

Government Lease and Evacuation of Real Estate Regulations*

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Lease Conditions

Article 1

Government agencies may not lease real estate except for an urgent need. Such lease shall be within the requirements of the government agency.

Article 2

Except for the employees who should be provided with housing under regulations, housing of employees is not considered a need that permits leasing. However, if the purpose of lease is housing employees who should be housed under regulations, the rent to be paid by the government agency shall not exceed the cash housing allowance to be paid for the beneficiary at the time of leasing or renewal of leasing.

Article 3

The leased property shall meet the following conditions:

- a. It should be owned by the landlord under a legal deed. However properties in provinces and centres are exempted from this condition if it is impossible to find a suitable property owned under a legal deed.
- b. The landlord should not be one of the servants of the leasing agency.
- c. the landlord shall renovate the property and repair building defects which hamper continued use of the property for the purpose of leasing at his own expense without claiming any compensation or increase in the rent during the lease contract period. However, if the landlord fails to repair the building defects within a reasonable period from the date of notification by an official letter, the government agency may repair such defects at the expense of the landlord and deduct the cost from the rent. The leasing government agency shall carry out ordinary maintenance of the property and repair any damage resulting from using the property.

Lease Procedures

Article 4

The government agency wishing to lease a property shall advertise the same in two daily newspapers at least twice within a period of fifteen days. In addition, it shall post advertisements at certain public places stating its desire of leasing the required property. In all cases, the advertisement shall state the type, area and

specifications of the property, the required lease duration and the purpose for which the property is to be used.

Article 5

The government agency wishing to lease a property shall form a committee consisting of three employees to evaluate the offers of lease and recommend the most suitable one in terms of meeting the required purpose and the offered rent price. The said committee shall check the condition of the building, for which purpose it may use the expertise of any person it may deem proper, if necessary.

Article 6

If the rent of the property proposed by the committee referred to under article 5 hereof is within the rates stated under article 15 hereof, the minister or his designee or the head of the autonomous agency of his designee may take the lease decision after completing the procedures stated in these regulations and conclude the lease contract. However, if the rent of the proposed property is more than the rates specified in these regulations, the government agency shall inform the Ministry of Finance, State Property Authority, to inspect the property and approve the lease before the concerned agency takes the lease decision and conclude the lease contract.

Lease Duration

Article 7

- a. The lease contract shall be for a period not exceeding three years. The contract shall state that it is automatically renewable after expiration unless either party notifies the other of his desire to terminate it one hundred eight days before the end of the contract or the extension period. The contract may state that the government agency can extend the contract after the expiration of the first period for a further period of three years without obtaining the agreement of the landlord.

In this case, the contract may provide for the increase of the rent by not more than 5% over the initial rent if the extension is made for one year and not more than 10% over the initial rent if the extension is made for more than one year.

- b. The lease contracts of buildings may extend to twelve years if the property to be leased is constructed in accordance with pre-determined conditions and specifications agreed between the two parties (the lessee and the landlord).

Termination and Evacuation of Property

Article 8

The leasing government agency shall inform the landlord of its desire to terminate the contract on the date specified in the lease contract by a registered letter to his address kept by the leasing government agency unless he has already signed a declaration that he has prior knowledge of termination. The leasing agency may terminate the contract and evacuate the property prior to the expiration of the lease period if the property becomes unusable due to a defect in construction or some other type of hazards.

Article 9

The leasing agency shall not be responsible for compensating the landlord when quitting the property for damages resulting from defects in construction or from normal use or for the cost of modifications or additional buildings or the cost of removing the same as required from the landlord to which he agreed prior to concluding the contract. However, the leasing agency shall be responsible for compensating the landlord for the damages resulting from abnormal use including the following:

- a. Removal of fixed equipment or tools like windows, doors, kitchen or bathroom fittings or cancelling them or replacing them with any other fittings.
- b. Demolition of walls or digging holes in the floors of the building.
- c. Backfilling swimming pools or green ranches.
- d. Damage to air conditioning units or damage to the electricity, water or sanitary systems.

Article 10

When evacuating the building it shall be handed over under a *proces verbal* stating the condition of the building and the damages caused to it as a result of abnormal use. The *proces verbal* shall be signed by a representative from the leasing agency, the landlord or his representative. If the landlord or his representative objects to the size or type of damage stated in the *proces verbal*, he can write down his reservations and sign to them.

Article 11

The landlord shall be summoned to take over the building at the time of evacuation by a registered letter to his address kept by the leasing government agency, stating the date of handover within a period not less than fifteen days from the date of delivery unless he signs a declaration of his knowledge of the date of handover. However, if the landlord or his representative fails to appear

on the specified time, the representative of the leasing agency, in collaboration with the governorate, province or centre representative, shall sign the *proces verbal* referred to under article 10 hereof and hand over the keys of the building to the governorate, province or centre. Thus the leasing agency shall be considered no longer responsible for the building. Hence, it shall not pay any rent after this date and shall not be responsible for any damage that may affect the building that has not been documented in the *proces verbal*.

Article 12

The leasing agency shall form a committee consisting of three employees to take inventory of the damages referred to in article 10 hereof and estimate the amount of compensation and write down detailed minutes to this effect within a period not exceeding thirty days from the date of evacuation of the building. If the estimated amount of compensation does not exceed 25% of the annual rent or one hundred thousand Saudi Riyals, whichever is less, the leasing agency shall pay the compensation to the landlord after completing the procedures stated under article 14 hereof. If the estimated value exceeds this amount, a committee shall be formed by the Ministry of Finance, General Auditing Bureau and the leasing agency to estimate the value of compensation, and minutes shall be written down to this effect. The said committee shall finalize its work within a period not exceeding one hundred and twenty Saudi Riyals from the date of evacuation of the building. In its estimation of the compensation, the committee shall take into consideration the period between the time of evacuation of the building and the time of inspection of the building.

Article 13

If the landlord renovates, modifies or changes the building after evacuation but before inspection by the two committees referred to under article 12 hereof, as the case may be, to take inventory of the damages and estimate compensation, he shall not have right to any compensation.

Article 14

The leasing agency shall inform the landlord of the compensation and its amount by a registered letter to his address kept with the leasing agency within a period not exceeding fifteen days from the date of estimation of compensation. If the landlord accepts the compensation, the minister or his designee shall approve payment of the compensation. However, if the landlord does not accept the compensation, he shall file a claim before the Board of Grievances within sixty days from the date of notification of compensation.

General Provisions

Article 15

- a. The procedures related to properties to be leased at two hundred thousand Saudi Riyals or less shall be finalized by the government agency wishing to lease the property.
- b. The procedures related to properties to be leased at more than two hundred thousand Saudi Riyals shall be finalized by a committee formed by the agency wishing to lease and representatives from the Ministry of Finance to estimate the land, the building and the contents, if any. The rent will be calculated as per the following rates:
 1. 12% for schools, security centres, hospitals and health centres.
 2. 10% for other governmental departments.
 3. If the landlord's offer is less than the above rates, it should be given priority.

Any of the provisions stated hereinabove may be amended by a decision by the Council of Ministers.

Article 16

The Board of Grievances shall have jurisdiction over the settlement of all disputes that may arise from the application of these regulations.

Article 17

The General Prosecutors shall conduct a periodic inspection of buildings leased by the government to ensure suitability and proper use thereof.

Article 18

The Minister of Finance, in collaboration with the Minister of Education and Minister of Health, shall issue the implementing rules of these regulations and the standard lease contract within one hundred and eighty days from the date of publication of these regulations.

Article 19

These regulations shall be published in the official gazette and shall come into force one hundred and eighty days after the date of publication. These regulations shall supersede all contradicting provisions.