

Latvian Real Estate and Project Development News 2022

In 2022 number of laws and regulations have been adopted in Latvia which have an impact on construction processes, investments in the Latvian real estate and management of apartment properties.

Below is our summary of the most significant developments:

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State Land Service has opened its data

As of 2022, the State Land Service has openly published large volumes of data held by the Service, providing more opportunities for free access to certain data.

Open data are available free of charge to everyone on the Latvian Open Data Portal and the National Geospatial Information Portal. With the opening of the data, more data of the National Real Estate Cadastre are also publicly available on the portal www.kadastrs.lv. For example, by logging into www.kadastrs.lv via internet bank anyone can now access data of cadastral objects (e.g., to find out object areas, types and purposes of use, land unit encumbrances, etc.) and view highly detailed topographic information under "Maps" -> "Map Browser".

Status of a new Riga Spatial Plan

On 15 December 2021 Riga City Council approved one of the most important spatial development planning documents of the capital, Riga Spatial Plan for the period until 2030. As an unpleasant surprise for a wider public came a decision of the Ministry of

Environmental Protection and Regional Development as of 23 March 2022 to suspended the Plan. As the main reasons for suspension were cited the Plan's significant shortcomings: non-compliance with the law and the lack of proportionality between the interests of the involved parties. Riga City Council decided to challenge the Ministry's decision and the Constitutional Court has initiated the respective case on 29 June 2022.

The length of review is difficult to predict at the current stage. Until the new Riga Spatial Plan is adopted, the existing Spatial Plan will continue to apply.

Maximum amount of the stamp duty in case of sale of real property

As of 1 January 2022, a maximum amount of the state duty for registration of title in the Land Register is [set](#) at EUR 50,000.

Public construction contracts

The Cabinet of Ministers and the Ministry of Economics recently have adopted two significant documents with an aim to govern certain aspects of public construction contracts. In view of the share of the public construction contracts of the overall Latvian construction market, provisions of the newly adopted documents have a potential to impact usages on the private market also.

Regulations on the Mandatory Provisions and Content of Public Construction Contracts

In July 2022 the Cabinet of Ministers adopted [Regulations](#) (Public Contracts Regulations) on the mandatory provisions and content of public construction contracts, introducing uniform transfer-acceptance procedures, payment terms and requirements for securities. The rules shall apply to public procurements of construction works to be announced after 1 January 2023.

Amongst other, the regulations provide for:

- obligation of a contractor to perform payments to sub-contractors no later than within 60 days after acceptance of the subcontractors' works;
- obligation of the customer to procure an expert opinion in case if the contractor has filed objections in respect of refusal by the customer to accept any interim works;
- mandatory indexation in contracts duration of which exceed 12 months;
- maximum limit of 5% of the contract price for retention money and warranty period guarantees, and 10% of the contract price for the performance guarantees;
- an option for the contractor to choose the type of security: bank guarantee, insurance or retention money;
- maximum penalties of up to 10% of the contract price (excluding delay penalties).

Guidelines for price indexation of construction contracts

The Ministry of Economics has developed [Guidelines for Price Indexation of Construction Contracts](#) to address the requirement under the Public Contracts Regulations to include indexation in all contracts duration of which exceeds 12 months

The guidelines contain recommendations for indexation models and reference factors to be taken into account when choosing a particular model. The choice of a model is left with the customer. The customer shall take into account the characteristics of the specific project, risks related to its implementation, as well as preferred model for managing the risk of price increases.

New requirements for apartment properties

Rights and obligations of the apartment owners' association

The [amendments](#) to the Law on Apartment Property, which entered into force on 13 April 2022, broaden the definition of an apartment owners' association, define who are the representatives of an apartment owners' association and what shall form a property of an apartment owners' association. Further, they establish certain rights and obligations of an apartment owners' association for carrying out an economic activity or employing a natural person.

Electronic conduct of a general meeting of apartment owners and digitisation of a house file

The [amendments](#) to the Law on Apartment Property, which entered into force on 3 May 2022, govern the process of decision-recording of apartment owners through the Building Information System, as well as introduce a possibility of holding a general meeting or

survey in the electronic environment provided by the functionality of the above system.

[Amendments](#) to the Law on Management of Apartment Buildings provide that no later than from 28 February 2023 house files in all apartment buildings shall be maintained in the Building Information System.

Framework for divided properties

For several decades Latvian law allowed to establish so called 'divided properties' with title to the buildings and title to the land held by different persons. As of 2017 the rights of superficies have been introduced to replace 'divided property' regime. A number of newly adopted provisions relate to reforming the framework of 'divided properties' created earlier.

Divided properties: statutory land use rights

Starting from 1 January 2022, the compulsory land lease relationship between owners of buildings and owners of the underlying land is gradually replaced with the statutory land use rights. The rights set forth a universal fee of 4% of the cadastral value of the land plot per annum. Statutory land use rights are regulated by [law](#) and do not require the parties to enter an agreement.

Statutory land use right shall apply:

- starting from 1 January 2022 in cases where the relationship of the parties is not governed by a valid lease agreement or a court judgment;
- starting from 1 January 2023 in cases where the relationship of the parties is governed by a valid lease agreement or a court judgment;
- starting from 1 January 2024 in cases where the land belongs to a public person (state or municipality).

Divided properties: framework for further use of voluntary divided ownership

Since the end of 2021 [law](#) allows to construct new non-residential buildings or engineering structures as a part of an existing voluntary divided property if a relevant lease agreement allows it and the lease is registered with the Land Register. If this right is exercised, it will no longer be possible to extend the term of the relevant lease agreement.

Existing land lease agreements, if registered with the Land Register and providing for the right of a lessee to construct non-residential buildings or engineering structures on a leased land, can be novated into the right of superficies. Non-residential buildings and engineering structures constructed on the basis of such lease agreements can be registered in the Land Register as an essential part of a right of superficies.

Divided properties: possibility to end divided ownership for privatised multi-apartment residential buildings

A new [law](#) has been adopted to allow owners of apartments in privatised multi-apartment residential buildings to end divided property situation by purchase of a land under a building at its cadastral value. No consent of the owner of the land will be required. The right can be exercised starting from 1 January 2023.

New legal mechanisms for division of a joint ownership of properties

On 1 May 2022, [amendments](#) to the Civil Law have entered into force, introducing a new method of termination of joint ownership of properties: a possibility to divide a real property into apartment properties.

The division of a real property into apartments is designated as a primary method of division of a real property in cases of a dispute over the termination of joint ownership between the joint owners of a residential building. Also, an option to combine several methods of division is introduced, for example, division of a residential building into apartment properties and payment of a monetary compensation to those joint owners who may not be awarded real parts of a property.

The amendments restrict the right of an owner to request division of a joint property without an important reason for five years after registration of title of joint ownership share of the respective joint owner with the Land Register. The restriction is aimed at limiting the number of bad-faith claims for termination of joint ownership, as many of such claims brought in recent years have raised concerns of public and judiciary on fairness and proportionality of division with the interests of other joint owners. In deciding whether there is an important reason within the meaning of the above restriction, the courts will have to consider whether the purpose of a claim is a genuine wish to use the joint property by the claimant or rather an intention to exclude the other joint owners in interests of individual profit of the claimant.

In addition to the above, the amendments provide a right for majority of the joint owners to require alienation of the ideal parts belonging to a joint owner if such owner abuses its rights or fails to fulfil its duties as a prudent and careful owner, thereby causing substantial damage to other joint owners or third parties.

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