

Principles for determination of the immovable property lease fee and the fee for granting of building rights, and procedures for conclusion of lease agreements and agreements on granting of building rights

Issued according to Subparagraphs 34.4, 34.5 and 34.8
of the Cabinet Regulations No.62
“Regulation of the Freeport of Ventspils Authority”
of 28 January 2020

I. General terms and conditions

1. The principles for determination of the land and immovable property lease fee and the fee for granting of building rights, and procedures for conclusion of lease agreements and agreements on granting of building rights (hereinafter – the Lease Rights Granting Guidelines) determine the procedures according to which the Freeport of Ventspils:

1.1. Leases out land, buildings or any parts thereof, piers and other engineering structures, individual use roads and railway tracks in possession or ownership of the Freeport of Ventspils Authority;

1.2. Concludes agreements on granting of building rights regarding the land in possession or ownership of the Freeport of Ventspils Authority;

1.3. Determines the immovable property lease fee and the fee for granting of building rights.

2. In cases when it is intended to lease out the land, piers and other engineering structures, freight areas, buildings or their parts, roads and railway tracks, for establishment or improvement of which the state budget funding, European Union funds, the European Economic Area, the Norwegian Financial Mechanism and the Climate Change Financial Instrument funding or any other public funding has been attracted, the selection of lessees, amount of lease fee and duration of the lease period shall be determined by applying the criteria that the Freeport of Ventspils Authority is obliged to fulfil in accordance with the support programme, within the framework of which it has been granted the public funding for establishment or improvement of immovable property.

3. The Freeport of Ventspils Authority shall commence the process of leasing out the immovable property and granting the building rights on the initiative of the Freeport of Ventspils Authority itself or on a basis of an application (and attached documents) of natural person or legal entity.

II. Conclusion of immovable property lease agreements and agreements on granting of building rights

4. The Freeport of Ventspils Authority decides on conclusion of immovable property lease agreement or agreement on granting of building rights, if the planned purpose of use of the land and other immovable property intended by the potential lessee / candidate for building rights corresponds to:

4.1. the purpose of land use specified (permitted) in the territorial planning of Ventspils city;

4.2. the Development Programme of the Freeport of Ventspils;

4.3. the business plan of the potential lessee.

5. If two or more potential lessees apply for lease of the same immovable property, a lease rights auction procedure that ensures competition, is open and non-discriminatory is organised, selecting the economically most beneficial offer.

III. Procedures for determination of the agreement period

6. An agreement on lease of land, structures and infrastructure, buildings and their parts (premises), as well as agreements on granting of building rights shall be concluded for a period not exceeding 45 years. The Board of the Freeport of Ventspils may decide on conclusion of agreement for a period exceeding 45 years, if the amount of investment planned to be made in the Freeport of Ventspils during the planned period exceeds EUR 70 million.

7. If an existing lessee of the immovable property wants to lease additional land, pier and other engineering structures, individual use roads and railway tracks adjacent to the existing lease territory,

and lease of the additional immovable property is closely related to the economic activity performed in the existing lease territory, the agreement period for the new land lease territory and other additional immovable property shall be set for the same period as it is determined for the already leased territory.

8. The decision on the period of the specific agreement shall be made by the Board of the Freeport of Ventspils, taking into consideration the provisions of the Lease Rights Granting Guidelines.

IV. Procedures for determination of the immovable property lease fee and the fee for granting of building rights

9. The following procedures shall apply to land lease or granting of building rights:

9.1. The amount of the land lease fee or the fee for granting of building rights shall be determined, taking into consideration the cadastral value of the land.

9.2. The methodology for calculation of the land lease fee or the fee for granting of building rights is provided in Annex 1 to the Lease Rights Granting Guidelines. In addition to the lease fee, also value added tax shall be calculated according to the statutory procedures.

10. The provisions of Paragraphs 2, 5 and 7 shall apply to conclusion of an agreement on granting of building rights.

11. The procedures applicable to lease of structures and infrastructure:

11.1. Structures and infrastructure shall be leased out in accordance with the object groups mentioned below, determining the lease fee for each object group separately:

11.1.1. Piers and other water engineering structures;

11.1.2. Individual use or common use roads and railway tracks;

11.1.3. Freight areas;

11.1.4. Buildings and their parts (premises), other structures.

11.2. The amount of lease fee for structures and infrastructure may be determined by using any of the following methods:

11.2.1. Considering the capital investment costs, depreciation period of capital investment, as well as maintenance costs in accordance with the lease fee calculation methodology provided in Annex 1.

11.2.2. based on the market lease fee appraisal provided by a certified appraiser. The appraisal shall be updated once every six years.

11.3. The lease fee shall be indexed annually, applying the inflation index of the previous year. The inflation measurement instrument is EUROSTAT Harmonised Index of Consumer Prices.

11.4. In addition to the lease fee, also value added tax shall be calculated according to the statutory procedures.

12. The Freeport of Ventspils Authority may apply a discount on the immovable property lease fee or the fee for granting of building rights for a period, while the lessee or the holder of building rights commences economic activity at the lease object or object intended for building.

13. The lessee is not entitled to sublease the leased immovable property or building rights without a written permission of the Freeport of Ventspils Authority. The sublease agreement shall be subject to the same lease conditions as the original lease agreement.

V. Final provisions

14. Upon novation or extension of the effective immovable property lease agreements or agreements on granting of building rights, concluded prior to coming into force of the Lease Rights Granting Guidelines, the Freeport of Ventspils Authority shall revise the conditions of the effective agreements, so that they comply with the conditions of the Lease Rights Granting Guidelines.

15. The Lease Rights Granting Guidelines shall come into force on 1 August 2023.

16. From the day of coming into force of the Lease Rights Granting Guidelines, the "Principles for determination of the land and immovable property lease fee and the fee for granting of building rights, and procedures for conclusion of lease agreements and agreements on granting of building rights", approved by the Board of the Freeport of Ventspils Decision No.18/21 of 22 May 2020, shall become void.

Procedures for determination of the period of the immovable property lease fee and the fee for granting of building rights, and procedures for determination of the lease fee

Lease object	Annual amount of lease fee	Minimum annual lease fee
1. Land		
1.1. Objects not related to commercial activity (private houses, garage cooperatives, horticultural societies, allotments, state and local government institutions)	1.5% of the cadastral value of the land.	EUR 50 for natural persons and EUR 100 for legal entities. The said lease fee shall be paid also in case when the period of lease agreement is less than one year.
1.2. Objects related to commercial activity	$P_{\text{annual lease fee}} = CV * (Rb\% + Ra\% + Rs\%)$ <p>CV: cadastral value of the leased land plot (EUR)</p> <p>Rb% - the cadastral value base proportion of the land plot lease fee, determined by the FVA, where:</p> <ul style="list-style-type: none"> • for NACE C code Rb% = 1.5%. • for NACE A, B, D-U codes Rb% = 5%. <p>Ra% - polluting activity permit category proportion (%), where:</p> <ul style="list-style-type: none"> • for A category Ra% = 2% • for B category Ra% = 1% • for C category Ra% = 0%. <p>Rs% - object's increased danger category proportion (%). Determined according to the Civil Protection and Disaster Management Law and the Cabinet regulations issued on a basis of this Law, where:</p> <ul style="list-style-type: none"> • for A category Rs% = 5% • for B category Rs% = 2% • for C category Rs% = 0%. 	EUR 100. The said lease fee shall be paid also in case when the period of lease agreement is less than one year.
2. Structures and infrastructure		
2.1. Piers and other engineering structures, individual use roads and railway tracks, freight areas, buildings and their parts (premises), other structures.	$P_{\text{annual lease fee}} = PV * (1 + P\%)^n / (((1 + P\%)^n - 1) / P\%)$ <p>PV: value of capital investment;</p> <p>P%: financial return rate, %;</p> <p>n: fixed assets depreciation period (years).</p>	According to the lease fee amount calculation methodology or market appraisal.