



Agricultural Land & Conversion Process

The country of Bulgaria is 110,993 sq km of which 35 % is forest and 58,6 % is agricultural. 1/3 of the territory is covered with mountains and semi-mountains. 1,6% are waters and water expanses and 4% are urban territories.

In Bulgaria there are 45 mln.dca cultivated agricultural land. 80 % of that land is private property, 10% is municipal and 10% is owned by the state. The private property over land was re-established by the Law of Property and Agricultural Land, published in 1991. By this law most of the Bulgarians became owners of small patches of land with an average area of the 5 – 7 dca.

You can see the land division in the maps of the agricultural land that were published in 1995 and 1998 and have been continuously actualized. The agricultural land is classified in 10 categories, the 3, 4 and 5 represent 60% of the cultivated land. The price of the agricultural land varies in the different regions and categories. In the beginning of 2006 the price varies between 130 and 280lv. The area of the cultivated land in the larger regions is as follows:

- Blagoevgrad - 1 157 000
- Bourgas - 3 147 000
- Varna - 1 980 000
- V.Turnovo - 2 623 500
- Plovdiv - 2 766 700
- Razgrad - 1 638 000
- Rousse - 1 831 000
- Sofia region - 1 882 700

Background info

Two categories of protected areas (Reserves and National Parks) are exclusively state-owned. Other categories (Nature Monuments, maintained Reserves, Nature Parks, and protected sites) might also include municipal or private ownership. The classification and management of the protected sites is currently being revised according to the requirements specified in the EU Habitat Directive.

Opportunity for investment

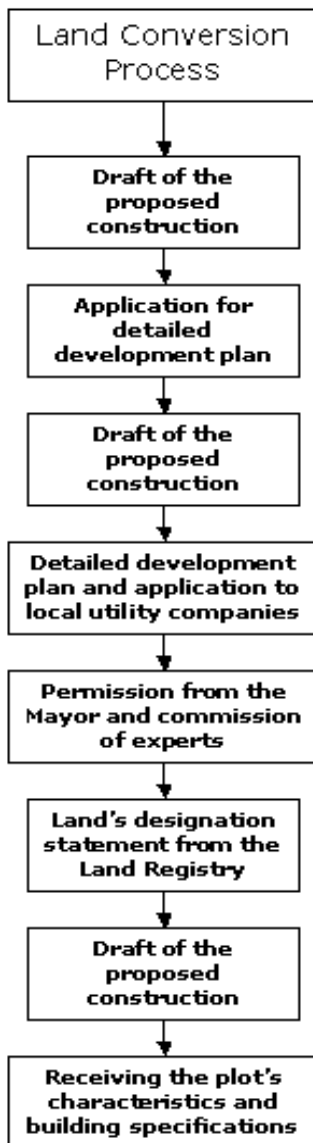
There are no complicated concepts that investors need to understand with land, just that there is an ever-increasing demand for building and a restricted supply of plots for sale.

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The value of land increases in two different ways: by natural inflation and by gaining permission to build on the land.

First of all, land will increase in value over time as a function of natural inflation in addition, it will respond to supply and demand which can have a distorting effect on the price, creating large gains or speculative losses if the wrong decisions are made. Currently pure agricultural land is considerably cheaper than western agricultural land in general, so it is likely to see something of a renaissance in the next few years.

Secondly, value of land will increase by altering the status of the land to gain permission to build, which is possible in principle with any land providing certain criteria are met:



- ✓ There is road access and possibility for utilities/utility services
- ✓ The land is not cultivated extensively and is not a high category of arable land; irrigated land is highly unlikely to gain building permission
- ✓ It is not located in a nature reserve or protected area

Changing Designation

The act of changing the designation of agricultural land and converting it into building land involves a process of removing the land from the Land Register, and including it into the City, Town or Village plan. This process is regulated through a general (master) plan and detailed plans.

In Bulgaria, the change of the designation of land is regulated by the Land Registry Commission, which has regional departments in all major cities, and also local departments in the regional towns and villages. For land lots bigger than 50,000 sq m the issue is dealt with at the Ministry of Agriculture.



The process in 6 steps:

Step 1

Decide what you are proposing to construct and whether it is an appropriate construction. A straightforward point but worthy of some consideration is if you spend an excessive amount of money on the wrong development, you will not see a recovery of the investment before a very long time.

The first step is to draft a detailed explanation of how the building will look, and what purpose it will serve.

Step 2

You submit an application for the attention of the Mayor at the Municipality where the land is located. You have to be the owner of the land, or to have been nominated by the owner to act on their behalf through a Power of Attorney, signed in front of a notary public. In case there is more than one owner, the application should be submitted on behalf of all individuals or entities which are entitled to right of ownership on the land.

Included in this submission is a requirement to show a detailed explanation of how the building will look, and what purpose it will serve.

In the application you ask the Mayor for permission to prepare a **detailed development plan** (the abbreviation in Bulgarian is **PUP**) which should outline your intentions of what will be built on the land.

The application is accompanied also by explanation about the name of the development to be built there, information on what activity will be performed in it, location, distance from main road, any other nearest buildings/developments, as well as the size and the layout of the development/s.



Step 3

A certified specialist costs in the region of 1 euro per sq m of land to make a detailed development plan.

The plan must be accompanied by statements of approval from the local utility companies, which will guarantee the available capacity for later connecting the property to the local infrastructure network - electricity, water and sewerage.

In order to have their approval, you have to submit separately applications to each of the representatives of the utility companies in the region. Within a set period of time of between 1 and 2 weeks, each of them will issue the official approval that will be enclosed within your application to the municipality.

Other documents necessary for the regulation process which are submitted at this stage:

- Drawing plan of the land plot on the name of the owner, as well as a situational plan from the local Land Registry department.
- Statement from the Regional Inspection for Environment and water. In some cases you will also need to inform on the impact that the change requested by you of the designation of the land, will have on the environment
- Document stating the category of the land, issued by the regional Land Registry department. There are 10 categories of agricultural land, rated according to the arable qualities of the soil, the climate, relief, suitability for growing different crops, restrictions on land utilisation, etc.
- Statement on the irrigation status of the land

Step 4

The Mayor gives permission for the file then to be submitted to the commission of experts, who usually sit once or twice a month (varies for different municipalities). They discuss the application, look at all documents, and give their approval for a building site on the plot.



Meanwhile, if any of the documents has not been prepared according to the requirements of the municipality, the file will be held up. Therefore the person/company that is in charge with this will regularly keep themselves informed of the current status of the file, and follow closely how far it has progressed.

Step 5

With the statement of approval from the commission, and the permission from the Mayor, the whole file is submitted to the regional department of the Land Registry. Within two months they have to announce their statement on the change of the land's designation. Their decision has to be registered into the municipal office of the Land Registry.

With this announcement you can consider your land to be in regulation but of course this does not mean you can build on it. See chapter on building process for the rest of the story.

It is important to know in advance the expenses that such a process will entail. Also consider that for a larger plot a planned property may occupy only a smaller area and so will not entail the entire plot requiring to be in regulation, therefore you may not need to change the designation of the whole plot, but only of a part of it, for which there will be a permission to build on. This will have a marked effect on both the costs involved and potential success of the proposal.

Fees:

- ✓ First of all, there is the fee for the specialist who will prepare the detailed plan (PUP). As mentioned earlier, they are in the region of 1 euro per sq m of land.
- ✓ There are also government fees to be paid for the land which will be removed from the Land register. There is a special tariff according to which their amount is calculated. Generally, it depends on: the category of the land, as specified in the official document; the size of the plot which designation is being changed; the land's location and functional type of the town/village/etc. according to a unified system of territory units in Bulgaria; type of development planned; irrigation facilities. They will be higher for land which has better arable qualities, as well as for land which is located in or near a big town or city, and near or in a resort.

- ✓ The fees also depend on the designation and the type of the development-commercial or production facilities, warehouses, administrative buildings, or resorts, tourist or sports facilities, residential or holiday villages. They will be higher if the land will be used for commercial purposes, and lower if for residential.
- ✓ Roughly speaking, the government fees for conversion of land of the 4th category is around **2,5** to **3** BGN/sq m.

Step 6

Your converted plot will be described by the following characteristics:

- ✓ **Designation** for use of the land, allowed activities, allowed building
- ✓ Maximum **footprint** of the building to be constructed – This is the area enclosed by the outer walls on the ground floor of the building, and does not include the area of the terraces
- ✓ Maximum **density of construction** – this is the ratio between the size of the footprint of the built up area of the property and the size of the land plot.
This ratio is expressed in percentage
- ✓ Maximum **intensity of construction** – This indicates the ratio between the total built up area on the different levels (only the area of those that are above ground level ; and includes the area of the balconies, terraces, and roof level if not used as storage place) and the size of the plot.
A digit expresses it.
- ✓ Minimum size of **garden area** – By garden area is meant the land difference between the size of the land plot and the built up area of the property.
- ✓ Minimum size of **garden area planted** with natural plants.
This is the ratio between the size of the planted area and the size of the plot, and is expressed in a percentage
- ✓ **Way** and **type** of building

There are 3 types of building according to the height of the constructed building: low - up to 10m, medium - up to 15m, and high- above 15m)

According to the way of building, there are 2 types of buildings - free standing and connected (these serve mainly auxiliary purposes)



Caveat emptor ("let the buyer beware".)

Not every plot of agricultural land can be converted into a building plot!

- ✓ Arable land of 1st category is forbidden to convert
- ✓ Green areas in urban territories are also forbidden to build on
- ✓ Territories for special sites, connected with the defence and the security of the country fall under the norms for the special territorial development protection

The whole conversion process involves a number of individual and collective administrative acts, to a large extent you depend on the good will of a lot of governmental officials.

You also depend on the good will of the neighbours around your plot, whose approval is requested twice during the whole process for the detailed development plan (PUP), and the final decision of the commission. If they refuse, or claim, it might take a year or more to reach an agreeable solution

Risk, Reward and other Considerations

Although the price of agricultural land is relatively low, if you are buying you are taking a number of risks:

- there is no absolute guarantee that you will really achieve in converting the land;
- there is no predictable time period within which this process should be completed;
- you cannot forecast precisely all actual costs for the conversion process.

However, if the risks are well calculated, agricultural land is a great investment after being converted into building land, and designated for development. The difference in price before and after the change is anywhere between 2 and 15 times.

Note that specialised companies, which in the Sofia region include **BPLI** providing this type of service will charge between 1 and 4 Euro/sq m for preparing the file and representing you during the whole process through to receiving the final document for the building permission.