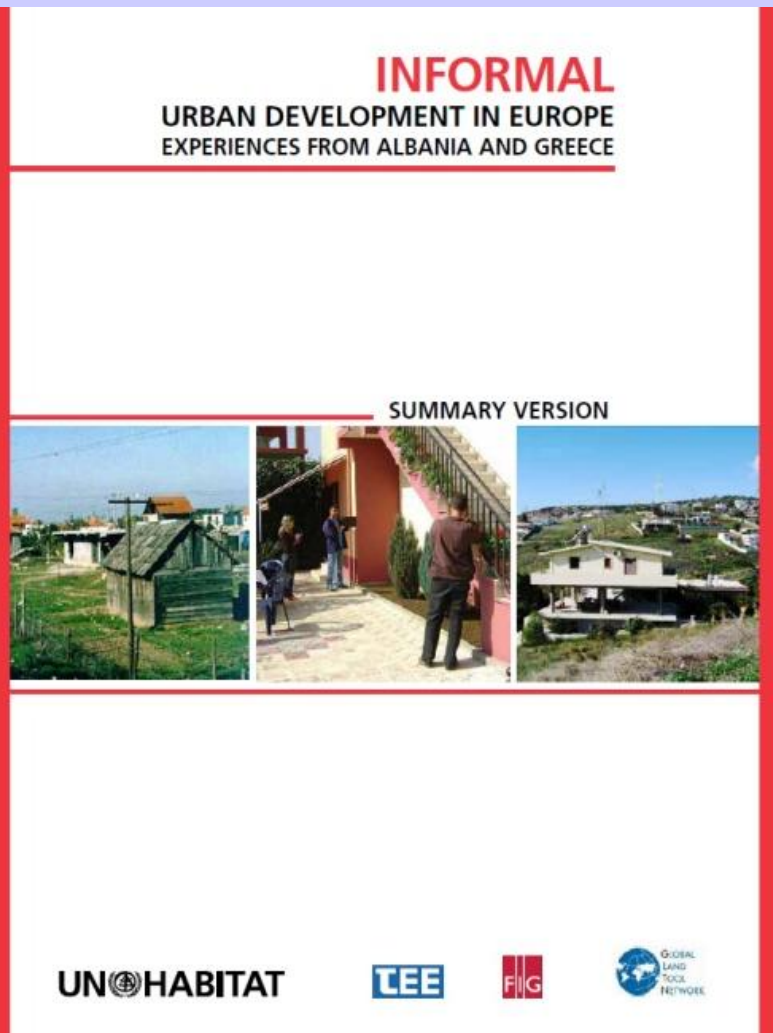


2009

- *The global agenda*
- *Size*
- *Typology & formation processes*
- *Causes*
- *Impacts*
- *Good past practices & policies*
- *Proposals*

FIG/UNHABITAT 2010 publication: ID in Europe Experiences from Albania & Greece

http://www.fig.net/pub/others/un-habitat_informal_urban_dev.pdf



- **Background**
- ***in-depth analysis*** of the informal development solutions being adopted ***in Albania and Greece***
- A review of ***how ‘pro-poor’ the solutions are***
- ***Lessons learned***, many of which can be applied to other countries experiencing informal development issues.

More in-depth studies:
Cyprus, Former Yugoslavia Republic of Macedonia & Montenegro

Lessons Learnt

- **“coordinate conflicting policies”**: purpose of legalization?
- **Flexible & transparent** legal framework & procedures for legalization – Legalization fees/penalties may be scalable & the **revenue may be reinvested** in the affected areas
- Overlapping legal rights on land (state and private) must be unblocked & **long existing “rights”** (formal or informal) **must be recognized**.
- The procedure to retrofit planning should be **simple, quick, affordable & inclusive**
- **Flexible, pro growth planning** & integrated land use management serve the continuously changing needs better
- Decentralized & **empowered local authorities**/ citizen engagement / self declaration procedures/ **motives?**
- Solutions to informal development should include **affordable housing policies**

Informal development in Greece

- **several “generations”** of informal development
- the majority are **safe and strong**
- mainly related to an **excess of zoning, planning** and building regulations, or constructions without permission – **no lack of ownership rights on land (?)**
- huge overlap between private and state rights. **45% of the properties in the unplanned areas recorded in the system is claimed by the state as “forests”.**
- 1-2 story single family houses in unplanned areas, or 1-2 room extensions beyond legal constructions in the planned areas
- ~1/5 (**more than 1,000,000**) of constructions are informal – not including those with slight informalities
- 40% of the Greeks polled have difficulties in paying housing loans; **50%** consider informal development as the only **solution to their housing needs**

Informal development in Greece

- **Planning legislation is comprehensive but very complex** (> 25,000 pages), **focusing on the control** of development **and protection of the environment** and the public lands
- Planning average time & cost:
15 years and cost higher than € 6,000 per hectare
- Obtaining building permits in the unplanned areas requires involvement of more **than 25 land related agencies**, may take several years, and in many cases **requires court decisions**
- **Lack of necessary spatial data infrastructure** (e.g. cadastral maps, forest maps) ; the areas under planning already include formal or informal developments
- **Informal constructions cannot be mortgaged, inherited, sold or rented formally, and most of them are not taxed!**

Case study (2009-2010)

Area : Ag. Marina-Mikrolimano Keratea

Size: 170 ha

Population: 142 inhabitants (registered permanent);
2,000 in the summer



Satellite image 2009



Aerial photo 1980

Statistical Data

Number of parcels: 2,433

62% without a building

38% with a building

Total size of parcels: 123.5 ha

99% of the parcels are < 0.4 ha

71% of parcels are < 500m²

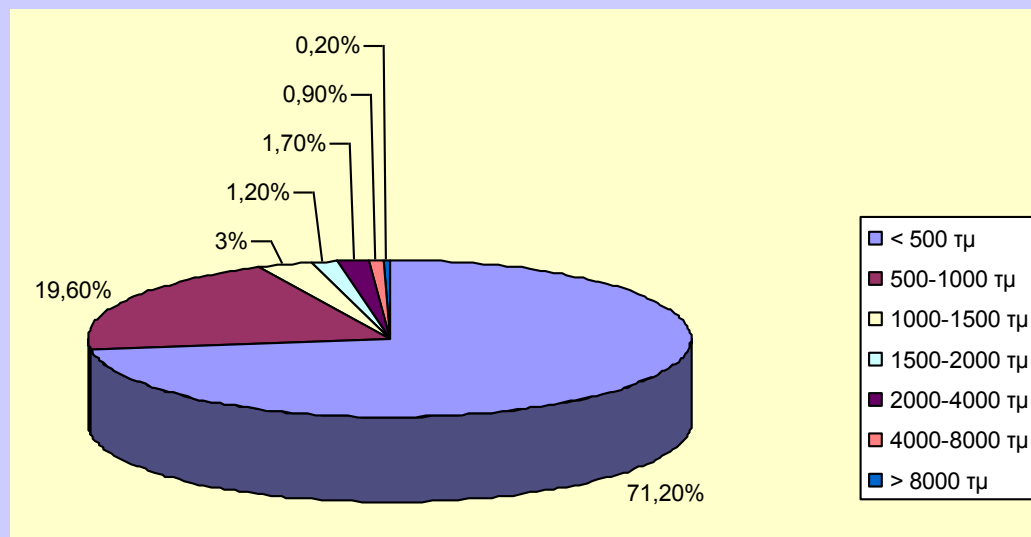
Number of buildings: 1,500

Total build up area : 106,229 m² 95.7% < 200 m²

83.8% one-story

15.6% two-story

0.6% three-story



Calculation of the “non-taxed” tax value in the area

Parameters taken into consideration:

- Land use type: rural land – annual cultivations (no olive trees, no vine yards); irrigated
- Existence of construction / use of construction (housing)
- Size of construction area
- Age / Quality of construction

Tax V = Basic tax value of land + Tax value of the construction =

$$27,178,011 \text{ €} \times 38\% \quad + \quad 14,494,523 \text{ €} \quad = \quad 24.8 \text{ million €}$$

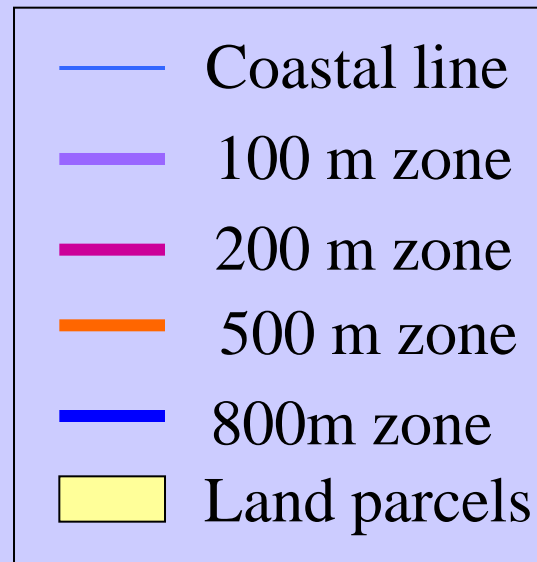
Calculation of the “non-taxed” tax value in the area

Additional parameters:

- Distance from the coast
- Access to a road

$V_{\text{tax real property}} =$

$V_{\text{tax land}} + V_{\text{tax construction}} =$
40 million €



Example

“Dead” Capital = market value of land + construction costs

- Parcel size: 304.3 m²

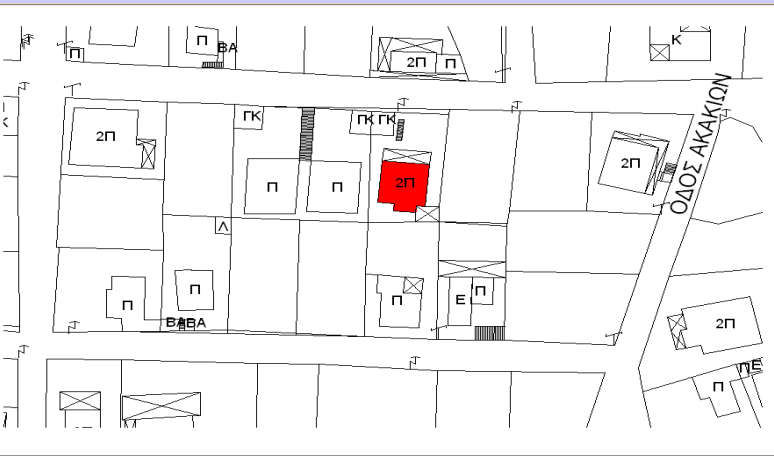
Market value of land: 304.3 m² x 100 €/m² = 30,430 €

- Build up area: 183.8 m² (2-story)

Construction value = 183.8 m² x 1,100 €/m² x 0,80 (coefficient of age) = 202,180 €

Dead capital = 232,610 €

Real property tax value = 49,608 €



Calculation of the dead capital in the area

1. **Market value of land** = $10,000 \text{ €/ha} \times 123.5 \text{ ha} \times 38\% = 40 \text{ million €}$ (1)
2. **Market value of construction** = size of build up area x construction cost/m² x coefficient of age (CA)

Classification of construction cost according to:

<u>Construction quality</u>	<u>Age</u>	
▪ Very good quality = 1,100 €/m ²	CA = 0.80	26,663 m ²
▪ Medium quality = 900 €/m ²	CA = 0.70	49,821 m ²
▪ Poor quality = 700 €/m ²	CA = 0.60	30,381 m ²

Total Market value of construction = **67.610 million €** (2)

“Dead” Capital = (1) + (2) = **108 million €** (for 1,500 buildings)

↓ for the whole Greece

“Dead” Capital for 1 million informal constructions ~ **72 billion €**

Update the Formalization Measures?

Dead capital : 72 billion € (not mortgaged, not taxed, not transferred)

Increase of tax value up to $\frac{1}{2}$ of market value :

Tax value = 36 billion €

Formalization fee 7% of tax value :

Expected revenue ~ 2.5 billion €



Environmental concerns in Greece – Recent measures – Strategy??

- ***The Green Fund***
(to deposit penalties)
- ***Forest maps***
(*submission of objections?* So far: **Unknown policy?**)
- ***Monitoring of burnt up forested areas,***
(semi-automatic detection of changes using photogrammetry
78 changes in 3 years)
- ***Development restrictions in “natura areas”***
(construction is permitted only in parcels > 1ha)



Law 3843/2010 for Formalization in planned areas

Total estimated number of informal cases: 1,5 million €

Expected revenue: 2,5 billion €

5-11% of tax value



Only for a period of 40 years

Until today 655.000 declarations have been submitted

Revenue until recently: 190 million

Revenue goes to the Green Fund but is directed to the regular national budget

Law 4014/2011

Formalization in the planned & unplanned areas only for a period of 30 years

Only 408,000 declarations have been submitted by 2012, which so far has brought revenue of only 626.5 million €

- 75% exceeds of construction permits***
25% without permits
- 67% within the planned areas***
33% within the unplanned areas



Greek economy is under reform

- No data (very poor data, inaccurate, incomplete)
- No SDI (not well organized- poor data management)
- No basic records
(? state employees,
? alive pensioners)
- No fairness
- No clarity
- No state revenue-unfair taxation
- No security
- No investment
- No jobs



Property market in Greece

According to the Bank of Greece:

2010-2012: 15% depreciation of RE

2014: 40% depreciation

Loans: 20% in red (long non paid)

Transactions: reduction 70-90% ;

only inheritances & small &
cheap real estates are transferred
while expensive real estate & or
beach houses (if) are sold
in 50% of their value.

(due to maintenance costs & taxation)

Investment on RE (2000-2012): 70% reduction

For a transaction of RE (legal/illegal) a recent survey is needed



Thank you!

