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PUBLIC LAND MANAGEMENT FOR REAL ESTATE INVESTMENT IN NEW URBAN COMMUNITIES IN EGYPT

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Abstract— This paper discusses the land management practices in new urban communities in Egypt with a focus on the land access for real estate investment. The paper responds to the research question of whether the land management methodology in the new Egyptian urban communities follows a successful approach for utilizing the land specifically for real estate investment or not. To answer the question, a discussion of the current institutional and regulatory framework of land allocation and acquisition of the new cities were provided. Then, procedures for accessing the land by investors was illustrated providing the legal framework for this process. Moreover, a critical review of the current laws and practices that manage the land is provided along with some recommendations to improve the current policies.

Keywords— Public Land management, Land access and development, Land use planning, Land ownership, New urban communities' development, Real Estate investment.

I. INTRODUCTION

A. Background—

Egypt has a growing population that is considered the largest population in the Middle East, thus there is a high demand for residential and commercial property. The real estate market is one of the most important industries that affects more than 90 industries related to construction. The construction sector is one of the most active sectors in the Egyptian industry contributing with 5.6% of the national GDP in 2013 (Oxford Business Group, 2016). It is worth to mention that in August 2013, the real estate industry consisted of 9,759 companies of which 302 companies with investments of 1.48 billion USD in housing (Egyptian Ministry of Investment, 2015). This can clearly reflect the importance of this investment sector in the Egyptian context not only economically but also socially since it is the service provider for millions of Egyptians with their high demand of housing.

Real estate development is an important investment sector in the process of developing new cities. It is back to the pioneer Heliopolis district project, built by the Belgian investor

Edouard Empain in 1905 (Fig. 1) as an eastern expansion of the old city of Cairo (Ilbert, 2005). Due to the success of this project, many projects led by private sector were constructed such as Maddi district which encouraged the government to finance its first real estate projects in Mohandessin and Nasr City during the 1950s (World Bank, 2006). The government started these projects to create massive developments establishing districts that accommodate different social classes.

This trend changed in the 1990s when a new approach for the



Fig. 1. Aerial view of Heliopolis in 1929
Source: (blogahmedabdalla.net, 2006)

real estate development has emerged. The private sector has initiated a new concept at which the new real estate projects have been placed away from the saturated city center moving to the new urban communities around Greater Cairo providing exclusive high and upper middle-class communities (Hegazy and Moustafa, 2013). This trend was seen as the best solution which can accommodate the expected growing population in Greater Cairo along with preventing the conversion of agricultural lands to urban uses (Soliman and Share El-Dein, 1999).

As a result, access to land for this type of investment has created a need for institutional and regulatory framework to govern the access to public land. A new governmental body has been found to run the land management processes in new



urban communities. In 1979, the law 59/1979 was issued to establish the New Urban Communities Authority "NUCA" which is responsible for the planning and management of the land in new cities (NUCA,2019). It is the governmental authority that is in charge of choosing the concerned sites, formulating the policies related to the new cities and supervising the construction of these cities with the coordination with GOPP and other concerned governmental agencies (Moustafa, 2015; World Bank,2006). It is worth mentioning that Ministry of Housing also has authority over the new urban communities when it comes to specifying the building codes, setting up the plans for extending infrastructure and land sub division and designing the environmental regulations for these new cities (World Bank,2006).

B. Research Scope and Objectives –

In this report, the focus will be on the large-scale development that require land subdivision plans and permits. It mainly focuses on the mixed-use development with residential, commercial and services land uses. The author aims to provide a complete analysis of the access to public land for real estate investment and present the current land management institutional and regulatory framework in Egypt.

II. RESEARCH QUESTION AND METHODOLOGY

A. Research Question –

The paper responds to the research question of whether the land management methodology in the new Egyptian urban communities follows a successful approach for utilizing the land, specifically for real estate investment, or not. Thus, a critical review for the current policies is provided discussing the main problems found in the system aiming to provide amendments/solutions to improve the current land management practices for better utilization of the public land in the new urban communities.

B. Research Methodology –

This study was conducted using desktop research. Online database was used to get information about the land management of the new urban communities. Many reports and academic journals were reviewed to understand the current policies related to the land development for real estate investment in Egypt and the urban development of the new Egyptian cities. The search terms used are "Land access in new urban communities", "Land development process in new urban communities", "Regulations of Land development in new cities in Egypt", and "Real estate development in Egypt". Moreover, the website of (NUCA) was accessed to get official information related to the responsibilities of this governmental body regarding managing the development of the new cities in Egypt. World bank report number 36520, dated back to 2006, entitled (Public land management strategy (Vol. 2):

Background notes on access to public land by investment sector: industry, tourism, agriculture, and real estate development) was the most relevant source to the research topic since it presents a complete study of the regulatory framework for the land development in Egypt in various investment sectors. The report has accredited results that are based on interviews with officials, feedback from selected local and international investors, input from experts in the related fields and existing relevant laws. The report is available online through the following link: (<http://documents.worldbank.org/curated/en/253581468751805966/Background-notes-on-access-to-public-land-by-investment-sector-industry-tourism-agriculture-and-real-estate-development>).

In addition to the online database and the official reports used, a review of the laws related to the new urban communities was done to understand the relevant legal texts that regulate the land development in the new cities in Egypt. There are many laws related to the research topic but the main relevant law to the research topic is Law no.59 issued in year 1979 entitled "Establishment of New Urban Communities".

III. ANYLSIS AND DISCUSSION

The Egyptian public land management system for real estate investment is a complicated process. To understand this process, two main stages are discussed in this section: First is NUCA acquisition of public land to establish the new urban communities and second is the land access for real estate investment and the process of land development. The two stages are illustrated below:

A. First: Land Aquisition by NUCA –

In fact, the public land in Egypt is owned by the government and to be able to construct a new city, land ownership must be transferred to NUCA to be eligible to develop the land. This process starts with obtaining a location for this new city followed by procedural framework to acquire the land. Below a detailed illustration of this process:

1. Obtaining a location for the new urban communities

In 2006, there was a total of 20 new cities in Egypt that have provided housing for more than 1.5 million inhabitants (World Bank, 2006). Currently there is a total of 34 new cities that have been developed through the past years, their location is provided and marked in red in Fig. 2 (SIS,2020).

It is important to mention that the government is currently adopting an approach to invest in building these new communities which can be reflected in the increase of the number of the new cities during the last decade and the construction of 14 cities within only 12 years (NUCA, 2019). The fourth generation of these cities are been developed nowadays including the new administrative capital and the new Alamen city (NUCA, 2019). The location of these cities

is supposed to be based on many technical criteria and assessment of the potential of the selected locations to attract investment. However, it was claimed by World Bank report that the selection in the past used to be politically driven rather than being based on market analysis and technical considerations which actually explains the failure of some of these cities to attract the targeted population (World Bank, 2006).

The process of accessing the location of these new cities has long sequential steps described as follows (World Bank,

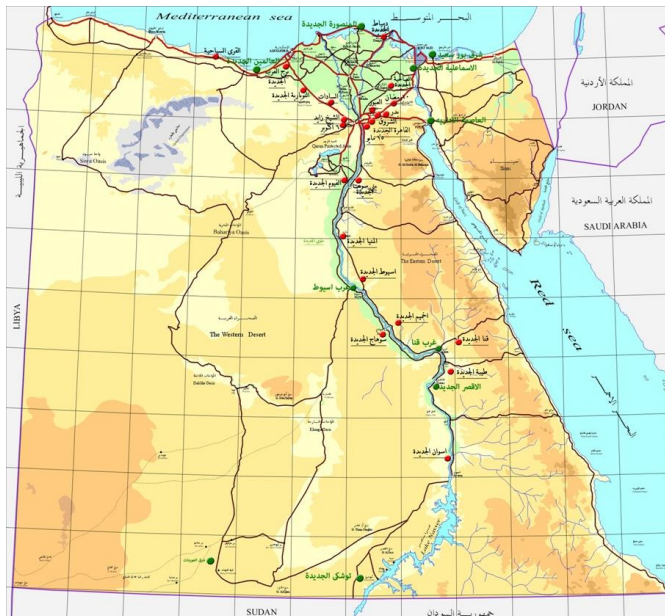


Fig. 2. The location of the new urban communities in Egypt [6]

2006):

- Conducting a proper site analysis to select the best location
- GOPP provides NUCA with the geographical coordinates of the selected location of the new urban community
- The approval of the ministries of Defense and Antiquities to select the proposed location as a new city
- The issuing of a presidential/ Prime Ministerial Decree assigning the selected land for the establishment of the new urban community confirming the disposal of the public land to NUCA to build the new city

Such a process requires the approval of different ministries to allocate the public land to establish the new city which might add a considerable time constraint on the procedural framework (World Bank, 2006).

2. Institutional and regulatory framework of public land access in new urban communities

After the previously mentioned process, NUCA gets the land free of charge in addition to the new city's access roads and

5km buffer zone around the new urban community perimeter. As a result, and by law, NUCA is the official body who owns the lands of the new urban communities so it has the right of developing the land by giving land concession to real estate investors since NUCA is the sole entity who controls the land in the new cities which is clearly stated in article 46 in law no. 59/1979 as follows:

“It is prohibited for any governmental organizations, local government units, public sector companies and/or any entities holding state lands to dispose any desert or agricultural land outside the boundaries of existing cities for the purpose of subdivision or development without the permission of NUCA. Also, it is prohibited for any private entity or person who owns desert or agricultural land outside the boundaries of existing cities to build on it without the permission of NUCA. The NUCA board is to set the rules organizing the development of such lands.”

Such a policy may create a conflict with the central administration agencies or local governorate units since they have no power over their territory which may negatively affect the governorates units since they lack the control over the economic development plans due to the interference of NUCA and are deprived of the revenues of selling or renting these lands.

B. Second: Land Access and Development for Real Estate Investment in New Urban Communities –

The land of the new urban community now is owned by NUCA and it is legally authorized to manage the development. There are many forms of investments such as industrial, tourism based and real estate development. In this section, a focus of real estate development is provided explaining the required legal procedures that have to be done to enable the investor to utilize the land. Below, the legal forms of land ownership are explained and the procedures for applying to invest in a public land are provided; moreover, the legal violations that can terminate the investor's land ownership are discussed. A critical review for this process is provided in this section.

1. Land ownership schemes for real estate investment

NUCA assigns the land to the real estate investor through (World Bank, 2006):

- **Direct sale (Takhsis)**

This type means the transfer of the land ownership to the investor based on certain conditions such as abiding by the planned land-use and project type as well as paying the land price based on the scheduled installments. It is worth to mention that the land valuation process is done by a committee that determines the price based on prevailing



market price or through public auctions. Public auctions are usually done for the land parcels with prime locations at which the price of these plots increases due to the high competition of the bidders such as what happened in the public auction, held in 2004, for a land in New Cairo city at which the selling price was tripled from 225 EP/m² to be 625 EP/m² (World Bank, 2006).

- **Lease/Usufruct (Haq Intifaa)**

It indicates the lease of the land then to be reclaimed at a later time. This type of land contract usually takes place at the green belt of the new cities and the north coast zone under the supervision of NUCA. NUCA divides the land there to small parcels with a size of 5 feddans at which only 2% of the total area can be built over. The initial lease is for 3 years after which NUCA checks whether the investor has started implementing the plans or not. In case the investor manages to execute the work as agreed, the lease can be extended for 20-30 years period after which the land ownership could be officially transferred to the investor. It is important to mention that the yearly cost of the land is around 5% of the total land price (World Bank, 2006).

- **Public Private Partnership (PPP)**

This approach has been adopted during the 2000s to create partnerships with real estate investors to develop mega real estate projects[(PPPCU,2009). An agreement regarding the price of the land and the infrastructure between the investor and NUCA is done. Afterwards, the investor acquires the land and develops it. NUCA gets its share (the price of the land and the infrastructure) as a percentage of the built housing units which are offered afterwards as a part of the ministry's low housing program. This type has been adopted in Madinaty, mega real estate project in New Cairo, at which NUCA gave the land free of charge to the investor and provided the external infrastructure to the project. Then, NUCA was granted a share of 7% of the total cost of the project in form of housing units (World Bank, 2006).

- **Public entities through transfer of assets (Naql Ossol)**

This type indicates the transfer of ownership from NUCA to another governmental entity at which the price of the land is deducted from NUCA assets or its debts to the National Investment bank. In this method, a prime ministerial decree has to be issued to approve the transfer of the land ownership (World Bank, 2006).

2. *Required procedures to access land for real estate development*

The aforementioned four schemes of public land ownership in the new urban communities require certain documents to be submitted by the investor. Firstly, the investor must submit an application to the technical affairs section in NUCA. Each

investor has the right to select among the available land parcels then NUCA takes the decision of land assignment. An example of the required procedures for applying to a parcel less than 5 feddans in size is explained as follows (World Bank, 2006).

- Submitting a non-refundable processing fee of 1000 EP along with a detailed request including the intended project type and whether it is carried out by individuals or company
- Company profile with the contract establishing the company and its legal status
- A description of the proposed project with a feasibility study, time schedule, and the needed infrastructure
- Approval from GAFI or any concerned authority related to the type of the proposed land-use
- Payment process includes: paying 25% of the total land price within a maximum of one month and the remaining 75% to paid through annual installments over 3-5 years extending to 9 years in the new cities in upper Egypt to encourage investment there
- NUCA has added extra administrative fees to issue land contract (Takhsis) to get the land allocation. These fees are not to exceed 2000 EP for smaller parcels (less than 5 feddans), while larger parcels including land allocated for industrial, services or commercial uses must pay a fee equivalent to 1% of the total land price.

It is important to mention that extra procedures are required in case of applying to large land plots that are larger than 5 feddans. Extra technical documents and financial and legal documents are required upon which the land is assigned to the investor after a ministerial decree is issued to approve the project (World Bank, 2006).

After submitting these documents, and based on the availability of land, NUCA assigns the land and issues the legal contract (Takhsis) to the most matching proposal and the company with the best portfolio. The investor has the right to choose among several land options provided. Once an agreement has been reached, the land contract (Takhsis) issued by NUCA includes the following (World Bank, 2006):

- The area and the number of the land parcel(s)
- Payment schedule for the remaining installments
- The handover date of the land
- Commitment by the investor to abide by the time schedule for implementing the project
- Commitment by the investor to abide by the agreed land-use (in case of the need to change the land-use, change request has to be submitted to NUCA for approval)
- Commitment by the investor not to transfer the ownership to another investor before prior approval from the concerned authorities



Once the investor receives this document, he officially can start the project taking into consideration that he has to abide by certain land development and building regulations such as the maximum land coverage ratio, allowable heights and setbacks specified by the regulatory law no.106 of 1976, NUCA regulations and Ministerial Decision no. 232 of 2009. Afterwards, the investor applies for building permits and infrastructure.

As an important note on the procedural framework previously discussed, it is still unclear on which bases NUCA assigns land to the investors which raises a question regarding the fairness and the transparency of the system since the possibility of corruption or bribes is there. Also, the maximum area that can be assigned to an investor is not specified which may lead to monopolistic practices by the big investors/companies to acquire large plots of lands and then control the prices of the units.

3. Reasons of Cancellation of the Land Access (Expropriation)

NUCA tries to ease the process of land lease for investment as soon as the investors show commitment to the contract clauses. On the other hand, NUCA has specified certain conditions under which the land contract (Takhsis) is cancelled. Any of the following violations will result in terminating the lease:

- Failure in submitting the required documents within the period specified in the land lease contract (Ikhtar Takhsis)
- Failure in paying two consecutive installments as agreed in the schedule
- Failure in implementing the project within 3 years from receiving the land in case of industrial, commercial and services projects or 5 years in case of residential projects, If NUCA already has provided the needed infrastructure
- Declaration of bankruptcy of the investor
- In case the investor disposes the land to others without prior written approval according to the regulations set by NUCA
- In case the investor changes the land-use without prior written approval from NUCA

In case one or more of these breaches happen, a warning letter will be issued giving a grace period of 30 days allowing the investor to correct his situation. In case of negative reply, the lease is cancelled by NUCA then the investor has 60 days to refute this decision. As an important note, during these 60 days, NUCA does not have the right to offer this land to other investors. In case the original investor wants to re-gain the ownership of the land, a new request has to be submitted to reassess the price of the land.

Moreover, in case there is ongoing construction on the land, NUCA has the right to retain these assets after assessing their

value and may compensate the investor according to the civil law after getting the land back.

In case the project has been already built, NUCA can recapture part of the land which happened in Beverly hills project in Sheikh Zayed when NUCA confiscated 50% of land (Fig. 3) or, NUCA can take over the ownership of the assets in terms of residential units or buildings which happened in the Nassaiem project in 6th of October city (World Bank, 2006). To sum up, NUCA has set certain mechanisms to dispose the land in new urban communities to the real estate investors. The investor, whether an individual or a company, has the right to apply for the land through official application includes required supporting documents to ensure his capability and commitment to develop the land. Once the investor's request is approved, an agreement is made between NUCA and the investor to determine the implementation schedule and the financial issues related to the land. Then, a legal document (Takhsis) is issued under certain agreed conditions. Failing to commit to this agreement can end up canceling the ownership.



Fig. 3. Beverly Hills project in Sheikh Zayed City
Source: (beverlyhills.com,2019)

IV. CONCLUSION

New urban communities have gained a special attention by the government in Egypt. Building new cities have been evolving over last decades raising urgent need to develop land management strategies and policies to ensure optimal utilization of the land.

In this paper, the legal and the administrative framework of managing the public land in the new urban communities has been discussed in addition to the land access procedures and conditions to start real estate investment. The author recorded remarks and recommendations as follows:

- The establishment of the new cities is politically driven decision lacking a clear strategic vision for urban development in Egypt; therefore, working on **creating a rational market-driven strategy for public land division and reclamation** is the starting point for better utilization of land.
- NUCA is the sole institution that manages the land and its development in new urban communities. It is good and efficient to have one governmental body with clear



responsibilities but in the same time along the administrative processes, other authorities are involved with no clear coordination to manage the work. Thus, **integrative administrative system** should be designed with clear responsibilities and well-defined communication channels between NUCA and other entities.

- NUCA has developed over years **procedural and regulatory system** to manage the land development which can be seen as a good approach to ensure the commitment and seriousness of investors but it creates a complicated, cumbersome and time-consuming system that might work against its vision of fostering the development in the new cities.
- The criteria for land allocation and assigning lands for investors are vague and unclear which might open the door for corruption since investors may pay bribes to get land parcels in prime locations. Not only that, but also the land valuation process has no clear criteria for evaluation which can lead to the loss of public money. Therefore, **formulating a set of selection criteria with clear scoring system** for the applicants is an initial step for reforming the system considering that these criteria have to be announced to the public to embrace the principles of equality and fairness. Also, **applying scientific land valuation methods** such as hedonic model or GIS method guarantees real and correct price estimation of the land (Kostov, 2009). It is worth to mention that the Egyptian Center for Public Policy Studies in 2017 has published a report related to this topic suggesting restructuring the land valuation system in Egypt recommending the previously mentioned methods (ElHemily, 2017).
- It has been noted that there is a lack of information system that provides the investors and the public with all the data related to land division process and the required procedures to apply for land acquisition since NUCA depends on publishing advertisements on newspapers with general info about new lands for sale. Such a way does not provide a sustainable platform to retrieve the needed information later. Therefore, **establishing online database** is a practical solution that creates a sustainable trustworthy platform for sharing the information related to land.

To conclude, land management practices in new urban communities still needs more improvements that enable better utilization of the land. Legal and administrative frameworks are key factors to create a sustainable healthy system that ensures accountability and transparency and encourages investors to establish real developmental projects. The current Egyptian laws formulate a good base for better system especially under the national trend of building new cities to accommodate the booming population. Real estate development is an industry that is highly affected with land management policies; thus, ensuring fair policies and flexible procedures paving the way to take step forward not only in

this industry but also in the urban development practices in genera in Egypt.

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VI. ABBREVIATIONS

GAFI	General Authority For Investments
GDP	Gross Domestic Product
GOPP	General Organization for Physical Planning
NUCA	New Urban Communities Authority

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