



شعبة الترجمة الرسمية
Official Translation Department

Regulations for the Disposition of Municipal Real Estate

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NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Regulations for the Disposition of Municipal Real Estate

Article 1

In these Regulations, the following terms and phrases shall have the meanings assigned thereto:

Ministry: Ministry of Municipal and Rural Affairs.

Minister: Minister of Municipal and Rural Affairs.

Municipality: Municipality or sub-municipality.

Municipal Real Estate: Real estate owned by a municipality in accordance with the laws and regulations.

Investor: A natural or legal person entitled to engage in different types of commercial and investment activities under relevant laws and regulations.

Investment: Operating municipal real estate for the purpose of maintaining and developing it and for utilizing their financial revenues in providing and developing municipal services.

Public Tender: A competition to invest in municipal real estate and related services through announcement in accordance with the provisions of these Regulations and implementing decisions.

Public Bidding: An announced bidding which aims to achieve the highest price in accordance with these Regulations and their implementing decisions.

Bartering: Exchanging a land or building owned by the municipality for a land or building not owned by the municipality.

Grant Excess: The area of land allocated to the grantee in excess of the area specified in the grant order.

Planning Excess: The area of land resulting from the reorganization of land plans.

Organization Excess: The area of land resulting from the reorganization of existing residential areas.

Real Estate Allocated for Public Benefit: Lands or structures designated for selling livestock, meat, produce, firewood, charcoal, and the like.

Real Estate Allocated for Service Activity: Lands or buildings designated for workshops, whether industrial or occupational, gas distribution centers, car showrooms, car scrapping, and the like.

Regulations: Regulations governing the disposition of municipal real estate.

Article 2

Municipal real estate shall include lands, buildings, streets, roads, parks, public squares, areas allocated for public utilities or services, organization excesses, grant excesses, planning excesses, coastal beaches, and any other real estate owned by the municipality, or on which it has a statutory right of use.



Article 3

Disposition of grant excesses, organization excesses, and planning excesses may, pursuant to a decision by the Minister, be carried out according to the following rules:

1. The value of grant excesses, organization excesses, and planning excesses shall be assessed by an assessment committee.
2. Grant excesses shall be sold to the grantee and the committee shall ensure that the sale is at market value.
3. Organization excesses and planning excesses on which the establishment of independent buildings is not permitted by building regulations and which cannot be invested by the municipality shall be sold at market value to the owner of the adjacent real estate.
4. Organization excesses and planning excesses on which the construction of independent buildings is permitted by building regulations shall be sold or invested through public tender.
5. Organization excesses and planning excesses with multiple adjacent real estate on which the construction of independent buildings is not permitted by building regulations and which cannot be invested by the municipality shall be sold through public bidding to the owners of said real estate after amending organization lines.

The Minister may delegate his authority to another person to sell grant excesses, organization excesses, and planning excesses.

Article 4

Investment of lands allocated for commercial purposes as well as lands adjacent to coasts and beaches shall be made in accordance with the rules specified by the Minister.

Article 5

A municipality-owned real estate may, pursuant to a decision by the Minister, be bartered for a real estate not owned by the municipality in accordance with the bartering rules provided for in Article 6 of these Regulations.

Article 6

Bartering shall be carried out according to the following rules:

1. The value of real estate subject to bartering shall be assessed and the temporary taking of the real estate shall be carried out in accordance with the Law of Eminent Domain and Temporary Taking of Property and its Implementing Regulations and implementing instructions.
2. Bartering must achieve a public interest by providing a basic development service, provided that such service is among the services the municipality is responsible for.
3. Bartering shall be carried out for government real estate. However, it may be carried out for private real estate if the required real estate is not owned by a government agency or if the appropriations for expropriation of the real



estate are not available.

4. The required real estate must be within an area the plan of which is approved by the competent authority.

Article 7

Municipal real estate shall be invested through public tender in accordance with Article 14 of these Regulations.

Article 8

Investment of municipal real estate shall be made in accordance with the laws and instructions. The sites and areas required for such investment shall be determined according to the needs of each city, county, or district.

Article 9

The invested municipal real estate may be used only for the activity designated in the public tender announcement. If the investor seeks to change such activity due to changing market conditions and the change is consistent with public interest and planning, the investment value shall be reassessed by the investment committee. If the investor accepts the new investment value, the change must be approved by the Minister prior to permitting the change of activity.

Article 10

Subject to market value, the following shall be excluded from public tender:

1. Municipal real estate investment contracts concluded with government agencies, companies with whom a concession agreement is concluded, or companies in which the State is a shareholder for using such real estate in basic services, such as electricity, telephone, water, and sewage.
2. Real estate allocated for public benefit or for service activities which the Minister excludes from public tender, provided that the contract is not assigned to others or subleased and that the investor is directly engaged in the activity. Multiple contracts may not be concluded with a single investor in a project excluded from public tender except in the absence of requests from other investors.
3. Municipal real estate designated by the Minister to hold temporary activities or events in accordance with rules issued by the Minister, provided that the investment committee assesses the value of the lease of said real estate, without prejudice to these Regulations and other relevant provisions.
4. Municipal real estate invested in innovative and distinctive projects aimed at achieving investment, development, or social purposes in accordance with rules determined by the Minister.
5. Real estate leased to project executors for a maximum of three extendable years, as required by the project.
6. Real estate leased to address the needs of an existing real estate investment.



Article 11

Lands allocated for public parks which are located in privately owned areas shall be excluded from investment through public tender. The owner of the area shall be entitled to construct and invest such lands; the value of which shall be determined by the investment committee according to the following:

1. Construction shall be in accordance with the municipality's technical specifications.
2. The investor shall commence the construction within a period not exceeding two years from the date the area plan is approved.

If the owner fails to commence construction within such period, the municipality may invest such lands in accordance with these Regulations.

Article 12

The Minister may invest municipal real estate allocated for:

1. public parks; or
2. distinctive projects determined by the Minister based on the recommendation of the head of the municipality which require adequate financial and technical resources and expertise.

Investing municipal real estate shall be made through public tender, and the selection process shall be through one of the following methods:

First method: The investment period shall be fixed and the tender shall be awarded to the bidder offering the highest annual return due to the municipality from the project income.

Second method: The awarding of the tender shall be based on both the investment period offered by the bidder and the highest annual return due to the municipality from the project income.

Third method: The investment period shall be fixed, and the tender shall be awarded to the bidder offering the highest annual return due to the municipality from the project income; the bidder shall pay an annual minimum amount to the municipality, and the rate of return must not be lower than such minimum.

The Minister shall specify the method of selecting the winning bid, provided that the terms of the tender include such method.

Article 13

Planned lands may, pursuant to the Minister's approval, be developed and invested as follows:

1. Planned lands allocated for commercial purposes and municipality housing grants:

Development of planned lands allocated for commercial purposes and housing grants shall be made by providing basic services, provided that the investor incurring the cost of such services is reimbursed using either of the following methods:

First: Enabling the investor to benefit from a percentage of the developed land



for a specific period, in accordance with Article 21 of these Regulations.

Second: Transferring a percentage of the ownership of the developed lands to the investor, provided that such percentage does not exceed 20% of the net area of such lands after development; this shall not apply to lands allocated for commercial purposes, pursuant to rules issued by the Minister.

2. Lands allocated for service purposes:

Development of lands allocated for service purposes shall be made by providing such lands with basic services or by constructing them, or both; reimbursement of development costs shall be made in accordance with rules issued by the Minister.

In the cases referred to in this Article, announcement of tender shall be made in accordance with Article 14 of these Regulations.

Article 13 bis

Subject to Article 1 of the Law of Disposition of Municipal Real Estate and notwithstanding Article 13 of these Regulations, proceeds from the sale and lease of municipal real estate may be used to finance and execute the infrastructure of grant plans, or part thereof, in accordance with rules approved by the Minister of Municipal and Rural Affairs and Housing and the Minister of Finance. Such rules shall include the provisions and mechanisms related to the disbursement of such proceeds.

Article 14

First: Municipal real estate shall be offered for public tender using either of the following methods:

Method one: Announcing a public tender for all investors to submit their bids according to the project's terms and conditions.

Method two: Announcing the intent to qualify a number of investors based on technical or financial requirements, subsequent to which qualified investors shall be invited to submit their bids in accordance with clause (Third) of this Article.

Second: In a public tender, the following shall be observed:

1. Announcing the tender on the municipality's website and in at least two local newspapers, one of which is widely circulated in the city, county, or district where the tender takes place.
2. Ensuring the right of qualified investors to enter the public tender and providing them with equal opportunities and fair treatment.
3. Excluding any investor whose failure to complete an investment project is established pursuant to a final judgment or decision issued by a judicial authority for a period of two years from the date of the judgment or decision.
4. Ensuring that information on the real estate project of the public tender is complete and unified; enabling investors to obtain such information at the same time; and setting a single date for the submission of bids.
5. Determining the time and place of submitting the bids when announcing the



tender. The bids shall be in sealed envelopes and may only be opened on the set date. The period between the date of announcement and the date of opening the envelopes shall not be less than 30 days.

6. The municipality shall determine the cost of the tender terms and specifications booklet.
7. Providing, along with the bid, a bank guarantee of a value not less than 25% of the tender's annual value, or a bank guarantee equal to 5% of the bid value in cases of sale.

Third: The following requirements must be met when offering a project by qualification:

1. The number of bidders invited must not be less than five. However, the number may be lower than five if approved by the Minister.
2. The method shall be used for innovative projects or projects requiring high technology investments; the Minister shall determine such projects.
3. A sole bid shall not be accepted in a tender taking place after qualification.

Fourth: If none of the conditions stipulated in clause (Third) of this Article is fulfilled, the tender shall be announced according to Method one as stipulated in clause (First) of this Article.

Fifth: The investment committee may recommend canceling a public tender in any of the following cases:

1. If public interest dictates that the disposition of the real estate be terminated.
2. If the committee concludes that all submitted bids do not qualify.
3. If no agreement is reached through negotiation with bidders.

Article 15

An assessment committee shall, pursuant to a decision by the Minister, be formed of four members representing the municipality, the Ministry of Finance, the province's governorate, and the State Properties General Authority. Said committee shall be chaired by the head of the municipality or a municipality officer of a rank not lower than Grade 12.

This committee shall be entrusted with the following:

1. Assessing the value of grant excesses, organization excesses, and planning excesses that are decided to be sold due to being uninvestable.
2. Assessing the leasing value of real estate units allocated for public benefit and services.

Article 16

1. A tender opening committee shall, pursuant to a decision by the mayor or the head of the municipality, be formed of three municipality officers; the chairman of such committee shall be of a rank not lower than Grade 8.
2. The committee shall open bids on the set date and place, announce the prices stated in the bids to the bidders or their representatives, and prepare a report thereon.

Article 17

1. An investment committee shall, pursuant to a decision by the Minister, be



formed of two members representing the Ministry and one member representing the Ministry of Finance.

The committee shall be chaired by the head of the municipality or a municipality officer of a rank not lower than Grade 12. Both Ministries shall have a substitute member to replace its representative in his absence.

2. The committee shall evaluate the public tender bids submitted in accordance with these Regulations and recommend to the competent authority the winning bidder.

3. The committee may negotiate with the highest bidders in the following cases:
First: If the highest bid is subject to reservations.

Second: If the highest bids are equal.

Third: If the values of the bids are not suitable.

4. The committee shall assess or reassess the value of the investment according to the following:

- a) Assessing the investment value of municipal real estate excluded from public tender.
- b) Reassessing the investment value of municipal real estate the lease contracts of which the investor wishes to extend, as provided for in Article 26 of these Regulations.
- c) Estimating the return on investment of municipal real estate at market value.

Article 18

The contract term shall commence on the date the investor receives the real estate from the municipality pursuant to a real estate receipt form signed by the parties, provided that the delivery of the real estate takes place within a period not exceeding one month from the date the contract is signed.

Article 19

If the investor fails to sign the real estate receipt form, the municipality shall send a written notice to the investor at his address. The contract term shall commence from the date of said notice.

Article 20

The municipality may, prior to commencement of the contract, grant the investor a period not exceeding 10% of the contract term for preparation and construction. If the investor fails to complete the project, he shall pay an amount equal to the value of his bid for such period. The preparation and construction period shall be estimated according to the conditions and nature of the project and shall be stipulated in the tender terms booklet.

Article 21

The term of municipal real estate investment contracts shall be determined according to the following:



1. A maximum term of three months for municipal real estate designated by the Minister to hold temporary activities or events, subject to Article 10(3) of these Regulations.
2. A maximum term of ten years for the following contracts:
 - a) Investment contracts for sites designated for billboards and vending machines.
 - b) Lands the investment contracts of which do not include the construction of permanent structures.
 - c) Structures the investment contracts of which do not include construction of additional permanent structures or carrying out extensive renovations.
 - d) Existing public parks.
3. A maximum term of 15 years for sites designated for automated teller machines (ATMs).
4. A maximum term of 25 years for lands or structures the investment contracts of which include the construction or addition of permanent structures or the carrying out of extensive renovations. The Minister shall designate such investments.
5. A maximum term of 50 years for major investments the profitability of which may not be achieved in less than 25 years, and which contribute to the development of cities, counties, and districts. The Minister shall designate such investments.

Article 22

Municipal real estate investment contracts must satisfy the following:

1. Obtaining municipality approval on the firm assigned by the investor to supervise the project to ensure that the project is executed in accordance with the approved specifications, plans, terms, and conditions. The municipality shall have the right to follow up the execution of the project.
2. Obtaining the necessary permits from the relevant authorities.

Article 23

The Minister shall have the authority to award, conclude, and cancel contracts relating to the sale, investment, and disposition of municipal real estate. He may delegate such authority to any ministry or municipality officer he deems fit, except for the following:

1. Awarding through negotiations, subject to Article 17(3) of these Regulations.
2. Canceling a public tender.

Article 24

If the awarded investor fails to contact the municipality to complete contracting procedures within one month from the date of being notified of the award, the tender may be canceled and the investor shall forfeit his guarantee. In such case, the Minister may:

1. award the tender to the next highest bidder with the same value as the first bidder; or
2. cancel the tender and offer it again.



Article 25

If, for any reason, the highest bid is excluded under the provisions of these Regulations, negotiations may be initiated with the next highest bidder in accordance with Article 17 of these Regulations and subject to the Minister's approval.

Article 26

Investment contracts, concluded in accordance with these Regulations, may be extended or renewed as follows:

1. Investment contracts of real estate designated for public use and services excluded from tender shall be renewed or extended once for a period similar to the original contract period upon reassessment of the investment value by the investment committee.
2. Investment of lands the contracts of which include the construction of permanent structures shall be extended for a term(s) the total of which does not exceed 10 years upon reassessment of the investment committee prior to each extension according to market value.
3. Contracts which require extension pending completion of reoffering and awarding of tender may be extended for a term not exceeding one year.

Article 27

The municipality may, in the following cases, lease its real estate directly after their revenues are assessed by the investment committee:

First: Real estate stipulated in Article 12(1) of these Regulations the lease of which is announced for investment and for which no investor has made a bid: in such case, the real estate must be directly leased within one year from the date set for receiving bids.

Second: Real estate other than the real estate stipulated in (First) the lease of which is announced twice for investment and for which no investor has made a bid: in such case, the real estate must be directly leased within one year from the date set for receiving the bids for the second announcement.

Article 28

The municipality may, upon the Minister's approval, invest its real estate through public bidding. The Minister shall issue the necessary rules in coordination with the Minister of Finance.

Article 29

The municipality may conclude contracts with specialized firms to market municipal real estate investments to obtain the highest return on investment in exchange for a specific percentage of the return on investment for the first year. The Minister shall issue the necessary rules.



Article 30

The municipality may increase the return on investment every five years. The percentage of such increase shall be specified in the tender terms and specifications booklet.

Article 31

Standard investment contract forms approved by the Minister must be used when concluding municipal real estate investment contracts.

Article 32

The Minister shall issue decisions necessary for the implementation of these Regulations.

Article 33

These Regulations shall repeal the Regulations for the Disposition of Municipal Real Estate promulgated by Royal Order No. 3/B/38313 dated 24/9/1423H, its amendments, and any provisions conflicting therewith.

Article 34

These Regulations shall enter into force 90 days following the date of their publication in the Official Gazette.