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A GUIDE TO LAND AUCTIONS IN UKRAINE

**Based On The Successful Experiences Of
Kharkiv, L'viv, Odessa, And Chernihiv**

By

The Cities of Kharkiv, L'viv, Odessa, and Chernihiv

The State Committee of Ukraine on Urban Development and Architecture

The State Committee of Ukraine on Land Resources

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FOREWORD BY MAYOR EVGENI KUSHNARYOV

Conducting land auctions is one new approach to the process of land parcel allocation in a city. The Kharkiv experience of conducting such land auctions shows the advantages of the auction method of land allocation over the old method of allocation of land to enterprises and organizations upon their request. Auctions present an incentive for land users to develop and use land parcels more effectively while providing companies of different types of ownership equal opportunities to acquire land. Auctions also allow the market value of land parcels to emerge while raising additional funds for the city budget which are necessary for the development of the city economy.

The Kharkiv City Executive Committee was not only the first city in Ukraine to conduct a land auction, but the first in the Commonwealth of Independent States. Since January of 1994, four land auctions were held in Kharkiv and three more auctions are planned to occur by December, 1995. Thus, Kharkiv has established the practice of holding land auctions on a regular basis.

Companies are given some incentives to acquire land parcels through the auctions by means of providing the winning bidders with a number of benefits: the right to a long-term (50 year) lease of the land parcel with a minimal amount of rent, the promise to process the resolutions of the City Executive Committee and to conclude the lease agreements within one and one-half months, and reduced technical requirements. All the above constantly assist in attracting companies' attention to the auctions. This shows that at this time the auction method is the best method, and auctions present new possibilities for the development of city areas.

Kharkiv land auctions are of great interest to other Ukrainian cities. Many of these cities sent their specialists to Kharkiv in order to study the experience of the City Executive Committee. As a result of such cooperation, land auctions were held in three other cities in Ukraine, and preparatory work is underway in others. The work of the Executive Committee on land reform showed the feasibility of using other forms of allocation of land parcels, such as commercial and non-commercial tenders, to be used in parallel with the auctions. Currently, some work is underway in the city to develop these forms of land allocation.

At the end of this brief introduction on behalf of the citizens of Kharkiv, I would like to thank all of those who participated in preparing and holding the land auctions. I would like to give my special thanks to the experts of the United States Agency for International Development, whose cooperation allowed the Kharkiv City Executive Committee to try a new form of land allocation to strengthen the economic base of local self-government.

Evgeni Kushnaryov
Mayor of the City of Kharkiv,
Chairman of the Association
of Cities of Ukraine



FOREWORD BY CHAIRMAN VOLODYMYR GUSAKOV

1994 was the year for land auctions in Ukraine. Four cities — Kharkiv, L'viv, Odessa and Chernihiv — all held their first auctions and raised a total of over a half million dollars U.S. These local efforts demonstrate that Ukraine is ready to take the long-awaited steps toward land reform. The goals of each city included the introduction of a land allocation mechanism based on competition; encouragement of the efficient use of land using market forces; the attraction of private capital to pay for social, commercial, housing, and infrastructure projects; and the creation of functioning land and real estate markets.

In 1995, with the first steps behind us, it is time to spread land reform to all corners of Ukraine. At the national level, we are completing new draft laws for land reform. We are also happy to assist in producing this book, which provides cities across the country with the basic tools and legal documents to conduct their own land auctions. I invite all interested cities to contact my committee for more information on how they may begin to develop their city's market and engineering infrastructure and generate revenue for the financing of social and economic programs through an active program of land auctions.

I would like to thank those who have taken part in organizing each of the land auctions and those who helped write this book.

Volodymyr Gusakov
Chairman of the State Committee
on Urban Development and Architecture



FOREWORD BY CHAIRMAN PAVLO GAIDUTSKY

On January 21, 1994, the City of Kharkiv held Ukraine's first-ever open competitive land auction, selling the right to lease long-term two parcels of land to bidders. The auction raised over \$40,000 U.S., which was used to build residential buildings for needy families on the housing waiting list. More importantly, the land auction set a new course for Ukraine, in which land in urban areas would now often be allocated through competitive approaches.

Five more land auctions were held in three additional cities in Ukraine — L'viv, Chernihiv, and Odessa. These auctions were also highly successful and Land Offices charged with the responsibility of regular land auctions were formed in some cities. All four cities will hold additional land auctions and many new cities have already started preparations for their first auctions.

I encourage all cities throughout Ukraine to look at land within their boundaries as a great asset to be used productively and efficiently by those willing to do so. Land auctions help identify those who are ready to build objects for the benefit of all citizens. They also bring our land allocation system into the open and start us down the path of necessary land reform. Reform has already begun in Ukraine, and I am glad to see our auction experience described in this important guide. I invite you to learn from our successes and mistakes.

My appreciation is extended to all those who were involved with the development of our land auction program. The results of our work are first steps towards improving the lives of all Ukrainians.

Pavlo Gaidutsky
Chairman of the State Committee
of Ukraine on Land Resources



FOREWORD BY AMBASSADOR WILLIAM GREEN MILLER

On behalf of the Government of the United States of America, I would like to congratulate the cities of Kharkiv, L'viv, Odessa, and Chernihiv on their pathbreaking land auctions. They have demonstrated through concrete action that new approaches can yield better solutions for all the people of Ukraine. Land relations based on market principles and legitimate government regulation will greatly assist in Ukraine's ongoing economic reform efforts. I also congratulate President Kuchma on his efforts in land and market reform. His vision of changed agrarian and property relations will greatly assist Ukraine in its transition to a new dynamic market economy, and will help Ukrainians to improve their standard of living.

In November of 1992, the Governments of Ukraine and the United States began active cooperation in the fields of land reform, housing, and local government finance under a formal Memorandum of Cooperation. Since then, my government has concluded agreements with all four cities listed as authors of this book to work together on a variety of projects. Thus, I am delighted to see the great success of the 1994 land auction program as an outgrowth of our cooperation. I am sure that this book, also a joint product, will be widely distributed throughout Ukraine. It should greatly assist cities in following the lead of the four Ukrainian cities that have already conducted their first auctions.

William Green Miller
Ambassador of the United States
of America to Ukraine



INTRODUCTION

This book is designed to acquaint government officials and other interested individuals with the policy, practical experience, and technical aspects of land auctions in Ukraine. In 1994, four Ukrainian cities participated in a program of land reform and successfully held six land auctions. They carefully tested the concepts, legal documents, marketing and public relations materials, and institutional arrangements necessary to conduct land auctions in their cities. The results of their work, and the processes they followed, are distilled in this book.

The book is divided into three basic parts. *Chapter 1, "An Overview Of Land Auctions In Ukraine,"* describes the basic concept of land auctions and answers questions typically asked about the process, including: Are land auctions legal? What is sold at land auctions? Who may participate in land auctions? How much does it cost to hold a land auction? *Chapter 2, "A Step-By-Step Approach For Holding A Land Auction,"* describes in detail the 15 steps that local government officials must take in order to hold a land auction and institutionalize a land auction program.

The seven "*Annexes*" reproduce model documents and other information drawn from the six land auctions that local governments may adapt for their own auction programs. *Annex 1* contains models of all local laws and legal agreements necessary to hold a land auction. *Annex 2* contains model documents concerning marketing, public relations, and other aspects of a land auction. *Annexes 3, 4, and 5* provide supplementary material to Chapters 1 and 2 and discuss land parcel selection, starting price and land parcel valuation techniques, and the competitive tender/request for proposal land allocation mechanism. *Annex 6* contains key excerpts from relevant national laws, decrees, and decisions constituting the national legal framework for land auctions. *Annex 7* presents detailed statistical results from the six 1994 land auctions.

The 1994 Ukrainian land auction experience has generated an excellent base of knowledge, legal documents, and other materials upon which local governments across the country may rely and build. This book makes that information available to a wide audience and is being broadly distributed. It should be used as a starting point from which innovation is encouraged.

CHAPTER 1: AN OVERVIEW OF LAND AUCTIONS IN UKRAINE

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CHAPTER 1: AN OVERVIEW OF LAND AUCTIONS IN UKRAINE

INTRODUCTION

In 1994, four cities from the northern, southern, eastern, and western regions of Ukraine inaugurated a new era in land relations by successfully holding six open competitive land auctions. On January 21, 1994, Kharkiv became Ukraine's first city ever to conduct an open competitive land auction when it sold to the highest bidders long-term transferable leases to two land parcels for the construction of commercial buildings. Kharkiv held two additional land auctions in 1994, with its October 15, 1994 event generating more than \$355,000 from the sale of seven long-term leases authorizing the development of commercial, residential, and parking projects.

The cities of L'viv, Odessa, and Chernihiv conducted their first land auctions on December 3, 10, and 24, 1994, respectively. Odessa's auction broke new ground by selling two land parcels into private ownership pursuant to the October 14, 1993 Presidential Decree *On Privatizing Unfinished Construction Objects* (see Annex 6:9), and by actively courting the participation of foreign investors. The revenue produced from the sale of long-term leases and land parcels in Ukraine's six 1994 land auctions totaled over \$615,000 (see Table 1). Annex 7 provides a detailed breakdown of the results from all six auctions.

TABLE 1: RESULTS FROM 1994 LAND AUCTIONS IN UKRAINE

City	Date	Rights Sold	Revenue Received (\$)
Kharkiv 1	January 21, 1994	Two long-term leases	40,000
Kharkiv 2	June 24, 1994	Three long-term leases	38,850
Kharkiv 3	October 15, 1994	Seven long-term leases	355,000
L'viv	December 3, 1994	Two long-term leases	5,176
Odessa	December 10, 1994	Two private parcels	127,276
		Two long-term leases	
Chernihiv	December 24, 1994	Five long-term leases	49,154
		TOTAL	\$615,456

WHAT IS A LAND AUCTION?

Land auctions are a competitive method of allocating land parcels to physical and juridical entities for the construction of housing, stores, offices, factories, and other facilities needed by individuals and businesses. Under the existing system for land allocation, physical and juridical entities apply to the local rada (or in some cases its designee, the local executive committee) to obtain a specific parcel of land. The local rada, in its dis-

cretion, allocates or refuses to allocate the land parcel to the applicant. In most cases, the successful applicant acquires the land parcel without charge for permanent use, even if the proposed use will generate substantial future income for the land user.

Land auctions dramatically alter the way land parcels are allocated by distributing land through an open competition in which the individual or business offering the highest amount of money obtains the right to the land parcel. Land auctions should be guided by ten fundamental principles:

1. Land auctions should be open competitive events at which the highest bid wins.
2. Land auctions should be open to all bidders, both physical and juridical entities, to the maximum extent permitted by national law.
3. Land auctions should, where possible, sell land parcels into private ownership or, given restrictions imposed by existing national law, offer leases containing many of the same benefits as private ownership.
4. Leases offered at land auctions should be:
 - long-term, meaning at least 50 years for the initial term with a priority right of renewal for another 50 years.
 - fully transferable, by sale, gift, bequest, mortgage, exchange, sublease, or other transfer, without the permission of the local rada.
 - convertible to private ownership by the lessee, if and when national law permits.
5. The list of approved uses for land parcels offered at the auction should be broad, including many commercial and residential uses, rather than narrowly circumscribed according to traditional "target use" restrictions, and should be announced in advance of the auction.
6. Technical conditions for engineering infrastructure should be determined and announced in advance of the auction.
7. To encourage interest in the auction, starting prices for the rights to land parcels offered for sale should be reasonably low.
8. Local governments and auction organizers should mount an aggressive information-oriented advertising and publicity campaign on television, radio, and in newspapers, and should actively involve key city officials in delivering the message.

9. Land auctions should be held on a regular basis.
10. Local governments should use land auctions and other competitive techniques as their primary mechanisms for land allocation, rather than the current administrative land allocation system.

Under the land auction approach, the local rada publicly announces through television, radio, and newspaper advertisements the availability of specific land parcels for lease or ownership to interested physical and juridical entities. The advertisements describe the parcels and their locations, define what rights to the parcels are being offered, state when and where the auction will be held, announce the starting prices (minimum bid prices), and indicate where more information may be obtained and where to register (see Annexes 2:5, 2:6, and 2:7). Information packets describe in greater detail the auction process, how to register, the land parcels and uses to be permitted upon them, and technical conditions (see Annex 2:1).

Potential bidders analyze the opportunity, visit the parcels, seek relevant information on market conditions, available infrastructure, environmental constraints, and legal concerns, and calculate the market value of the parcels based on their potential uses. Physical and juridical entities which decide to participate in the auction complete an application and register with the auction organizer (sometimes the local commodity exchange office) one or two days in advance of the auction. Such entities pay a refundable deposit, usually 10% of the starting price for each parcel, to demonstrate the seriousness of their intentions and become eligible to participate.

On the auction day, in a process led by a professional auctioneer, overseen by an auction commission, and attended by members of the public, all eligible bidders gather in a room and verbally bid against one another until the highest bidder prevails. During or immediately following the auction, a representative of the local rada (or its designee), the winning bidder, and the auction organizer sign documents confirming the winning bid and the obligations of all parties. Within a specified period of time, the local rada makes its decision to allocate the land parcel to the winning bidder, which pays the remaining amount owed on the winning bid. All losing bidders receive refunds of their deposits within a few days after the auction.

WHY HOLD LAND AUCTIONS?

Land auctions play an important role in Ukraine's land reform effort and overall transformation from an administrative command-and-control economy to one based on market relations. Land auctions advance the following ten objectives in this regard:

1. Land auctions encourage the effective utilization of land based on market principles by allocating land parcels to those individuals and businesses which see the most value and opportunity in specific parcels.

2. Land auctions make it possible to attract the financial resources of the private sector to pay for the construction of needed housing, shops, offices, factories, and engineering infrastructure at a time when the government no longer has sufficient funds to commence or complete the jobs.
3. Land auctions create construction jobs and permanent jobs for citizens.
4. Land auctions generate immediate revenue for the local budget that may be earmarked for such important social and city purposes as the development of housing for poor families and the reconstruction of the city's engineering infrastructure.
5. Land auctions remove the shroud of secrecy surrounding many land allocation decisions and place such decisions in an open and transparent forum, eliminating to a substantial degree the possibility of improper considerations.
6. Land auctions create the opportunity to establish and learn market values of land parcels, thus providing crucial information for buyers and sellers as well as for local land valuation efforts.
7. Land auctions are the most rapid and least complicated mechanism for converting state-owned land into private ownership or control.
8. Land auctions help to institute operational private land and real estate markets best suited to meet the needs of individuals and businesses.
9. Land auctions result over time in the creation of privately owned or controlled assets constituting a source of taxable wealth for local governments.
10. Land auctions help fulfill the requirements of national laws and decrees calling for the acceleration and completion of land reform and privatization.

WHAT IS SOLD AT LAND AUCTIONS?

Under current Ukrainian law, the following rights may be offered for sale at land auctions:

- The right to lease land parcels for long-term use.
- The right to develop land parcels for individual private houses, garages, and dachas.

- The right to privatize unfinished construction objects and land parcels underneath them.
- The right to privatize gasoline service stations and land parcels underneath them.

All six 1994 land auctions sold the right to lease land parcels for long-term use, although each city introduced slightly different variations in their leases. In general, the cities specially designed the leases to mimic essential attributes of full private land ownership, including long tenure (50 years with a renewable 50-year term), the right of the lessee to sell or transfer the lease to third parties without consent of the local rada, the right of the lessee to decide what to construct within a broad pre-approved range of residential and commercial uses and sizes, and the right of the lessee to convert such leases to private ownership if national legislation would change. The cities receive from the winning bidders a one-time up-front payment equal to the winning bid amount, as well as an annual payment equal to the minimum average land tax rate for the cities.

In addition to the right to lease land for long-term use, Kharkiv's first two land auctions offered for sale the right to develop land parcels for individual private homes. The city announced the location of the land parcels in advance and agreed to allocate into private ownership or use at the preference of the winning bidder these land parcels sometime after the auction. None of the offered land parcels in this category had enough bidders. Odessa's auction went further than the other cities by selling the right to privatize unfinished construction objects and the land parcels underneath them pursuant to the October 14, 1993 Presidential Decree *On Privatizing Unfinished Construction Objects* (see Annex 6:9). The unfinished construction objects associated with the two parcels did not take the form of actual buildings located on the parcels. For purposes of the Decree, the "objects" were merely design proposals for future construction on the parcels that had been previously submitted to the local government. None of the six cities attempted to sell service stations and the land parcels underneath them pursuant to the December 29, 1993 Presidential Decree *On Privatizing Gasoline Service Stations That Sell Gas And Oil Exclusively To Private Individuals* (see Annex 6:10).

There is some question about whether cities desiring to sell land parcels into outright private ownership under the existing *Land Code Of Ukraine* would be able to do so. The *Land Code* does not authorize juridical entities to own land, nor does it authorize private ownership of land for commercial, industrial, and multi-family residential uses. The two 1993 Presidential Decrees, of course, authorize ownership of land parcels associated with unfinished construction objects and service stations. If Ukrainian law eventually authorizes the outright sale of land into private ownership for all uses, then land auctions will constitute an excellent mechanism for conducting such sales to physical and juridical entities.

ARE LAND AUCTIONS LEGAL?

Land auctions fit comfortably within the existing legal framework for land in Ukraine. That framework includes the *Land Code of Ukraine* (March 13, 1992), as well as a number of Supreme Rada, Presidential, Cabinet of Ministers, and State Committee resolutions, decrees, and orders. Relevant excerpts from these legal documents are reproduced in Annex 6. Under the *Land Code*, local radas have the authority to allocate state-owned land to physical and juridical entities for a wide variety of uses (see Annex 6:1, *Land Code*, Arts. 6-9, 17, 19). Depending on the identity of the entity seeking to acquire the land parcel as well as the proposed purposes to which the land parcel would be put, the local rada may grant in its discretion ownership, lease, or use rights to the parcel.

From a legal point of view, land auctions may be understood as one of several methods available to local radas to help them decide which physical and juridical entities should have preference in obtaining the right to own, lease, or use a land parcel. Through the competitive mechanism of an auction, the city selects a subject (the highest bidder) for the right the city is authorized to grant under the *Land Code*. Each of these rights relies on a different section of the *Code* for its existence. Article 8 authorizes long-term leases, designates the local rada as lessor, and affirms that the "conditions and terms of the lease and the payment for it will be defined by mutual agreement of the parties and stipulated in the contract." Article 6 confirms the right of citizens to obtain land for construction and maintenance of an individual house and outbuildings. The Presidential Decrees on "unfinished construction objects" and "gasoline service stations" expressly designate auctions as the method for privatizing such objects and their associated land parcels. Coupled with local regulations authorizing the auction (see Annex 1), the national legal framework validates the basic auction approach.

The overall legality of land auctions under current Ukrainian law has been confirmed by the following institutions: the city law departments of Kharkiv, L'viv, Odessa, and Chernihiv; independent experts from the law faculties of Kiev University, Kharkiv Academy of Law, and L'viv University; and the State Committee on Urban Development and Architecture.

WHO MAY PARTICIPATE IN LAND AUCTIONS?

In general, all physical and juridical entities, both domestic and foreign, may participate in land auctions. Depending on the right being offered for sale at the auction, however, the *Land Code* imposes different restrictions. Article 8 of the *Land Code* allows Ukrainian and foreign physical and juridical entities to enter long-term leases (see Annex 6:1, *Land Code*, Art. 8). Article 6 limits allocation of land parcels into private ownership for the construction of individual houses, dachas, and garages to citizens of Ukraine (see Annex 6:1, *Land Code*, Art. 6). The two 1993 Presidential Decrees on unfinished construction objects and gasoline service stations expressly permit foreign physical and juridical entities to participate in auctions and obtain private ownership of land parcels (see

Annexes 6:9 and 6:10). Within the boundaries of national law, each city must determine who may participate in its land auction. Odessa opened its auction to all domestic and foreign entities, while L'viv placed limitations on foreign participation.

HOW MUCH DOES IT COST TO HOLD A LAND AUCTION?

The cost of holding a land auction varies from city to city and auction to auction. Basic costs include the following:

- City staff time necessary to select the land parcels, evaluate them, determine use restrictions, prepare technical conditions, assemble information packets, and complete other similar tasks.
- Payment to the auction organizer, usually the local commodity exchange, which arranges for the room where the auction is held, distributes information packets, assists in the advertising campaign, provides a professional auctioneer, conducts the actual auction event itself, and completes other similar tasks.
- Payment for the advertising campaign, including the writing and designing of advertisements for newspapers, television, and radio, as well as the preparation of banners, posters, leaflets, and other forms of advertising.

The cost of holding an auction can range from several hundred U.S. dollars to more than \$10,000, depending on the aggressiveness and breadth of the advertising campaign.

ARE LAND AUCTIONS A COMMON OCCURRENCE IN OTHER COUNTRIES?

Land auctions take place on a regular basis in many countries around the world. The United States, China, and Germany, for example, employ land auctions to sell rights to own or lease land parcels. In countries where most land is already in private ownership, land auctions are usually employed to sell parcels from one private owner to another. When privatization of state-owned land is conducted, it is usually for one or several parcels at a time. In the 1800s, when the United States government owned much land, it pursued a wide-ranging program of land privatization utilizing land auctions. Today, even though more than 90% of urban land is privately owned in the United States, the national government continues to utilize land auctions to sell parcels it owns. China has an active program of land auctions in its special economic development zones that encourage foreign and domestic entities to purchase rights to land parcels for development of residential, commercial, and industrial facilities.

ARE THERE OTHER COMPETITIVE METHODS FOR ALLOCATING LAND PARCELS?

Land auctions constitute one of the most popular and easiest methods of land allocation. Another method, "competitive tender" or "request for proposal," introduces a more elaborate discretionary process. Unlike the auction, where the highest bid automatically secures acquisition of the parcel, the "competitive tender" or "request for proposal" method considers factors other than price offered to select the winner. For a more complete description of this method, see Annex 5.

WHAT OTHER LAND REFORM EFFORTS ARE TAKING PLACE IN UKRAINE?

Land auctions constitute one part of a broader land reform effort. A government-appointed working group labored throughout 1994 to prepare new drafts of the Land Code, as well as new laws on territorial planning and registration of real estate interests. Furthermore, cities around the country have experimented with new approaches envisaging a substantial role for private land and real estate market transactions. Odessa is developing a competitive tender/request for proposal. Chernihiv is introducing a zoning approach to its territorial planning and land allocation process. A project on registration of land interests and accelerated distribution of state acts of ownership is currently underway. Finally, encouraged by the success of the 1994 land auctions, many cities in Ukraine are planning to hold their first auctions in 1995.

CHAPTER 2: A STEP-BY-STEP APPROACH FOR HOLDING A LAND AUCTION

TABLE 2: STEPS FOR HOLDING A LAND AUCTION

1. Adopt A Decision To Prepare A Land Auction And Establish A Working Group.
2. Agree On Basic Principles, Assign Tasks, Set Schedule.
3. Select Auction Organizer.
4. Select Land Parcels.
5. Draft And Adopt Necessary Legal Documents.
6. Determine Allowable Uses For The Land Parcels.
7. Determine Technical Conditions.
8. Determine Starting Prices.
9. Prepare And Implement A Marketing And Public Relations Campaign.
10. Commence Registration of Bidders.
11. Hold An Information Meeting.
12. Make Final Arrangements For The Land Auction.
13. Hold The Land Auction.
14. Close The Deals.
15. Institutionalize The Land Auction Process.

CHAPTER 2. A STEP-BY-STEP APPROACH FOR HOLDING A LAND AUCTION

INTRODUCTION

This chapter sets forth a step-by-step approach for holding successful land auctions in Ukraine. Tested six times by the cities of Kharkiv, L'viv, Odessa, and Chernihiv, the approach has proven itself by yielding well-run auctions that generated favorable sales of rights to land parcels. The step-by-step approach regularly refers to documents located in the Annexes. Of special note are the land auction model legal documents and other model land auction documents found in Annexes 1 and 2, which are based on documents actually used by the four cities in holding their auctions. Cities may expect to make modifications to this approach and the documents to take into account regional differences and special needs. Cities should plan for a fourteen week schedule from the initial decision to prepare an auction (Step 1), through the institutionalization of the auction process (Step 15).

STEP 1. ADOPT A DECISION TO PREPARE A LAND AUCTION AND ESTABLISH A WORKING GROUP (WEEK 1).

The first step in the land auction process is the issuance by the local rada or the city executive committee of a decision to prepare a land auction (see Annex 1:1). The decision states that the city intends to hold a land auction and establishes a working group to oversee preparation of all aspects of the auction. An attachment to the decision announces the chairperson and members of the working group, comprised of all top city officials involved in land issues as well as several additional experts. The chairperson should be a powerful city official, preferably a deputy mayor, with excellent relations with the mayor, the local rada, and the city's development industry. Other members of the committee may include the following:

- The highest city executive official responsible for preparing land allocation decisions.
- The highest member of the city rada involved in land issues
- The chief or deputy chief architect.
- The chief or deputy chief engineer.
- The chief or deputy chief of the land resources department.
- The chief or deputy chief of the law department.
- The chief or deputy chief of the privatization department.
- A representative of the finance department.

- A representative of the press relations department.
- Experts from local institutes.

STEP 2: AGREE ON BASIC PRINCIPLES, ASSIGN TASKS, SET SCHEDULE (WEEKS 1-2).

At its first meeting, the working group should agree upon basic principles for the auction, assign specific tasks to working group members and other relevant individuals, and establish a firm, detailed work schedule. As discussed earlier, land auctions should be guided by ten fundamental principles (see Table 3). Some of the basic principles may engender debate among members of the working group. For example, should the land auction be open to foreign physical and juridical entities in addition to domestic ones? How low should starting prices be? Should all land parcels henceforth be allocated only through auctions and other competitive mechanisms? The working group should resolve the most controversial issues in consultation with the mayor, the executive committee, and the rada.

The working group should fill out a *Tasks, Assignments, and Schedule* document specifying auction tasks, who is responsible for their completion, and when they must be completed (see Annex 1:1B).

STEP 3. SELECT AUCTION ORGANIZER (WEEKS 3-5).

The working group must decide who will take responsibility for conducting the actual land auction event as well as certain preparatory activities. At minimum, the auction event requires the hiring of a professional auctioneer and the renting of a room suitable for the activities of an auction. The working group must also consider who will handle various other auction-related activities, including, for example, the distribution of information packets, the implementation of the advertising campaign, and the registration of bidders. An existing city office or a non-city entity may arrange many or all of these activities. In choosing the auction organizer, experience, professionalism, and integrity are essential attributes. If an existing local entity such as the local commodity exchange ("birzha") has already conducted successful auctions of apartments, small-scale enterprises, or other objects, then the city may want to select that entity rather than assigning these auction tasks to an inexperienced city office. If an experienced auction organizer does not exist within the city, then the working group may want to contact an experienced organizer from a neighboring city to provide assistance for the first auction. A model *Agreement on Conducting a Land Auction (Between the City Rada and the Organizer of the Auction)* appears in Annex 1:3.

TABLE 3: THE TEN FUNDAMENTAL LAND AUCTION PRINCIPLES

1. Auctions should be open competitive events at which the highest bid wins.
2. Auctions should be open to all bidders to the maximum extent permitted by national law.
3. Objects offered should be land parcels sold into private ownership or leased under conditions similar to private ownership.
4. Leases should be long-term, fully transferable without permission of the local rada, and convertible to private ownership if national legislation permits.
5. Uses for land parcels offered for ownership or long-term leases should be pre-approved and announced in advance for a wide range of residential and commercial purposes.
6. Technical conditions for engineering infrastructure should be determined and announced in advance.
7. Starting prices should be reasonably low.
8. Cities should mount aggressive and information-oriented advertising and publicity campaigns involving top city officials to publicize auctions.
9. Cities should use land auctions and other competitive mechanisms as their primary mechanisms for land allocation, rather than the current system of administrative land allocation.
10. Land auctions should be held on a regularly scheduled basis.

STEP 4. SELECT LAND PARCELS (WEEKS 3-8).

The selection of well-located and attractive land parcels constitutes a crucial part of a successful land auction, especially for a city's first land auction. Potential bidders understandably have a "wait and see" attitude, and will only participate if the city is offering something so special that they cannot afford to sit out the first time. Good parcels represent the best magnet for an equivocal private sector. At the same time, the city need not offer all of its best land parcels in its first land auction. Because of the newness of the auction idea and the lack of a functioning private land market, bids at the first auction will be somewhat lower than what they would otherwise be. In choosing land parcels, cities should include very good parcels, but need not include every top one. Cities should exclude, however, parcels that are unlikely to attract any interest.

The land auction experience in Ukraine suggests that a parcel's location is the most important attribute affecting its desirability and value. In the six 1994 land auctions, the parcels with problematic locations failed in many cases to attract even one bidder. Consider the following example from a previous auction. Parcel 1 was located on a major thoroughfare in an attractive, older residential neighborhood adjacent to the city's business district, sitting one kilometer from city hall in one direction and 1.5 kilometers from the railway station in the other direction. Tram, trolley bus, and auto-bus routes served the parcel. The neighborhood had elements of a social infrastructure, including restaurants and shops on the first floors of nearby apartment buildings.

Parcel 2 was located 1.5 kilometers beyond the railroad station, 2.5 kilometers from city hall, at an intersection of a thoroughfare and an arterial road leading to less dense residential neighborhoods. The surrounding area consisted of a mix of uses, including small, older apartment buildings, individual cottages, and older manufacturing facilities. The area had little social infrastructure and only auto-bus service. The neighborhood appeared run down, with the condition of buildings fair to below average.

The city designated both parcels for commercial use, including office or hotel, with ground floor retail and restaurants and upper floor residential allowed. Some city officials harbored high hopes for Parcel 2, believing that the target uses would improve the neighborhood and add services needed for nearby residents. Unfortunately, while Parcel 1 garnered a number of bidders and a substantial sales price for its lease, Parcel 2 did not have one bidder. The market's response underscores the importance of well-located, attractive parcels. Parcel 1's proximity to the downtown business district and the railroad station, and its location on the major thoroughfare, guaranteed excellent automobile and pedestrian access for residents of the city and persons arriving at the railway station. Unlike Parcel 2, Parcel 1 had not only auto-bus, but also trolley bus and tram service. The Parcel 1 neighborhood appeared more attractive and offered more social infrastructure. In sum, Parcel 1 appealed to a broader market of office building tenants, retailers, hotel operators, and apartment buyers, and could command a premium from private developers seeking a location with the greatest potential and least risk.

In selecting parcels, then, cities need to remember that their legitimate desire to see a specific parcel of land developed for the public's benefit may not be shared by a private sector primarily concerned with financial risk and reward. The locational decisions of businesses that either construct buildings for themselves or rent space in buildings constructed by others reflect factors that enhance the economics of the enterprise, including convenience for those doing business with the enterprise, the image or prestige which the enterprise wishes to convey by its choice of location, ease of access for employees, and desires of senior management. Cities always need to consider the following elements of location important to private developers and enterprises:

- Proximity to areas important to tenants or users of the parcel.
- Transportation accessibility.
- Image or prestige of the area.
- Physical quality of the neighborhood.
- Quantity and quality of surrounding social infrastructure.

In addition to overall locational characteristics, the selection of auction parcels must also take into account other issues related to the land parcel, including the following:

- Availability and cost of the engineering infrastructure serving the parcel.
- Configuration and size of the parcel.
- Environmental problems.
- Structures located on the parcel.
- Market demand for uses appropriate for the parcel.

Annex 3 contains a more detailed discussion of these criteria.

STEP 5. DRAFT AND ADOPT NECESSARY LEGAL DOCUMENTS (WEEKS 3-7).

The working group must draft a number of legal documents necessary for the holding of a land auction. One set of documents, issued by the local rada or executive committee as decisions, regulations, or orders, announces the rules, terms, and conditions of the land auction itself. The other set of documents includes agreements that must be filled out by the city or auction organizer on the one hand, and bidders on the other. These agreements allow potential bidders to participate in the auction and, depending on the type of right being auctioned, to realize their right if they are winning bidders. Table 4 sets forth the documents needed for each of the four types of rights sold at auction. Models of these legal documents appear in Annex 1. The following summary describes some of the more important aspects covered in these documents.

TABLE 4: TYPE OF RIGHT SOLD AND ASSOCIATED DOCUMENTS

The Type Of Right To Be Sold At The Land Auction

*Necessary
Legal
Documents
Binding The
City And
Bidders
(In Chrono-
logical
Order)*

<p>The right to lease long-term a parcel.</p>	<p>The right to develop a parcel for an individual private house, dacha, or garage.</p>	<p>The right to privatize an unfinished construction object and the land parcel underneath it.</p>	<p>The right to privatize a gasoline service station that exclusively sells gas and oil to private individuals and the land parcel underneath it.</p>
<p>1. Land Auction Application. 2. Agreement on the Conditions for Participating in the Land Auction. 3. Auction Protocol. 4. City Rada of Peoples' Deputies Decision "On Allocating a Land Parcel on Long-Term Lease Conditions." 5. Agreement on the Right of Temporary Land Use (Including on Lease Conditions) ("Land Lease Agreement"). 6. State Act on the Right to Permanently Use a Land Parcel.</p>	<p>1. Land Auction Application. 2. Agreement on the Conditions for Participating in the Land Auction. 3. Auction Protocol. 4. City Rada of Peoples' Deputies Decision "On Allocating a Land Parcel for Individual Private Homes and Outbuildings." 5. State Act on the Right to Permanently Use or the Right to Privately Own a Land Parcel.</p>	<p>1. Privatization Auction (Unfinished Construction Objects) Application. 2. City Rada of Peoples' Deputies Privatization (Organ) Order, "On Approving the List of Objects of Unfinished Construction that are Eligible for Privatization." 3. Auction Protocol. 4. Purchase and Sale Agreement. 5. State Act on the Right to Permanently Use or the Right to Privately Own a Land Parcel.</p>	<p>1. Privatization Auction (Gasoline Service Station) Application. 2. Auction Protocol. 3. Purchase and Sale Agreement. 4. State Act on the Right to Permanently Use or Privately Own a Land Parcel.</p>

- *Regulations on Land Auctions in the City of _____* (“*Land Auction Regulations*”). These regulations set the procedure for selling through auction the right to a long-term lease and the right to develop a land parcel for an individual private home, dacha, or garage. The Land Auction Regulations cover procedures for preparing the auction, applying to participate in the auction, conducting the auction, and allocating land parcels to winning bidders. Rules governing sale of the right to privatize unfinished construction objects or gasoline service stations are not in these regulations, and instead are set forth in the respective Presidential Decrees reproduced in Annex 6.
- *Agreement on the Conditions for Participating in the Land Auction*. This agreement, signed by the city and interested bidders along with the *Land Auction Application*, provides the legal basis for the bidder to participate in the auction. Furthermore, if the bidder is the winning bidder, this Agreement along with a signed *Auction Protocol* constitutes the legal basis for the local rada to conclude a *Land Lease Agreement* if appropriate, take a decision transferring into lease, ownership, or use the relevant land parcel, and issue the relevant State Act. This Agreement enumerates the rights and responsibilities of both parties and the consequences if either one fails to live up to the terms of the agreement.
- *Agreement on the Right of Temporary Land Use (Including on Conditions of Lease)* (“*Land Lease Agreement*”). This agreement, signed by the city and the winning bidder, sets forth the rights and responsibilities associated with the leasing of a land parcel. It is signed only after all the conditions outlined in the *Agreement on the Conditions for Participating in the Land Auction* have been met, the city has issued a decision allocating the land parcel to the winning bidder, and the city has determined on site the land parcel’s boundaries.
- *City Rada of Peoples’ Deputies (Privatization Organ) Order, “On Approving the List of Objects which are Eligible for Privatization.”* This order provides the legal basis for the city to auction the right to privatize the unfinished construction objects and the land parcels beneath them. It includes information about the objects, including their complete names, addresses, and conditions of sale and use.
- *Privatization Auction Application*. Once approved, this application used for the unfinished construction object auction is the only document needed for bidders to participate. If the bidder becomes the winning bidder, this document along with the signed *Auction Protocol* is the basis for signing a *Purchase and Sale Agreement*.
- *Purchase and Sale Agreement*. This agreement, signed by the city and the winning bidder, provides the rights and responsibilities associated with the purchase of the right to privatize an unfinished construction object and the land parcel underneath it.

- *Agreement on Conducting a Land Auction.* This agreement between the city and the auction organizer must be signed no later than two to three weeks before the auction. This document commissions the auction organizer to take responsibility for the technical preparations of the auction as described in the *Land Auction Regulations*. Such preparations may include implementation of the advertising campaign; bidder registration including accounting procedures; application processing and agreement signing; auction event arrangements (room rental, bidder cards, providing a professional auctioneer, maintaining *Auction Protocol*, etc.); and post-auction activities, including the signing of the auction protocol.

STEP 6. DETERMINE ALLOWABLE USES FOR THE LAND PARCELS (WEEKS 5-9).

For bidders at the land auction, one of the most important issues is what they will be allowed to construct on the offered land parcels. Even the best-located land parcel in the center of downtown may be rendered undesirable simply by limiting it to a use not demanded by the market. The simplest way to secure the highest bids and highest revenue from the auction would be to impose no restrictions at all on use of the land parcels. Of course, such an approach would not be proper, since it would allow the winning bidder to construct something potentially harmful to the neighbors or completely against the interests of the city. For example, the development of a noisy and dirty factory in a quiet residential neighborhood would be inappropriate, just as the development of a small private home on a land parcel located at the center of the city's main shopping street would also be wasteful.

At the same time, if a city continues to employ in a traditional fashion the mechanism of narrowly defined and specified "target uses" — a bakery or a barber shop, for example — to be developed on the offered land parcel, then that city will jeopardize the success of the auction by reducing the interest of potential bidders and decreasing the amount of revenue generated from the auction. As economic decisions in the city move from administrative to market-based determinations, the private sector bidder will increasingly be in the best position to judge what uses are desired by consumers. Indeed, a key benefit of auctions is the opportunity to enlist the expertise and knowledge of local entrepreneurs, rather than chief architects and public planners, to make some of the decisions regarding the most productive use of land.

In setting "target uses" for the parcels, the city should ensure that bidders have ample choice about how to use the parcel. To this end, the city should allow a broad range of uses and shapes of buildings on each offered parcel. For many parcels, an appropriate "target use" might state that the parcel may be used for any commercial or residential use not to exceed 500 square meters in size and 15 meters in height. Another popular use category would be service stations and garages. The city should announce permissible uses at the time the land parcels and their starting prices are initially announced to the public.

STEP 7. DETERMINE TECHNICAL CONDITIONS (WEEKS 5-9).

A land parcel's technical conditions — the requirements and monetary amount paid by developers to compensate the municipality for the proposed project's impact on and need for additional municipal engineering infrastructure — play a major role when potential bidders decide whether or not to participate in the auction. Technical conditions vary from parcel to parcel depending on such factors as the permitted land uses, the proposed project's anticipated build-out, the parcel's distance from an existing utility line (electric, gas, water, sewer, telephone), the condition and width of adjacent streets and sidewalks, the community requirements for street lighting, and so forth. In terms of monetary cost, technical conditions can range from zero to being more costly than the construction costs of the project itself. Given the potentially large financial uncertainty presented by technical conditions, it is extremely important for bidders to know the maximum amount they will have to pay for technical conditions in order to know what they can afford to bid for the given parcel at the auction.

The extent and cost of technical conditions are generally determined in a lengthy process whereby technical service providers such as gas, water, and electricity companies base their determinations on specific project design proposals already being reviewed by the city's project approval officials. This approach to technical conditions preparation is not suited to land auctions, where potential bidders want to know before bidding how much technical conditions will cost, even though the project design is still unknown and only a range of target uses is defined. Ukrainian cities which have already held successful land auctions have used an alternative approach to technical conditions in order to provide bidders with the most financial information possible to assist them in deciding whether or not to participate and how much they can afford to bid. Below are descriptions of three possible approaches that can be used individually or in combination to provide technical condition estimates for the land parcels to be auctioned. While they have differences, they share the common goal of providing potential bidders with a real value that can be used in their calculations. Regardless of the approach used, it is imperative that the city try to receive written approval from the technical service providers that each will support the new technical conditions approach. Without such a guarantee, the city's promises to bidders may not be realized and the city itself may end up paying for the technical condition improvements.

- **Approach 1. The city guarantees that the cost of technical conditions will not exceed a specified percentage of the winning bidder's project construction cost.** This was the approach used by the four auction cities in 1994. For example, Kharkiv and Chernihiv guaranteed that the technical conditions would not exceed 30% of the construction cost, while Odessa and L'viv guaranteed they would not exceed 50%. The main advantage of this approach is its simplicity: a potential bidder able to estimate future construction costs can also estimate the technical conditions cost. The main disadvantage of this approach is that this cost may exceed or may be less than the actual infrastructure costs.

- **Approach 2. The city can make available existing information related to the engineering infrastructure for the offered parcels, including the latest approved technical conditions for any projects previously proposed but not started or completed.** This approach works best for parcels already well-served by infrastructure or where developers have recently filed project design documents. Potential bidders interested in constructing buildings whose profiles are similar to projects where technical conditions calculations already exist would benefit most under this approach. This assumes, of course, that the service providers would continue to rely on such previous calculations. This approach does not assist those whose projects greatly differ from earlier proposed projects nor those whose parcels would be located in largely undeveloped regions.
- **Approach 3. The technical service providers can prepare a range of technical conditions for a range of build-outs for each parcel.** This approach most benefits potential bidders by providing parcel-based information. At the same time, it places a tremendous burden on the technical service providers, who must take the time to prepare such information and may be unwilling to do so. Parcels revealed by this approach to have a low cost for technical conditions can become attractive to potential bidders and receive higher bids. Conversely, parcels with extremely high technical conditions can be identified and either not used in the auction or given a lower starting price.

STEP 8. DETERMINE STARTING PRICES (WEEKS 5-9).

Starting prices are prices for the rights to offered land parcels, announced before and at the auction, below which no bid will be accepted. Starting prices are not market prices or ending prices. They are simply points at which the auction bidding begins. Low starting prices spawn a psychology of interest and excitement among potential buyers — the sense that they can obtain a good deal. Low starting prices entice people to enter the process, to obtain more information, to become more committed. High starting prices deter people from ever taking that crucial first look, a look that might involve them in the bidding. Contrary to the belief of some, the fact that final bids exceed only by a small amount, or exceed by many times, the starting prices, does not indicate that starting prices were too low. The whole point of an auction is to allow the market, through competitive bidding, to place a value on the land parcel. At Kharkiv's third land auction, a parcel with the second lowest starting price, \$823 U.S., yielded the highest price, over \$155,000 U.S., with 15 bidders actively participating.

How should one set starting prices? To begin with, it is recommended that the parcels be appraised for their market values. This requires the services of a skilled appraiser, who considers each parcel on its own merits and does not rely exclusively on an artificial formula-driven normative value calculation. It is important when determining appraised market values to take into account all costs which a prospective developer or user must pay in addition to the acquisition price for the rights to the land parcel. For

example, if the developer is to buy a land parcel currently occupied by temporary garages, a parking area, and a small, older apartment building, the price must reflect the cost to the purchaser of relocating all uses presently on the parcel, with adequate compensation for moving the tenants. Similarly, if the city is to receive substantial technical conditions payments, then the market value of the land parcel must take into account the cost of technical conditions to the developer. Annex 4 contains a detailed description of land parcel appraisal techniques.

Although the appraised market value itself is not the starting price, it can provide a guide to what the city may expect to receive at the auction. It is standard practice to set the starting price at anywhere from 10% to 50% of the appraised market value, depending on political and economic considerations in the city. As described earlier, reasonably low starting prices encourage bidders to actively compete for a parcel. Part of the art of auctions is to establish a bidding psychology that encourages bidders as the price spirals upward. By starting with a relatively low initial price, more bidders get involved, the activity reaches a faster pace, and the eventual selling price is driven ever higher. When a starting price is established at too high a level, the number of bidders, level of bidding activity, and interest in the parcel often diminish, resulting in an ultimately lower selling price.

Starting prices do play a legitimizing role for the entire auction process. The credibility of the auction is placed at risk if the public feels that the bidders "stole" the parcels by paying only a symbolic amount, or if there is a widespread attitude that there was collusion among bidders or the city arranged for a land give-away. Thus, the city should never set starting prices below a level where, if the parcel sold for at or near that amount, city officials would be ashamed to look into the eyes of residents without feeling that the land was "given" away. While the public and media will understandably focus on the auction results, city officials should also remind them that the amount for which a land parcel is sold at auction is only one of three financial gains for the city. The winning bidder also pays the cost of the technical conditions of the parcel and finances socially and economically beneficial construction.

Unlike land auctions which sell the right to long-term leases and the right to develop, auctions involving unfinished construction objects and the land parcels underneath them must follow a legislated process for determining the object's starting price. In so doing, however, it is important to keep many of the above-described considerations in mind, especially if the legally mandated process produces a starting price above the market value of the land parcel itself.

STEP 9. PREPARE AND IMPLEMENT A MARKETING AND PUBLIC RELATIONS CAMPAIGN (WEEKS 3-14).

A successful marketing and public relations campaign achieves two crucial objectives for land auctions: it attracts potential bidders and promotes a positive public attitude toward the auction process. The more potential bidders know about the details, the more they will be interested in participating. The more the public knows about the auction, the more it will understand the auction as an important reform effort and not some improper or wrong-headed effort. The marketing and public relations campaign should be prepared by skilled professionals under the direction of the auction organizer and the working group.

Cities must be cautioned against the classic error of believing that marketing and public relations are not really important. The 1994 land auction experience has shown otherwise. Although some city officials either do not understand marketing and believe that personal contacts will suffice, previous auctions reveal a correlation between robust advertising and ultimate success. The biggest decision facing the city is how to reach as many potential bidders as possible and educate the public with the limited advertising funds available. Typically, the first step in designing the marketing campaign is determining which audience one is trying to reach — the business community, the public at large, and foreign investors, for example. The next step is to design the message for each group the city needs to reach. Finally, given the limits imposed by available funds for advertising, the city must choose the medium for delivering the message.

It is essential to promote the auction event in a variety of media outlets in order to ensure the greatest chance for reaching the intended audience. Each communication medium (television, radio, newspapers, and street signs) has certain advantages and disadvantages. Paid television advertisements, the most expensive form of marketing, reach the largest number of people, but typically offer little substantive information because of time limitations. Paid radio advertisements, the next most expensive medium, reach the second largest number of people, but without the visual impact of television. Newspaper advertisements can provide a great deal of information, but reach a more limited audience and have a low visual impact. Street advertising (posters, pamphlets, banners, and billboards) can provide good visual impact but reach the smallest audience. Annex 2 contains examples of television, radio, newspaper, and street paid advertisements. Television, radio, and newspapers can also convey information about the auction for free, through news articles and reports on the auction, and such “free” advertising can be as important as paid advertising.

The experience of some of the land auctions indicates that paid radio advertisements, longer format paid television information programs, and direct mailing/faxing are among the most effective media for attracting potential bidders to the auction. Radio is highly effective, for the reason that many business people listen to the radio but have less time to watch much television, read many newspapers, or casually walk around the city. Twenty to thirty-minute long informative television commercials that discuss with rele-

vant city officials the auction itself and show the parcels and what may be built upon them, have proved effective. Live television and radio call-in events provide an interactive opportunity for city officials to answer substantive questions from the public. Direct mailing and faxing to businesses and individuals can reach specially identified bidders.

A campaign should ideally commence four weeks before the auction, with a newspaper advertisement announcing the auction date and location, the list of land parcels, and their starting price (see Annex 2:5). Potential bidders need time to study the parcels, to become familiar with the idea of buying rights to land parcels through auctions, and to marshal the necessary financial resources. Annex 2:2 describes the 30-day strategy employed by each of the 1994 land auctions, and illustrates three separate advertising phases: long-range, mid-range, and short-range. Long-range activities include planning, designing advertisements, and early publicity briefings including pre-auction press releases. Mid-range activities include the commencement of the television and radio campaign, poster and banner displays, direct mailing/faxing of auction materials, and press interviews. Short-range activities include the final intense barrage of information through all media outlets. Certain time periods need to be more active than others. The final two-and-one-half weeks before the auction, for example, should see the highest level of advertising.

Annex 2:3 contains the logo used by the 1994 land auctions. This logo figure, depicting a land surveyor, may adorn all auction-related advertising materials, including posters, newspaper ads, pamphlets, television ads, banners, and the information packet cover. Having a consistently employed logo connects all of these items with the land auction. Thus, someone already familiar with the logo figure would only need to see it on another piece of advertisement to know immediately that it involves the land auction. Once the logo enjoys this type of familiarity, advertising for future auctions becomes easier.

The press plays an important role in the public's perception of land auctions, both positively and negatively. Journalists may be great proponents of the land auctions, providing "free advertisements," or they may be critical. Providing reporters with timely, well-written press releases and other auction information is thus critical (see Annexes 2:4 and 2:12). The following strategy can maximize positive press coverage:

- Select several local officials who will be spokespersons for the auction. The individuals may include the Mayor and Deputy Chairman of the Rada, the Deputy Chairman of the Executive Committee, the Chief Architect, the Head of the Privatization Committee, the head press representative for the city, the head of the commodity exchange, etc.
- Determine the message that each official will present to the public. Each individual can potentially deliver special parts of the larger message and have a role which fits into the overall auction advertising process.

- Prepare and issue a pre-auction press release that conveys the desired message and includes auction-related information (see Annex 2:4).
- Organize and conduct press conferences, roundtable discussions, and other events with the above spokespersons to which all local press is invited.
- Organize with local television and radio stations live call-in talk shows.
- Organize with local television, radio, and newspapers a series of “exclusive” interviews.

Finally, following the auction, the city should hold a scheduled post-auction press conference with the spokespersons. At this press conference, a post-auction press release should be distributed, including information related to the number of rights to parcels sold, the total amount of money raised, the winning bidders, and the date of the next auction.

STEP 10. COMMENCE REGISTRATION OF BIDDERS (WEEKS 10-14).

The auction organizer should be prepared to register bidders as soon as the marketing and public relations campaign begins. Registration should continue until as close as possible to the day of the auction itself, usually up to one day before. The ability to process deposits from registered bidders will determine the final cut-off time.

As described in the *Land Auction Regulations* (see Annexes 1:2A and 1:2A(i)), potential bidders file the appropriate application (Annex 1:4), pay a non-refundable registration fee, and a deposit of 10% of the land parcel’s starting price. Bidder information is entered into a registration book for each parcel. The deposit can be handled in one of two ways: the bidder can bring the sum in cash or the bidder can bring a certified bank deposit form showing the transfer of funds to a specified auction organizer account. Approved bidders receive bidder tickets from the auction organizer. Those interested in participating in an auction selling the rights to long-term lease or to develop a land parcel for an individual private house, dacha, or garage must also sign an *Agreement on the Conditions for Participating in the Land Auction* (see Annex 1:2A(i)).

STEP 11. HOLD AN INFORMATION MEETING (WEEK 12).

At least two weeks prior to the auction event, the city should invite all interested physical and juridical entities to a public information meeting at which key members of the working group answer questions about the auction process, the objects being sold, and any other issues raised by those in attendance. This meeting has three principal benefits. First, it allows potential bidders to obtain information about the auction that is not answered satisfactorily in the written information. Second, it gives bidders the opportunity to meet and talk with the city officials with whom they will be dealing before, during,

and after the auction. Participation in the auction by private entities demands a degree of confidence and comfort especially availing from fact-to-face meetings. Third, the meeting allows city officials to gain an initial sense about how much interest exists in the land parcels and the auction, who is interested in participating, and what the concerns of potential bidders are. Based upon this information, city officials may decide to modify certain aspects of the auction — adding or subtracting parcels, or modifying starting prices, for example — prior to the auction event.

The city should widely advertise the time and place of the information meeting at least one week in advance of the meeting. Information packets and large maps showing the location of the parcels should be available at the meeting.

STEP 12. MAKE FINAL ARRANGEMENTS FOR THE LAND AUCTION (WEEKS 12-14).

The auction organizer is responsible for ensuring that the auction takes place as planned. The working group should review each aspect of the auction event with the auction organizer at least one week in advance of the auction. A typical auction event will require the following:

- An auctioneer.
- A hall with an electric auction tabulation board and audio equipment.
- Trained personnel to record auction results in the Auction Protocol and to assure that it is signed.
- Numbered cards for bidders.
- Tickets for members of the public wishing to attend the auction.
- A press room for journalists wishing to attend the auction.
- Arrangements for last-minute bidders wishing to participate in the auction.

STEP 13. HOLD THE LAND AUCTION (WEEK 14).

Immediately prior to the scheduled time of the auction event, the formally established auction commission composed of key members of the working group meets to resolve any final questions surrounding the auction (see Annex 1:2C). The commission makes final decisions about which parcels are eligible to be offered at the auction and will resolve any lingering disputes. Typical issues may include whether a specific parcel has a

sufficient number of bidders and whether bidders have correctly followed auction rules and made the required deposits. As the *Land Auction Regulations* indicate, cities have typically required a minimum of three bidders for each parcel to lessen the possibility of bidder collusion.

The auction organizer conducts the auction under the watchful eye of the commission. At a city's first auction, the mayor or chairperson of the working group welcomes bidders, members of the public, and journalists, and describe the city's goals in holding the auction. The auctioneer then takes charge, describes the process of the auction, and begins the bidding. The *Land Auction Regulations* instruct how bidders bid, what is the step interval required for each bid above the previous bid, whether the auctioneer or the bidders state the new bid, whether there is a set amount of time for each bid or continual movement to the higher bid, and so forth (see Annex 1:2A).

Either at the end of bidding for each parcel or at the end of the entire auction, the auction organizer, the city, and the winning bidder sign the *Auction Protocol* (see Annex 1:8) as specified in the *Land Auction Regulations*.

STEP 14. CLOSE THE DEALS (WEEK 14).

After the excitement of the land auction itself has abated, the city and winning bidder must concentrate on rapidly and completely fulfilling the obligations they have respectively assumed. These obligations are set forth in the *Land Auction Regulations* and the *Agreement on the Conditions for Participating in the Land Auction* (see Annex 1:2A(i)). For the city, this means that the local rada must be prepared immediately to make decisions to allocate the land parcel for lease or ownership to the winning bidder. For the winning bidder, this means the making of remaining payments to the city. Delays in the execution of required documents and actions undermine the credibility of the entire auction process and make future auction participants wary. The auction working group should designate one or more of its members, including the lawyer-member, to have primary post-auction responsibility for completing the deals. Furthermore, it is essential that losing bidders' deposits be refunded as soon as possible, and certainly no later than the time designated in the *Land Auction Regulations*.

STEP 15. INSTITUTIONALIZE THE LAND AUCTION PROCESS (WEEK 14+).

The institutionalization of land auctions means that they occur on a predictable and reliable schedule, and that they represent a realistic, efficient, and accessible method for physical and juridical entities to acquire desirable land parcels. Depending on the ambitions of the city, land auctions can be weekly, bi-weekly, monthly, or quarterly events. Anything less frequent becomes a special one-time event, and not a serious component of the city's land allocation approach. The establishment of an office or department to implement the land auction is also important to institutionalization. A successful land auction

program requires considerable expertise and ongoing administrative capacity. While the working group is essential for the startup, it is less suited for the continuing implementation of a regular series of auctions. A formal office, either within an existing department or as a separate department, with principal responsibility for preparing and overseeing future auctions and other competitive land allocation mechanisms, can give the program needed momentum into the future. The office should have operational responsibility for some activities (including selection of land parcels and preparation of information packets) and coordinating responsibility for others (determination of permitted uses, for example). The City of Kharkiv has created such a land office and given it responsibility for all future land auctions.

Finally, institutionalization of the auction program will occur only if land auctions are seen by physical and juridical entities wishing to acquire land as the only or preferable way to acquire land parcels. If entities may obtain land parcels more easily through a process other than the land auction, they will do so. The city should make it clear that land auctions and other competitive mechanisms will be the principal, if not the only, means to acquire land. The City of Kharkiv has announced that, at least in its central downtown area, land parcels will be allocated through competitive methods. The auction office should not have to compete with other departments in the city government for allocating land parcels.

ANNEXES

- ANNEX 1: LAND AUCTION MODEL LEGAL DOCUMENTS**
- ANNEX 2: OTHER LAND AUCTION MODEL DOCUMENTS**
- ANNEX 3: LAND PARCEL SELECTION CRITERIA**
- ANNEX 4: LAND PARCEL APPRAISAL TECHNIQUES**
- ANNEX 5: THE COMPETITIVE TENDER/REQUEST FOR PROPOSAL METHOD**
- ANNEX 6: EXCERPTS FROM RELEVANT NATIONAL LAWS**
- ANNEX 7: LAND AUCTION RESULTS FOR 1994**

ANNEX 1: LAND AUCTION MODEL LEGAL DOCUMENTS

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ANNEX 1:1 "ON PREPARING A LAND AUCTION"

U K R A I N E

CITY RADA OF PEOPLES' DEPUTIES
EXECUTIVE COMMITTEE

D E C I S I O N

No. _____
" ____ " _____ 199__

On Preparing A Land Auction

With the goal of introducing into the City of _____ an auction mechanism of land parcel allocation, obtaining additional revenues for developing the city infrastructure and satisfying the social and economic needs of the City of _____, and guided by the Resolution of the Supreme Rada of Ukraine "On Acceleration of Land Reform and Land Privatization" of March 13, 1992, the Executive Committee

DECIDED:

1. To create a Working Group that will prepare propositions for the procedure and conditions of allocating land parcels through an auction (the List of the Working Group Members, Attachment 1).

2. To approve the Schedule of Activities (Attachment 2), which will guide the Working Group members in preparing the land auction.

3. The Working Group (Mr. _____) before _____, 199__ is to submit for the City Rada's consideration propositions regarding the allocation of land parcels through an auction and procedure for conducting such a land auction.

4. To appoint Deputy Chairman of the City Executive Committee
Mr. _____ to be in charge of controlling the fulfillment of this Decision.

Chairman of the Rada _____
Chairman of the Executive Committee _____

ANNEX 1:1A "LIST OF THE WORKING GROUP MEMBERS WHO ARE TO PREPARE A LAND AUCTION IN THE CITY OF _____"

Attachment No. 1

**LIST OF THE WORKING GROUP MEMBERS WHO ARE TO PREPARE
A LAND AUCTION IN THE CITY OF _____**

Name	Position
1.	
2.	
3.	
4.	
.	
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ANNEX 1:1B "SCHEDULE OF ACTIVITIES FOR PREPARING AND CONDUCTING A LAND AUCTION IN THE CITY OF _____"

Attachment No. 2

**SCHEDULE OF ACTIVITIES FOR PREPARING AND CONDUCTING
A LAND AUCTION IN THE CITY OF _____**

ACTIVITY	BEGIN DATE	OFFICE RESPONSIBLE
A. PARCEL SELECTION		
Parcel Research		
Parcel Nomination		
Decision of the Executive Committee on Preparing a Land Auction (Creates the Working Group)		
Final Auction Parcel Selection		
Preparation of Technical Conditions		
Establishment of Starting Prices		
Completion of Information Packets		
B. AUCTION RULES AND PROCEDURES		
Draft Executive Committee Decision on Preparing a Land Auction and Conducting a Land Auction		
Prepare/Approve: Bidder Eligibility, Auction Rules, Description of Responsibilities, and Obligations and Protocol		
Prepare/Approve Agreements on Lease, Purchase and Sale, and Auction Organizer		
C. MARKETING AND PUBLICITY		
Design Advertising Layout, Identify Media Outlets		
Prepare/Approve Advertising Budget		
Commence Media Campaign		
Set-up Information Outlets		
D. AUCTION AND SALE IMPLEMENTATION		
Hold Pre-Auction Information Meeting		
Execute Agreement with (Auction Organizer) to Conduct the Auction		
Negotiate and Conclude Agreements with Winners		

ANNEX 1:2 "ON CONDUCTING A LAND AUCTION IN THE CITY OF _____"

U K R A I N E

_____ CITY RADA OF PEOPLES' DEPUTIES

D E C I S I O N

No. _____
 _____, 199__

The City of _____

On Conducting a Land Auction in the City of _____

With the goal of introducing into the City of _____ an auction mechanism of land parcel allocation, ensuring the effective use of the city land fund by fostering the development of market mechanisms, obtaining additional revenues for the city budget to successfully realize social, economic, housing, and infrastructure development programs, being guided by Clause 17 of Article 19 of Law of Ukraine "On Local Radas of Peoples' Deputies and Local and Regional Governments," Articles 3, 6, 7, 8, 10, 19 of the Land Code of Ukraine, the Supreme Rada Resolution of March 13, 1992 "On Accelerating Land Reform and Land Privatization," as well as taking into consideration the proposals of the working group formed in accordance with the Decision of the Chairman of the City Rada of Peoples' Deputies #___ of _____ "On Preparing A Land Auction," the _____ City Rada of Peoples' Deputies

DECIDED:

1. To conduct a land auction in the City of _____.
2. To approve the Regulations on Land Auctions in the City of _____ together with Attachments. (Attachment No. 1).
3. To approve the list of parcels submitted for auction together with their technical and economic characteristics (Attachment No. 2).
4. The land auction will be held on _____, 199__.
5. To create a Control Commission to resolve any issues that may arise during the course of the auction (Attachment No. 3).
6. To authorize Deputy Chairman of _____ City Rada of Peoples' Deputies Mr. _____ to conclude on behalf of the City Rada agreements with participants of the auction, as well as process other documents required for conducting the auction.
7. To authorize Mr. _____ to conclude on behalf of the City Rada an Agreement on conducting the auction with the (Auction Organizer).
8. To appoint Deputy Chairman of the City Executive Committee Mr. _____ to be in charge of controlling the fulfillment of this Decision.

Chairman of the Rada _____

ANNEX 1:2A "REGULATIONS ON LAND AUCTIONS IN THE CITY OF _____
(‘LAND AUCTION REGULATIONS’)"

Attachment No. 1

Approved by
the ___ session of the City Rada
_____ 199__

REGULATIONS
On Land Auctions In The City Of _____

1. General Regulations.

1.1. These Regulations set the procedure of allocating land parcels to juridical entities and physical persons on long-term lease conditions for up to 50 years for the development of market infrastructure objects and multi-storied housing, and also into permanent use with the further transfer of ownership of land parcels (to the relevant users) for the development of individual houses, dachas, and garage facilities through an auction and in accordance with current Ukrainian legislation.

1.2. The Auction shall be conducted pursuing the goal of introducing such a procedure in the City of _____ that allocates land parcels on a competitive basis, in order to provide for the efficient use of land, and to obtain additional funds for city programs of social, housing, and infrastructure-related development.

1.3. Eligible to participate in the auction are citizens of Ukraine, enterprises incorporated in Ukraine, institutions and organizations, business partnerships, public associations and religious organizations, joint ventures, international associations and other entities with the participation of Ukrainian and foreign juridical entities and individuals, 100% foreign-investor owned businesses, and also foreign states, international institutions, juridical entities and physical persons without citizenship (hereinafter referred to as Bidder).

1.4. The object of the auction is the right to purchase a long-term lease for a period of up to 50 years (with the preferential right to prolong for the next 50 years) of land parcels located in the territory of the City of _____ for development and use of the objects, the target use of which is determined for each parcel separately, or the right to develop a land parcel with an individual house, dacha, or garage facility.

1.5. For objects of market infrastructure and housing, excluding individual houses, _____ % of the estimated construction costs shall be transferred for the purposes of the city's programs of engineering and social development. This is provided, however, that such estimated construction costs are calculated using the average cost for constructing a similar amount of space at the moment that construction is begun.

1.6. These funds, which are transferred for the development of the city's engineering and social infrastructure development, shall be paid by the Winning Bidder quarterly and in equal portions during the overall construction period. This is provided however, that the remaining balance of such funds shall be subject to adjustments related to changes with capital construction costs.

1.7. The land parcels that are to be transferred to the Winning Bidder, including the engineering and social infrastructure facilities thereon, if any, as well as the terms and conditions of the lease agreement, shall be subject to examination and approval at the session of the _____ City Rada.

1.8. Prior to the Auction, the City Rada or the Executive Committee shall determine the Auction's date, time and location, the starting prices, and technical conditions of each land parcel offered for the Auction.

1.9. The funds received at the Auction shall be credited to the special account of the above-mentioned Executive Committee and used as decided by the _____ City Rada. All payments, envisioned by this Regulation and Attachments, shall be made in equivalent amounts of Ukrainian karbovanets at the purchase rate of U.S. dollars established by the Ukrainian Interbank Foreign Exchange on the day of payment. This is provided, however, that the amount due for the winning lot shall not be less in terms of U.S. dollars than the lot's final selling price on the day of the Auction.

1.10. Land parcels, whose rights to lease are being offered at the Auction, shall not be limited in any way or otherwise encumbered by the ownership and/or lease by a third party.

2. Auction Preparation.

2.1. The _____ City Rada shall select the Organizer of the Auction and enter into an Agreement for conducting the Auction with it in accordance with these Regulations.

2.2. No later than four weeks prior to the Auction, the Executive Committee shall put a notice in the mass media that includes information on the land parcels that will be transferred to the Winning Bidders. Such information shall include the following data: each land parcel's location; each parcel's total area and target use; the available area for development; the lease payment and existing engineering and social infrastructure facilities, if any; the (geometrical) distance to the center of the city; the starting price per one square meter of land; the total starting price; the deposit fee; the bank requirements and the associated account number to which the registration fees, information package charges, deposit fee and the bid amount due for the purchased lot are to be transferred; the deadline to file and apply for participation; the date, time, and location of the Auction; the address, telephone numbers, and work hours of the Auction Organizer; and other information which the Executive Committee should consider relevant.

2.3. In order to participate in the Auction, juridical entities and physical persons shall file an application, pay a registration fee for the value of the auction information packet which are determined by the Executive Committee and a deposit fee equal to 10% of the starting price. Juridical entities and physical persons shall also file other such documents as may be required by the procedure of filing for participation as per these Regulations.

Juridical entities wishing to acquire land parcels under lease conditions for the purposes of developing objects of market infrastructure and housing shall enjoy the right to apply to bid for all the lots offered.

Physical persons wishing to acquire the right to develop land parcels with an individual house, dacha and/or garage shall have the right to apply to bid on only one of the lots offered.

2.4. Bidder information should be entered into Registration Books separately with respect to each individual lot offered in accordance with the established form.

2.5. Auction participation application filing shall terminate 24 hours prior to the beginning of the Auction.

2.6. On the date of filing, the applicant who intends to participate in the Auction and the _____ City Rada shall enter into an Agreement on the Conditions for Participating in the Land Auction (see Attachment No. 1) which Agreement shall be executed in three copies. This Agreement shall be a condition precedent to registering the juridical entity, or a physical person, as a Bidder.

2.7. The Auction Organizer shall produce tickets for the Bidders. For non-participating parties, the Auction Organizer shall produce tickets and establish their price.

2.8. A land parcel will be included for auction if at least three Bidders are registered to participate in the bidding for that parcel.

2.9. For the purposes of expediently resolving issues that may arise during the Auction, the _____ City Rada shall appoint a Control Commission consisting of the following parties: an authorized representative of the City Rada (Chairman of the Control Commission); the head of the land management department; a representative of the Auction Organizer; the director of the general department for architecture and city development; and five deputies of the City Rada.

Such a Control Commission herein shall monitor the pre-Auction activities, as well as the Auction itself. The Control Commission shall also have the following authority:

- to remove a land parcel from the Auction, should any violation during either the pre-Auction preparation stage and/or the actual Auction be identified;
- to terminate the Auction, should any violation by the Auction Organizer be identified with regard to the Agreement entered as stated by 2.1. above;
- to file a petition with the City Rada regarding the finding, in accordance with current Ukrainian legislation, that the results of the auction are null and void on a particular lot, where Auction violations have been identified; and
- to check the documents submitted by the Bidders.

3. Procedure On Applying To Participate In The Auction.

3.1. Juridical entities and physical persons interested in participating in the Auction obtain an information packet.

3.2. Juridical entities and physical persons who agree with the conditions of the auction and wish to participate in it submit an application to participate.

3.3. Applications are to be submitted to the (Auction Organizer) no later than 24 hours before the auction.

3.4. Applications are submitted as per the established form in three copies.

3.5. A juridical entity or a physical person who submits an application is considered an Applicant.

3.6. The application form is to be filled in by the Applicant in black type and in either the Ukrainian or Russian language. The applications are to be completed accurately without corrections or alterations.

3.7. The application consists of four parts:

- in the first part (the Object), the data on the object of sale are given, for example, the right to lease a land parcel;
- in the second part (the Applicant), the data on the Applicant are given that include information on him or his proxy;
- in the third part (Conditions), the Applicant's obligation to fulfill the conditions and rules of the auction bidding is described;
- in the fourth part (Documents), documents obligatory for the Applicant are listed.

3.8. The following entities and persons have the right to sign an application:

- for juridical entities: the head person or his proxy, whose signature is certified by the juridical entity's seal; and
- for a physical person: citizens of Ukraine; and persons without citizenship or their proxy, whose signature has been notarized.

3.9. Upon submitting an application, a registration fee is paid and documents that confirm the payment of a deposit fee equaling 10% of the starting lease payment or starting price are also submitted.

3.10. Registration can be refused if the application is submitted by persons who do not have the right to participate in the auction as per approved Regulation or current Ukrainian legislation.

3.11. While registering the application, a proxy of the Auction Organizer marks (with an "X") the applicable required documents, number of copies, the date, registration number and his signature, which is certified by the seal of the Auction Organizer.

3.12. Upon the application's registration, the Applicant becomes a Bidder.

3.13. The Agreement on the Conditions for Participating in the Land Auction is concluded between the Bidders and the City Rada of Peoples' Deputies.

3.14. The registered application and the Agreement are the grounds for participating in the auction.

4. Procedure And Conditions For Auction.

4.1. The Auction shall be conducted by the auctioneer, who provides technical and economic information, the land parcel's target use, and the type of right being offered prior to bidding. The start of bidding is the moment when the auctioneer announces the starting price for the first land parcel.

4.2. In the process of bidding, Bidders raise their bidders' cards, numbers toward the auctioneer.

4.3. If within three minutes after the starting price is announced three times, only one Bidder agrees with the price, the auctioneer, simultaneously with the rap of the gavel, announces the purchase of that particular right to the person who agreed with the price.

If within three minutes after the starting price is announced, the Bidders do not express their desire to acquire the offered lot for the starting price, the object is withdrawn from bidding and further bidding on this lot does not occur.

4.4. The starting price is increased in increments equal to 5% of the last bid.

4.5. An Auction Protocol is kept during the auction which reflects the starting price, Bidder information, price increases incorporating the 5% increments, and auction results (the final bid and information on the Winning Bidder).

4.6. Upon the Auction's completion, the auctioneer, the City Rada of Peoples' Deputies representative, and the Winning Bidder sign the Auction Protocol in four copies: two copies to the _____ City Rada of Peoples' Deputies; one to the Winning Bidder; and one to the Auction Organizer.

4.7. If the Winning Bidder refuses to sign the Auction Protocol, the Winning Bidder is not returned his deposit fee and is fined 20% of the final price. This fine must be paid to the _____ City Rada of Peoples' Deputies within 10 calendar days and the result of this bidding is null and void.

4.8. The Auction Protocol and the Agreement on the Conditions for Participating in the Land Auction are the grounds for transferring funds to the banking institution within 15 calendar days after the Auction. The payment shall be made in Ukrainian karbovanets equal to the amount of U.S. dollars established by the Ukrainian Interbank Foreign Exchange purchase rate on the day of payment, but not lower than the selling price of the lot on the date of the Auction.

4.9. If the Winning Bidder delays his payment, he will be fined for each day of delay at a rate of 5% of the unpaid amount. If the Winning Bidder's non-payment exceeds fifteen calendar days, the result of the bidding on this lot is null and void, the Bidder is not returned the deposit fee, and he is fined for the amount which equals 20% of the final lease amount, or selling price, of the lot he won.

4.10. The deposit fee is to be returned to all Auction Bidders within five banking days after the Auction. The Winning Bidder's deposit fee will be applied toward his settlement.

The registration fee is not recoverable.

4.11. Upon the successful fulfillment of the Agreement on the Conditions for Participating in the Land Auction, the _____ City Rada and the Winning Bidder will enter into an Agreement on the Right of Temporary Land Use (including on conditions of lease) (Attachment No. 2).

4.12. The right to land parcels, acquired for developing individual houses, dachas, and garages at the Auction, will be processed in accordance with current Ukrainian land legislation.

5. Procedure And Conditions For Allocating Land Parcels To Winning Bidders.

5.1. Within one month after the complete settlement of the Agreement on the Conditions for Participating in the Land Auction, the Winning Bidder's application, and the Auction Protocol, the _____ City Rada shall issue a Decision to lease the land parcel and allow for the designing and development of the object.

5.2. Within 15 days after the Decision is issued, the _____ City Rada of Peoples' Deputies Land Resources Department will perform an on-site survey to determine the physical boundaries of the land parcel in the presence of the Winning Bidder, after which the appropriate Act should be executed. Within 10 days after the physical limits of the land parcel have been determined, the _____ City Rada and the Winning Bidder shall enter into the Agreement on the Right of Temporary Land Use (Including on Lease Conditions), which shall provide for the terms and conditions of land use, the object's design and development requirements, and the architectural planning project. For land parcels where individual houses, dachas, and garages are to be developed, the _____ City Rada shall issue to the Winning Bidder a State Act on the Right to Permanently Use Land, or with the Winning Bidder's written permission, transfer the land parcel into the Winning Bidder's ownership and issue a State Act on the Right to Own within 15 days.

5.3. The Winning Bidder shall not have the right to use and/or develop the land parcel prior to the determination of its physical limits, nor before the Agreement on the Right of Temporary Land Use (Including on Lease Conditions) is concluded and he receives a permit to begin to design and develop an architectural planning project, or any other such document which certifies the right to permanently use or own the land parcel.

5.4. The land parcel's target use shall be indicated in the Agreement. If the Winning Bidder so desires, the land parcel's target use may be altered, conditional upon a subsequent City Rada Decision. Such changes should be included in the Lease Agreement.

5.5. The amount of the second portion of the land lease payment and land tax should be set according to the Decision of the _____ Oblast Rada on Tax Rates Related to Territorial Zones of the City. Such tax rates shall be subject to changes conditional upon changes of current and future Ukrainian legislation.

5.6. After the Winning Bidder develops cost estimate documents, they are to be approved in accordance with the procedure specified by current Ukrainian legislation. The target use of the designated object must be in complete compliance with the Lease Agreement or the related City Rada Decision.

5.7. The rights and obligation of the Lessee under the Lease Agreement for the land parcel may be reassigned to a third party, in accordance with 1.3, for a reassignment fee equal to 5% of the land parcel's Auction selling price payable to the City Rada in Ukrainian karbovanets equal to the Ukrainian Interbank Foreign Exchange purchase rate of U.S. dollars on the day of payment. The Lease Agreement is then subject to re-registration in accordance with current Ukrainian legislation. The Lease Agreement's terms and conditions shall be binding upon the

Lessee's successors, the City Rada's successor, and upon other local government organs provided for by existing Ukrainian legislation.

5.8. The Lessee has the preferential right to prolong the Lease Agreement for the land parcel with lease rates that do not exceed lease rates for the relevant City territorial zone on the date of signing the Lease.

5.9. The objects constructed by the Winning Bidder on the premises of the leased land shall be property of the Lessee and utilized by the latter independently.

5.10. During the term of the Lease Agreement, the Lessee shall have the right purchase the land parcel into ownership should Ukrainian legislation provide for private ownership of leased land parcels.

ANNEX 1:2A(i) "AGREEMENT ON THE CONDITIONS FOR PARTICIPATING IN THE LAND AUCTION"

Attachment No. 1
to the Regulation Approved
by the City Rada of Peoples' Deputies
Session on _____, 199 ____.

A G R E E M E N T

On The Conditions For Participating In The Land Auction

The City of _____
_____, 1994

The City Rada of Peoples' Deputies (hereinafter called "City Rada"),
in the person of

on the one hand, and

(full name, passport data - for a physical person; full name registered by whom,

registration number, address - for a juridical entity)

represented by _____

(full name, position)

(hereinafter called "Bidder"), who is registered for the land parcel

(address of the land parcel)

lot _____

(# of lot)

on the other hand, have agreed upon the following:

1. Subject of Agreement

1.1. The subject of this Agreement is the conditions of participating in the auction that involves the Winning Bidder proposing the highest amount for the right to lease land or for the right to develop a land parcel with an individual house, dacha and garage, with its subsequent transfer into ownership.

2. The City Rada shall:

2.1. Allocate to the Winning Bidder of the auction into temporary long-term use on lease conditions for a term up to 50 years or into permanent use with subsequent transfer into ownership the land parcel, specified in Clause 1 of this Agreement, after all of the necessary payments are made for the lot won, and in case of delay, after payment of the related penalty.

2.2. Within a month's time after the Winning Bidder fulfills Clause 4.1 of this Agreement and submits an application for permission to design and construct the object, to issue a Decision on allocating the land parcel on lease conditions or into permanent use and also to give permission for the design and construction of the object.

2.3. Not later than 15 days after issuing the Decision, specified in Clause 2.2 of this Agreement, determine the territorial boundaries of the land parcel in the presence of the auction's Winning Bidder and to issue the Act on Determining the Land Parcel's Boundaries.

2.4. Ensure that, after determining the boundaries of the land parcel, the parties of this Agreement conclude within 10 days an Agreement on the Right of Temporary Land Use (Including on Conditions of Lease), which determines the procedure, land parcel use conditions, and the terms of designing and constructing the object.

2.5. Give the technical conditions at the object design stage.

2.6. Within 10 days after determining the land parcel's boundaries, issue the required documents that confirm the permanent use right or the ownership right to the land parcel.

3. The Winning Bidder shall:

3.1. Pay the amounts within the terms specified in Section 4 of this Agreement.

3.2. Receive into temporary use on lease conditions or into permanent use the land parcel specified in Clause 1 of this Agreement.

3.3. Develop design and cost estimate documents for construction that are in compliance with the established procedure.

3.4. Conduct independently or with a contractor the object's construction, specified in Clause 1, as well as other objects and networks required for their use in compliance with the received technical conditions.

3.5. Pay the lease payment in the amount specified in the Lease Agreement of the land parcel within the terms determined by current Ukrainian legislation.

3.6. Pay the land tax in accordance with the procedure determined by current Ukrainian legislation.

4. Payment Procedure

4.1. The Winning Bidder, in compliance with the auction conditions, deposits an amount equal to _____ Ukrainian karbovanets, which equals the highest bid proposed by the Winning Bidder depending on the lot he has bought.

4.2. The amount specified in Clause 4.1 is final and is not subject to reconsideration.

4.3. The amount, specified in Clause 4.1, must be paid to the special account of the Rada Executive Committee # _____, MFO _____ before _____, 199__.

The payment is made in Ukrainian karbovanets equal to the Ukrainian Interbank Foreign Exchange purchase rate of U.S. dollars on the day of payment but not lower than the amount proposed by the Winning Bidder on the day of the auction.

4.4. Should the Winning Bidder delay the payment, he is to pay a penalty equal to 5% of the unpaid amount for each day of delay, and if the delay exceeds 15 calendar days, the result of bidding on this lot is found null and void, the winning Bidder is not returned the deposit fee, and he is fined an additional amount equal to 20% of the selling price of the lot he won, which is to be paid within five banking days.

5. Special Conditions

5.1. The City Rada confirms that the land parcel, the use or lease right of which will be allocated to the Winning Bidder of the auction, is free and has not already been transferred into ownership or use to any juridical entities or physical persons.

5.2. In compliance with the preliminary agreement, the rights and obligations of Lessee as per the Land Parcel Lease Agreement can be transferred by the Lessee to a third party as specified in Clause 1.3 of the "Regulations on Land Auctions" with a transfer payment equal to 5% of the amount the lot sold for at auction (Ukrainian karbovanets equal to the Ukrainian Interbank Foreign Exchange purchase rate of U.S. dollars on the day of payment) paid to the City Rada and obligatory re-registration of this Agreement in compliance with procedure provided for by current legislation of Ukraine. The conditions of the Agreement concluded with Lessee are obligatory for successors.

5.3. The relationships, which are not regulated by this Agreement, are regulated by current legislation of Ukraine.

5.4. The Bidder has been given information on the procedure and conditions of conducting the auction, documents that are processed in connection with the auction, and information regarding the land parcels.

5.5. The Bidder is acquainted with the rules for conducting the auction and the packet of documents, which are signed by the Winning Bidder of the auction, and agrees to participate in bidding under these conditions.

5.6. Upon conclusion of the bidding, the Auctioneer and the City Rada proxy sign the Auction Protocol in four copies: two for the City Rada; one for the Winning Bidder; and one for the Auction Organizer.

5.7. Should the Winning Bidder refuse to sign the Auction Protocol, the deposit fee is not returned and he is penalized to the benefit of the City Rada in the amount of 20% of the final selling price, which is to be paid within 10 calendar days, and the result of the auction is found null and void.

5.8. The amount of deposit fee is returned to all of the auction's participants within five banking days after its completion. For the Winning Bidder the amount of deposit fee is transferred toward the payment of the proposed bid amount.

5.9. Registration payments and money for the information packet are not returned to the Bidder.

5.10. This Agreement is the ground for the Bidder to participate in the auction, and, in the case that he is one of the auction's winning Bidders, together with the Auction Protocol of the auction, are the grounds for the City Rada to adopt a Decision to transfer into lease, use or transfer into ownership a land parcel, and conclude a Lease Agreement or issue the corresponding State Act.

5.11. This Agreement becomes effective on the moment of its signing and is effective up to the moment of concluding an Agreement on the Right to Temporary Land Use (Including on Conditions of Lease) or the moment that the deposit fee is returned, depending on the auction's results.

5.12. A Bidder who signed the Agreement on Conditions for Participating in the Land Auction and then refuses to participate in the auction or is not present for the auction is not returned his deposit fee. Foreseen by this Agreement, it is taken by the City Rada as compensation for the expenditure incurred while preparing the auction.

5.13. The arguments that may arise under this Agreement are resolved in accordance with current legislation of Ukraine.

5.14. This agreement is concluded in three copies, each with equal legal force, and is transferred as follows: one for the City Rada; one for the Bidder; and one for the Auction Organizer.

Signatures of the Parties:

_____ City Rada
of Peoples' Deputies

SEAL

Participant

SEAL

ANNEX 1:2A(ii) "AGREEMENT ON THE RIGHT OF TEMPORARY LAND USE (INCLUDING ON CONDITIONS OF LEASE) ('LAND LEASE AGREEMENT')"

Attachment No. 2
to the Regulation Approved
by the City Rada of Peoples' Deputies
Session on _____, 199 ____

A G R E E M E N T
On The Right Of Temporary Land Use
(Including On Conditions Of Lease)

This Agreement is made on " ____ " _____ 199 ____

The _____ City Rada of Peoples' Deputies (hereinafter called "City Rada") in the person of

_____ on the one hand, and

_____ (full name, passport data - for physical persons; full name, registered by whom,

_____ registration number, address - for juridical person)

(hereinafter called "Land User"), on the other hand, agreed on the following:

1. Subject Of Agreement.

1.1 The Executive Committee based on Approval

_____ of _____ allocates, and the Land User receives into temporary use, a land parcel located at the address:

_____ with a total size of _____ hectares, including: arable land _____, perennial plants _____, hayfields _____, pastures _____, forests _____, other lands _____ hectares in accordance with the attached land use plan.

1.2 The land parcel is transferred into temporary use on lease conditions for the period of _____ years for

2. Payment For Land.

2.1. Land payment is made by the Land User in two parts: the first part is equal to the auction winning amount of _____ karbovanets and is paid once, and the second part is paid quarterly in the amount of _____ karbovanets to the a/c # _____ at (bank branch) not later than the fifteenth day of the first month of next quarter.

3. Rights And Obligations Of The Parties.¹

3.1. Rights and Obligations of the City Rada.

3.1.1. The City Rada has the right to:

- introduce changes into Section 2 of this Agreement concerning the amount and terms of land payments should the land tax rates be changed by legislation.

3.1.2. The City Rada shall:

- consider the prolongation of this Agreement a month after the date of receiving the Land User's application.

3.2. Rights and Obligations of Land User:

- to prolong this Agreement for a new term;
- to transfer to a third party his rights and obligations under this Agreement with payment for this transfer to the City Rada in an amount equal to 5% of the auction winning amount (in Ukrainian karbovanets equivalents equal to the purchase rate of U.S. dollars at the Ukrainian Interbank Currency Exchange on the day of payment) and obligatory re-registration of this Agreement in compliance with procedure established by current Ukrainian legislation. The conditions of the Agreement concluded with the Land User are obligatory for a successor.

- to change the target use of the leased land parcel's improvements with the consent of the City Rada, of which an additional agreement to this Decision is made with the City Rada's subsequent approval.

3.2.1. The Land User shall:

- use the land parcel only in compliance with the target use specified in Clause 1.2 of this Agreement;
- pay the lease payment in a timely fashion;
- commence construction of objects on the leased land parcel only after the approval of project and cost estimate documents in accordance with established procedure;
- fulfill the technical conditions of the city services;
- design and build objects on the leased land parcel during __ years in compliance with normative terms of construction. This term begins on the date of the City Rada's approval on transferring the land parcel into lease and ends when it transfers the finished construction objects into use as according to established procedure; and
- put into use the land parcel's infrastructure objects no later than when the main objects are put into use.

¹ The rights and obligations are determined on consent of the parties in compliance with the Land Code of Ukraine.

4. Responsibilities Of The Land User.

4.1. Should the terms, specified in Clause 2.1 of this Agreement, be violated, the Land User pays a penalty in the amount of 0.2% of the unpaid sum for each day of delay.

4.2. For each day of delay of design and construction term of the objects, specified in Clause 3.2.1, the Land User pays a penalty in the amount of 0.2% of the estimated value of the object.

4.3. Should the money for development of city engineering and social infrastructure be delayed, the Land User pays a penalty in the amount of 1.5% of the unpaid sum for each day of delay.

5. Special Conditions.

5.1. The objects erected by the Lessee on the leased land parcels are the property of the Lessee and are used by him independently. Should the objects on the land parcel be expropriated, the Lessee acquires the right to use the land parcel under the Lease Agreement conditions. All of the deeds on expropriation of erected objects on the leased land parcels are subject to registration in accordance with the procedure provided for by current Ukrainian legislation.

5.2. If the Land User does not wish to prolong the Lease Agreement upon its expiration, the improvements, including unfinished constructions, are transferred into the ownership of the City.

5.3. In the event of unforeseen contingencies (fire, flood, earthquake, etc.), the lease right of the land parcel is retained by the Lessee.

This Agreement is concluded in two copies, one of which is issued to _____

(Land User)

The second is kept by _____

(the City Rada or Land Owner)

The Agreement comes into effect upon the moment of its registration.

SEAL

(_____ City Rada of Peoples' Deputies
or Land Owner)

(position)

(signature) (last name)

SEAL

(Land User)

(position)

(signature) (last name)

This Agreement is registered in the Book of Registration of Temporary Land Use Agreements on "_____" _____ 199_ , No. ____ by the _____ City Rada of Peoples' Deputies.

PLAN OF TEMPORARY LAND USE

DESCRIPTION OF BOUNDARIES

From A to B _____

From B to C _____

From C to D _____

From D to A _____

Scale 1: _____

Land Surveyor:

/signature/

/surname/

ANNEX 1:2B "LIST OF PARCELS SUBMITTED FOR AUCTION TOGETHER WITH THEIR TECHNICAL AND ECONOMIC CHARACTERISTICS"

Attachment No. 2

To the Decision of the City Rada of Peoples' Deputies Session
held on _____, 199__.**LIST OF PARCELS SUBMITTED FOR AUCTION TOGETHER WITH THEIR
TECHNICAL AND ECONOMIC CHARACTERISTICS**

Land Parcels For Long-Term Lease

#	Address	Size (m2)	Target Use	Starting Price

Object With Land Parcel For Privatization

#	Address	Size (m2)	Target Use	Price of Object	Price of Land Parcel with Object	Starting Price of Object with Land Parcel

ANNEX 1:2C "LIST OF THE MEMBERS OF THE CONTROL COMMISSION WHO ARE TO RESOLVE ISSUES THAT ARISE DURING THE COURSE OF THE LAND AUCTION"

Attachment No. 3
To the Decision of the City Rada of Peoples' Deputies Session
held on _____, 199__.

**LIST OF THE MEMBERS OF THE CONTROL COMMISSION
WHO ARE TO RESOLVE ISSUES THAT ARISE DURING THE COURSE OF THE
LAND AUCTION**

Full Name	Position
-----------	----------

1.

2.

3.

4.

.

.

.

ANNEX 1.3 "AGREEMENT ON CONDUCTING A LAND AUCTION (BETWEEN THE CITY RADA AND THE ORGANIZER OF THE AUCTION)"

A G R E E M E N T
On Conducting A Land Auction

City of _____ 199_

The _____ City Rada of Peoples' Deputies (hereafter to be referred to as the City Rada) in the person of _____, acting
(name and position)

on the basis of the Law of the Ukraine "On Local Radas of Peoples' Deputies and Local and Regional Self-Government", on the one side, and the _____
(association)

(hereafter to be referred to as the Auction Organizer) in the person of _____
(name and position), acting on the basis of the Statute, on the other

side, have agreed upon the following:

1. Object Of The Agreement.

1.1. The City Rada commissions and the Auction Organizer takes the obligation to provide the technical preparations for the auction as per the approved Auction Regulation that was part of the City Rada Decision of _____, 199_.

2. Responsibilities Of The Parties.

2.1. The City Rada takes the obligation:

2.1.1. To define and approve the list of land parcels which are to be included at the auction;

2.1.2. To approve the starting prices of the sale objects and their target uses;

2.1.3. To work out and to come to an agreement with the Auction Organizer on the procedure for submitting auction participation applications, as well as the list and the forms of documents which will be issued during the preparation and the auction itself.

2.1.4. To prepare an information packet for potential Bidders and give it to the Auction Organizer.

2.2. The Auction Organizer takes the obligation:

2.2.1. To carry out the technical work associated with preparing and holding the auction and to provide in this connection the technical means, communication means, the necessary registration documentation, specialists, etc..

2.2.2. To organize the advertising campaign about the auction.

2.2.3. To carry out Bidder registration as per the form established, as well as per the established order of submitting applications for participation in the auction.

2.2.4. To provide for working out the Agreement on the rights and obligations of the parties in holding the auction and accounts as foreseen by the Regulations on Land Auctions.

2.2.5. To provide Bidder cards, entrance tickets, and the necessary quantity of information packets to accommodate all of the Bidders for each lot.

2.2.6. To take registration fees and deposits.

2.2.7. To provide from _____, 199_, the premises for the registration of the Bidders in the time specified and for the time of holding the auction.

2.2.8. To establish the price of the entrance ticket.

2.2.9. Within ___ days of the auction, to return the deposits to the non-Winning Bidders and to give the Executive Committee copies of these return documents, and to transfer to the Executive Committee's account the Winning Bidders' deposits within three banking days.

2.2.10. To record the Auction proceedings. Upon the completion of bidding, to prepare the Auction Protocol in four copies: one for the Buyer; two for the Executive Committee; and one for the Auction Organizer.

2.2.11. To provide for the corresponding regime and protection of the Auction.

2.2.12. To publish the Auction results.

2.2.13. Within five days after signing this Agreement, to submit to the Executive Committee a preliminary estimate of expenditures for the preparation and conduct of the Auction.

2.2.14. Upon the completion of bidding, to submit to the Executive Committee documents and materials dealing with Bidder registration.

2.3. Other Conditions.

The parties take the obligations:

2.3.1. To inform each other about the status of Auction preparation and about any changes concerning its conduct.

2.3.2. To consider as confidential and to not submit nor divulge any information received by one party from another in connection with the fulfillment of this Agreement nor any information about the Bidders and about the details surrounding their registration.

2.3.3. To not give the rights stipulated by this Agreement to a third party.

2.3.4. Any additional points that emerge from this Agreement are to be taken down as Agreement Addenda.

3. Account Procedures.

3.1. The Auction Organizer's account contains the deposit, which is to be returned as specified in the Regulations on Land Auction, and the collected sum of the entrance tickets.

3.2. The accounts are to be settled through non-cash bank transfers. Only in rare instances will the registration fee, with the cost of the information packet of the bidder and the deposit, be taken in cash by the Auction Organizer less than one day prior to the Auction.

3.3. The registration fee and the cost of the information packet of the bidder are transferred to the Executive Committee's account.

3.4. Within three days of the Auction's completion, the Auction Organizer sends to the Executive Committee the bill for the expenses borne by it in connection with the Auction's preparation and conduct as well as the copies of documents testifying to the expenses and their amount.

The expenditures for the preparation and holding of the auction should not exceed 0.5 percent of the final amount of all of the Auction objects sold.

3.5. Within 10 days after the Auction Organizer submits the bill and the documents listed in item 3.4 for each expenditure, the Executive Committee, which is responsible for paying the expenses associated with the Auction's preparation and conduct, transfers to the Auction Organizer's account the necessary amount.

3.6. The Auction Organizer's expenses for conducting the advertising campaign are paid by the Executive Committee as specified by the bill given to the latter before the beginning of the auction, along with copies of the documents which testify to the expenses and their amounts.

4. Responsibilities Of The Parties.

4.1. In case of failure to fulfill or substantially fulfill this Agreement's obligations, the parties have recourse under current Ukrainian legislation.

5. The Terms Of The Agreement.

5.1. The Agreement comes into effect upon the moment of its signing by the parties and is in effect until the moment that the parties fulfill the obligations they have agreed upon.

Neither side is allowed to break this Agreement.

5.2. The Agreement is made in two copies, both having the same legal power, with each party having possession of one of them.

5.3. Requisites of the parties:

_____ CITY RADA
OF PEOPLES' DEPUTIES:

Payable Account: _____

in Region Bank: _____

(Auction Organizer)

Payable Account: _____

in: _____

Signatures of the Parties:

(Position)

(Position)

(Name)

(seal)

(Name)

(seal)

ANNEX 1:4 "LAND AUCTION APPLICATION"

Auction Organizer

Registration Number

--	--	--	--	--	--	--

"_____" "_____" 199____
(registration date)

APPLICATION
For Land Auction Participation

The Object

The object for sale:

(the right to develop or lease land parcels)

(the full address of the land parcel, its area (m2))

The Applicant

Juridical entity:

(the full name of the Applicant)
State

(the full name of the State where the Applicant is registered)
Manager

(last name, first name, middle name and position)
Identification Code of the Applicant according to ZKPO

--	--	--	--	--	--	--	--

or

Natural Person:

(last name, first name & patronymic of the applicant)

Address of the (postal index)

Applicant _____
(full legal or home address)

Telephone Telefax Telex

The Applicant
or the Authorized person

(last name, first name and middle name),

Passport: series _____ No. _____ issued "____" _____ 199____

(the name of the body which issued the passport)

Conditions

I am acquainted with the conditions and rules of the auction bidding and commit myself to fulfilling them.

Documents

Obligatory for all bidders

application for bidding (in Ukrainian or Russian) on 1 page in 3 copies

copy of the document as per installation of the payment for submitting the application and for the information packet on ___ pages in 2 copies

copy of the document as per installation of the payment of the deposit on ___ pages in 2 copies (as per the conditions of the auction)

the list of banking accounts to which the settlements for the object purchased will be transferred on ___ pages in 2 copies

the document which authorizes the person to bid at the auction on ___ pages in 2 copies

Additional for a juridical entity

notarized attached copies of the statute documents on ___ pages in 1 copy

Additional for a natural person who wants to purchase the right to develop a land parcel with an individual private house
 the reference of the technical inventory bureau as per the fact that
 the person does not have an individual private house or part of it on the territory of _____.

Availability of the document shall be marked here:

Accepted from the applicant __ pages in all.

 (the signature of the Applicant or of the authorized person for a juridical entity)

The seal of the Applicant

 The seal of the Exchange

" _____ " _____, 199__
 (the date of filling out the application)

ANNEX 1:5 "ON APPROVING THE LIST OF OBJECTS WHICH ARE ELIGIBLE FOR PRIVATIZATION"

U K R A I N E

_____ CITY RADA OF PEOPLES' DEPUTIES
(Privatization Organ)

ORDER No. _____, dated _____, 199__

On Approving The List Of Objects Which Are Eligible For Privatization.

In accordance with the State Program on Privatization of 199__, the Presidential Decrees of Ukraine "On Privatizing Objects Of Unfinished Construction" and "On Privatizing Gasoline Service Stations That Exclusively Sell Gas And Oil To Private Individuals," and the Laws of Ukraine "On Privatizing State Enterprise Property," and "On Privatizing Small-Scale State-Owned Enterprises (Small-Scale Privatization)"

I, ORDER:

- 1. To approve the list of objects which are eligible for privatization (as specified in Attachments 1 and 2).
- 2. That this Order be treated as a Decision on privatizing objects with their land parcels through an auction mechanism (as specified in Attachments 1 and 2).
- 3. That information about these objects' privatization will be published within the next fifteen (15) days time (as specified in Attachments 1 and 2).
- 4. That the execution of this Order will be carried out by _____

_____, _____

(name)

(position)

Head of _____
(privatization organ)

(name and signature)

ANNEX 1:5A "THE LIST OF OBJECTS THAT BELONG TO THE (PRIVATIZATION ORGAN) AND ARE SUBJECT TO PRIVATIZATION BY AUCTION"

Attachment No. 1
to the Order No. _____ of _____ 199__

**THE LIST OF OBJECTS THAT BELONG TO THE (PRIVATIZATION ORGAN)
AND ARE SUBJECT TO PRIVATIZATION BY AUCTION**

No.	The Complete Name of the Object that Can Be Privatized	Address

Head of _____
(privatization organ)

(name and signature)

ANNEX 1:5B "INFORMATION ON THE OBJECTS THAT CAN BE PRIVATIZED BY AUCTION"

Attachment No. 2
to the Order No. _____ of _____ 199__

**INFORMATION
On the Objects That Can Be Privatized By Auction**

I. ...

Conditions of sale -

Conditions of use -

Head of _____
(privatization organ);

(name and signature)

ANNEX 1:6 "PRIVATIZATION AUCTION (UNFINISHED CONSTRUCTION OBJECTS) APPLICATION"

Registration No.

to the Head of the Privatization

"__" ____, 199__
 (application registration date)

Committee of the ____ City
 Rada of Peoples' Deputies

APPLICATION
For Participating In A Privatization Competition (Auction)

The Object

The Object of Privatization

 (enterprise or subdivision unit property, unfinished construction, shares, stocks)

/postal index/ _____
 (the location of the object - a full address)

Enterprise, on whose balance the object of privatization is

ZKPO code/ _____
 (the full name of the enterprise - juridical entity)

/postal index/ _____
 (a legal address of the enterprise)

The Applicant

Buyer's Association

 (citizens or members of the collective)

registered with the City Privatization Committee

Registration No. _____ from " __ " _____, 199 __

or

Juridical Entity

 (full name of Applicant)

 (official name of country)

/Applicant's ZKPO code/

Head _____
 (last name, first name, patronymic)

or

Additional for Buyer's Association
 a copy of the Agreement on Joint Activity or a copy of the Certificate of the Buyer's Association registration, certified by the City Privatization Committee, on _____ page(s) in 1 copy

Additional for a juridical entity
 notarized certified copy of constituent documents on _____ page(s), in 1 copy
 declaration on distribution of regulations fund among the participants in 1 copy

Additional for the physical entity (for citizens)
 a certificate from the place of work in 1 copy
 revenues declaration on _____ page(s) in 1 copy
 (if the object starting price exceeds 50 minimum wages)

_____pages were accepted from the Applicant

 signature of
 an Applicant or
 a person authorized

seal
 of an Applicant
 /for a leg. entity
 and buyers
 association/ or
 notary/for a phys.
 entity/

 signature of official
 Privatization
 Committee

seal
 of
 Privatization
 Committee

" ____ " _____ 199_
 (date)

Registration No. _____
 (date)

ANNEX 1:7 "PURCHASE AND SALE AGREEMENT (UNFINISHED CONSTRUCTION OBJECTS)"

PURCHASE AND SALE AGREEMENT
(Unfinished Construction Objects)

City of _____, 199_

The City Privatization Committee, hereinafter referred to as Seller, in the person of the Head _____, acting on the basis of the Regulations on the Committee on behalf of one Party, and _____

hereinafter - Buyer, in the person of _____

_____, who acts on the basis of _____, on behalf of _____, have entered into the Agreement herein to the following effect:

1. The Parties shall certify herewith that the Agreement herein has been executed in accordance with current Ukrainian legislation and on the basis of the Regulations on Auctioning the Objects of Privatization belonging to the _____ City Rada of Peoples' Deputies (Appendix N 2. to the Decision of the City Rada of Peoples' Deputies No. _____, dated _____, 199_), hereinafter called Regulations.

2. The Seller undertakes to sell and the Buyer undertakes to purchase _____

3. The object of purchase as specified by Clause 2 above belongs to the Seller as specified by the "List of the _____ City Rada of Peoples' Deputies municipal property subject to privatization through auction," which was approved by the Decision of the City Rada No. _____, dated _____, 199_.

4. The purchase of the object at the auction conducted at the _____ on _____, 199_ for lot No. _____ for _____, which the Buyer shall undertake to transfer from the [Checking] account _____ to the non-balance account _____ of the non-balance fund of privatization at the Savings Bank of Ukraine OPERO [operational department] in the city of _____ MFO [i.e. local financial section] No. _____ as specified by clause 4.3 of the Regulations.

5. The right of ownership to the purchased property as specified by Clause 2 shall transfer to the Buyer at the moment of closing such purchase at the Auction.

6. The Buyer shall bear responsibility for the safety of the property during the time from the date of signing the Agreement herein to the date of signing the Statement of Transfer (as per Clause 4.4 of the Regulations).

7. The Buyer shall undertake the following:

(a) to put the purchased property as per Clause 2 into operation no later than _____;

(b) to preserve the profile of the purchased property as a _____ for 2 years after the property has been put into operation; and

(c) to provide for the proper exterior of the premises and sanitation of adjacent territory; provided also that operation of the property will not cause any damage to the environment of the neighboring areas.

8. The Seller shall undertake to guarantee the following:

(a) the alienated property has not been encumbered by any other sales, grant, mortgage, and/or lease liability to third parties, or otherwise arrested;

(b) the property has the following characteristics: _____

_____;

The property has been connected to the following engineering facilities: plumbing and sewage systems, heating and electricity systems. The property is located on the site of _____ square meters;

(c) transfer property and all development related documentation to the Buyer with the required Acts upon payment of the total property price by the Buyer within 10 days after such payment has been made.

9. In case of violating:

9.1. Clause 8(a), the Seller shall cover all damages incurred by the Buyer as a result of purchasing and utilizing (constructing and operating) the property. The Buyer shall present the damage amount incurred to the Seller and the Seller shall guarantee the payment of such sums within 15 working days;

9.2. Clause 8(b) and/or (c), the Seller shall agree with the postponed term of putting the purchased property into operation. Such term will be postponed for the period of the delay of transferring technical documentation for property development (in relation to Clause 8(c));

9.3. Clause 4, the Agreement herein shall be subject to termination, and the Buyer shall pay a fine of ___% of the purchase price of the property to the Seller;

9.4. Clause 7(a) (provided, however, that the Seller complies with Clause 8(b) and (c)), the Buyer shall pay a fine of ___% of the purchase price of the property to the Seller for each month of delay in the case that the Buyer has been responsible for such delay; and

9.5. Clause 7(c), the Buyer shall be liable in accordance with current Ukrainian legislation.

10. The Buyer shall have the right to alienate the purchased property in the form of sale, mortgage, gift, lease, etc., provided, however, that the terms and conditions of the Agreement herein shall be honored and upon the full settlement of accounts between the Seller and the Buyer.

11. Such relations between the Parties may not be provided for by the Agreement and shall be subject to regulation by current Ukrainian legislation.

12. In accordance with the Law of Ukraine "On Privatizing Small-Scale State-Owned Enterprises (Small-Scale Privatization)," the Agreement shall be subject to registration with the Executive Committee of the _____ rayon Rada of the City of _____.

This Agreement has been made in three copies: one copy of which shall be retained for the record at the Notary Public Offices; and the remaining two copies to be retained by the Parties.

Buyer

Seller

Seal

Seal

City of _____

_____, 199_

I, _____, certify that this Agreement _____

This Agreement has been executed in my presence; the Parties are fully competent and their authority has been properly identified and examined.

Registration No. _____. State duties paid in the amount of _____ karbovanets to the payment order No. ____ of _____, 199_.

ANNEX 1:8 "AUCTION PROTOCOL NO. ____ ('MINUTES')"

AUCTION PROTOCOL No. ____

Of The _____ City Rada Of Peoples' Deputies Land Auction

Auction Date: _____

Auction Organizer: _____

Auctioneer: _____

Object of Auction: _____
Lot number, name, address

Auction Bidders on Lot No. _____

No	Bidder Auction No.	Bidder Name	Bidder Address
1			
2			
3			
4			
5			
6			

Proposed Bids:

No.	Bidder No.	Proposed Bid
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		

14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

Winning Bidder _____
 Last name, first name, patronymic

 (home address, passport data - for a physical person or a proxy thereof, acting on the basis of power of attorney, name, legal address, state registration date - for a juridical entity, last name, first and middle name, name of the proxy)

Winning Bidder's registration number _____

 (name of the bidder)

Selling Price _____

Signatures:

Auctioneer _____ ()

Winning Bidder _____ ()

City Rada _____ ()

Below are the signatures of three independent parties to certify that the Winning Bidder has refused to sign this Auction Protocol.

1. _____

2. _____

3. _____

ANNEX 1:9 "ON ALLOCATING A LAND PARCEL ON LONG-TERM LEASE CONDITIONS"

UKRAINE

_____ CITY RADA OF PEOPLES' DEPUTIES

DECISION

No. _____
"_____" _____, 199__

On Allocating A Land Parcel On Long-Term Lease Conditions

In accordance with Articles 7, 8, 10, and 19 of the Land Code of Ukraine, the Decision of the City Rada of Peoples' Deputies No. ____, dated _____, 199_ "On Conducting A Land Auction In The City Of _____," the Agreement On The Conditions For Participating In The Land Auction dated _____, 199_ and the results of the land auction that was held in the City of _____
"_____" _____, 199__
_____ City Rada of Peoples' Deputies

DECIDED

1. To allocate to the Winning Bidder _____ into long-term lease the parcel of land of _____ hectares, with the address of _____
_____ to construct a _____

2. Within 15 days of the issuance of this Decision, in the presence of the Winning Bidder _____, the Land Committee will determine the parcel boundaries on the parcel's location and issue the respective Act.

3. To allow _____ to design and develop objects on the leased land parcel in accordance with the auction's conditions.

4. The Chairman of the City Rada of Peoples' Deputies, _____, within 10 days after allocating the land parcel, will conclude an Agreement with the Winning Bidder _____ on the right to temporarily use the land (including on lease conditions), approved by Decision No. _____, dated _____, 199_.

5. The Land Committee of the Executive Committee of the City Rada of Peoples' Deputies will register the Agreement on the Right of Temporary Land Use (including on lease conditions).

Chairman of the Rada _____

ANNEX 1:10 "ON ALLOCATING A LAND PARCEL FOR INDIVIDUAL PRIVATE HOUSES AND OUTBUILDINGS"

UKRAINE

CITY RADA OF PEOPLES' DEPUTIES

DECISION

No. _____
 "_____" _____, 199__

On Allocating A Land Parcel For Individual Private Houses And Outbuildings

In accordance with Articles 6 and 67 of the Land Code of Ukraine, the Decision of the City Rada of Peoples' Deputies No. __, dated _____, 199_ "On Conducting A Land Auction In The City Of _____," the Agreement On The Conditions For Participating In The Land Auction dated _____, 199_ and the results of the land auction that was held in the City of _____
 "_____" _____, 199_
 _____ City Rada of Peoples' Deputies

DECIDED

1. To allocate to the Winning Bidder _____
 (last name, first name, patronymic)
 into permanent use (ownership) the land parcel of _____ hectares, with the address of _____

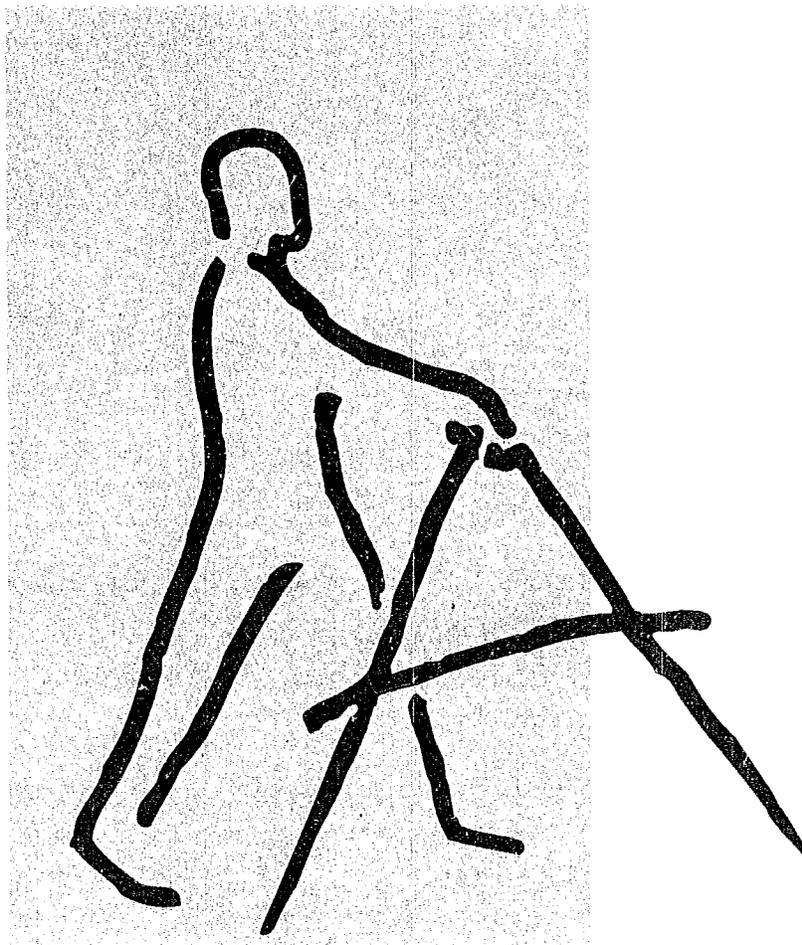
 for constructing an individual private house and outbuildings.
2. The Land Committee within 15 days must allocate the land parcel on its territory, in the presence of the Winning Bidder, and issue the respective Act.
3. To allow _____ to design and develop an individual private house with outbuildings.
4. The Land Committee within 15 days of the issuance of this Decision will issue a State Act on permanent land use (or the State Act on private land ownership) and register it as per the order stipulated by current Ukrainian legislation.

Chairman of the Rada _____

ANNEX 2: OTHER LAND AUCTION MODEL DOCUMENTS

ANNEX 2:1 "INFORMATION PACKET"

LAND AUCTION



**CITY RADA OF PEOPLES' DEPUTIES
ON (PUT AUCTION DATE HERE)
WILL CONDUCT A
LAND AUCTION**

**AT THE AUCTION YOU CAN ACQUIRE THE RIGHTS TO CITY LAND
PARCELS**

INFORMATION PACKET

(PUT REGISTRATION INFORMATION HERE)

(PUT POTENTIAL BIDDERS MEETING INFORMATION HERE)

FOR MORE INFORMATION PLEASE CONTACT:

(PUT CONTACT INFORMATION HERE)

LETTER FROM THE CHAIRMAN OF THE CITY RADA

Dear Potential Bidder!

On _____, 199_, the City of _____ will hold a Land Auction. The City Rada of Peoples' Deputies offers to interested persons the ability to purchase the right to lease land parcels on which various improvements can be developed, the right to acquire land parcels into private ownership for the development of individual private houses, dachas and garages, as well as the ownership rights to unfinished construction objects. Ukrainian citizens, companies, religious organizations and foreign companies, states and organizations can all participate, depending on the right being auctioned.

That it is being held confirms that the City Rada is serious in its intentions to improve the social and economic welfare of its residents.

In making the decision to hold this auction, the City Rada set the following tasks:

- To receive additional revenues to the city budget in order to successfully realize social, economic, housing, and infrastructure development programs;
- To introduce an open and competitive mechanism for the allocation of city land that will lead to its more efficient use;
- To accelerate land reform and land privatization in accordance with the Decree of the Supreme Rada of March 13, 1992 "On Accelerating Land Reform and Land Privatization;" and
- To create in the city a private land and real estate market, and to promote real estate transactions between private individuals.

The land auction is a step towards introducing into the city new and efficient methods of land allocation.

The City Rada considers it very important to provide the most beneficial conditions for the auction. For the bidders who are interested in buying the right to lease land parcels for development, a wide range of uses will be offered, including: objects of market infrastructure; multi-story residential buildings; ecologically clean industry and warehouses; auto service centers; as well as places of worship. In addition, the lease payments for the land will be fixed for 50 years at the minimum level allowed by current legislation, the technical conditions for engineering infrastructure will be set at the minimum level, and the preferential right to prolong the lease agreement for an additional 50 years have been included. For bidders interested in buying the rights to acquire a land parcel for individual private houses, dachas, or garages, or to acquire unfinished construction objects, the advantage of land ownership as allowed by current Ukrainian legislation is clear.

Dear bidders, welcome to the auction!

Faithfully yours,

(Signed by the Chairman of the City Rada)

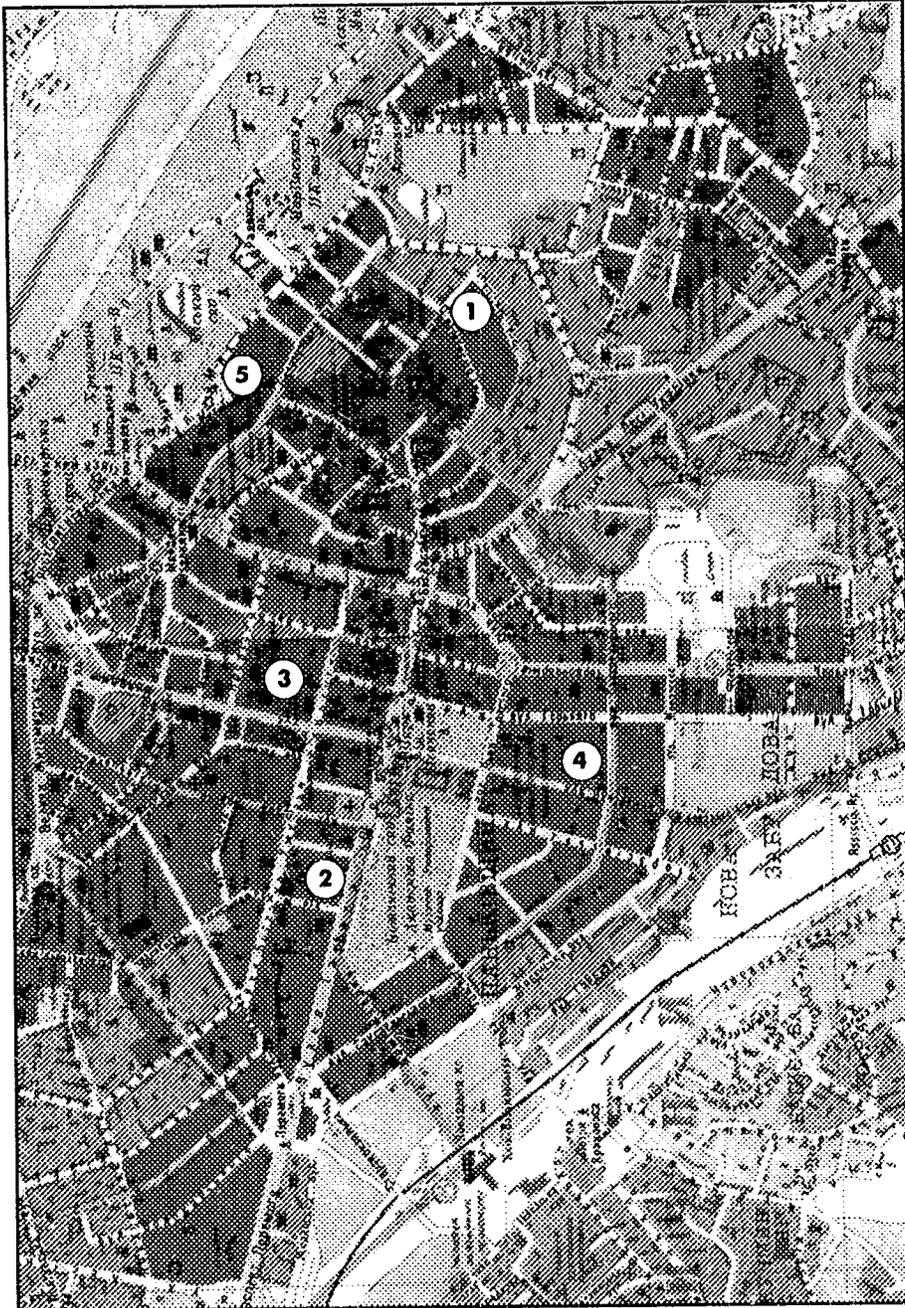
INFORMATION PACKET TABLE OF CONTENTS

1. Letter from the Chairman of the _____ City Rada of Peoples' Deputies
2. Map of all the proposed auction land parcels
3. List of land parcels for lease rights, for individual private houses, dachas or garages, and unfinished construction objects
4. Individual plan of each land parcel and its characteristics
5. Regulations on Land Auctions*
6. Agreement on the Conditions for Participating in the Land Auction*
7. Agreement on the Right of Temporary Land Use (including on lease conditions)*

* These documents refer to the parcels offered for lease or for the development of individual private houses, dachas or garages. The normative documents related to the sale of unfinished construction objects are available at the City (Privatization Organ).

Note that items 3, 5, 6 and 7 can be found in Annexes 1:2B, 1:2A, 1:2A(i) and 1:2A(ii) respectively.

CITY MAP



AUCTION LAND PARCEL ADDRESSES

1. _____, _____

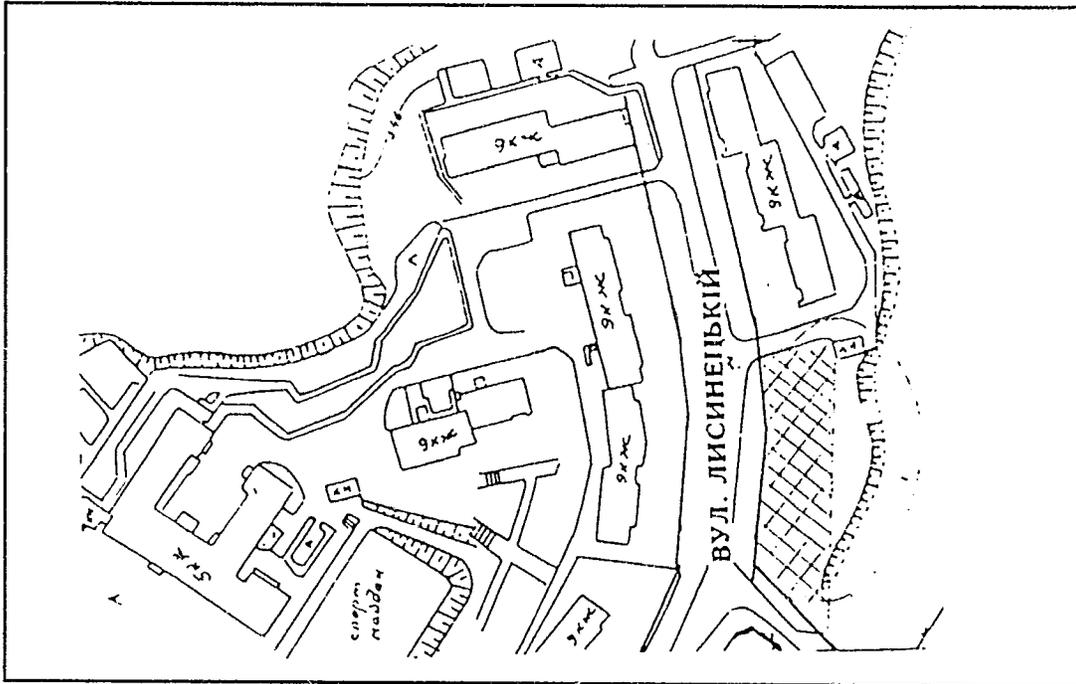
2. _____, _____

3. _____, _____

4. _____, _____

5. _____, _____

**PLAN
OF THE LAND PARCEL**
AT _____, _____



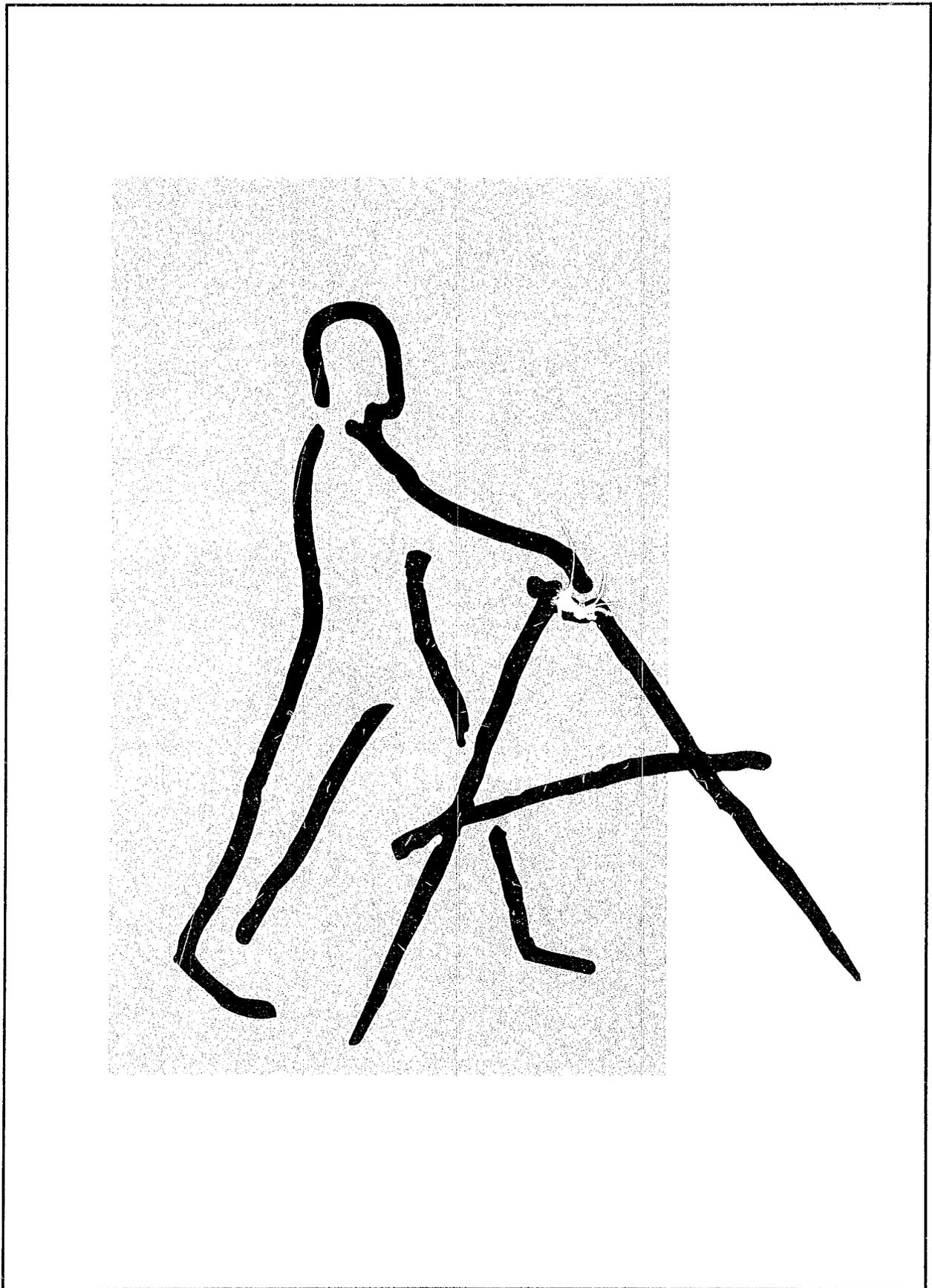
LAND PARCEL CHARACTERISTICS

The land parcel, size ____ m², is located in _____ rayon at the address of _____, _____. The land parcel is bordered on the northeast by _____, on the southwest by _____ and on the northwest by _____ and southwest by _____.

REQUIREMENTS FOR DEVELOPING THIS LAND PARCEL

1. A 6-8 story non-industrial building can be developed on this parcel.
2. The land parcel development coefficient (i.e., the ratio of the footprint to the total size of the parcel) cannot be more than 0.5.
3. The architecture of the facade must adhere to the historic zone regulations of the city.
4. The design and construction of the site must be conducted so that the adjacent buildings are preserved.

ANNEX 2:3 "AUCTION LOGO"



ANNEX 2:4 "PRE-AUCTION PRESS RELEASE"

FOR IMMEDIATE RELEASE

_____, 199_

Land Auction to Be Held on _____, 199_ in the City of _____

On _____, 199_, the _____ City Rada of Peoples' Deputies passed a Decision to conduct a land auction within the city's boundaries. For sale at the auction are the rights to lease land parcels, on which various improvements can be developed, the rights to acquire land parcels into private ownership for the development of individual private houses, dachas, and garages, as well as the ownership rights to unfinished construction objects. The auction will be held on _____, 199_ at the _____. Auction parcels are located in the city's historic center, industrial areas and new micro-rayons.

The auction represents a significant privatization effort through which state-owned land will be transferred into private ownership or long-term lease while taking into account the limitations imposed by current national legislation. The auction land parcels have been pre-approved for a variety of functional uses, including: objects of market infrastructure; multi-story residential housing; ecologically clean industrial and storage objects; automobile service stations; and places of worship.

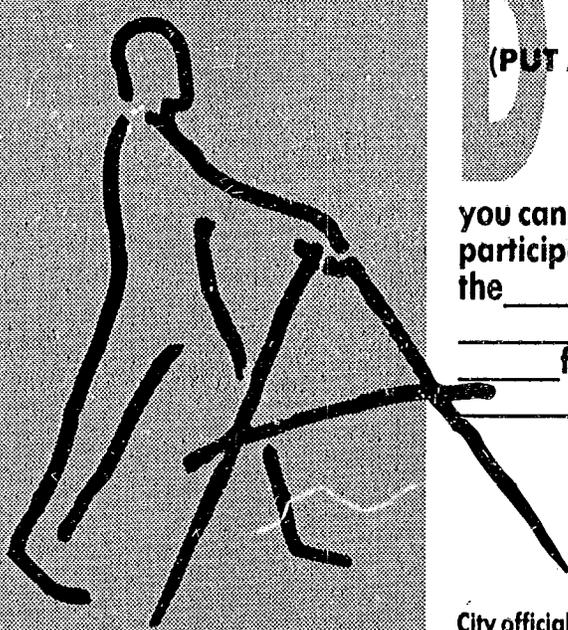
Potential bidders for the lease rights include: Ukrainian citizens; and Ukrainian and foreign juridical entities, religious organizations, and governmental entities. Potential bidders for the privatization rights to unfinished construction objects include: Ukrainian citizens; foreign citizens and individuals without citizenship; private entities registered in Ukraine; and foreign companies (both public and private). Only Ukrainian citizens can bid for the right to develop individual private houses, dachas or garages.

For further information, please contact:

The _____ City Rada of Peoples' Deputies (____) ____-____, the _____ City (Privatization Organ) (____) ____-____, or the (Auction Organizer) (____) ____-____.

ANNEX 2:5 "NEWSPAPER ADVERTISEMENT"

LAND AUCTION



(PUT CITY NAME HERE)

DATE

(PUT AUCTION DATE HERE)

you can obtain information about participating in the auction at the _____

_____ from _____ to _____ at the _____

(AUCTION ORGANIZER)

An Information Meeting for Bidders will be held on _____ at _____

City officials will be present to answer auction related questions. All are welcome to come. Information is also available at the tel.: _____

At the auction, the following lots are being offered:

	Address	Land Size (m2)	Type of Right	Allowable Uses	Starting Price
Land Parcels for Auction					
Object along with land parcels that can be privatized by auction					

For more information please contact: _____

City Rada of Peoples' Deputies, tel: _____,

tel: _____.

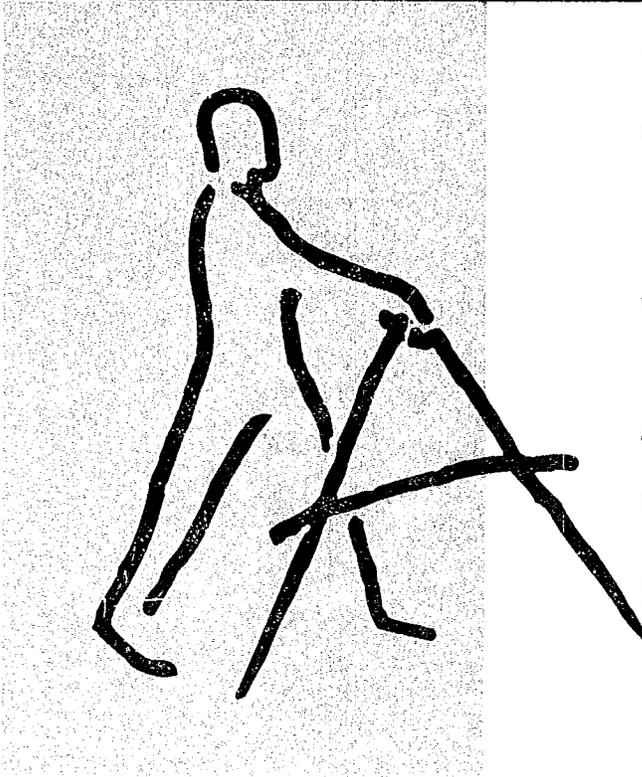
ANNEX 2:6 "POSTER"

LAND AUCTION



**THE _____ CITY (PUT CITY NAME HERE)
RADA OF PEOPLES' DEPUTIES WILL
CONDUCT A LAND AUCTION ON
(PUT DATE HERE)
AT THE AUCTION YOU
CAN ACQUIRE THE RIGHTS
TO LAND PARCELS.
FOR MORE INFORMATION,
PLEASE CONTACT:
_____ tel.: _____**

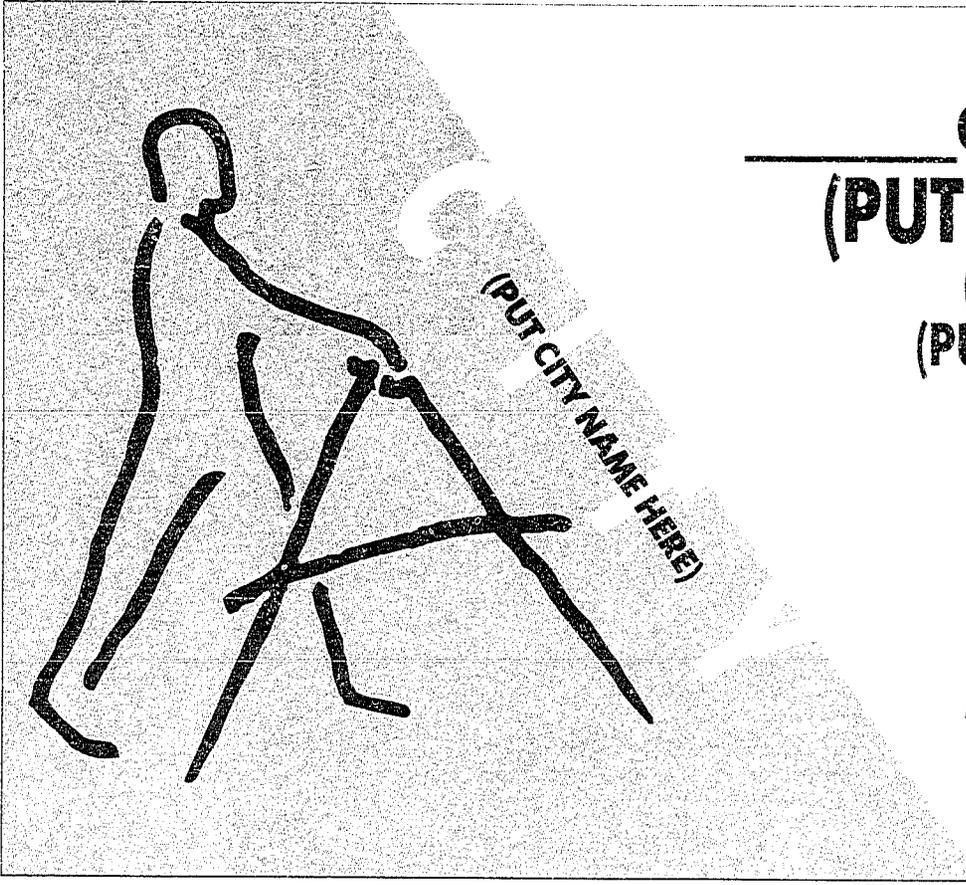
ANNEX 2:8 "LAND PARCEL SIGN"



**THE LONG-
TERM LEASE FOR
THIS PARCEL
WILL BE SOLD
AT THE
(AUCTION DATE)
(PUT CITY NAME
HERE)
LAND
AUCTION**

**FOR MORE
INFORMATION, PLEASE
CONTACT: _____**

tel.: _____



CITY RADA OF PEOPLES' DEPUTIES ON
(PUT AUCTION DATE HERE)
(PUT AUCTION TIME HERE)
(PUT AUCTION ADDRESS HERE)
WILL CONDUCT A
LAND
AUCTION

(PUT CITY NAME HERE)

ANNEX 2:10 "RADIO COPY"

THE NARRATOR:

Gentlemen,

Put your business on a firm foundation!

The land auction in (INSERT CITY NAME) will sell the right to a 50 year lease.

This land can be used for business and construction. It will provide an immediate permit to begin construction. This is a quick and legal way to obtain these rights. Also, the starting prices are reasonable.

Further information can be obtained at (INSERT TELEPHONE NUMBERS)

The auction will be held on (INSERT DATE) at (INSERT ADDRESS).

The organizer of the auction is the (INSERT NAME OF CITY AUCTION ORGANIZER).

The money raised will be used to help to resolve the social problems of the city.

ANNEX 2:11 "TV ADVERTISEMENT"

THE NARRATOR OFF-SCREEN:

The (INSERT CITY NAME) land auction will be held on (INSERT DATE).
The right to a long-term, 50 year lease of the land parcels will be sold.

A MAN ON-SCREEN:

In the past, it took a city five years to achieve such land development results. By means of the land auction we can raise a large amount of money in only 10 weeks. And through this process the land lease, planning, and beginning of the construction are also complete. But the most important benefit of the land auctions is that the money raised will go to the city budget.

THE NARRATOR OFF-SCREEN:

The address for the auction - (INSERT ADDRESS). Telephones: (INSERT TELEPHONE NUMBERS).

ANNEX 2:12 "POST-AUCTION PRESS RELEASE"

FOR IMMEDIATE RELEASE

_____, 199_

**THE CITY OF _____ LAND AUCTION
RAISED _____ KARBOVANETS FOR THE CITY'S BUDGET**

The _____ City Rada of Peoples' Deputies today successfully held its _____ auction selling into private ownership _____ land parcels with unfinished constructions, the right to acquire _____ land parcels for the development of an individual private house, dacha or garage, and the right to long-term lease _____ land parcels for the development of commercial, retail, residential and industrial projects. The city received _____ karbovanets for the _____ land parcels, with the participation of _____ bidders. The auction took place at the (Auction Organizer) on _____, 199_ at ____:____ (am/pm).

Potential bidders for the lease rights included: Ukrainian citizens; Ukrainian and foreign juridical entities, religious organizations, and governmental entities. Potential bidders for the privatization rights to unfinished construction objects included: Ukrainian citizens; foreign citizens and individuals without citizenship; private entities registered in Ukraine; and foreign companies (both public and private). Only Ukrainian citizens could bid for the right to develop individual private houses, dachas, or garages.

According to Mayor _____, the land auction's results are " _____."

Mayor _____ emphasized that the auction represents a serious step for the city to raise revenues to help finance city social and economic projects. All funds from the auction are to be used for _____.

The city plans to hold its next auction on _____, 199_ at the (Auction Organizer).

For further information, please contact:

The _____ City Rada of Peoples' Deputies (____) ____-____, the _____ City Privatization (Organ) (____) ____-____, or the (Auction Organizer) (____) ____-____.

ANNEX 3: LAND PARCEL SELECTION CRITERIA

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ANNEX 3: LAND PARCEL SELECTION CRITERIA

The success of a land auction, especially when it is the first for a city, depends greatly on the selection of desirable land parcels. As noted in Chapter 2, location is the most important criteria governing a parcel's appeal to potential bidders. Five other factors — engineering infrastructure, physical conditions, size and configuration, environmental conditions, and changing development patterns — also affect a parcel's attractiveness and thus should influence the selection of parcels for the auction.

1. Engineering Infrastructure. Some land parcels have no current access to water, sewer, electricity, and other engineering infrastructure. Other parcels have potential access, but the costs for hook-up are prohibitive. Still other parcels have sufficient engineering infrastructure, but the overall infrastructure service for the area is inadequate.

2. Physical Conditions. The existence of certain physical conditions can render a parcel unattractive to potential bidders. For example, wetlands, peat, and rock outcroppings can cause portions of a parcel to be unbuildable, or at the least make development very costly. The existence of abandoned structures or temporary uses such as garages, parking lots, and kiosks, can cause problems. Occupied old houses and smaller apartment buildings will generally require the relocation of tenants.

3. Size and Configuration. The size of a parcel must match up with the desired economic use. A large parcel is less desirable when the market does not demand uses that would occupy much of the parcel. Among the parcels that failed to attract interested bidders at the six 1994 land auctions were several offerings exceeding 5,000 square meters. The configuration of the parcel must allow the developer to construct an appropriate building. Awkwardly configured parcels resulting in construction cost premiums or inefficient or unattractive building designs are problematic.

4. Environmental Conditions. Environmental conditions not only affect the health and safety of workers and residents, but also concern potential bidders. If a city wants to encourage foreign investment, it is essential that the land parcels offered be scrutinized in advance for environmental contamination. As a rule, polluted parcels should be excluded unless they have superior locations and can easily and inexpensively be cleaned up.

5. Changing Development Patterns. Since the value of real estate is typically derived from its future use, the most successful developers analyze emerging development patterns for a city. Is the neighborhood where the parcel is located on the upswing? Is the city planning to expand provision of engineering infrastructure to the immediate area? Are there other areas in the city that are scheduled for major infrastructure investments?

ANNEX 4: LAND PARCEL APPRAISAL TECHNIQUES

ANNEX 4: LAND PARCEL APPRAISAL TECHNIQUES

As discussed in Chapter 2, the use of land parcel appraisal techniques provides an important reference point for setting land auction starting prices. Before determining starting prices, cities need to have a good sense of how the market values the parcels. Land parcel appraisal techniques estimate the market value of a specific parcel of land at a specific point in time. Appraisers rely on information about actual market transactions involving comparable properties, construction costs, rents, and other factors to create their estimate of the market value of the parcel they are appraising. It is important to recognize, however, that land appraisals do not "determine" the market values of land parcels. The market determines market values, while land appraisals infer market values. Land appraisals should also not be confused with normative land values announced in national laws without regard to the actual market values.

Land appraisals employ a well-established methodology dependent on the availability of information from the private world of real estate markets. In Ukraine, where the economy has yet to transform itself fully to one based on private markets, the land appraiser is forced to rely on data less precise than that expected for appraisals in established market economies. To begin with, the number of market transactions is significantly lower, and those that occur may not take place in a fully juridical and open manner. With a changing national and local juridical framework affecting land ownership and use, the appraiser must diligently examine comparable transactions to consider whatever unique conditions may have been applicable to that property at the time of the transaction.

The key elements of effective appraisal work in Ukraine are the following:

- An understanding of appraisal principles, methodology, and analytical techniques.
- Knowledge about the local economy, and particularly the emerging real estate sector.
- Field research regarding the indicators of prices, supply, and demand.
- Extensive interviews with builders, developers, bankers, and real estate brokers.
- Uncovering of analogous market information within the city, and, where necessary, from other cities in Ukraine and even comparable markets in neighboring countries also in economic transition.

For purposes of the land auction, the appraiser's job is to estimate the market value of parcels to be offered at the auction. Market value is defined as the most probable price, in terms of money, that a parcel should bring in a competitive and open market, allowing a reasonable time to find a buyer, with both the buyer and seller acting prudently, in their own self-interest and being knowledgeable about all the issues related to the parcel. In order to estimate the market value of a parcel, the appraiser must know what appraisers call a parcel's "highest and best use." The "highest and best use" is that use which is legally allowable, physically possible, financially feasible, and demanded by the market, and which produces the highest market value for the parcel.

Land appraisers typically utilize one or more of three basic approaches to estimate the market value: the "sales comparison" approach, the "income" approach, and the "cost" approach. These approaches are used not only to estimate the market value of a vacant land parcel, but also the market value of buildings on land parcels.

- The *Sales Comparison Approach* compares the property being appraised (the "subject property") with other similar properties that have recently sold or are currently offered for sale ("comparable properties"). Adjustments are made to account for differences between each comparable property and the subject property to reach an indicated market value for the subject property.
- The *Income Approach* converts expected future net income (revenue less expenses) from the property into an estimate of market value through application of market-based investment yield rates.
- The *Cost Approach* is used only for land parcels with improvements, and not for vacant land parcels. It estimates market value by determining the cost of replacing the improvements on the land parcel, less any depreciation or obsolescence associated with the improvements, and adding the estimated market value of the land.

If the appraiser uses more than one of these approaches, he or she may find that market values derived from the different approaches widely diverge. In such cases, the approach in which the data appears the most reliable and the analysis most thorough should receive preference.

"SALES COMPARISON" APPROACH

Under the "sales comparison" approach, the appraiser attempts to obtain information about actual market transactions involving comparable land parcels and buildings. In Ukraine, accurate recent transactions data are difficult to unearth. Governments are unlikely to have an accurate registry of such transactions. Private real estate brokers may provide general information about sales, including the neighborhood location of the parcel, the sales price, the age and type of any building on the parcel, the size of the building, and the number of days it took for the parcel to sell. At the same time, brokers usually refuse to provide specific property addresses or the names of buyer or seller.

In most cities, few official sales have occurred. Instead, unrecorded sales or transfers of ownership, use, and lease rights have taken place, and it is not always easy to obtain accurate information on the sales price. In some cases, the buyer will exchange in-kind payments such as one or more completed dwelling units for a land parcel. If the appraiser is attempting to value a vacant land parcel, he or she may be forced to use land parcels with some improvements thereon as comparables, and then allocate the overall sales price into a land and building value. The value of the improvements should be deducted from the overall value to arrive at the indicated land parcel value for the comparable transaction.

When using sales comparable properties, it is useful to state their market values in unit measures. Thus, for example, the comparable property would typically be described as follows:

- *Land*: Price per square meter of land or total allowable building area per square meter of land.
- *Apartments*: Price per square meter of building area, per unit, or per room.
- *Office*: Price per square meter of building area or per office unit if all office units are of similar size.
- *Stores*: Price per square meter of building area or price per store unit if all store units are of similar size.
- *Hotel*: Price per unit (guest room), occasionally price per square meter.

In measuring each comparable property, adjustments should be made to account for differences in the following areas:

- *Type of Property Right*: Consider differences in value arising from whether the parcel is under long-term lease, permanent use, or ownership, with outright ownership having the highest value.
- *Conditions of Sale*: Consider differences in value arising from whether the sale was an open market sale, forced sale, a sale between friends or family members, or a collusive sale between buyer and seller.
- *Date of Sale*: Consider differences in value arising from changes in market conditions, including inflation and supply and demand imbalances, if different than the conditions as of the date of the appraisal.

- *Market Attractiveness:* Consider differences in value arising from differences in the appeal of a property to potential purchasers. For residential properties and undeveloped residential land parcels, these key factors typically include access to work, proximity to stores and services, quality of neighborhood, overall safety and security, and prestige. For commercial use properties, these factors typically include accessibility to workers and other businesses and governmental agencies, adequacy of public transportation, parking availability, quality of neighborhood, safety and security, and prestige.
- *Physical Characteristics:* Consider differences in value arising from differences in the physical conditions of the properties. For undeveloped land, these factors typically include topography, soils, wetlands and ground water, environmental conditions, and road or water frontage. For buildings, the factors typically include the age and conditions of the building, the amenities, the functional design, and the building appearance and style.
- *Engineering Infrastructure:* Consider differences in value arising from the availability and cost of engineering infrastructure, including roads, water, central hot water and heat, sewer, electricity, gas and telephone.
- *Governmental Restrictions:* Consider differences in value arising from the type of restrictions affecting the property, including use restrictions, environmental regulations, historic controls, and building codes.

Price adjustments arising from the consideration of the above-listed factors are made to the per square meter value of the comparable property, with reductions where the comparable is superior to the subject property and additions where the subject property is superior to the comparable. The adjustments must be estimated from actual experiences in the marketplace. Ideally, the calculation for each adjustment would involve a direct comparison of properties similar in all respects but for the one different factor. Known as “paired sales comparisons,” this is the theoretically correct technique, but it may be difficult to apply given available data.

Because there exists sufficient sales experience with privatized apartment units to estimate the relative differences in market attractiveness by area of the city, such information is relevant and may be applied to land parcels. For example, the adjustment for market attractiveness may be based on comparable sales or a comparison of rent levels for similar properties, one of which was located in the area of the subject property and the other in the area of the comparable property. The adjustment for ownership interest would reflect the comparative discount attributable to a “permanent use right” as opposed to the sale of a fully transferable ownership interest, as measured by actual transactions or reasonable proxies. Where quantitative market data are not available to estimate the relevance of the above factors, the appraiser must instead rely on interviews with buyers, sellers, and brokers.

After making adjustments to the values of the comparable properties, the appraiser will generate a range of indicated market values for the subject property. If an appraiser has adjusted all indicated values of the comparable properties and has arrived at the same indicated values, it is likely that the analysis is artificial and the appraisal is not to be trusted. The final estimate reflects the appraiser's best judgment based on the appraiser's knowledge of the subject property and the comparable transactions. The final estimate of market value should fall within the range of values for the adjusted comparable properties, and the appraiser should explain the reason for the estimated value.

“INCOME” APPROACH

The “income” approach is used to estimate the value of income-producing properties such as office buildings, apartment buildings, shops, and hotels developed on land parcels. This approach typically measures the net operating income that the building produces (or would produce once built) on an annual basis under stabilized operating conditions. This amount is calculated by determining the rent paid under existing leases plus an estimate of the market rent per square meter for all rentable space currently not leased to tenants. The market rent per square meter is estimated by comparing actual rents currently being paid in similar rental properties and adjusting for differences between a comparable property and the subject property in a manner similar to estimating value per square meter under the “sales comparison” approach. The resulting amount is the *Potential Gross Revenue* of the building, expressed on an annual basis. Of course, not all space is rented all the time, and some tenants fail to pay on time or at all. After adjusting for these factors, the appraiser arrives at the *Effective Gross Income*.

The next task is to deduct the *Expenses*, the annual cost of operating the building, including the costs of heating, electricity, water, cleaning, security, maintenance and repair, trash removal, window washing, management, and taxes. Also deducted are funds set aside for the replacement of capital items such as roofs and heavy equipment expected to wear out over a reasonable operating period. In addition, an allowance is normally set aside to cover the cost of renovating space for new tenants who move in when an old tenant moves out. The resulting number, the *Net Operating Income*, represents the likely annual amount available from the building after collection of income and payment of expenses.

To estimate the market value of the property using the “income” approach, the net operating income is divided by the yield rate required to attract capital to the investment. This rate, the *Capitalization Rate*, is based upon an analysis of investors' requirements for investments of similar risk, reward, and duration in capital markets. Of course, in Ukraine, it may be difficult to find such analogous investments and the issue of high inflation will complicate matters. Since most leases are indexed, however, the concern about inflation can be accounted for in the estimate of net operating income. Yield rates for other investments can be obtained from national and regional business newspapers as well as from bankers. Adjustments can be estimated through discussions with bankers and security dealers.

The following table demonstrates the income approach as applied to a 5,000 square meter office building.

Potential Gross Income		
5,000 m2 of office space @ \$150/m2	750,000	
Other income	<u>600,000</u>	
Subtotal		1,350,000
Less Vacancy and Collection Loss		<u>-122,500</u>
Effective Gross Income		1,227,500
Less Expenses		
Management and Administration	-61,375	
Utilities (heating, electricity, water, etc.)	-95,000	
Services (cleaning, security, trash removal, etc.)	-100,000	
Repair and Maintenance	-125,000	
Other	-15,000	
Land Taxes	-95,000	
Subtotal		<u>-491,375</u>
Net Operating Income		736,125
Value When Capitalized At 15% Capitalization Rate		\$4,907,500

In order to estimate the market value of a land parcel upon which a comparable 5,000 square meter office building could be constructed, the appraiser uses the *Land Residual* method. The appraiser undertakes an analysis of the cost of developing the 5,000 square meter building and then deducts such cost from the capitalized value of the net operating income of the proposed building. This computation yields the land residual, which is the estimate of the market value of the vacant land parcel.

Development costs for the building include amounts for design and engineering, land parcel preparation, construction, technical conditions, fees and permits, business costs, developer's overhead and profit, marketing and leasing costs, and a contingency. Although there are no generally available construction cost indices or databases, it is nonetheless possible to obtain general information from construction companies in addition to project-specific data. The best way to obtain such data is to undertake interviews with local construction and development companies. The appraiser should attempt to discover "line-item" data of construction companies and then generalize to average costs per square meter of a building of a similar construction type. By understanding line-item costs, the appraiser can better adjust for differences in average cost per square meter of a "comparable" building. Lastly, the appraiser needs to try to determine estimates of "soft" costs, such as design and engineering, permits, marketing, finance, and technical condi-

tions. Although difficult, each element should be separately considered and estimated from a number of independent sources.

The land residual analysis is illustrated as follows:

Value At Capitalization Rate Of 15%		4,907,500
Less Development Costs		
Design And Engineering	-90,000	
Land Parcel Preparation Work	-250,000	
Construction	-2,450,000	
Fees And Permits	-650,000	
Technical Conditions	-200,000	
Legal And Accounting	-75,000	
Finance	-175,000	
Developer's Overhead And Profit	-500,000	
Marketing And Leasing	-175,000	
Contingency	<u>-105,000</u>	
Total Development Cost		<u>-4,670,000</u>
Residual Land Value		\$237,500

The same approach may be employed when the property is a sales, rather than rental, property, such as a single-family house. The income is the expected sales price, from which the development cost is deducted to obtain the land residual reflecting the market value of the land parcel.

The above sales comparison and income approach examples illustrate various methods that may be employed in appraising vacant and improved land parcels. Where possible, more than one approach should be employed. The reliability of the market value estimate will depend upon the appraiser's ability to gather sufficient market, operating cost, construction cost, and financial data, his or her understanding of the factors affecting rents and prices in the local market, and his or her ability to make the appropriate adjustments to account for the differences between the comparable properties and the subject property being appraised. The final market value estimate will be unreliable unless the appraiser diligently follows the appropriate appraisal methodology and uses sound judgment.

**ANNEX 5: THE COMPETITIVE
TENDER/REQUEST FOR PROPOSAL
METHOD**

ANNEX 5: THE COMPETITIVE TENDER/REQUEST FOR PROPOSAL METHOD

The “competitive tender” or “request for proposal” method, briefly described in Chapter 1, has four basic steps:

First, the city invites physical and juridical entities to submit proposals for the acquisition and development of a specific land parcel. The city makes known its desires for the parcel in a written document known as the “tender document” or “request for proposal.” This document comes in two basic varieties: “without conditions” and “with conditions.” The “without conditions” document is an open-ended invitation to entities to make proposals for the land parcel, including a bid price and a description of what they would do with the parcel.

The “with conditions” document, on the other hand, expressly sets forth requirements related to development of the parcel that potential acquirers must satisfy in preparing their proposals. Typical conditions relate to the type of development desired, especially with regard to use (residential, commercial, industrial, etc.), density (number of square meters, apartment units, etc.), design (height of buildings, placement on the site, materials and colors, architectural style, etc.), infrastructure (roads, water, sewer, etc.), open space (parks, public spaces, etc.), and social and economic objectives (housing for poor families, stores, etc.). The conditions are expressed either as requirements or preferences. For example, requirements would state that the proposed development must include 20 units of housing, including 10 for poor families, a small park, a new sewer system, and a building no taller than 20 meters. Preferences would state that proposals comprising 20 units of housing, with 10 units set aside for poor families, would receive preference when the government is selecting the winning proposal. Conditions may be expressed quantitatively or qualitatively. For example, the project must not exceed 20 meters in height (quantitative), or must be in character with the existing scale and architecture of the surrounding neighborhood (qualitative).

Conditions may be prepared by the chief architect’s office, with assistance from experts from academic and research institutes and with general input from interested members of the public. In formulating such conditions, the city must define the goals it hopes to achieve by allocating the land parcel, must assess the feasibility and desirability of alternative development possibilities that achieve the same goals, and must choose a preferred development approach. The overall process for preparing conditions is iterative rather than linear, meaning that goal determination may be altered by subsequent analysis of alternatives. For example, a city wants to revitalize its central district to create new jobs and a more attractive physical environment. To accomplish this goal, the city initially decides to sell or lease a large parcel of land for a new project comprised of a convention hall, hotel, office building, stores, and parking. This development project must be tested for market feasibility and site compatibility. Is there a market demand for the proposed center? What impact will it have on the surrounding neighborhoods? Is the existing infra-

structure of roads and sewers adequate? What about the loss of open space and the shadows cast on neighboring buildings?

The generation of alternative development projects — a project with a 10-story versus a 20-story building, a housing development with 10 units versus 20 units for poor families — allows planners to test the proposal. What will happen to the economic viability of a project if it is limited to 10 stories? What will happen to the selling price of the land if the city requires the inclusion of 20 units of housing for poor families instead of 10? Each scenario should be examined for its social, physical, and economic impacts. The planners should also compare these scenarios with what a private developer would do with the parcel without any guidance from the city. The private developer's ideas would yield the highest market value, and therefore the maximum revenue, for the city upon sale or lease. With this knowledge, the city can understand how the conditions it imposes upon the parcel may reduce the amount of money it would otherwise receive from a private developer.

Second, potential developers prepare proposals for submission to the city. The typical proposal contains text describing in detail the project, photographs of the parcel area, maps and land-use plans locating the project, architectural elevations and sketches, financial statements, and descriptions of the backgrounds of the key members of the development team. The proposal also states the amount of money offered for the parcel. Some proposals are perfunctory, while others are quite detailed and are very costly to prepare.

Third, a city-created committee reviews the proposals and makes a tentative designation of the winner. Local governments sometimes include citizens and outside experts on the committee to review the proposals. The proposals are evaluated and ranked according to many criteria. One proposal, for example, may offer the greatest revenue to the city, while another may embody a more attractive design. It is the job of the reviewing committee to compare these “apples and oranges” and make a choice. That choice may result in a winner that has offered less money than some of the other developers. Occasionally, two or more finalists are chosen and asked to resubmit for a final review by the committee.

Fourth, the city negotiates with the designated developer to reach a legally binding agreement. The city need not follow the exact contents of the winning proposal and may make additional requests to the developer to improve upon it. At the same time, the final deal must not substantially deviate from the winning proposal such that losing developers have the legitimate complaint that they too should have had the opportunity to resubmit.

ANNEX 6: EXCERPTS FROM RELEVANT NATIONAL LAWS

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ANNEX 6:1 "LAND CODE OF UKRAINE," LAW OF UKRAINE, ARTICLES 3-11, 15, 17, 19, 22-24, 27-28, 30, 35-37, 39-41, 43, 46 (MARCH 13, 1992)

LAW OF UKRAINE

"LAND CODE OF UKRAINE"

March 13, 1992

Article 3. Forms of Land Ownership; Land Regulation

Land ownership in Ukraine takes the following forms: state; collective; and private. All forms of ownership are equal under the law.

Lands will be administered by Radas of Peoples' Deputies, which will transfer title to lands or offer their lease or use, and appropriate them within the confines of their jurisdiction.

Local Radas of Peoples' Deputies may delegate the power to transfer title, grant or lease lands to agencies of the executive branch of government or the executive agencies of local governments.

Article 4. State Ownership Rights to Land

All lands in Ukraine are state property, except lands transferred to collective or private ownership.

The right of state ownership of land will be exercised by the following:

- the Ukrainian Supreme Rada - in the case of land owned by the Ukrainian State;
- the Supreme Rada of the Crimean Republic - in the case of land within its republic territory, with the exception of central state property; and
- oblast, rayon, city, settlement, and rural Radas of Peoples' Deputies - in the case of land within their territory, with the exception of central state property.

State-owned land may be transferred to collective or private ownership and offered for use, including leasing, with the exception of the cases stipulated in legislation in Ukraine and the Crimean Republic.

The following may not be transferred to collective and private ownership:

- public lands of populated areas (squares, streets, passages, roads, pastures, hay fields, embankments, parks, urban forests, gardens, boulevard parks, cemeteries, landfills, garbage dumps and recycling sites) and lands under the buildings of state governing bodies and executive agencies;
- lands used by the mining industry, the unified power engineering and space systems, transportation, communication and defense;
- lands used for environmental protection, therapeutic, recreational and historical-cultural purposes;
- forests, with the exception of small stands (of up to five hectares) included as the holdings of agricultural enterprises and peasant (or family) farms;

- lands of water resources, with the exception of the small bodies of water and marshes (of up to three hectares) included in the holdings of agricultural enterprises and peasant (or family) farms;
- lands of agricultural research establishments and academic institutions and their experimental farms, training farms of academic institutions, state experimental seed stations and areas, specialized seed farms and seed farms, horse breeding stations, collective horse farms and horse stations, hops farms, aromatic plant farms, medicinal plant farms, vegetable and grape farms.

Article 5. Right of Collective Ownership of Land

Land may be owned by citizens on the basis of collective property rights.

The right of collective ownership will be exercised by collective agricultural enterprises, agricultural cooperatives, horticultural societies, and agricultural joint-stock companies, including those established on the basis of sovkhoses and other state agricultural enterprises.

The administration of lands owned collectively by citizens will be carried out in accordance with the decisions of a general meeting of the co-owners.

The lands of collective agricultural enterprises, agricultural cooperatives, and agricultural joint-stock companies, including those established on the basis of sovkhoses and other state agricultural enterprises, and the lands of horticultural societies, may be transferred to collective ownership by a decision of a general meeting of these enterprises, cooperatives, and societies.

Until this decision has been made, land located within populated communities will be transferred to the control of rural, settlement, and city Rada of Peoples' Deputies.

The area of land transferred to collective ownership will be equivalent to the difference between the total area of land under the control of the Rada and the area of land remaining under state ownership (the land reserve, forests, water resources, sanctuaries, etc.) and private ownership.

Land will be transferred to collective ownership without charge.

The common areas of the land of horticultural societies may not be divided.

Each member who withdraws from a collective agricultural enterprise, agricultural cooperative, or agricultural joint-stock company will have the right to receive his share of the land in kind (locally) according to the procedure specified in paragraphs 6 and 7 of this code.

Title to the share of land may be transferred by inheritance according to the procedure and on the conditions specified in civil property inheritance laws and the by-laws of the collective enterprise. In the absence of heirs, the members of the enterprise, cooperative, or society will have a preferential right to the share of land.

If one of the owners should wish to sell his share of land, the co-owners will have the preferential right to buy it.

The common areas (intraorganizational roads, protective forest strips and other vegetation protecting the soil, hydrotechnical installations, etc.) of collective agricultural enterprises and agricultural cooperatives and joint-stock companies that have been dissolved or have gone bankrupt will be transferred to the control of the appropriate local Rada of Peoples' Deputies.

Rural and settlement Radas of Peoples' Deputies will establish natural preserves within their territories by agreement with the user of the land in amounts of up to 15 percent of the area of all agricultural lands, including lands within the confines of the populated communities on their territory.

The part of the preserve which belongs to farms at the time this code goes into force will remain theirs for permanent use.

The preserves will be owned by the state and may be redistributed and used for special purposes in the future.

Article 6. Citizens' Right of Private Ownership of Land

The citizens of Ukraine will have the right to obtain land into ownership for the following purposes:

- for a peasant (or family) farm;
- for private subsidiary farming;
- for the construction and maintenance of a residence and out-buildings (a private plot);
- for gardening; and
- for the construction and maintenance of a dacha and garage.

Title to land will be transferred to citizens in the following cases:

- when they inherit land;
- when they are granted their share of spousal community property; and
- when they buy land, receive it as a gift, or receive it in exchange for something.

The transfer of title to citizens will be conducted by local Radas of Peoples' Deputies within the confines of their jurisdictions for payment or without charge.

Title to land will be transferred to citizens without charge for the following purposes:

- for a peasant (or family) farm falling within the dimensions of the average share of land calculated according to the procedure specified in this Article;
- for private subsidiary farming;
- for the construction and maintenance of a house and out-buildings (a private plot), including land previously allotted to citizens for this purpose according to the established procedure and within the dimensions specified in Article 67 of this Code;
- for gardening; and
- for the construction and maintenance of a dacha and garage.

Title to parcels of land exceeding the average share in size will be transferred to citizens for a peasant (or family) farm for payment.

When the average share of land is calculated by rural, settlement and city Radas of Peoples' Deputies, the calculations will be based on the amount of agricultural land (including plowland) used by the enterprises, establishments, organizations, and citizens within the Rada's territory, with the exception of the enterprises, establishments, and organizations whose land is not subject to privatization.

The total amount of land will be divided by the number of individuals working in agriculture, retired individuals who once worked in agriculture and are still living in the rural community, and individuals employed in the social sphere of the rural community.

The individuals working in agriculture will include all of the personnel of collective agricultural enterprises, subsidiary farms, peasant (or family) farms, and other agricultural enterprises, establishments, and organizations.

The individuals employed in the social sphere will include the personnel of public health, education, culture, consumer services, communications, trade, and public catering, law enforcement, and Radas of Peoples' Deputies and their executive committees, as well as retired individuals who once worked in this sphere.

The quality of agricultural land must be taken into account when the average share of land is being calculated. The size of the average share may be adjusted in line with demographic conditions and specific circumstances by the Radas of Peoples' Deputies determining the size of this share.

The parcel of land transferred to the citizen may be used as collateral only in a mortgage with a credit establishment.

Land will not be returned to the former owners (or their heirs) or users. They may be offered title to, or the use of, other parcels of land on general grounds.

Title to land will not be transferred to foreign citizens, nor to individuals without citizenship.

Article 7. Land Use

Land use may be permanent or temporary.

Land use will be regarded as permanent if no expiration date is stipulated in advance.

Temporary land use may be short-term - up to 3 years - and long-term - from 3 to 25 years. In cases of production-related necessity, the term may be extended for a period not exceeding a single period of either short-term or long-term temporary use.

The leasing of land for agriculture should constitute long-term use as a rule.

Permanent use of state-owned land will be granted by Radas of Peoples' Deputies to the following:

- to citizens of Ukraine for a peasant (or family) farm or private subsidiary farming;
- to agricultural enterprises and organizations;
- to public associations;
- to religious organizations;
- to industrial, transport, and other non-agricultural enterprises, establishments, and organizations;
- to the organizations listed in Article 70 of this Code for defense needs;
- to specialized enterprises engaged in forestry;
- to housing, housing construction, garage construction, and dacha construction cooperatives;
- to joint ventures, international associations and organizations of Ukrainian and foreign juridical entities and physical persons, and enterprises belonging completely to foreign investors.

Temporary use of state-owned land will be granted by Radas of Peoples' Deputies to the following:

- to citizens of Ukraine for vegetable gardening, hay making, and the pasturing of livestock or for peasant (or family) farms;

- to industrial, transport, and other non-agricultural enterprises, establishments, and organizations;
- to public associations;
- to religious organizations;
- to the organizations listed in Article 70 of this Code for defense needs;
- to agricultural enterprises and organizations;
- to housing, housing construction, garage construction, and dacha construction cooperatives; and
- to joint ventures and international associations and organizations of Ukrainian and foreign juridical entities and physical persons.

Temporary use of collective and private property may be granted on the basis of a contract registered with the rural, settlement or city Rada of Peoples' Deputies to the following:

- to citizens of Ukraine for vegetable gardening, hay making, and the pasturing of livestock; and
- to industrial, transport, and other enterprises, establishments, and organizations for non-agricultural purposes.

The use of land may be granted to other organizations and individuals in the cases specified in laws of Ukraine and the Crimean Republic.

The term of land use for state-owned lands will be extended by the Radas of Peoples' Deputies granting the right to use them.

The term of land use for collective and private property will be extended by the owners of the land by signing a new contract.

Article 8. Land Leases

Temporary use of lands on lease terms will be granted to citizens of Ukraine, enterprises, establishments, public associations and religious organizations, joint ventures, international associations and organizations of Ukrainian and foreign juridical entities and citizens, and enterprises belonging completely to foreign investors, as well as to foreign states, international organizations, foreign juridical entities, and stateless physical persons.

The lessors will be the rural, settlement, city and rayon Radas of Peoples' Deputies, and they are also the owners of the land.

Land may be leased for short-term use - up to three years (for the pasturing of livestock, hay making, vegetable gardening, and state and public needs) - and long-term use - up to 50 years.

The conditions and terms of the lease and the payment for it will be defined by mutual agreement of the parties and stipulated in their contract.

The lessee will have a preferential right to renew the lease when its contract expires.

The lessees of land for agricultural purposes will have a preferential right to acquire lease lands as their property except in the cases where the lessees are joint ventures, international associations and organizations of Ukrainian and foreign juridical entities and physical persons, and enterprises belonging completely to foreign investors, as well as foreign states, international organizations, foreign juridical entities, and stateless physical persons.

Agricultural land constituting the collective property of collective agricultural enterprises, agricultural cooperatives, and agricultural joint-stock companies offered for temporary use may be leased for agricultural use for a term of no more than five years.

Citizens owning parcels of land will have the right to lease them without any change in their designated purpose for a term of up to three years, or up to five years in cases of temporary disability, conscription for active service in the Ukrainian Armed Forces, and enrollment in academic institutions. When minors inherit land, they may offer the land for lease under the supervision of local Radas of Peoples' Deputies until the heirs attain adulthood.

Lease relations will be regulated by this Code and other legislative enactments of Ukraine.

Article 9. Authority of Rural, Settlement, and City Radas of Peoples' Deputies of Regional Jurisdiction in Regulation of Land Relations

The authority of rural, settlement, and city Radas of Peoples' Deputies of regional jurisdiction in the regulation of land relations within their territory will extend to the following:

1. The transfer of title to land and the offer of land for use, including leasing, according to the procedure specified in Articles 17 and 19 of this Code;
2. The registration of ownership rights, land use rights and lease contracts;
3. The appropriation (or redemption) of lands in accordance with Article 31 of this Code;
4. The collection of payments for land;
5. The keeping of land survey records;
6. The coordination of land management plans;
7. The exercise of state control over the use and protection of lands and the observance of land laws;
8. The promotion of the creation of an ecologically clean environment and the improvement of the natural landscape;
9. The suspension of the right to own or use a parcel of land or part of it;
10. The issuance of opinions on the allocation or appropriation of lands by superior Radas of Peoples' Deputies;
11. The approval of the construction of residential, production, cultural-consumer, and other structures and facilities on land in ownership and use;
12. The resolution of land disputes within their jurisdiction; and
13. The resolution of other matters in the sphere of land relations within their jurisdiction.

Article 10. Authority of City Radas of Peoples' Deputies in Regulations of Land Relations

The authority of City Radas of Peoples' Deputies in the regulation of land relations within their territory will extend to the following:

1. The transfer of title to land and the offer of land for use, including leasing, according to the procedure specified in Articles 17 and 19 of this Code;
2. The registration of ownership rights, land use rights, and lease contract;

3. The appropriation (or redemption) of lands in accordance with Article 31 of this Code;
4. The collection of payments for land;
5. The keeping of land survey records;
6. The exercise of state control over the use and protection of lands and the observance of land laws;
7. The promotion of the creation of an ecologically clean environment and the improvement of the natural landscape;
8. The suspension of the right to own or use a parcel of land or part of it;
9. The approval of the construction of residential, production, cultural-consumer, and other structures and facilities on land in ownership and use;
10. The organization of land management;
11. The approval of plans for intra-farm land management, and the monitoring of their implementation;
12. The issuance of opinions on the allocation or appropriation of lands by a superior Rada of Peoples' Deputies;
13. The resolution of land disputes within their jurisdiction; and
14. The resolution of other matters in the sphere of land relations within their jurisdiction.

Article 11. Authority of Rayon Radas of Peoples' Deputies in Regulation of Land Relations

The jurisdiction of Rayon Radas of Peoples' Deputies in the regulation of land relations within their territory will extend to the following:

1. The transfer of title to land and the offer of land for use, including leasing, according to the procedure specified in Articles 17 and 19 of this Code;
2. The registration of ownership rights, land use rights, and lease contract;
3. The appropriation (or redemption) of lands in accordance with Article 31 of this Code;
4. The keeping of land survey records;
5. The exercise of state control over the use and protection of lands and the observance of land laws;
6. The promotion of the creation of an ecologically clean environment and the improvement of the natural landscape;
7. The approval of the construction of residential, production, cultural-consumer, and other structures and facilities on land in ownership and use;
8. The suspension of the right to own or use a parcel of land or part of it;
9. The organization of land management;
10. The consideration and approval of land management plans and programs;
11. The approval of plans for intra-farm land management and the monitoring of their implementation;
12. The issuance of opinions on the allocation or approval of lands by superior Radas of Peoples' Deputies;
13. The resolution of land disputes within their jurisdiction; and
14. The resolution of other matters in the sphere of land relations within their jurisdiction.

Article 15. Agencies Exercising State Control Over Use and Protection of Land

State control in the sphere of land use and protection will be exercised by the Cabinet of Ministers of Ukraine, the Government of the Crimean Republic, local Radas of Peoples' Deputies and local state administrations, the State Committee of Ukraine for Land Resources, the Ukrainian Ministry of Environmental Protection, and other state agencies specifically authorized to do so within the limits of their jurisdiction.

Article 17. Transfer of Title to Land by Radas of Peoples' Deputies

The transfer of parcels of land to collective and private ownership will be conducted by the Radas of Peoples' Deputies within whose territory the parcels of land are located.

The owners of parcels of land transferred to them by the Rada of Peoples' Deputies will not have the right to sell or otherwise dispose of the land belonging to them for six years after the time when they acquire title to the land, with the exception of transfers by inheritance or transfers to the Rada of Peoples' Deputies on the same terms on which they received the land. If there is a good cause, the owner may petition a court to reduce this time period.

Citizens wishing to acquire title to parcels of land from the available reserve will submit an application to the rural, settlement, or city Rada of Peoples' Deputies where the parcel is located, and if this request is denied they may submit an application to the rayon Rada or the Rada of the city with administrative jurisdiction over the rayon. The application will indicate the desired dimensions and location of the parcel, the purpose for which it will be used, and the applicant's family composition.

The Rada of Peoples' Deputies concerned will process the application and request a land management organization to draw up a plan for the allotment of the parcel if the citizen's application is approved. The allotment plan must be approved by the rural (or city) land management, environmental protection, and public health agencies, and an architectural agency and submitted to the rayon (or city) Rada of Peoples' Deputies for the passage of a resolution transferring title to the citizen.

Title to a citizen's land grant will be transferred by the rural, settlement, or city Rada of Peoples' Deputies in the location of the land for the following purposes:

- for a peasant (or family) farm within the dimensions specified in Article 52 of this Code;
- for private subsidiary farming within the dimensions specified in Article 56 of this Code; and
- for the construction and maintenance of a residence and out-buildings (a private plot), gardening, and construction and maintenance of a dacha and garage within the dimensions specified in Articles 57 and 67 of this Code.

Title to these lots will be transferred on the basis of the citizen's application and documents confirming their dimensions (land surveys, the data of technical inventory bureaus and the boards of societies and cooperatives, etc.)

Radas of Peoples' Deputies will process these applications and documents and make the necessary decisions within a month.

The transfer to citizens of title to property consisting of parcels of land owned or used by other citizens or juridical entities will be conducted by local Radas of Peoples'

Deputies after their appropriation (or redemption) according to the procedure specified in Articles 31 and 32 of this Code.

The transfer of a parcel of land as collective property to collective agricultural enterprises, agricultural cooperatives, and agricultural joint-stock companies, including those established on the basis of sovkhozes and other state agricultural enterprises, will be conducted by rural, settlement, and city Radas of Peoples' Deputies in the location of the parcel of land on the basis of petitions from these enterprises, cooperatives, and companies.

Documents substantiating the dimensions of the lot, calculated in accordance with the requirements in the fourth and fifth paragraphs of Article 5 of this Code, will be attached to the petitions.

The local Rada of Peoples' Deputies will process the petitions and documents and make the necessary decisions within a month.

Article 19. Authorization of Land Use

Rural and settlement Radas of Peoples' Deputies will authorize the use of the lands of rural communities and urban settlements for all purposes and the land outside them for the construction of schools, hospitals, trade enterprises, and other facilities serving the public (service sector), for agricultural use, for peasant (or family) farms, for private subsidiary farming, for private residential, dacha, and garage construction, for private and collective gardening, for vegetable gardening, for hay making and pasturing of livestock, and for traditional handicrafts.

The city Rada of Peoples' Deputies will authorize the use of land (with the exception of plowland and lots covered by perennial vegetation) within the city for any purpose.

Rayon Radas of Peoples' Deputies and cities with administrative jurisdiction over the rayon will authorize the use of land outside populated communities:

- from the available reserve for agricultural use;
- from forested lands and the land of water resources in the cases specified in Articles 77 and 79 of this Code;
- for peasant (or family) farms if the rural or settlement Rada of Peoples' Deputies has denied a request for authorization to use a parcel of land.

Oblast Radas of Peoples' Deputies will authorize the use of land:

- from all categories of land outside populated communities for the construction of roads, power transmission and communication lines, pipelines, drainage and irrigation canals, and other facilities of this kind;
- in all other cases, with the exception of those listed in the first, second, third, and fifth paragraphs of this Article.

The Supreme Rada of Ukraine will authorize the use of parcels of land in the cases for which a special procedure is required for their appropriation (Article 32).

The authorization to use owned or used parcels of land will be issued to another citizen, enterprise, establishment, or organization only after the appropriation (or redemption) of the land according to the procedure specified in Articles 31 and 32 of this Code.

The authorization will be based on plans for allotment of the parcels.

State and other land management organizations will be responsible for compiling these plans, for marking the boundaries (on-site), and for drawing up the documents confirming the right to use the land.

The clients in these operations will be the corresponding local Radas of Peoples' Deputies, enterprises, establishments, and organizations.

The allotment of parcels for use by citizens will be funded by the state, republic (Crimean Republic) and local budgets at the request of the rural, settlement, city and rayon Radas of Peoples' Deputies within whose territory the parcels of land are located.

The terms and deadlines for the compilation of plans for the allotment of parcels and the demarcation of their boundaries (on the site) will be stipulated in the client's contract with the organization performing the work.

Enterprises, establishments, organizations, and citizens wishing to use parcels of land will petition (or apply to, in the case of a citizen) the local Rada of Peoples' Deputies empowered to authorize the use of the land. Petitions for authorization from the Supreme Rada of Ukraine will be submitted to the oblast Rada of Peoples' Deputies or the Kiev or Sevastopol City Radas of Peoples' Deputies.

The following will be attached to the petition: a copy of the general construction plan or other graphic materials substantiating the dimensions of the area to be allotted, a title list or report on construction financing, a plan for the reclamation of the land, and other information.

The citizen's application for a parcel of land will stipulate the desired dimensions and location and the purpose for which it will be used.

The local Rada of Peoples' Deputies involved will process the petition (or application) within a month, issue a permit to compile a plan for the allotment of the parcel, and simultaneously report this to the Rada of Peoples' Deputies within whose territory the parcel is located.

The allotment plan will be discussed with the new owner or user of the land and will be submitted to the rural, settlement, or city Rada of Peoples' Deputies, which will process it within one month and make the necessary decision on the provision of the land within the confines of its jurisdiction.

If the use of the land is authorized by the rayon or oblast Rada of Peoples' Deputies or Supreme Rada of Ukraine, the rural, settlement, or city Rada of Peoples' Deputies will submit its opinion to the rayon Rada of Peoples' Deputies or the city Rada with administrative jurisdiction over the region.

The rayon (or city) Rada of Peoples' Deputies will make its decision on the allotment of the parcel within a month, and in the case of authorization by the oblast Rada of Peoples' Deputies or the Supreme Rada of Ukraine, it will submit its opinion to the oblast Rada of Peoples' Deputies.

The oblast Rada of Peoples' Deputies or the Kiev or Sevastopol city Rada of Peoples' Deputies will make a decision on the allotment of the parcel within a month, and in the case of authorization by the Supreme Rada of Ukraine it will submit planning documents and its opinion to the Ukrainian Cabinet of Ministers, which will process these documents and submit its proposals to the Supreme Rada of Ukraine within a month.

Article 22. Origins of Right to Own and Right to Use Land

The right to own land or the right to use allocated parcels of land will arise after land management organizations have determined the boundaries of the parcels (on the site) and after the receipt of a document confirming this right.

The use of land, including leased land, prior to the demarcation of the boundaries (on the site) and the receipt of the document confirming the right of ownership or the right to use the land, will be prohibited.

Article 23. Documents Confirming the Rights to Land

The right to ownership or the right of permanent use will be confirmed by state documents issued and registered by rural, settlement, city and rayon Radas of Peoples' Deputies.

The state document of collective title to the land will be issued to the collective of the agricultural enterprise, agricultural cooperative, or agricultural joint-stock company and will stipulate the dimensions of the area of land owned by the enterprise, cooperative, or company and owned collectively by citizens. A list of these citizens will be attached to the state document.

The format of the documents will be approved by the Supreme Rada of Ukraine.

Article 24. Procedure for Recording Temporary Use of Land

The right to use land temporarily, including leased land, will be recorded in a contract.

The format of the contract and the procedure for registering it will be established by the Ukrainian Cabinet of Ministers.

Article 27. Suspension of Right to Use Land

The right to use a parcel of land or part of it will be suspended in the following cases:

1. The voluntary relinquishment of the parcel;
2. The expiration of the term for which the use of the parcel was granted;
3. The curtailment of the operations of the enterprise, establishment, organization, or peasant (or family) farm;
4. The consistent failure to pay the land tax established by Ukrainian law on time or to make the lease payment on the date stipulated in the contract;
5. The inefficient use of the parcel;
6. The use methods diminishing soil fertility, causing the chemical and radioactive pollution of the soil, and having an adverse ecological impact;
7. The use of the land for purposes other than those specified;
8. The failure to use a parcel designated for agricultural production for one year or a parcel designated for non-agricultural needs for two years; and
9. The appropriation of the land in the cases specified in Articles 31 and 32 of this Code.

Sub-Article 5 of the first part of this Article will not apply to citizens using the land for a peasant (or family) farm for a term of three years.

The right to use land may also be suspended in the cases listed in Article 114 of this Code.

The right to use leased land will also be suspended if the contract is annulled.

The suspension of the right to use land in the cases specified in Sub-Articles 1 - 8 of the first paragraph and in the third paragraph of this Article within populated communities will be carried out by the corresponding Rada of Peoples' Deputies and outside these communities it will be done by the rural, settlement, or rayon Rada of Peoples' Deputies or the city Rada with administrative jurisdiction over the rayon, and in the cases specified in Sub-Article 9 of the first paragraph of this Article, the right will be suspended by a decision of the Rada of Peoples' Deputies empowered to appropriate the parcels of land.

The suspension of the rights to use land in the cases specified in Sub-Articles 5 - 9 of the first paragraph of this Article will entail judicial proceedings if the land user objects.

The right to use land temporarily will be suspended by annulling the contract.

Article 28. Suspension of the Right of Collective and Private Ownership of Land

The right of collective and private ownership of a parcel of land or part of it will be suspended in the following cases:

1. The voluntary relinquishment of the parcel;
2. The surrender (or sale) of the parcel to the Rada of Peoples' Deputies;
3. The purchase of the parcel for state or public needs; and
4. The cases specified in Sub-Articles 4 and 6 - 8 of Article 27 of this Code.

The right of ownership of the land may also be suspended in the cases stipulated in Article 114 of this Code.

The suspension of the right to own a parcel of land in the cases specified in Sub-Articles 1 - 3 of the first paragraph of this Article will be carried out by a decision of the corresponding Rada of Peoples' Deputies. If the owner of the parcel objects in the case specified in Sub-Article 3 or when the plot is appropriated in accordance with Sub-Article 4 of the first paragraph of this Article, the suspension of the right of ownership will entail judicial proceedings.

Article 30. Transfer of Title to Parcel of Land During Transfer of Rights to Structures and Facilities

The transfer of property rights to structures and other facilities will be accomplished by the transfer of the right to own or use the parcel of land within the dimensions specified in Article 67 of this Code with no change in its designated purpose unless the contract for the release of the structures and facilities stipulates otherwise. If there is a change in the designated purpose of the land, the parcel will be offered for use or ownership according to the allotment procedure.

When the property rights of citizens to a residence and out-buildings and facilities are transferred to several owners and when property rights to part of a home are transferred and the parcel of land cannot be divided among the owners without precluding its efficient use, the parcel will be used in common by the owners of these facilities.

When enterprises, establishments, and organizations turn over structures and other facilities to other enterprises, establishments, and organizations, the right to use the parcel of land occupied by these structures and facilities will also be transferred to them.

The right to own or use a parcel of land in these cases will be confirmed by the Rada of Peoples' Deputies in accordance with the requirements of Article 23 of this Code.

Article 35. Payment for Acquisition of Land

Transfers of title to land for payment in the cases specified in this Code will be conducted at the standard price established in legislation of Ukraine.

Article 36. Payment for Use of Land

Utilization of land in Ukraine requires payment.

The owners and users of land will make an annual payment for land in the form of a land tax or a lease payment, which will be calculated on the basis of the quality and location of the parcel of land as stipulated in land survey records.

The lessee will pay a lease payment for the land in an amount established by mutual agreement of the parties and stipulated in the contract.

The taxation procedure and the average rates of the land tax and the maximum amount of the lease payment for land will be decided by the Supreme Rada of Ukraine.

Article 37. Deposit of Payments for Land in Budgets and Their Use

Payments for land will be deposited in the budgets of the rural, settlement, and city Radas of Peoples' Deputies within whose territory the parcels of land are located.

Part of the revenue from payments for land will be centralized to the state, republic (Republic of Crimea), and oblast budgets according to the procedure and in the amounts established by Ukrainian legislation.

Revenue from payments for land will be used for the purposes stipulated in Ukrainian legislation.

Article 39. Rights of Owners and Users of Land

Owners and users of parcels of land will have the right to do the following:

1. To manage the land autonomously;
2. To sign mortgages with credit establishments;
3. To own their agriculture produce and the income from its sale;
4. To use the common minerals, peat, trees and water on the lot for their farming needs according to the established procedure and make use of other beneficial properties of the lands;

5. To build residential, production, cultural-consumer, and other structures and facilities with the approval of rural, settlement, or city Rada of Peoples' Deputies. Lessees wishing to build production and non-production structures, including a residence, on a leased parcel must gain the approval of the rural, settlement, city or rayon Rada of Peoples' Deputies and other lessors;
6. To own the seeds and plants of their agricultural crops and other vegetation; and
7. To receive compensation for the augmentation of soil fertility from the new owner or user of the land or the local Rada of Peoples' Deputies in the event of appropriation or the voluntary relinquishment of the parcel.

Article 40. Obligations of Owners and Users of Land

Owners and users of parcels of land will be obligated to do the following:

1. To ensure the use of the land in accordance with its designated purpose and the terms of its provision;
2. To use the land efficiently and in accordance with the intra-farm land management plan, augment soil fertility, employ environmentally safe production technology, and not allow their economic activity to have an adverse effect on ecological conditions of the territory;
3. To carry out the group of soil protection measures specified in Article 84 of this Code;
4. To pay the land tax or the lease payment for the land on time;
5. To not infringe the rights of owners or other parcels of land and the users of land, including lessees;
6. To maintain geodesic symbols, anti-erosion facilities, irrigation networks, and drainage systems;
7. To observe the rules of restricted decontamination zones and territories; and
8. To observe the rules of good neighbor relations:
 - to allow owners and users of parcels of land access to common roads and allow access for the installation and repair of boundary indicators and structures;
 - to not obstruct the installation of the necessary supply lines on adjacent parcels of land; and
 - to take measures to prevent the run-off of rain and waste water onto other parcels of land and the penetration of these parcels by toxic chemicals and mineral fertilizers.

Article 41. Retention of Right to Parcel of Land When Structure is Lost

If a structure is destroyed by fire or a natural disaster, the owner or user of the land, including the lessee, will retain the right to the parcel if he begins to restore the destroyed structure or to build a new one within three years, with the exception of cases in which the community development plan stipulates another use for the parcel. In this case the user of the land will be allotted another building site according to the established procedure.

Article 43. Protection of Rights of Owners and Users of Parcels of Land

The rights of owners and users of parcels of land will be protected by law.

The suspension of the right to own a parcel of land or the right to use a parcel of land or part of it may occur only in the cases stipulated in Articles 27 and 28 of this Code.

Interference in the activities of owners and users of parcels of land in connection with the use of the land by state, economic, and other agencies and organizations will be prohibited, with the exception of cases in which the owners and users of the land have violated land legislation.

The rights of owners and users of parcels of land may be limited only in the cases specified in this Code.

Foreclosure on the parcel at the request of creditors may be ordered by a court or arbitration court only if the debtor has no other property for collection.

Foreclosure on a parcel of land constituting the private property of a citizen at the request of creditors will not be permitted unless the parcel has been used as collateral.

Article 46. Guarantees of Rights of Owners and Users of Parcels of Land

The appropriation (or redemption) of parcels of land from citizens for state or public needs may be conducted after a Rada of Peoples' Deputies has allotted them a parcel of equal value at their request, after the enterprises, establishments, and organizations for which the parcel is allotted have built residential, production, and other structures in the new location as substitutes for the appropriated ones, and after other losses have been reimbursed in full in accordance with Subdivision IV of this Code.

The appropriation (or redemption) of the lands of collective agricultural enterprises, sovkhozes, agricultural research establishments and training farms, and other agricultural and forestry enterprises and organizations for state or public needs may be conducted on the condition that residential, production, and other structures will be built at their request as substitutes for the appropriated ones, and that they be reimbursed for other losses in full in accordance with Subdivision IV of this Code.

ANNEX 6:2 "ON LAND REFORM," RESOLUTION OF THE SUPREME RADA OF THE UKRAINIAN SSR
(DECEMBER 18, 1990)

**RESOLUTION
OF THE SUPREME RADA OF THE UKRAINIAN SSR**

"ON LAND REFORM"

(Amended by Law N 3180-12)

December 18, 1990

N 563-XII

Land reform is a component of the economic reform in Ukraine that is being carried out in connection with the transition from a State economy to one with market relations. The task of this reform is the allocation of lands with their simultaneous transfer into private and collective property, and into use for enterprises, establishments and organizations in order to create conditions for equal development of the different forms of land ownership, and effective land use and protection. (It was changed according to Law N 3180-12).

The Supreme Rada of the Ukrainian Soviet Socialist Republic DECREES:

1. To proclaim that beginning on March 15, 1991, all lands of the Ukrainian SSR will be the object of a land reform.

2. Oblast, rayon, city, settlement and rural Radas of Peoples' Deputies and the Rada of Ministers of the Ukrainian SSR are to be responsible for realizing this land reform.

3. Local Radas of Peoples' Deputies, the Rada of Ministers of the Ukrainian SSR prior to March 15, 1991, must:

- take inventory of all land categories and determine the parcels that are not used according to their target use, inefficiently, or in ways that reduce soil fertility, lead to their chemical and radioactive contamination, or to the worsening of the ecological situation;
- register citizens who wish to organize peasant farms, enlarge private subsidiary farming, be engaged in individual gardening, or obtain land parcels to be used for gardening, haymaking, or cattle grazing;
- register and analyze the efforts of enterprises, establishments, and organizations to obtain lands for subsidiary rural farming and collective gardening;
- consider the substantiation of land parcel needs of the enterprises, establishments, and organizations that on November 1, 1990 had land parcels for agricultural and non-agricultural purposes in their use.

4. Local Radas of Peoples' Deputies should:

- on the basis of this land inventory, and in accordance with Article 27 of the Land Code of the Ukrainian SSR, resolve the question of taking away the right to use land parcels that are used not according to their target use, in violation of established conditions or ineffectively, and transfer them into a land reserve for their subsequent allocation in primary order to citizens for organizing peasant farms or private subsidiary farming and gardening;
- take into consideration the needs of citizens, enterprises, establishments and organizations for land parcels, elaborate proposals on land redistribution according to the procedure established by Law, and consider them at the meetings of permanent Deputy Commissions and sessions of the Radas of Peoples' Deputies.

5. Lands must be transferred into private and collective ownership and in citizens', enterprises, establishments and organizations use in the process of the land reform and the rights to own or use land must be guaranteed in accordance with the procedure established by the Land Code of Ukraine. (It has been changed in accordance with Law N 3180-12).

6. It must be established that citizens, enterprises, establishments, and organizations that have land parcels in use, allocated to them before the Land Code of the Ukrainian SSR has been put into effect, should legalize their right to own or use land before March 15, 1991. After the end of this period, the right to use a land parcel given to them earlier is lost. (With the amendments, inserted in accordance with Law N 3180-12).

7. The Rada of Ministers of the Ukrainian SSR must:

- allocate corresponding money, materials, and technical resources necessary for the realization of this land reform;
- provide training for the necessary quantity of specialists-land managers in higher educational establishments and secondary technical schools of the republic, who will then work for local Radas of Peoples' Deputies, land managing, and land protecting bodies.

8. The commissions of the Supreme Rada of the Ukrainian SSR for agro-industrial complex problems, for village revival and social development, and for economic reform and national economy management are responsible for the realization of this land reform.

L. Kravchuk

Chairman of the Supreme Rada of the Ukrainian SSR

ANNEX 6:3 "ON THE FORMS OF LAND OWNERSHIP," LAW OF UKRAINE (JANUARY 30, 1992)

**LAW
OF UKRAINE**

"ON THE FORMS OF LAND OWNERSHIP"

January 30, 1992

The Supreme Rada of Ukraine DECREES:

1. To introduce in Ukraine collective and private land ownership that exists in addition to state ownership.
2. To establish that land ownership in Ukraine takes the following forms: state, collective, and private. All forms of ownership are equal.

L. Kravchuk
President of Ukraine

ANNEX 6:4 "ON IMPLEMENTING THE LAW OF UKRAINE 'ON THE FORMS OF LAND OWNERSHIP,'" RESOLUTION OF THE SUPREME RADA OF UKRAINE (JANUARY 30, 1992)

**RESOLUTION
OF THE SUPREME RADA OF UKRAINE**

**"ON IMPLEMENTING THE LAW OF UKRAINE
'ON THE FORMS OF LAND OWNERSHIP'"**

January 30, 1992

The Supreme Rada of Ukraine DECREES:

1. The Law of Ukraine "On the Forms of Land Ownership" should come into effect from the day of its adoption.

2. The Cabinet of Ministers of Ukraine should:

- prior to February 15, 1992, submit propositions on the changes and amendments to the legislative acts in accordance with the Law of Ukraine "On the Forms of Land Ownership" for the consideration of the Supreme Rada;
- issue a Government's Decision regarding this Law.

I. Plusch

Chairman of the Supreme Rada of Ukraine

ANNEX 6:5 "ON THE STATE ACT FORMS FOR THE RIGHT TO OWN LAND AND THE RIGHT TO PERMANENTLY USE LAND," RESOLUTION OF THE SUPREME RADA OF UKRAINE (MARCH 13, 1992)

**RESOLUTION
OF THE SUPREME RADA OF UKRAINE**

**"ON THE STATE ACT FORMS ON RIGHT TO OWN LAND
AND THE RIGHT TO PERMANENTLY USE LAND"**

**March 13, 1992
No. 2201-X11**

According to Article 23 of the Land Code of Ukraine, the Supreme Rada of Ukraine
ORDERS:

1. To approve the following State Act forms:

- on the right to collectively own land;
- on the right to privately own land; and
- on the right to permanently use land.

2. The Cabinet of Ministers of Ukraine must organize in the necessary quantity the preparation forms of the indicated State Acts and must ensure that all local Radas Peoples' Deputies have them.

3. That the guidelines provided by the Resolution of the Supreme Rada of the Ukrainian SSR from 27 March, 1991 "On the Forms of State Acts on Ownership Right to Land and Right to Use Land and Resolutions on Land Parcels Allocation and Alienation Procedures" are followed. (Vidomosti of the Supreme Rada of Ukrainian SSR, 1991, N 17, Art. 204).

I. Plusch
Chairman of the Supreme Rada of Ukraine

Emblem

**S T A T E
A C T**

**ON THE RIGHT TO COLLECTIVELY OWN
LAND**

N 0000001

The State Act on the collective ownership to land is granted to

_____ (name of the collective agricultural enterprise,

_____ agricultural cooperative or association and its

_____ location)

_____ by the Rada
of the Peoples' Deputies _____ rayon
_____ oblast

for that, the indicated land owner is being transferred into collective ownership
_____ hectares of land according to the plan.

The land is transferred into collective ownership for _____

_____ (aim, target use)

in accordance with the Decision _____ of the Rada of Peoples' Deputies
from "_____" _____, 199__ No. _____

This State Act is made in two copies; the first one has been given to the collective land
owner and the second is kept at _____ Rada of the Peoples' Deputies.

This Act has been registered in the Registry Book of State Acts on collective ownership
rights to land; the No. is _____

Attachment No. 1. The list of citizens-members of
the collective agricultural
enterprise, agricultural cooperative,
or association

Seal

Head _____ of the Rada of the Peoples' Deputies

“ _____ ” _____, 199 _____

(signature) (last name)

PLAN OF EXTERNAL LAND BOUNDARIES

DESCRIPTION OF BOUNDARIES

From A to B _____

From B to C _____

From C to D _____

From D to A _____

Scale 1: _____

Engineer-Land manager

(signature) (last name)

CHANGES IN THE BOUNDARIES OF THE LAND PARCELS

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

(signature) (last name)

CHANGES IN THE BOUNDARIES OF THE LAND PARCELS

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

(signature) (last name)

Emblem

STATE

ACT

ON THE RIGHT TO PRIVATELY OWN LAND

N 00000001

The State Act on the right to privately own land is given to the citizen of Ukraine _____ (last name, first name, middle name)

who lives _____ (place of living)

that on the basis of _____ (Decision of the Rada of the Peoples' Deputies, date, number of purchase and sale agreement, date, registration number)

he/she is being transferred a land parcel, _____ hectares according to the plan, into private ownership.

The land parcel is located on the territory _____ (settlement, rural, settlement, city Rada)

Land is transferred for _____ (aim, target use)

This State Act is made in two copies; the first one has been given to the citizen _____, the second one is kept at the _____ (last name)

_____ Rada of Peoples' Deputies.

This Act has been registered at the Registration Book of State Acts on the private ownership right to land; its No. is _____

Seal

Head _____ of the Rada of Peoples' Deputies (signature) (last name)

“ _____ ” _____, 199 _____

PLAN OF EXTERNAL LAND BOUNDARIES

DESCRIPTION OF BOUNDARIES

From A to B _____

From B to C _____

From C to D _____

From D to A _____

Scale 1: _____

Engineer-Land manager

(signature) (last name)

**QUANTITATIVE CHARACTERISTICS OF LANDS
TRANSFERRED INTO PRIVATE OWNERSHIP**

(hectares)

Total amount of lands	agricultural lands including	_____ plow field	among them _____ perennial	_____ feeding plenty	Under buildings, forests and other structures

CHANGES IN THE BOUNDARIES OF THE LAND PARCELS

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

_____ (signature) (last name)

Emblem

**S T A T E
A C T
(For Citizens)**

**ON THE RIGHT TO PERMANENTLY USE
LAND**

N00000001

The State Act on the right to permanently use land is granted to the Ukrainian citizen

(last name, first name, patronymic)

_____ ,
who lives at _____ ,
_____ (place of living)

that based on the Decision _____

_____ of the Rada of Peoples' Deputies _____
_____ rayon _____ oblast

from " _____ " _____, 199_ No. _____ he (she) is given a land parcel, whose area is _____ hectares according to the plan.

The land parcel is located at the territory of _____

(settlement, rural or city Rada)

The land is given for _____

(aim, target use)

This State Act is made in two copies; the first one is issued to the land user _____, the second is kept at the _____ Rada of Peoples' Deputies

This Act has been registered in the Registry Book of State Acts on the right to permanently use land; its No. is _____.

Seal

Head _____ of the Rada of Peoples' Deputies

_____ (signature) _____ (last name)

" _____ " _____, 199_

PLAN OF EXTERNAL LAND BOUNDARIES

DESCRIPTION OF BOUNDARIES

From A to B _____

From B to C _____

From C to D _____

From D to A _____

Scale 1: _____

Engineer-Land manager

(signature) (last name)

**QUANTITATIVE CHARACTERISTICS OF LANDS
TRANSFERRED INTO PRIVATE OWNERSHIP**

(hectares)

Total amount of lands	agricultural lands including	_____ plow fields	among them _____ perennial	_____ feeding plenty	Under buildings, forests and other structures

CHANGES IN LAND USE

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

(signature) (last name)

Emblem

**S T A T E
A C T
(For Land Users)**

**ON THE RIGHT TO PERMANENTLY USE
LAND**

N00000001

The State Act on the right to permanently use land is granted to _____

(land user's name and its address)

_____,
_____ by the Rada of Peoples' Deputies _____
_____ rayon _____ oblast of Ukraine, meaning that the indicat-
ed land user is given into permanent use _____ hectares of land according to the land use
plan.

The land is given for _____
(aim, target use)

_____ according to the Decision _____ of Rada of Peoples' Deputies from " _____ "
_____, 199_ No. _____.

This State Act is made in two copies; the first one is issued to the
land user _____,
the second is kept at the _____ Rada of Peoples' Deputies

This Act has been registered in the Registry Book of State Acts on the right to perma-
nently use land; its No. is _____.

Seal

Head _____ of the Rada of Peoples' Deputies

(signature)

(last name)

" _____ " _____, 199_

PLAN OF EXTERNAL LAND BOUNDARIES

DESCRIPTION OF BOUNDARIES

From A to B _____

From B to C _____

From C to D _____

From D to A _____

Scale 1: _____

Engineer-Land manager

(signature) (last name)

CHANGES IN LAND USE

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

(signature) (last name)**CHANGES IN LAND USE**

Number on the Plan	Date, number and the contents of the documents, on the basis of which the changes have been made	Area, hectares

Engineer-Land manager

(signature) (last name)

ANNEX 6:6 "ON PRIVATIZING LAND PARCELS," DECREE OF THE CABINET OF MINISTERS OF UKRAINE (DECEMBER 26, 1992)

**DECREE
OF THE CABINET OF MINISTERS OF UKRAINE**

"ON PRIVATIZING LAND PARCELS"

December 26, 1992

No. 7

The Cabinet of Ministers of Ukraine ORDERS:

1. Rural, settlement and city Radas of Peoples' Deputies during 1993 must ensure the transfer to private ownership of land parcels which have been allocated to Ukrainian citizens for private subsidiary farming, the construction and maintenance of a residence and out-building (a private plot), gardening, and the construction or maintenance of a dacha and garage according to the norms established by the Land Code of Ukraine.

The transfer of land parcels into private ownership is forbidden on the territories of estrangement zones and zones of unconditional relocation of people who have suffered from the radioactive pollution from the Chornobyl catastrophe.

2. It is determined that the transfer of land parcels into private ownership for Ukrainian citizens is free, is for the purposes indicated in Article 1 of this Decree, is done only once and it is obligatory that the local Radas of Peoples' Deputies register this transfer in the citizen's passport or a substituting document.

3. A citizen's right to privately own land parcels, transferred to them for the purposes foreseen in Article 1 of this Decree, is certified by the corresponding Rada of Peoples' Deputies and is registered in their land cadastre documents and subsequently a title showing the private ownership of this parcel is granted.

4. It is determined that Ukrainian citizens have the right to sell, or alienate parcels in other ways, land parcels that have been transferred to them for the purposes indicated in Article 1 of this Decree, provided that the target use is not changed.

Purchase and sale agreements, or other kinds of land parcel estrangement documents, are to be certified according to the notary procedure and registered in the rural, settlement, or city Rada of Peoples' Deputies, on the territory of which the land parcel is situated.

The selling price of the land parcel is determined by the agreement of the two parties, but cannot be less than the normative land price.

The land parcel price according to the purchase and sale agreement is the basis for paying state taxes and calculating land parcel mortgages.

5. The Executive Committees of the local Radas of Peoples' Deputies must resolve the staffing questions associated with carrying out this Decree.

6. The Acts discussed in Part II, Articles 17 and 23, of the Land Code of Ukraine must be discontinued in relation to the land parcel owners as it relates to Article 1 of this Decree.

7. City state administrations are to supervise the fulfillment of this Decree.

8. This Decree becomes effective from the day of its publishing.

Prime Minister of Ukraine
L. Kuchma

Minister of the Cabinet of Ministers of Ukraine
A. Lobov

ANNEX 6:7 "ON ADOPTING THE PROCEDURE TO TRANSFER LAND PARCELS INTO THE PRIVATE OWNERSHIP OF UKRAINIAN CITIZENS," ORDER OF THE STATE COMMITTEE OF UKRAINE ON LAND RESOURCES (FEBRUARY 15, 1993)

**ORDER
OF THE STATE COMMITTEE OF UKRAINE ON LAND RESOURCES**

**"ON ADOPTING THE PROCEDURE TO TRANSFER LAND PARCELS INTO THE
PRIVATE OWNERSHIP OF UKRAINIAN CITIZENS"**

**February 15, 1993
No. 10**

According to the Decree of the Cabinet of Ministers of Ukraine "On the Privatization of Land Parcels" from 26.12.1992 N 15-92, I ORDER:

1. To approve the procedures of transferring land parcels into the private ownership of Ukrainian citizens.

2. The procedures of transferring land parcels into the private ownership of Ukrainian citizens and the Order of the State Land Committee on its approval must be announced to the heads of the boards and departments of the central administration of the State Land Committee, to the heads of the land resource boards of oblast, Kiev and Sevastopol city state administrations, and to the land resource departments of rayon state administrations.

3. Supervision of the fulfillment of the Order is the responsibility of the boards of land policy, organizational and legal land reform insurance, and those which transfer land parcels from state ownership into private ownership (Potapenko V.I.).

B. Chepkov
Chairman of the Committee

APPROVED
by the Order
of the State Committee of Ukraine
on Land Resources
from 15 February 1993 No. 10

PROCEDURES
On Transferring Land Parcels Into Private Ownership For Citizens Of Ukraine

1. Land parcels, allocated for private subsidiary farming, for the construction and maintenance of a residence and out-buildings (a private plot), for gardening, or for the individual construction of a dacha and garage, are transferred to the citizens of Ukraine into private property free of charge according to the Decree of the Cabinet of Ministers of Ukraine "On Land Parcels Privatization" from 26.12.1992 N15-92.

The transfer of land parcels, indicated in Part 1 of this paragraph, into private ownership of the citizens of Ukraine free of charge is conducted only once on every kind of the land parcel target use, and it is obligatory to register it in the passport or substituting document.

2. Articles 56, 57, and 67 of the Land Code of Ukraine determine the following sizes of land parcels, which are transferred into private ownership of the citizens of Ukraine:

- for private subsidiary farming in the settlement boundaries in the dimensions indicated in land record documents are given free of charge 0.6 hectares or less;
- for the construction and maintenance of a house and out-buildings (a private plot): in rural settlements - 0.25 hectares or less; in settlements - 0.15 hectares or less; for members of collective agricultural enterprises and sovkhozes workers - 0.25 hectares or less; in the cities - 0.1 hectares or less;
- for gardening - 0.12 hectares or less;
- for individual dacha construction - 0.1 hectares or less;
- for the construction of individual garages - 0.01 hectares or less.

3. Land parcels previously allocated to citizens are transferred into their private ownership by the corresponding Radas of Peoples' Deputies where these land parcels are located.

The indicated land parcels are transferred into private ownership free of charge on the basis of the documents that prove their size (land cadastre documents, data of the technical inventory bureau, associations and cooperatives administrations, etc.) and citizens' applications (Attachment No. 1).

4. The corresponding Radas of Peoples' Deputies check the substantiation of the citizens' applications and documents within a month and make a decision. The citizens' right to private ownership of land parcels that have been transferred to them for the indicated purposes is certified by the corresponding Rada of Peoples' Deputies and is registered in a land record document Registration Book of the citizens that have been transferred land parcels into private ownership free of charge (Attachment No. 2).

5. Land management bodies determine the land parcel's boundaries on the site on the order of the Radas of Peoples' Deputies.

On determination of the land parcel's boundaries that is being transferred into private ownership, the citizens get the land title that is issued and registered by the corresponding Rada of the Peoples' Deputies.

If in the process of determining the land parcel's boundaries a divergence appears in the size of the land parcels that have been transferred into private ownership from the actual size, then the final size of such parcels is determined by the Rada of Peoples' Deputies.

6. Land conflicts are decided by the local Radas of Peoples' Deputies within 10 days (if they involve difficult questions that need special conclusions, a 20-day period is needed), by court, arbitration court or conciliatory court according to the procedure established by the Land Code of Ukraine and other Legislative Acts of Ukraine.

Attachment No. 1

Rada of Peoples' Deputies

District

Oblast

from _____
(last name,

first name, patronymic)

who lives _____

(address of individual)

APPLICATION

I ask to transfer into my private ownership free of charge the land parcel(s) with the area of _____ hectares for _____

(use and purpose)

The land parcel(s) is(are) located at _____

(address of parcel)

“ ____ ” _____ 199_ _____

(applicant's signature)

Attachment No. 2

REGISTRATION BOOK
Of The Citizens Who Have Transferred Land Parcels Into Private Ownership
Free Of Charge

_____ Rada of Peoples' Deputies

_____ District

_____ Oblast

No.	Last name, first name and patronymic of the citizens who have transferred land parcels into private ownership free of charge	Residential Address	Location and area of the land parcel that has been transferred into private ownership

ANNEX 6:8 "ON EXTENDING POINT 6 OF THE RESOLUTION OF UKRAINE FROM 18 DECEMBER 1990 'ON LAND REFORM,'" RESOLUTION OF THE SUPREME RADA OF UKRAINE (FEBRUARY 24, 1994)

**RESOLUTION
OF THE SUPREME RADA OF UKRAINE**

**"ON EXTENDING POINT 6 OF THE RESOLUTION OF UKRAINE
FROM 18 DECEMBER 1990 'ON LAND REFORM'"**

**February 24, 1994
No. 4028-XII**

In connection with the adoption of the Law of Ukraine "On the Forms of Land Ownership" (2073-12), the Supreme Rada of Ukraine DECREES:

To extend the activity of Point 6 of the Resolution of the Supreme Rada of Ukraine from 18 December 1990 "On Land Reform" (563-12) until 1 January 1998.

I. Plusch
Chairman of the Supreme Rada of Ukraine

ANNEX 6:9 "ON PRIVATIZING UNFINISHED CONSTRUCTION OBJECTS," DECREE OF THE PRESIDENT OF UKRAINE (OCTOBER 14, 1993)

**DECREE
OF THE PRESIDENT OF UKRAINE**

"ON PRIVATIZING UNFINISHED CONSTRUCTION OBJECTS"

October 14, 1993

No. 456/93

In order to establish the procedure for privatizing unfinished construction objects and land parcels (or lease) and allocating the construction of such objects, I DECREE:

1. To conduct the privatization of unfinished construction objects, the period of construction of which exceeds the normative term more than two times or degree of construction completion is less than 50%, and stalled constructions (hereinafter called "unfinished construction objects").

Unfinished construction objects with a higher degree of construction completion can be privatized in accordance with procedures envisioned by this Decree should there be no sources for their financing and should there be an approval of the organ authorized to manage such state property.

Subject to privatization are objects which were financed from national, republican (Republic of Crimea) and local budgets, as well as by the state-owned enterprises and associations.

Along with privatizing the unfinished construction object, the land parcels allocated are also privatized (or leased) in accordance with the established procedure of constructing such objects. Land parcels that cannot be transferred into private ownership as stated by Article 4 of the Land Code of Ukraine are transferred into lease for the period not less than 50 years with the preferential right of their acquisition by the lessee or his successor, should such a prohibition for transfer of them into private ownership be lifted.

2. The right to privatize unfinished construction objects and land parcels (or lease) allocated for such construction are:

- citizens of Ukraine, foreign citizens, persons without citizenship;
- juridical entities registered in the territory of Ukraine, the authorized capital of which does not include a share of the state property;
- foreign juridical entities.

3. The decision to privatize unfinished construction objects is made by the State Property Fund of Ukraine, privatization organs of the Republic of Crimea and administrative-territorial units (hereinafter called "privatization organs") as to the objects which respectively are national, Republic of Crimea and communal property, with participation of the State Land Resources Committee of Ukraine or its local branches.

The decision on privatizing unfinished construction objects is at the same time a decision on privatizing (or leasing) of a land parcel allocated for such a construction.

Should an unfinished construction object be located on a part of a land parcel allocated to a state enterprise, the State Land Resources Committee of Ukraine together with the administration of an enterprise will determine the size of the parcel to be privatized or leased in two weeks' time.

4. Privatization of unfinished construction objects is realized by way of their auction or competitive sale. The procedure for conducting an auction or competitive sale is determined by respective legislation. In this event, a privatization commission is not formed and a privatization plan is not developed.

5. The value of an unfinished construction object is determined by a privatization organ based on replacement cost, taking into account the inflation index. The value of a land parcel is determined by the State Land Resources Committee of Ukraine or its local branches based on expert appraisal.

The sum of the value of an unfinished construction object and the land parcel value is the starting price for an auction or a competitive sale.

6. The procedure for concluding sale-purchase agreements and payment for an unfinished construction object and land parcel is determined by respective legislation. In this event, a separate price for the unfinished construction object and a separate price for the land parcel are determined in proportion to their starting prices based on the selling price at auction or competition.

7. A representative of the privatization organ and the new owner, within five days after the full payment of an unfinished construction object, sign an act on transferring the object, and the privatization organ issues the buyer a title to the unfinished construction object.

8. The right of ownership for the buyer to a land parcel where an unfinished construction is located comes into existence upon the moment of registering the title to an unfinished construction object by the local branch of the State Land Resources Committee of Ukraine, of which an entry is made in the land cadastre documents and which is certified by the State Act on the Right to Privately Own Land.

Should the land parcel not be privatized, a local Rada of Peoples' Deputies shall conclude a lease agreement to the land parcel within one month from the issue of the title to an unfinished construction object to the buyer.

9. Should an unfinished construction object be solely financed from the funds of a state enterprise, such an enterprise is paid 100% of the earnings received for privatization of an unfinished construction object from the non-budget privatization fund, minus the amount spent on conducting the privatization.

Should an unfinished construction object be solely financed from national funds, an enterprise is paid 30% of earnings received from privatization.

Should an unfinished construction object be financed by both the funds of a state enterprise and national funds, such an enterprise is paid an amount proportionate to its contribution to construction from non-budget privatization fund, as well as 30% of the amount of national investments.

The said amounts are used by the state enterprises exclusively for replenishment of normative turnover funds, technical reconstruction, introduction of new technologies, and nature protection.

10. Earnings received from the sale of land parcels are paid to special budget accounts of local Radas of Peoples' Deputies, on the territories of which such land parcels are located, and are used as stated in Articles 20 and 21 of Law of Ukraine "On Payment for Land".

11. The Cabinet of Ministers of Ukraine, the Council of Ministers of the Republic of Crimea, and local state administrations are to quarterly compile lists of unfinished construction objects subject to privatization in accordance with this Decree and to determine the term of privatization and to forward the said lists to respective privatization organs for making decisions on privatization.

12. Privatization organs are to conduct the privatization of unfinished construction objects within the terms specified in Article 11 of this Decree and monthly inform the Cabinet of Ministers of Ukraine of such activity.

President of Ukraine
L. Kravchuk

ANNEX 6:10 "ON PRIVATIZING GASOLINE SERVICE STATIONS THAT SELL GASOLINE AND OIL EXCLUSIVELY TO PRIVATE INDIVIDUALS," DECREE OF THE PRESIDENT OF UKRAINE (DECEMBER 29, 1993)

**DECREE
OF THE PRESIDENT OF UKRAINE**

**"ON PRIVATIZING GASOLINE SERVICE STATIONS THAT SELL
GASOLINE AND OIL EXCLUSIVELY TO PRIVATE INDIVIDUALS"**

**December 29, 1993
No. 612/93**

To stimulate the activity aimed at ensuring that the population has access to gasoline and oil, to establish a privatization procedure for gasoline service stations that sell gasoline and lubricating materials exclusively to private individuals and the land parcels, where these stations are located, and according to Section 7-4 of Article 114-5 of the Constitution of Ukraine, I ORDER:

1. To carry out the privatization of gasoline service stations that sell gasoline and oil exclusively to private individuals (hereinafter - gasoline stations).

Simultaneously with the privatization of gasoline stations, land parcels where they are located are privatized (hereinafter - land parcels).

2. The right to privatize gasoline stations and land parcels is given to:

- citizens of Ukraine, foreign citizens, persons without citizenship;
- juridical entities registered on the territory of Ukraine, assigned capital of which does not include a share of state property; and
- foreign juridical entities.

3. The decision to privatize gasoline stations is made by the State Property Fund of Ukraine, its regional departments or representatives of the State Land Resources Committee of Ukraine, or its local branches. These decisions are at the same time a decision to privatize the land parcel.

4. The privatization of gasoline stations and land parcels is realized by their sale at auction. In this case, a privatization commission is not created and a privatization plan is not prepared.

5. The cost of a gasoline station is determined by a privatization body and is based on the replacement cost, taking into account the inflation index.

The cost of a land parcel is determined by the State Land Resources Committee of Ukraine or its local branches on the basis of expert valuation.

The auction's starting price is determined by the commission on the basis of the cost of a gasoline station and land parcel and cannot be reduced during the auction.

The composition of the commission is approved by the Cabinet of Ministers of Ukraine.

6. The procedure for concluding purchase-sale agreements and payments for gasoline stations and land parcels is determined by corresponding legislation. In this case, a separate price for a gasoline station and land parcel are determined in proportion to their starting prices on the basis of the final selling price at an auction.

Proceeds received from the privatization of gasoline stations and land parcels, except for expenditures related to their sale, are deposited into the State budget of Ukraine and are used for public social protection measures.

7. On paying the full amount of a gasoline station selling price, the representative of the State Property Fund of Ukraine, its regional departments or representatives, and the new owner sign an Act transferring the object within five days, and the privatization body issues the new owner a title to the gasoline station.

8. The buyer's right to own a land parcel begins from the moment of registering the title to a gasoline station by a local body of the State Land Resources Committee of Ukraine. It is then registered in the land cadastre documents and is certified by a State Act on the Right to Privately Own Land.

9. The right to own a privatized gasoline station and land parcel is protected by law, and the owners are guaranteed stable conditions for their activity.

A new owner must preserve the gasoline station profile for at least 10 years from the moment of concluding the purchase-sale agreement.

10. The Cabinet of Ministers of Ukraine should quarterly make lists of objects to be privatized according to this Decree, should determine privatization terms, and should transfer the indicated lists to the State Property Fund of Ukraine to issue Decisions on privatization.

L. Kravchuk
President of Ukraine

ANNEX 6:11 "ON PAYMENT FOR LAND," LAW OF UKRAINE, ARTICLES 1-4, 6, 18, 24, 25 (JULY 23, 1992)

**LAW
OF UKRAINE**

"ON PAYMENT FOR LAND"

July 23, 1992

Article 1. Utilization of land in Ukraine requires payment. Payment for land is collected in the form of a land tax or rental payment determined in accordance with the quality and location of the land plot on the basis of survey and valuation of the land.

Owners of the land and land users, except renters, pay a land tax.

Rental payments are collected for land plots made available for rent.

Article 2. Payment for land is introduced for achieving the rational utilization and protection of land, increasing the fertility of the soil, leveling socioeconomic conditions of farming on land areas of differing quality, financing expenditures on survey and valuation of land, developing the land, monitoring of the land areas, and developing the infrastructure of populated areas.

Article 3. The amount of land tax does not depend on the results of the farming activity of owners of the land nor the land users, and is determined in the form of payments per unit of land area on an annual basis.

Average land tax rates are established by the Supreme Rada of Ukraine and may be altered with changes in survey and valuation of land.

Article 4. The object of payment for land consists of a plot of land which is owned or in use, including rental use.

The subject of payment for land (payer) is the owner of the land or land user, including the renter.

Article 6. Average land tax rates for plots within boundaries of populated areas, with the exception of plots indicated in parts three and four of this article, are established as follows: (Table not included).

The Supreme Rada of the Republic of Crimea, the oblast, Kiev and Sevastopol city Radas of Peoples' Deputies establish land tax rates proceeding from average tax rates, economic evaluation of the territory, and location of the plots.

A tax on land plots occupied by the housing fund, garage-buildings, horticultural cooperatives, and private garages and summer homes of citizens is levied in the amount of three percent of the land tax rate established in the first part of this article.

A tax on plots of agricultural land within boundaries of populated areas, used for their designated purpose, including those under production structures of agricultural enterprises, is levied on the basis of land tax rates, adopted in accordance with Article 5 of this law.

Article 18. The amount, conditions, and deadline for payment of rent for land are established upon coordination between the parties to the lease agreement. The amount of such payment cannot be less than the amount of tax on the plot of land being rented, and with the renting of agricultural land it cannot exceed the amount of this tax.

Article 24. A penalty in the amount of 0.2% of the unpaid amount is imposed for each day the land tax is not paid (Article 16 of this law).

The amount of penalty for late payment of rent is stipulated in the lease agreement and cannot exceed the penalty rate imposed for late payment of the land tax.

Article 25. Payers bear responsibility for violations of the Law of Ukraine “On Payment for Land” as stipulated in the Land Code of Ukraine and the Law of Ukraine “On State Tax Service in Ukraine.”

ANNEX 6:12 "ON URGENT MEASURES TO ACCELERATE LAND REFORM IN THE AREA OF AGRICULTURAL PRODUCTION," DECREE OF THE PRESIDENT OF UKRAINE
(NOVEMBER 10, 1994)

**DECREE
OF THE PRESIDENT OF UKRAINE**

**"ON URGENT MEASURES TO ACCELERATE LAND REFORM IN THE
AREA OF AGRICULTURAL PRODUCTION"**

**November 10, 1994
No. 666/94**

With the aim of creating conditions for the equal development of various forms of ownership and farming, for citizens of Ukraine to have a free choice in this matter, for improved work incentives, and for ensuring on this basis that the production of agricultural output increases, and in accordance with Point 7 of Article 4, and Articles 114-115 of Ukraine's Constitution, I DECREE:

1. To establish that the privatization of land used by agricultural enterprises and organizations is an urgent and paramount measure in implementing land reform in Ukraine.

The transfer of lands to collective and private ownership for the production of agricultural produce is to be conducted on voluntary principles, proceeding from the fact that land should belong to those who cultivate it.

2. To recommend that local Radas of Peoples' Deputies, with the participation of Ukraine's State Committee on Land Resources, take measures to accelerate the free transfer of land, in accordance with land legislation, to collective ownership by collective agricultural enterprises, agricultural cooperatives, and agricultural joint-stock companies, including those created on the basis of state farms and other state agricultural enterprises, of which labor collectives have expressed a wish to become owners of land.

Land distribution organizations should carry out as quickly as possible the division of land which has been transferred to collective ownership into land plots locally without barter.

Each member of an enterprise, cooperative or society is issued a certificate for the right to private ownership of a land plot, indicating the number of hectares in this plot, and also a statement of its value.

3. To establish that the right to a land plot can be the object of purchase or sale, a gift, an object of barter, a legacy, or the subject of a mortgage.

4. To establish that every member of a collective agricultural enterprise, agricultural cooperative, and agricultural joint-stock company has the right to leave it without hindrance and receive for free into private ownership his land plot by barter locally, which is attested to by the State Act on the Right to Privately Own Land.

The land plot owners can voluntarily set up joint agricultural enterprises, associations, unions, joint stock companies, or other cooperative enterprises and organizations on the basis of the land plots belonging to them, bequeath these plots, present them as gifts, exchange them, mortgage them, lease them, or sell them, to Ukrainian citizens without having to change the designation of the land plot.

The maximum total area of land that can be privately owned by a citizen should not exceed the norms established by the Land Code of Ukraine for farms.

5. To establish that work associated with reforming land relations is urgent and obligatory for scientific research institutes, design institutes, and other organizations, irrespective of their form of ownership or departmental sub-organization.

6. The Cabinet Ministers of Ukraine shall submit to the Supreme Rada of Ukraine draft laws on:

- issues of reducing to five percent of the contractual total the state customs duty rate which is exacted when land plots are purchased or sold by January 1, 1995;
- amending and adding to the Land Code of Ukraine with respect to this Decree by January 15, 1995;
- amending and adding to the Civil Code of Ukraine with regard to implementing the right to land plots, bequeathing them, presenting them as gifts, and bartering, purchasing, or selling them, by March 15, 1995;
- with regard to mortgaging and leasing land plots by April 1, 1995;
- draft Decrees of the President of Ukraine on issues of implementing State control over the use and protection of land, the creation of a single State Land Management Service, and the creation of a land bank by January 15, 1995;
- elaborating and confirming the provision for subdividing land, which is owned collectively, for the departure of citizens from collective agricultural enterprises and agricultural joint stock companies, including those set up on the basis of state farms and other agricultural state enterprises by February 15, 1995;
- ensuring by March 1, 1995, the elaboration of a methodology of monetary assessment of land;
- allocating funds to carry out work envisaged by this Decree; and
- acquiring computer technology, geodesic instruments, and transportation to ensure that land reform is carried out.

L. Kuchma
President of Ukraine

ANNEX 6:13 "ON ENTERPRISES IN UKRAINE," LAW OF THE UKRAINIAN SSR, ARTICLE 11
(MARCH 27, 1991)

**LAW
OF THE UKRAINIAN SSR
"ON ENTERPRISES IN UKRAINE"**

**March 27, 1991
N 887-XII**

Article 11. Possession and Use of Natural Resources

1. That enterprises can possess and use natural resources is realized according to the established procedure by payment and in cases, envisioned by the legislative documents of Ukraine, it is realized on favorable terms.

Land owners and land users annually pay for land in the form of a land tax or rent.

2. An enterprise must take nature protection measures aimed at reducing and compensating for the negative influence of its production on the environment, peoples' health, and property over time. These measures are financed with its own money or from other sources. In the case that an enterprise is bankrupt, it finances these measures with money it receives from the sale of its property, and if this money is not sufficient, then it will be done at the expense of the budget of a corresponding local Rada of Peoples' Deputies or the State.

According to the legislation of Ukraine, an enterprise is responsible for adhering to the demands and norms of protection, effective use and renewal of land, water, bowels of earth, forests, and other natural resources up to the level of established norms, and also for adhering to the established norms of contaminated material removal from the natural surrounding and the placement of waste products.

If these norms and demands are violated, an enterprise's activity can be partially, temporarily or fully stopped in accordance with the legislation of Ukraine.

L. Kravchuk
Chairman of the Supreme Rada of the Ukrainian SSR

ANNEX 6:14 "ON THE PRIVATIZATION OF SMALL-SCALE STATE-OWNED ENTERPRISES (SMALL-SCALE PRIVATIZATION)," LAW OF UKRAINE, ARTICLES 4-5, 7-9, 14, 16-18, 20-25 (MARCH 6, 1992)

**LAW
OF UKRAINE**

**"ON THE PRIVATIZATION OF SMALL-SCALE STATE-OWNED
ENTERPRISES (SMALL-SCALE PRIVATIZATION)"**

March 6, 1992

No. 2171 - XII

**Amended July 7, 1992, December 15, 1992,
and February 19, 1993**

Article 4. Sellers

Sellers of state-owned and municipally owned privatization units are, respectively:

- the State Property Fund of Ukraine and its regional divisions and branches;
- bodies of privatization created by local Radas of Peoples' Deputies.

The sellers of units of privatization owned by the Crimean Republic are special bodies of property management created by the Supreme Rada of the Crimean Republic.

Bodies authorized to sell the units subject to privatization are hereinafter referred to as bodies of privatization.

Article 5. Buyers

1. Individuals and juridical entities permitted to be buyers under the Law of Ukraine "On Privatization of Assets of State-Owned Enterprises" may also be buyers of small-scale privatization units.

2. The following physical and juridical persons cannot be buyers:

- juridical entities, among the founders and participants of which there is one or more juridical entity that is at least partially state-owned;
- bodies of state power and government;
- citizens who are employees of bodies of privatization and persons who are forbidden to participate in entrepreneurial activities according to the Law of Ukraine "On Entrepreneurship" (except for cases in which privatization certificates are used by them).

Article 7. Register of Units Subject to Privatization

1. The State Property Fund of Ukraine, the Supreme Rada of the Crimean Republic, and the local Radas of Peoples' Deputies, as appropriate, shall approve the register of bodies of privatization which are in state, republican (of the Crimean Republic), and municipal ownership, respectively, and which are subject to:

- sale at auction or public tender (competitive auction), exclusively for privatization
- buyout (redemption) by the employees of privatized enterprises;
- other methods of transfer as designated by the Law of Ukraine "On Privatizing Assets of State-Owned Enterprises."

2. Within a one (1) month period from the day of the adoption of a decision to include an enterprise or one of its structural subdivisions on a register of enterprises to be privatized, the appropriate privatization body must inform the administration of the enterprise of such a decision.

3. The decision to include particular units of small-scale privatization (enterprise) on the register identified in Paragraph 1 of this Article shall be taken on the initiative of appropriate privatization bodies or parties interested in acquiring those units in accordance with state and local programs of privatization.

4. Buyers (applicants) shall submit an application to the appropriate privatization body to include a particular enterprise on one of the registers of units subject to privatization described in this Article.

The application should include:

- the name of the enterprise and its location;
- the proposed terms of purchase and use (exploitation) of the enterprise.

Along with the application, buyers (applicants) who are physical persons shall provide:

- information about the applicant(s), including home address and citizenship;
- account numbers for accounts established at banking institutions for the settlement of the purchase price of the privatization unit.

Buyers (applicants) who are juridical entities shall provide the following additional information along with their application:

- applicant's full name and juridical address;
- last name, first name, and patronymic of the director;
- account numbers for accounts established at banking institutions for the settlement of the purchase price of the privatization unit.

The following documents shall be submitted with the application:

- proof of payment of the application fee;
- notarized copies of organizational documents, which confirm the right of a juridical entity to be a buyer in accordance with the Law;
- copy of joint activity agreement (of the buyers' association);
- declaration of incomes (for citizens) in those circumstances foreseen by Paragraph 1, Article 6 of this Law.

The form of the application and the amount of the application fee shall be established by the appropriate privatization body. The application fee should not exceed one-half (1/2) the minimum monthly wage.

Additional information and documents shall be submitted to the appropriate privatization body only with the agreement of the applicant.

5. The privatization body shall review the application, and, in the absence of grounds for rejection, shall include the enterprise on the register of units subject to privatization set forth in Paragraph 1 of this Article. The results of the review of the application shall be reported to the applicant in written form no later than one (1) month from the date of the submission of the application.

An application to privatize may be rejected only in the following circumstances:

- the applicant cannot be a buyer according to the provisions of this Law;
- there is a legally established restriction on the privatization of this enterprise;
- the registers described in Paragraph 1 of this Article have not been approved.

6. The provisions of Paragraph 3, 5, and 6 of Article 10, Paragraph 5 of Article 12, and Paragraphs 2 and 3 of Article 25 of the Law "On Enterprises" in Ukraine regarding the purchase, sale, assignment, exchange, lease, transfer by gift, registration of property, issuance and purchase of commercial instruments, and giving and receiving credits in amounts which exceed the average annual level of such operations for three years, shall cease to apply to an enterprise from the moment of the decision to include an enterprise on one of the registers described in Paragraph 1 of this Article. In the event that these activities are essential for the effective operation of an enterprise subject to privatization, such an enterprise may continue to perform these activities with the permission of the appropriate privatization body.

Article 8. Preparation of Small-Scale Privatization Units for Sale

1. Preparation for the privatization of an enterprise shall begin from the moment a decision to privatize the enterprise is taken.

The preparation of a small-scale privatization unit for sale is carried out by privatization bodies which shall:

- determine the initial offering price at auction or public tender (competitive auction) or the sale price of the unit;
- prepare or publish information on small-scale privatization units;
- reorganize or liquidate a state enterprise.

Privatization bodies may engage consultants or other specialists to assist in these duties according to terms and conditions stipulated by the Law of Ukraine "On Privatizing Assets of State-Owned Enterprises."

2. The period to prepare for selling a small-scale privatization unit should not exceed two (2) months from the moment the decision is made to include the enterprise on the appropriate register of units subject to privatization.

Article 9. Determination of the Sale Price of Small-Scale Privatization Units

1. Privatization bodies shall conduct inventories of the property of small-scale privatization units, wherein the adjusted (actual) value of fixed assets and current assets shall be determined, accounting for the creditor and debtor indebtedness of the enterprise.

Inventories and appraisals of the property of the privatization unit shall be endorsed by the person responsible for taking the inventory and appraising the property and shall be approved by the director of the privatization body.

2. The selling price of a unit designated for privatization by means of a buyout (redemption) and the initial offering price for a small-scale privatization unit to be offered at auction or by a public tender (competitive auction) is determined as the sum of the adjusted value of fixed assets and the actual value of current assets, accounting for creditor and debtor indebtedness.

3. The Cabinet of Ministers of Ukraine, the Supreme Rada of the Crimean Republic, and local Radas of Peoples' Deputies, as appropriate, shall determine those small-scale

privatization units whose sale price or whose initial offering price at auction or public tender based on the adjusted value of their assets and potential profitability or the market value of their property as determined by expert valuation.

Article 14. Sale at Auction

The sale of small-scale privatization units at auction foresees the direct transfer of rights of ownership to the buyer who offers the highest price.

Article 16. Information on Units Subject to Sale at Auction or by Public Tender (Competitive Auction)

1. The information on units subject to sale at auction or by public tender should contain:

- the name of the privatization unit and its location;
- the amount (volume) of its output and a register of its principal production (goods and services) including the production for export;
- number and structure of staff;
- balance of assets and liabilities and a statement of profitability for the last three years;
- information about buildings (edifices, premises), land where the unit is located, and the terms for their use;
- the starting sale price, conditions of sale and use (exploitation) of the unit, including means of payment of the purchase price;
- sum of encumbrances;
- name of bank, address, and account information (including account number) of the account opened for the settlement of the purchase price of privatization units;
- the deadline for the acceptance of applications;
- time and place for personal examination of the unit;
- time and place of auction or public tender (competitive auction);
- address, telephone number, and business hours of the office responsible for arranging the auction or public tender (competitive auction);
- other information, as determined by the privatization body.

The aforementioned information shall be published in bulletins by privatization bodies or in the local press no later than thirty (30) days prior to the date of the auction or the public tender (competitive auction).

2. Information about the final sale price or other results of the sale at auction or by public tender (competitive auction) of a privatization unit must also be published.

Such information shall be published within fifteen (15) calendar days from the date of announcement (adoption) of the decision to sell the unit.

Article 17. Terms of Participation of Buyers in Auctions and Public Tenders (Competitive Auctions)

1. The sale of privatization units is executed in the presence of at least three buyers (bidders) at auction or in a public tender (competitive auction). The buyers' association is

represented at the auction and at a public tender (competitive auction) by its authorized representative.

2. The State Property Fund of Ukraine, the Supreme Rada of the Crimean Republic, and local Radas of Peoples' Deputies have the right to set additional terms for buyers' participation in auctions and in public tenders (competitive auctions) that do not contradict the objectives and purposes of this Law.

3. In order to participate in auctions and public tenders (competitive auctions), buyers (bidders) must pay a registration fee set by privatization bodies, which fee may not exceed the minimum monthly salary (unless the unit is to be sold for hard currency, in which case the fee shall be two hundred U.S. Dollars (\$200)), together with a deposit of ten percent (10%) of the initial offering price of the unit. The deposit applies when the initial offering exceeds two thousand (2,000) karbovanets. The deposit is invested by a non-cash transfer into the appropriate bank account.

If the buyer (bidder) expresses a desire to participate in the auction or tender of several units, the deposit shall be determined by the sum of the initial offering prices of each of the units.

4. After the auction or public tender (competitive auction), the deposits are returned to all participants of the auction or public tender (competitive auction). With respect to the buyer who purchased the privatization unit, the amount of the deposit after the application of state tax shall be included in the final settlement of the purchase price.

5. Physical persons or juridical entities (including the buyers' association) wishing to be registered as participants in an auction or public tender (competitive auction) must provide:

- documentation certifying the identity and authority of the physical person or the representative of a juridical entity, as appropriate;
- receipt for payment of the registration fee;
- certificate evidencing the deposit;
- income declaration in those cases where the unit's initial offering price exceeds the minimum level set forth in Paragraph 1 of Article 6 of this Law;
- agreement of joint activity (for buyers' associations).

6. Information about participants in the auction or public tender (competitive auction) shall be entered into a registration book separately for each unit subject to privatization, and shall contain the following:

- assigned number (according to registration);
- last name, first name, and patronymic of the individual acting on his or her own behalf or of the representative of the juridical entity (name of juridical entity);
- account number, name, and address of banking institution in which the funds are invested.

7. Applications for participating in an auction must be received no later than three (3) days prior to the announced date of the auction, and applications for participating in public tenders (competitive auctions) must be received no later than seven (7) days prior to the announced date of the public tender (competitive auction).

Article 18. The Auction Procedure

1. Auctions are administered by the appropriate privatization body or juridical entity authorized to act on its behalf.

2. The authorized representative shall act in accordance with an agreement entered into with the privatization body.

The agreement should stipulate:

- the duration of the auction;
- the initial offering price and the basis for lowering the price;
- the amount and terms of payment of the representative;
- mutual obligations of the parties, the basis for cancellation or termination of the agreement, and the financial obligations of the parties;
- other conditions agreed to by the parties.

3. In order to participate in the auctions, each buyer (bidder) shall be issued a ticket of participation which shall contain the following information:

- the index number assigned to the participant for the bidding process;
- the name(s) of the unit(s) that the participant shall be bidding for;
- the terms and procedures of the auction.

Other persons who pay the appropriate entrance fee may be present at the public bidding process. The amount of the entrance fee shall be defined by the privatization body.

4. The auction is conducted directly by the auctioneer. The auctioneer shall describe the privatization unit and the terms and conditions for its sale. The bidding will commence from the moment of the announcement of the initial offering price of the unit. If after three (3) minutes from the announcement described above, no price is offered which exceeds the initial offering price, the auctioneer (simultaneously with the striking of the auctioneer's gavel) shall announce the purchase of the unit by the person who offered the highest price.

5. If within the first three (3) minutes after the announcement of the initial offering price there are no buyers at the auction prepared to purchase the privatization unit, the auctioneer, according to the agreement with the privatization body, has the right to lower the offering price by no more than thirty percent (30%) of the original offering price. If after lowering the price the unit is still not sold, the bidding process shall be suspended.

6. A register shall be kept during the auction which shall include information on the initial offering price of the privatization unit, offers and propositions of the auction participants, and the results of the bidding process (including the selling price and information about the individual or representative of the juridical entity who acquired the right to purchase the unit).

The register shall be signed by the auctioneer and the physical person acting on his or her behalf or as a representative of a juridical entity that acquired the right to purchase the unit.

This register shall be delivered to the appropriate privatization body.

Article 20. Sale at Auctions or by Public Tender (Competitive Auction) Using Privatization Certificates

The sale of a privatization unit at auction or by public tender (competitive auction) in exchange for privatization certificates shall be carried out in accordance with the provisions of this Law, taking into account the following:

- only citizens of Ukraine and buyers' associations organized by them can participate in such auctions or tenders in exchange for certificates;

- privatization certificates and national currency with quota restrictions set by privatization bodies shall be the only acceptable units of payment;
- only those identified in the register referred to in Article 7 of this Law can be subject to sale at auction or public tender in exchange for privatization certificates.

Article 21. Sale at Auction or by Public Tender (Competitive Auction) for Freely Convertible Currency

The sale at auction or by public tender (competitive auction) for freely convertible currency shall be conducted in accordance with the provisions of this Law, taking into account the following:

- any buyers, designated as such by Article 5 of this Law, have the right to take part in such an auction or tender;
- freely convertible currency shall be the unit of payment;
- only those units identified in the register referred to in Article 7 of this Law shall be subject to sale at auction or public tender for freely convertible currency.

Article 22. Suspension and Termination of Agreements Made at Auction or Public Tender (Competitive Auction)

1. An auction or public tender (competitive auction) may be suspended and the unit withdrawn from the bidding process on the demand of any participant or the privatization body in the following circumstances:

- the requirements regarding the summary of information and timing of its publication according to Article 16 of this Law are not complied with;
- the unit is included in the privatization registry in violation with the law;
- the buyer (bidder) is not recognized as such in accordance with the privatization laws;
- other rules relating to the announcement (publication) and procedure of auction or tender (competitive auction) stipulated by this Law were substantially violated.

2. The foregoing violations may be the basis for a court order declaring the agreements made at auction or tender (competitive auction) to be null and void. The privatization body or any participants at the auction or tender may make an application before a court for a judgment declaring the agreement is null and void within one (1) month period from the date of the auction or the completion of the tender (competitive auction).

Article 23. Repeated Sale of the Unit at Auction or Public Tender

1. The privatization body shall compile lists of units not sold or withdrawn from auctions and tenders and shall decide whether to repeat the sale of these units at auction or tender (competitive auction) or to effect their privatization through buy-out (redemption) by other buyers or by selling shares, or to liquidate the enterprise, and so on.

2. At a repeated auction or tender, a change in terms and conditions of the sale, including the initial offering price, is permitted.

In this instance the initial offering price may be lowered before the bidding up to fifty percent (50%) (for auctions during which buyers offer prices which are lower than the auctioneer's).

Repeated auctions or tenders shall be conducted in accordance with the provisions of this Law.

Article 24. Ownership Right

The right to own, use, and manage the unit is transferred to a buyer (bidder) who purchased a privatization unit at auction or tender from the moment of the striking of the auctioneer's gavel or upon the signing of the register of the competition committee at a meeting recognizing the final winner, or from the date of the decision by the privatization body as to the buy-out (redemption) of the unit.

Article 25. Purchase And Sale Agreement

1. The right to own state property is confirmed by the purchase and sale agreement between the buyer and authorized representative of the appropriate privatization body. The purchase and sale agreement is subject to notary confirmation.

2. The agreement shall contain:

- the name of the enterprise and its address;
- information about seller and buyer;
- final sale price of the unit (sold by competitive auction) or the amount of the redemption (buy-out);
- reciprocal obligations of the buyer and seller;
- numbers of their clearing accounts;
- names and addresses of banking institutions
- terms and conditions of payments.

3. The agreement shall include the obligations of parties defined by terms and conditions of the auction, the tender (competitive auction), or redemption.

4. The purchase and sale agreement shall serve as the basis for the deposit into the banking institution account designated by the agreement to pay for the purchased privatization unit.

The buyer is obligated to deposit the purchase price within thirty (30) calendar days from the assumption by him of the ownership rights to the privatized unit. The period for paying the purchase price may be extended for an additional thirty (30) calendar days provided that fifty percent (50%) of the purchase price is paid prior to the extension.

5. After payment in full of the purchase price or payment of the first installment thereof as set forth in the purchase and sale agreement, the authorized representative of the privatization body and the new owner shall execute a bill of sale evidencing the transfer of the assets of the state-owned enterprise.

6. The purchase and sale agreement shall be registered with the local Rada of Peoples' Deputies.

ANNEX 7: LAND AUCTION RESULTS FOR 1994

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AUCTION 1: CITY OF KHARKIV, JANUARY 21, 1994

Highlight: First auction of its kind ever in Ukraine.

Results: Two long-term leases sold out of 16 lots offered.

The auction offered the right to long-term transferable leases (50 years plus 50-year renewal) to eight land parcels to build commercial projects, as well as the right to develop eight land parcels with private houses, with subsequent allocation of the land parcels into private ownership.

Address	Type of Right Sold	Uses Allowed	Land Size (m2)	Starting Price (\$)	Selling Price (\$)
Karl Marx St., 8	long-term lease	commercial	500	6,394	21,000
Sverdlova St. (Holodna Gora)	long-term lease	commercial	1,000	5,194	19,000
			TOTALS:	\$11,588	\$40,000

AUCTION 2: CITY OF KHARKIV, JUNE 24, 1994

Highlight: City sells right to lease large parcel of land, almost one hectare in size.

Results: Three long-term leases sold out of nine lots offered.

The auction offered the right to long-term transferable leases (50 years plus 50-year renewal) to seven land parcels to build commercial, residential, and garage projects, as well as the right to develop two land parcels with private houses with subsequent allocation of land parcel into private ownership.

Address	Type of Right Sold	Uses Allowed	Land Size (m2)	Starting Price (\$)	Selling Price (\$)
Kultura St., 25	long-term lease	commercial	1,000	5,000	8,050
Danilevskogo St., 26	long-term lease	residential	9,000	4,250	27,250
Marynskaya St.	long-term lease	garage	3,600	1,375	3,550
			TOTALS:	\$10,625	\$38,850

AUCTION 3: CITY OF KHARKIV, OCTOBER 15, 1994

Highlight: City raises \$355,000 in active bidding; winning bid for one parcel is 187 times above starting price.

Results: Seven of nine long-term leases sold.

The auction offered long-term transferable leases (50 years plus 50-year renewal) to nine parcels to build commercial, residential, and parking lot projects.

Address	Type of Right Sold	Uses Allowed	Land Size (m ²)	Starting Price (\$)	Selling Price (\$)
Hvardeytsev Shironitsev St., 14	long-term lease	commercial	3,000	1,918	12,824
Moskovsky and Dobrohotov	long-term lease	commercial	2,600	2,294	11,588
Kooperatyvna St., 1a	long-term lease	commercial	870	2,941	69,412
Elyzarova and Sverdlova Sts.	long-term lease	residential	4,000	2,706	14,941
Myronosytska St., 22	long-term lease	residential	780	823	155,294
Rohanska St.	long-term lease	parking	3,000	906	19,059
Marynska St.	long-term lease	parking	4,000	741	71,882
			TOTALS:	\$12,329	\$355,000

AUCTION 4: CITY OF L'VIV, DECEMBER 3, 1994

Highlight: Lease for development of substantial parking facility outside central L'viv is sold.

Results: Two of 10 long-term leases sold.

The auction offered the rights to long-term leases (50 years) to 10 parcels to build commercial, residential, and garage projects.

Address	Type of Right Sold	Uses Allowed	Land Size (m ²)	Starting Price (\$)	Selling Price (\$)
Naukova St., 35a	long-term lease	supermarket, offices	5,200	2,548	4,199
Mykolajchuka St. at Pivnichny, 42	long-term lease	multi-story parking	4,000	800	977
			TOTALS:	\$3,348	\$5,176

AUCTION 5: CITY OF ODESSA, DECEMBER 10, 1994**Highlight: Land parcels sold into private ownership.****Results: Four of 10 lots sold.*** **Two land parcels sold into private ownership.*** **Two long-term leases sold.**

The auction offered private ownership of three land parcels with unfinished construction objects upon them, and the rights to long-term transferable leases (50 years plus 50-year renewable term) to seven land parcels to build commercial and residential projects.

Address	Type of Right Sold	Uses Allowed	Land Size (m ²)	Starting Price (\$)	Selling Price (\$)
Kalinin St., 42	ownership	one-story fruit/vegetable store	1,600	18,868	28,181
Dobrovolskiy prospekt, construct No.27	ownership	no noxious uses	5,970	33,919	36,363
Marinesko Lane, 12	long-term lease	non-industrial	2,670	38,000	41,895
Koroleva St., 102, construct. No.27	long-term lease	commercial	970	18,000	20,837
			TOTALS:	\$108,787	\$127,276

AUCTION 6: CITY OF CHERNIHIV, DECEMBER 24, 1994**Highlight: All offered leases sold in active bidding.****Results: Five of five long-term leases sold.**

The auction offered the rights to long-term transferable leases (50 years plus 50-year renewable term) to five parcels to build commercial, gas station, and warehouse projects.

Address	Type of Right Sold	Uses Allowed	Land Size (m ²)	Starting Price (\$)	Selling Price (\$)
Sports Lane	long-term lease	gas station	1,900	923	4,923
October Revolution Avenue, 114	long-term lease	commercial	1,600	2,692	15,615
Lenin St.	long-term lease	gas station/parking lot	2,800	1,077	19,230
Instrument St.	long-term lease	warehouse/garage/office	4,100	1,938	4,076
Instrument St.	long-term lease	warehouse/garage/office	2,600	769	5,310
			TOTALS:	\$7,399	\$49,154

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