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Informal Development in Greece: New Legislation for Formalization, the Chances for Legalization and the Dead Capital



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"Knowing to Manage the territory, Protect the environment, Evaluate the Cultural Heritage"

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- FIG/UNHABITAT PUBLICATION**
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- **New legislation for formalization? Political conflict/expected revenue**

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Informal development in Greece

Greece has experienced several "generations" of informal or unplanned development

- There are very few slums; the majority of buildings are safe and strong
- Mainly related to an excess of zoning, planning and building regulations, or constructions without permission – not lack of ownership rights on land
- 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 (e.g., extra rooms, change of uses, building up in semi-open spaces)
- 40% of the Greeks polled have difficulties in paying housing loans; 50% consider informal development as the only solution to their housing needs
- existing spatial and urban planning legislation is comprehensive but very complex (over 25,000 pages of legislation), focusing on the control of development and protection of the environment and the public lands

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Informal development in Greece

- Planning studies at an average take more than 15 years and cost higher than € 6,000 per hectare
- In an effort to facilitate market demand for housing, construction was allowed in the non-planned areas, but obtaining building permits requires involvement of more than 25 land related agencies, may take several years, and in many cases requires court decisions
- Certain parameters make planning a complicated, expensive and time-consuming task, such as the lack of necessary spatial data infrastructure (e.g. cadastral maps, forest maps) and the fact that the areas under planning already include formal or informal developments.
- Existing legislation creates a 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". By Constitution, informal construction cannot be formalized in the non-planned protected areas.
- Informal constructions cannot be mortgaged, inherited, sold or rented formally, and most of them are not taxed!

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2007 Workshop, FIG/UNHABITAT publication

INFORMAL
URBAN DEVELOPMENT IN EUROPE
EXPERIENCES FROM ALBANIA AND GREECE

SUMMARY VERSION



UNHABITAT LEE FIG 


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

In-depth study about Albania and Greece on informal settlements. The study provides the background and objectives of the Athens workshop, then provides separate in-depth background and analysis of the informal development solutions being adopted in Albania and Greece. Following a review of just how 'pro-poor' the solutions are, the final chapter provides a series of lessons learned, many of which can be applied to other countries experiencing informal development issues.

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Environmental concerns in Greece - measures

- Establishment of the Green Fund (penalties deposit)
- Compilation and **publication of forest maps**
 submission of objections?
 So far: Unknown policy?
- Protection of burnt up forest areas, by semi-automated photogrammetric inspection for identification of new informal constructions
- Zoning for natura areas: construction is permitted only in parcels > 1ha



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Law 3843/2010 for Formalization in the planned

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
- In total, until today 655.000 declarations have been submitted.
- Revenue until recently: 190 million (106 million in 2010)
- Expected revenue (by end of 2012): 800 million €.

Revenue goes to the Green Fund



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➤ will be directed to the regular national budget

Law 4014/2011 only for a period of 30 years


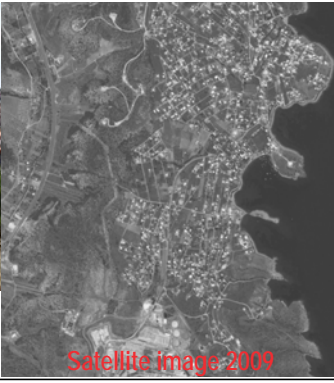



- only 30.000 declarations have been submitted, which so far has brought revenue of only 6 million €.
- 95% of the revenue of the "Green Fund" goes to the regular national budget
- 600-700 million € revenue by the end of 2011

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Case study

Area : Ag. Marina-Mikrolimano Keratea
Size: 170 ha
Population: 142 inhabitants (registered permanent); 2000 in the summer

Satellite image 2009
Aerial photo 1980

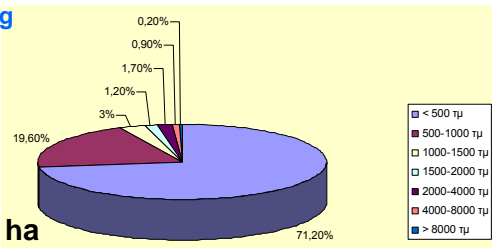
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Statistical Data

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



< 500 τμ	71,20%
500-1000 τμ	19,60%
1000-1500 τμ	3%
1500-2000 τμ	1,20%
2000-4000 τμ	1,70%
4000-8000 τμ	0,90%
> 8000 τμ	0,20%

Number of buildings: 1500
83.8% one-story
15.6% two-story
0.6% three-story
95.7% < 200 m²

Total build up area : 106,229 m²

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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 € x 38% + 14,494,523 € = 24.8 million €

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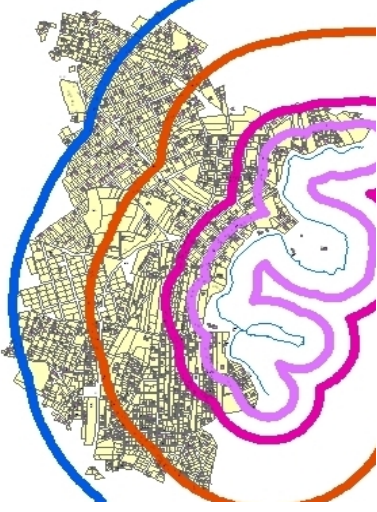
Calculation of the "non-taxed" tax value in the area

Additional parameters:

- Distance from the coast
- Access to a road



V_{tax real property} = V_{tax land} + V_{tax construction} = 40 million €

- Coastal line
- 100 m zone
- 200 m zone
- 500 m zone
- 800m zone
- Land parcels



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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 €

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Calculation of the dead capital in the area

1. **Market value of land = 10,000 €/ha x 123.5 ha x 38% = 40 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>	
A. Very good quality = 1,100 €/ m ²	CA = 0.80	26.663 m ² building area
B. Medium quality = 900 €/ m ²	CA = 0.70	49.821 m ² building area
C. Poor quality = 700 €/ m ²	CA = 0.60	30.381 m ² building area

Total Market value of construction = 67,610 million € (2)

“Dead” Capital = (1) + (2) = 108 million € (for 1500 buildings)

↓
for the whole Greece

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

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Update the Formalization Measures?

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

Increase of tax value up to ½ of market value :

Tax value = 36 billion €

Formalization fee 7% of tax value →

Expected revenue ~ 2.5 billion €



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THANK YOU



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