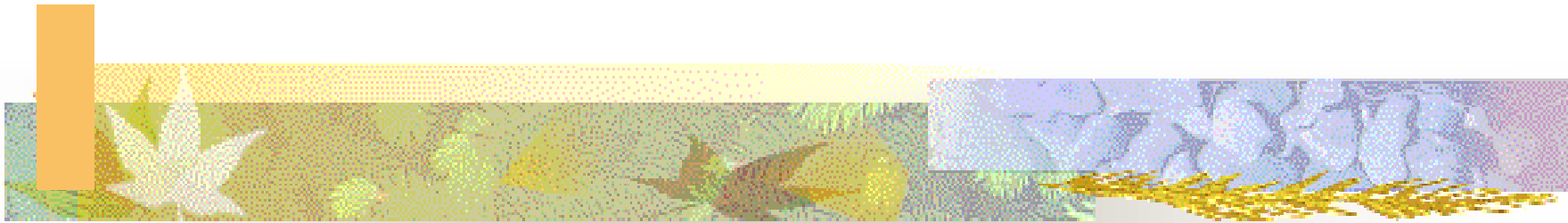


Towards more efficient transactions in Latvia



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Real property transactions

- Generally transactions are regulated by the Civil Code and are specified accordingly in legislation applicable to the land reform
- Legal transaction is the action that is done in sanctioned order for the purpose of **establishment, amendment or termination of legal relations** (Civil Code)
- Transactions with land are any dealings that **result in a change of land ownership**, including inheritance by contract (testamentary inheritance), compulsory sale of mortgaged land and investment in corpora of a company of limited liability (rules of land reform)
- Legal transactions are possible exclusively with real property to which the rights have been corroborated in the Land Book

Transactions registered in Land Book

Transaction type/year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (VII)	Total
Pure sale	1165	2953	7320	11126	15415	22195	29842	39017	49496	59398	33797	271724
Subdivision	100	176	433	1384	1954	2819	4036	5613	7899	10568	6141	41123
Mortgage	858	1741	3870	8843	11261	18317	25094	35675	47699	62707	42309	258374
Granting	820	1565	2504	3500	4303	5775	7051	7887	9750	11993	5923	61071
Inheritance	259	492	787	781	1617	2637	3348	4416	7483	10100	5264	37184



Real property

- Composition of physical real property objects and is subject for specific rights that can be others than the ownership rights (Cadastral view)
- Refers to immovable property that is considered to be ownership (Land Book Law, Civil Code)
- Three **types of real properties** can be identified:
 - land with or without buildings
 - building or engineering construction without land (the land belongs to another owner)
 - apartment or group of premises
- As **real property objects** are defined:
 - land parcel
 - Building
 - group of premises (apartment)



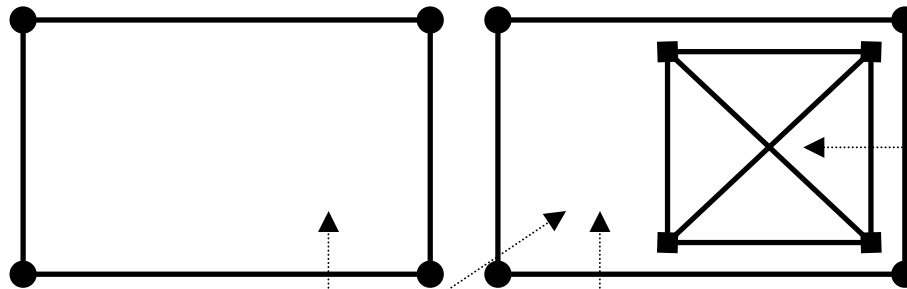
Object of a transaction

- **Real property formation** includes procedures as a result of which as altogether of real property objects is registered new real property or changed the content of existing one in cadastral IS (concept of Cadastre)
- In fact, the procedures ‘in the field’ are related to the physical – **real property objects** that are determined through cadastral procedures
- **Real property** is formed in cadastral IS

Example of real property – land with buildings

Real property

- no identification in the field – “virtual”
- identification in cadastral IS – XXXX XXX 0001



Land unit (parcel)

- demarcation in the field
- identification in cadastral IS – XXXX
XXX 0001
- (can be also -
XXXX XXX 0002)

Land unit (parcel)

- demarcation in the field
- identification in cadastral IS – XXXX
XXX 0003

Building or engineering construction

- fixed in the
field
- identification in
cadastral IS –
XXXX XXX
0003 001



Features of real property objects (cadastral units)

- Referable a set of rights/obligations, ownership rights
- Unit for valuation
- Unit for registration in cadastre and land register
- Possible to perform the transactions
- Possible to develop, etc
- Not possible to mortgage



Modelling of transactions

- Modelling activity includes the description of **legal procedures** as perceived by **involved actors** which have **set responsibilities**. The actors constitute private professionals (surveyors, agents, etc.) and public bodies - authorities (judges, notaries, cadastral specialists, etc.)
- Modelling of real property transactions is presented by formal descriptions and activity diagrams of three use cases - **pure sale, pure subdivision and subdivision combined with sale**
- The transaction types have been chosen, because they are most suitable to identify the **bottlenecks** and related to significant **cadastral and legal procedures**, as well as, **financial issues**, and thus performed by actors representing land administration, legal and financial organizations



Bottlenecks

- Certain **contradiction** – subdivision combined with sale - after cadastral procedure and registration of the newly shaped land units into cadastral information system, the legal rights still are not changed, even if the purchase deed is concluded
- There is **no time limit** for change of ownership rights set by regulations that would be applicable to the above transaction case



Proposals for amendments

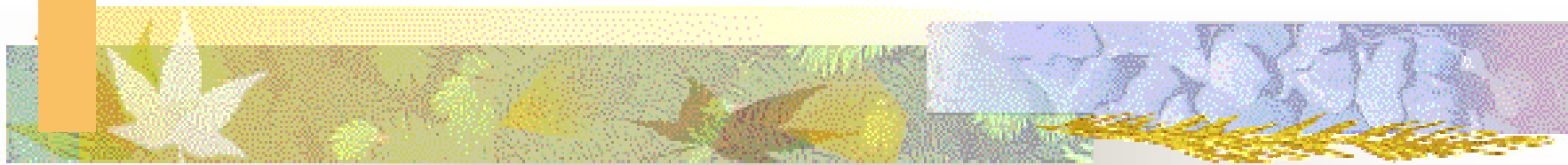
- Formalised and unified **adjudication procedure** in the municipalities and by interested parties
- **Clearly set cases** when the map of the subdivision case is a needed and when detailed plan is appropriate
- **Set minimal period of time** during which the ownership rights are registered or changed after conclusion of cadastral procedure, if data synchronisation between cadastral information system and the unified Land Book database for **political reasons** is not possible
- **Clearly determined cadastral procedures** in the Law of the State Cadastre of Real Property and related regulations
- **Clearly set and widely used** terminology resources regarding to real property formation and transactions
- **Notary** not only as public witness, but also authorised representative and legal adviser to end of realisation peoples' objectives



Main conclusions

- **Preconditions for simplification** of the real property transaction procedures are clearly set descriptions of relevant activities and selected appropriate models that can be compared and improved according to identified problems
- **Assessments of the results after introducing the proposed changes** should be analysed and represented in the light that would stimulate further improvements of real property transactions
- Through **institutional changes** there is possibility to simplify and make more transparent and secure the real property transactions
- **Conflicts** are driven force for institutional arrangements, but unfortunately in some cases the processes are rather costly (dead investments, courts, etc.)
- **‘Personal commitment’** is identified from the involvements of professionals and politicians, and it can be seen as crucial involvement of highly competent person in any scope of activities - ‘the right person in right place (position)’
- **Public-private partnership** is an instrument for simplification of relevant procedures, stimulating institutional arrangements, picking up political will of the politicians

Thank you for your attention!



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