

**ANNEX II**

**LAW OF GEORGIA ON MANAGEMENT AND  
ALIENATION OF STATE-OWNED  
NON-AGRICULTURAL LAND**

## ANNEX 2

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#### *Article 1. Definition of Terms used in the Law*

The terms used in the Law have the meaning as follows:

- a) **Non-agricultural land** - all the plots of land which are not used for agricultural purposes;
- b) **Perspective housing development and reconstruction zone** - the areas selected for the perspective housing development of towns and other settlements approved under the established procedure and provided by the general housing development scheme;
- c) **Town-building documentation** - the district planning schemes and projects, general housing development schemes and plans of towns and settlements, urban development programmes approved under the established procedure with the object of the territorial-space and functional arrangement;
- d) **Standard land price** - the value of a land plot of a definite quality and location;
- e) **Territorial zoning** - the division of the territory of a town, region into zones with regard for the location, infrastructure, natural-environmental and other parameters;
- f) **Prestige** - a synthetic indicator reflecting the territory's value in relation to other territories.

#### *Article 2. Law Regulation Area*

This Law governs the issues of the management and alienation of state-owned non-agricultural land (hereinafter the «state land») and defines competence of the state bodies representing the state in relations associated with the state land management and alienation.

#### *Article 3. Procedure for Making Decision on the Transfer of State Land in Use or Possession*

1. A decision on the transfer of state land in use or possession is made by respective local government bodies.
2. Plots of state-owned land existing in the zone of perspective housing development and reconstruction of towns and settlements are transferred in use or possession on the grounds of general housing development schemes of towns and other settlements, development projects and other town-building documentation approved under the established procedure.
3. A territorial body of the State Land Management Department of Georgia, in coordination with a local architectural service, arranges the publication of information concerning the state land to be transferred in use or possession, receives and registers applications, notifies the applicant in writing about their receipt within a two-week period. Upon publication of an information notice, the territorial bodies of the State Land Management Department of Georgia provide all concerned natural and legal persons with an opportunity to familiarize preliminarily with the land plot and create necessary conditions therefore.
4. A state land plot is transferred in use and possession on the basis of a contest or auction.
5. A criterion for revealing the winner of a contest arranged for the transfer of a state land plot in use or possession is the full compliance with the contest terms and the offer of the best for the state terms.
6. A criterion for revealing the successful bidder in an auction arranged for the transfer of a state land plot in use or possession is the full compliance with the auction terms, the major of which is the offer of the highest bid.

7. Legal persons of the public law, financed from the state budget, receive state land in use by way of an individual examination, without announcing a contest or auction.
8. An applicant is notified of the decision made within a period of 10 days.
9. Disputable matters are settled by means of the court.
10. On the basis of the decision of the body of local government, the territorial bodies of the State Land Management Department of Georgia draw up, register and issue documents evidencing the use or possession of a land plot under procedure established by the Law of Georgia «On Land Registration».

## **CHAPTER II STATE LAND LEASE**

### ***Article 4. State Land Leasing Procedure***

A decision on lease of a state land plot located within the area of a town, region is made under procedure stipulated by Article 3 of this Law.

### ***Article 5. State Land Lease Agreement, its Drawing up and Registration Procedure***

1. The lessee acquires the right to use land on the basis of an agreement.
2. A lease agreement is made in accordance with the form approved by the State Land Management Department of Georgia. A lease agreement defines the state land areas, the composition and value of the leased property, the lease period, the rate of rent on the use of land and other property and the payment procedure, the rights and duties of the parties and responsibilities thereof, the terms and conditions of maintaining and using the leased facilities, their return after the lease period expiration.
3. Prior to the initiation of lease relations and after the completion thereof, the parties make a list (inventory) of the leased land and other facilities and of their condition, and register thereof in the property inventory record.
4. The state, represented by territorial bodies of the State Land Management Department of Georgia, is entered as the lessor of a land plot in the lease agreement to be drawn up on the basis of a decision by the local government body.
5. A lease agreement is registered and entered in the public register by a respective town, regional service of the State Land Management Department of Georgia and is valid as of the date of registration, unless the agreement provides otherwise.
6. The lease period is determined under the agreement of the lessor and the lessee in accordance with the requirements of this Law and shall not exceed 99 years. The lease term shall be fixed in the lease agreement.
7. The property inventory record and the leased plot's layout to be made by a respective territorial body of the State Land Management Department are an integral part of the lease agreement.

### ***Article 6. State Land Rent and Payment Procedure***

1. The lessee pays in favour of the lessor rent for the use of the leased state land and other property.
2. The land rent consists of the land lease rent and the rent of the leased property solidly affixed to the land. The leased property rent is separately recorded in the lease agreement.
3. The amount of rent is defined under the lease agreement.
4. The land rent may be amended under the agreement of the parties. One of the parties, when amending the land-use tax and depreciation rates, the controllable state prices and tariffs, as well as in other cases provided for in Georgian legislation, is entitled to demand the reduction of the rental charge. Where after the conclusion of a lease agreement there arise

the circumstances which impede the performance of the obligations stipulated by the agreement, the party concerned is entitled to demand the amendment of the agreement.

5. The payment of the rent does not exempt the lessee from the tax fixed under the Tax Code of Georgia and other taxes provided for in Georgian legislation.
6. Expenses connected with the drawing up of the leased property inventory record, the leased plots' layout and the lease agreement registration are borne by the lessee.

#### ***Article 7. Leased Property Sublease***

1. The lessee is entitled, under the agreement with the lessor, to alienate the right of lease in full.
2. The lessee is entitled, under the agreement with the lessor, to sublease land and the leased property unless legislation or the lease agreement provides otherwise; at the same time, the lessee's responsibility before the lessor for the lease agreement remains unchanged. The lessee is entitled to lease the located on the leased plot and owned by him buildings and structures.

#### ***Article 8. Renewal, Amendment, Suspension and Termination of Lease Agreement***

1. Upon expiration of a lease agreement, the parties are entitled to prolong its term. In renewing the agreement, the parties may agree upon the amendment of its terms and conditions. They may be also amended at the request of one of the parties in the cases provided by legislation or the agreement.
2. If neither party applies for suspension or amendment of the agreement after expiration of the lease terms, the rules stipulated by Article 589 of the Civil Code of Georgia will apply.
3. A lease agreement may, subject to the agreement of the parties, be terminated before due. The termination of a lease agreement before due at the request of one of the parties is admissible only in accordance with legislation or in the cases stipulated by the agreement.
4. The lessor is entitled to demand termination of the lease agreement before due if the lessee:
  - a) does not use the leased facilities purposefully and violates the agreement terms and conditions;
  - b) does not pay rent within three months after expiration of the fixed time.
5. The lessee is entitled to demand termination of the agreement before due if:
  - a) the lessor fails to perform the terms stipulated by the agreement;
  - b) the leased land plot and other leased facilities have become unsuitable due to the circumstances for which the lessee bears no responsibility.
6. The renewal, amendment, suspension or termination of a lease agreement is carried out under the procedure established by the Civil Code of Georgia.

#### ***Article 9. Preference and Restriction in Leasing State Land***

1. The state land lease within the limits of the area rich in mineral resources, protected territories, a land allotment of mining enterprises, the land under rare and unique architectural, cultural and historic monuments, as well as within the perspective motor-road development areas, the resort and recreation zones is effected only subject to the consent of the Ministry of the Environment and Natural Resources Protection, the Ministry of Culture, the State Geology Department, the State Department of Tourism and Resorts and the Archeological Research Centre of the Academy of Sciences of Georgia accordingly.
2. When leasing the land plot (a part thereof) on which the state-owned facilities (buildings and structures) are located, the matter shall be coordinated with the Ministry of State Property Management of Georgia and the corresponding agencies.
3. When leasing a land plot, the owner or the lessee of the buildings and structures located on the leased land plot shall have the preferential right.

**CHAPTER III**  
**TRANSFER OF STATE-OWNED LAND IN THE FORM OF TENANCY,  
RIGHT TO BUILD AND USUFRUCT**

***Article 10. Procedure for Transfer of State-Owned Land in the Form of Tenancy, Right to Build and Usufruct***

1. A decision on the transfer of state land in the form of tenancy, right to build and usufruct is made pursuant to the procedure established by Article 3 of this Law.
2. The transfer of state land in the form of tenancy, right to build and usufruct is carried out in accordance with the Civil Code of Georgia and Chapter 10 of this Law.
3. The legal persons of the public law, who are financed from the state budget, receive land in use in the form of a free usufruct.

**CHAPTER IV**  
**STATE LAND ALIENATION**

***Article 11. State Land Alienation Procedure***

1. A decision on the state land alienation is made under procedure as per Article 3 of this Law.
2. The state land plots located within the zone of perspective development of towns and other settlements are sold to Georgian nationals and legal persons of the private law incorporated under the Georgian legislation on the basis of a contest or auction with regard for town (settlement) general schemes, development projects and other town-building documents. The aforementioned land plots shall be recorded in the public register (estate register).
3. A sale contract is concluded under procedure established by the Civil Code of Georgia between Georgian nationals, legal persons of the private law incorporated under Georgian legislation - buyers of a land plot and the state as the owner represented by bodies of the State Land Management Department of Georgia.
4. The public and legal restrictions applicable to certain categories of land established under the Civil Code of Georgia remain unchanged, despite the owner's substitution.

***Article 12. Procedure for Fixing the Standard State Land Price, Land Price Payment and Distribution of Incomes***

1. The macro-location indices of towns and regions of Georgia, the zoning thereof and the standard non-agricultural land price once a year, not later, than February of each year, are determined by a respective body of local government in accordance with the procedure approved by the Ministry of Economy and the Ministry of Finance of Georgia. The standard land price is applied when holding a contest or auction on the transfer of a state land plot into possession as the starting price.
2. The macro-location indices of towns, regions of Georgia are established on the basis of the following social-economic and natural characteristics:
  - a) the population;
  - b) the administrative status;
  - c) the economic and functional profile;
  - d) the altitude above sea level;
  - e) the provision with transport infrastructure;
  - f) a place in the settlement system.
3. The zoning in towns, regions is effected with regard for the following parameters of a territory:
  - a) the engineering infrastructure;
  - b) the transport infrastructure;

- c) the social infrastructure;
  - d) organization of public services and amenities;
  - e) the environmental conditions;
  - f) the prestige.
4. A land plot price is payable within a period of two months after allocation of the land plot. In the case of non-payment of the land plot price by the date fixed measures provided by law will be taken.
  5. The buyer becomes owner of a land plot only after the payment of the land price in full and his registration in the public register (estate register) as the owner.

**CHAPTER V**  
**PURCHASE OF STATE LAND AND OTHER IMMOVABLE PROPERTY**  
**AND REPEAL OF THE RIGHT OF USE FOR STATE AND PUBLIC NEEDS**

***Article 13. Purchase of State Land and Other Immovable Property and Repeal of the Right of Use for State and Public Needs***

Proceeding from state and public interests, the state, where necessary, has the priority right to purchase a land plot and solidly affixed therewith immovable property or repeal the right of use of the land plot in accordance with Georgian legislation.

**CHAPTER VI**  
**TRANSITORY PROVISION**

***Article 14. Transitory Provisions***

1. The principles of the non-agricultural land standard price determination shall be approved by the Ministry of Economy and the Ministry of Finance of Georgia in coordination with the State Land Management Department within one month after putting of the Law into effect.
2. Within a month as of the date of putting the Law into effect the State Land Management Department of Georgia in coordination with the ministries of Urbanization and Construction, State Property Management and other interested organizations shall approve the procedure for holding a contest or auction on the transfer of state land in use or possession.
3. The procedure for alienation of land located within the border zone of Georgia is defined under Georgian legislation.
4. This Law shall not apply to the land plots which on the basis of the Law of Georgia “On Declaring the Non-agricultural Land under Possession of Natural Persons and Legal Persons of Private Law as Private Property” have transferred into private property.

**CHAPTER VII**  
**CONCLUDING PROVISIONS**

***Article 15. Concluding Provisions***

1. This Law shall be put into effect upon its publication.
2. In connection with the putting of the Law into effect:
  - a) the land-using natural and legal persons shall draw up the land-use evidencing documents within a year as of the date of passing the Law;
  - b) by virtue of putting into effect of the Law of Georgia “On the Cost of the Replacement Land Development and Indemnification of the Damage Caused in Allocation the Agricultural Land for the Non-agricultural Purpose” the Decree of the Cabinet of

Ministers of the Republic of Georgia No. 31 dated 21 February 1991 “On the Approval of the Rate of the Development of New Lands to Replace the Lands Allocated for the Non-agricultural Purpose and Indemnification of the Agricultural Production Losses” shall be invalidated.

3. The acts passed in connection with the legal status of land by the separatist structures temporarily controlling a part of Georgia are deemed to be null and void.

*President of Georgia*  
*Eduard Shevardnadze*

*Tbilisi*  
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