Switching over to perpetual ground lease

Consultation document concerning the Regulations Governing Conversions to Perpetual Ground Lease for existing leaseholders in Amsterdam

20 December 2016

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1. Introduction

The City of Amsterdam has introduced perpetual leasehold on 1 July 2016 so that leaseholders can have more certainty about their leasehold costs. Land is now being issued in perpetual leasehold, for example on Zeeburgereiland and in Amsterdam Noord. The regulation proposed by the College of Mayor and Alderpersons, which facilitates the switch over to perpetual leasehold, is open for consultation from 9 January to 19 February. Thereafter, the College will submit the regulation to the council. After ratification, the perpetual system will also be available to leaseholders with existing continuous leasehold rights after the summer of 2017. This consultation document explains how the consultation has been arranged, provides the relevant information, and specifies what you can comment upon.

In many cases, living and working in Amsterdam means living and working on ground owned by the City. The City issues this ground in leasehold. Leaseholders pay a periodic fee for the use of the land in the form of ground rent. This ground rent can also be bought out for the duration of the period, usually 50 years. The revenues from leasing are used, for example, to provide facilities in the city such as playgrounds, new residential areas, educational facilities or parks. In the continuous leasehold system, the amount of the ground rent is recalculated every 50 years based on current interest rates and the current land value. Should it transpire that the value of the ground has increased, then the ground rent usually also increases. Leasehold costs have thus been revised in this way at the end of a period for decades already. That is the essence of the current continuous leasehold system.

Always a new time period

A continuous period is always followed by a new period. That will not change with the Conversion Regulation that the City is now proposing. What does change is that the leaseholder can either opt once again for a continuous period or for a conversion to a period that never ends: perpetual ground lease. Ground rent revisions no longer occur after a conversion from a continuous to a perpetual ground lease, provided that the permitted use remains unchanged.

On average, the Conversion Regulation will not result in perpetual ground lease being any more expensive than continuous ground lease. Nevertheless, for many people it may result in a substantial increase in leasehold costs compared to what they are paying now. Particularly those people who now pay a fixed ground rent, which is not adjusted for inflation, will experience a steep increase at the start of a new period to ensure that they also pay a fair market price. This is also the case with continuous ground lease when the ground rent is revised at the end of the period.

Why perpetual ground lease?

The perpetual ground lease system offers several advantages:

- There are no more time periods, eliminating the uncertainty that accompanies ground rent revisions. The volatility of the real estate market no longer affects leasehold costs after the conversion. The unpredictability of these costs disappears, providing leaseholders and mortgage lenders with more certainty.

- The ground rent will be determined once for perpetual ground lease. The ground rent will then only be adjusted annually for inflation. No further changes will be made to the ground rent or other agreements, unless the leaseholder requests a modification (e.g., a change of use).
- All market developments after the conversion will be for the benefit of the leaseholder, as the ground rent will never again be revised.
- The general conditions (rules) will not change unless the leaseholder requests a modification.
- In general, homes can be expanded without affecting the ground rent.
- Greater transparency in the housing market because the lease costs can be determined for practically all leasehold homes with an online calculation tool. Potential homebuyers and sellers can thus take the lease costs into account.

2. Consultation on the Conversion Regulation for perpetual ground lease

The City has formulated a Conversion Regulation so that leaseholders can switch to a perpetual ground lease. This regulation explains the conversion and the accompanying terms and conditions. See chapter 3 for a description of the Conversion Regulation.

The consultation question:
What is your opinion of the Conversion Regulation for the perpetual ground lease?

For whom is this consultation important?

- **Leaseholders**: the new perpetual ground lease system is available to all leaseholders who currently have a continuous ground lease (110,000 leaseholders with approximately 250,000 leaseholds), with the exception of the housing corporations and the Port of Amsterdam.
- **Amsterdam residents**: the renewal of the leasing system will impact on all Amsterdam residents, as it will affect the income from leases and thus the City's finances.
- **Other interested parties**: for example, interest groups such as SEBA, the Homeowners' Association (Vereniging Eigen Huis), or professionals such as notaries, banks and estate agents.

You can respond until 19 February. Reactions received after this date will no longer be processed.

How can you participate?

You can participate in the following ways:

- via the online form: www.amsterdam.nl/erfpacht
- by mail: Gemeente Amsterdam, subject line: 'Inspraak eeuwigdurende erfpacht', Antwoordnummer 10999, 1000 RA Amsterdam
- during the information fair
- via e-mail: inspraakerfpacht@amsterdam.nl, subject line: 'Inspraak eeuwigdurende erfpacht'
- at the district offices in every borough.

What happens to your responses?

The City processes all reactions received on time into a so-called Memorandum of Responses. This Memorandum contains a summary of all reactions. For each category of response, it states whether or not it has led to an adjustment in the Conversion Regulation. After processing the responses to the consultation, the College presents the Conversion Regulation and the Memorandum of Responses to the City Council. Once ratified, leaseholders can switch over to perpetual ground lease.

The Land Valuation Policy for Existing Leasehold Rights and the supplementary leasehold policy will be presented to the City Council at the same time as the Conversion Regulation. Both will apply to continuous as well as perpetual ground leases. Current policy will prevail until such time

as these are finalised and will apply to leaseholders who now wish to modify the terms of their lease.

More information?

Information fair

The City is organising a three-day information fair from 31 January to 2 February 2017 as part of the consultation period. You can ask questions there and respond to the consultation. Example calculations will be available so that you can evaluate the costs involved in the conversion.

Date: Tuesday, 31 January to Thursday, 2 February 2017
Time: 16:00 – 21:00
Where: In the foyer on the first floor of the City Hall (Stadhuis), Amstel 1

You can find a route planner and parking information at:
www.amsterdam.nl/contact/routestadhuis

Additional meetings

The City is organising several meetings in addition to the information fair to share views on the Conversion Regulation with specific groups:

- A meeting in Pakhuis de Zwijger with Alderperson Van der Burg, register at: www.dezwijger.nl;
- A meeting with the existing client panel (Klantenpanel);
- Expert sessions with notaries, banks and real estate professionals;
- A 'critical look' session during which experts take a fresh look at the proposals from various angles.

Letter, 14020 and newsletter

The City informs leaseholders about the consultation by post and provides information on the Conversion Regulation on the website. This information can also be viewed at the district offices. For general enquiries please call 14020; you can also stay up to date via the newsletter. Register here to receive this newsletter: www.amsterdam.nl/erfpacht.

Calculation tool for leaseholders with a home

There is a calculation tool for homes on the website which gives you an insight into how the Conversion Regulation works and which approximates the costs of a conversion. Chapter 5 explains more about the calculation of the costs. However, there is a small proportion of leaseholders who cannot use the calculation tool yet, because a land value quote could not be determined for them.

3. What is stated in the Conversion Regulation?

The Conversion Regulation states how and under what conditions a leaseholder can switch over to a perpetual ground lease. This chapter focuses on the main points of the Conversion Regulation. The full Conversion Regulation can be found in Chapter 4.

The Conversion Regulation in brief:

1. Each current period is always followed by a new period and a new ground rent, and it is at this point that you can opt for either a continuous period of 50 years or a perpetual period.
2. Switching over is always voluntary and initiated by the leaseholder.
    a. Leaseholders of homes (both single family houses and apartments) can switch over either during or at the end of their period.
    b. Leaseholders of commercial and social real estate can apply to switch over if the remaining term of their period is less than 10 years.
3. The costs of perpetual leasehold are calculated in the manner described in the Land Valuation Policy for Existing Leasehold Rights (see Chapter 5).
4. The starting point for the calculation of leasehold costs during the conversion is the WOZ (property tax) value from two years earlier. However, the 2015 WOZ value with the reference date 1 January 2014 will be used for conversions that occur in 2017.
5. When you switch over, your current financial commitments continue until the end of your current period. You will, however, already have a perpetual ground lease.
6. In order to be able to switch over you need to meet your financial lease liabilities and the data in your (lease) contract should be complete and consistent with the actual situation.
7. Once you have made the conversion and have a perpetual ground lease, the 2016 General Conditions (AB 2016) are applied. Because your financial commitments are fixed in perpetuity, any developments in the real estate market have no influence on your leasehold costs.
8. Should you switch over, you can opt for either an annual ground rent payment at the end of your current period or buying out the ground rent in one go (a lump sum payment) when switching over.

Who is excluded from the Conversion Regulation?

- Housing corporations and the Port of Amsterdam have their own lease agreements with the City and are excluded from the Conversion Regulation.
- There is additionally a small group of leaseholders in Amsterdam with temporary leasehold rights and temporary vicarial rights. Their leasehold rights are limited. They will be offered a perpetual ground lease at the end of their lease period. See Chapter 5 for the supplementary leasehold policy which regulates such situations.
- The last group, which cannot directly make the conversion, consists of leaseholders with commercial and social real estate, for whom the procedure to revise the ground rent has already been started or whose current lease period still runs for more than 10 years.

- Leaseholders for whom the procedure for a ground rent revision or an early amendment has already been initiated, will first have to enter into a new continuous period from which they can then make the conversion to perpetual ground lease.

Switching over is always voluntary

Switching over is never compulsory. If you don't (immediately) want to switch over, nothing will change until your current period expires, or you yourself want to make a change that may affect your ground rent amount, such as a change of purpose. At the end of your current period you will receive an offer for a new 50-year period and for a perpetual period. You can then choose which of the two you wish to proceed with.

The ground rent is calculated one last time

If you switch over to perpetual ground lease, a new ground rent is calculated one last time based on the current market value. This is at the core of the current system and will also have to occur once more for the conversion to perpetual ground lease. Calculating a new ground rent one more time for all leaseholders ensures that everyone is treated equally. This prevents people with low ground rents not adjusted for inflation from benefitting more than people who already pay the current ground rent. After switching over, the amount of ground rent you have to pay will be fixed, providing you with certainty in perpetuity. It will no longer be recalculated after 50 or 75 years. The ground rent will only be adjusted for inflation on an annual basis (but not for deflation).

Switching over directly: when to pay?

You can choose whether you want to pay the ground rent annually or to buy-out all ground rent payments in one lump sum.

Currently paying ground rent

- If you are currently paying ground rent and after switching over wish to continue to do so, then your current financial agreement remains in force. This means that although you immediately receive a contract for perpetual ground lease, you continue to pay your current ground rent until the end of your current period. You then pay the perpetual ground rent after this period.

Switch over now, pay later.
Lump sum buyout always possible.

- If you are currently paying ground rent and wish to buy out the ground rent after switching over to perpetual ground lease (lump sum payment), then, in addition to buying out your future perpetual ground rent, you also buy out the remainder of the ground rent of your current period. Of course you never pay double.

Currently bought off

- If you have bought off your ground rent, switch over before the end of your period and then want to pay ground rent (annually), you don't pay anything yet, except for the notarial costs. The new ground rent will already be calculated for you based on the current information at the moment you apply for it and will be registered by the notary. But you only start paying this ground rent when your current period expires. This gives you certainty about future leasehold costs.
- If you have bought off the ground rent of your current period and want to buy it out again after switching over, then you will of course not have to pay for the remaining years of your current period. You only buy off the ground rent payments for the perpetual ground lease that starts after your current period.

The choice that you make also applies to potential future buyers of your property. They take over the leasehold agreement from you, as is presently also the case.

Your options

If you are currently paying ground rent annually*:

You opt again for (annual) ground rent	You opt for a buy out (lump sum payment)	You only choose at the end of your period
➢ You immediately have a perpetual ground lease, but pay for this from the start of the new period. ➢ You pay your current ground rent until the end of the continuous period. ➢ The new ground rent will be fixed from the moment you switch over except for annual adjustment for inflation. ➢ The ground rent will only be adjusted if you request a change (in the lease conditions).	➢ You buy out both your current (continuous) period as well as the perpetual period ➢ You have paid all your leasehold costs in one go, unless you yourself apply for a change (in the lease conditions).	➢ You receive two offers from the City a few years before the end of your period: one for 50 years and one for a perpetual period. You can then choose from these. ➢ The actual WOZ value and the ground rent percentage at that moment determine both offers. These are unpredictable, as they are subject to fluctuations in the real estate and interest markets.

If you currently bought off your ground rent (lump sum payment)*:

You opt for (annual) ground rent payments in the new perpetual period	You opt again for buying-out the ground rent	You only choose at the end of your period
➢ You already have perpetual leasehold, but only start paying for it in the new period. ➢ Your financial agreements remain unchanged during the current period. The new ground rent starts along with the new perpetual period. ➢ The new ground rent will be fixed from the moment you switch over except for annual adjustment for inflation. ➢ The ground rent will only be adjusted if you request a change (in the lease conditions).	➢ You immediately buy out the perpetual period. The remainder of your current period is taken into account. ➢ You have paid all your leasehold costs in one go, unless you yourself apply for a change (in the lease conditions).	➢ You receive two offers from the City a few years before the end of your period: one for 50 years and one for a perpetual period. You can then choose from these. ➢ The actual WOZ value and the ground rent percentage at that moment determine both offers. These are unpredictable, as they are subject to fluctuations in the real estate and interest markets.

*The notarial agreement has to be arranged when you switch over to perpetual ground lease. The costs involved are the leaseholder's responsibility.

Cost calculation

The costs of perpetual leasehold are calculated according to the Land Valuation Policy for Existing Leasehold Rights. Additionally there are the one-time notarial costs. For more information about the calculation method, see Chapter 5.

Location, location, location

The current land value is the starting point for the calculation of leasehold costs. This is determined residually. The value of real estate is comprised of two parts: the 'bricks' (the building value) and the land value. The land value is determined by subtracting the building value from the market value (the WOZ value). Real estate in popular locations has higher leasehold costs than real estate in less popular locations. This applies as much to a subsequent continuous period as it does to a perpetual period.

In the case of homes, the land value is determined using one method that applies to everyone. In the case of commercial and social real estate, it is calculated on an individual basis. The land value is subsequently reduced by 10% to arrive at the leasehold land value. This so-called depreciation of 10% is applied because of the contract between the parties, which means that a leaseholder has less freedom to negotiate in comparison to someone on freehold land.

Calculations for homes

Employing the new method to calculate the land value of homes means that it is possible to standardise the way in which the leasehold ground value is determined. This ensures transparency and makes it easier for leaseholders.

At the heart of the method for homes is the so-called neighbourhood street quote (BSQ). This indicates the percentage of the market value that is attributable to the ground and location. This portion, the land value, subsequently determines the amount of leasehold costs. See Chapter 5 for more information on the calculation.

Calculation for commercial and social real estate

There is no standardised method for commercial and social real estate. This is because the diversity is too great and too little is known about the properties to develop a general method to calculate the land value. Therefore, just as now, the leasehold land value will be determined residually on a case-by-case basis by deducting the rebuilding costs from the market value. Because an individual calculation is made for each situation, it is not possible to offer all the owners of commercial and social real estate the opportunity to switch over in 2017. Switching over is therefore only possible if the remainder of the period is less than 10 years and the procedure to revise the lease at the end of the period has not yet begun.

Do you own a home and want to know how much switching over is going to cost you?

The website contains a calculation tool which makes it possible during the consultation to calculate the leasehold costs for housing after a switchover in 2017. By entering your WOZ value and your current leasehold data you can approximate what switching over could mean for you. The land value quote (BSQ), or in other words, the part of the WOZ value attributable to the ground value, can be determined on the basis of postal code and house number. The calculation tool is an approximation and is not legally binding. After ratification of the Conversion Regulation in June 2017, a definitive calculation tool for homes will be made available in which the precise land value quote is used. On this basis, the leaseholder can determine whether or not a switchover is appealing.

Individual calculation examples

Below are the calculations for several apartments with similar features (circa 75 m², built after the turn of the 21st century, AB 2000, bought off ground rent, end of fixed period circa 2055, ground rent percentage 2,39%) in different areas of the city.

borough	WOZ value 2015	BSQ*	freehold land value	leasehold land value (after depreciation)	future perpetual ground rent (adjusted for inflation)	perpetual lump sum payment
Centrum	€ 285,000	46%	€ 130,245	€ 117,221	**€ 2802**	**€ 46,777**
West	€ 215,000	35%	€ 74,605	€ 67,145	**€ 1605**	**€ 26,794**
Nieuwwest	€ 185,000	17%	€ 31,820	€ 28,638	**€ 684**	**€ 11,428**
Zuid	€ 315,000	40%	€ 125,370	€ 112,833	**€ 2697**	**€ 45,026**
Oost	€ 235,000	36%	€ 84,835	€ 76,352	**€ 1825**	**€ 34,380**
Noord	€ 155,000	5%	€ 8215	€ 7394	**€ 177**	**€ 2679**
Zuidoost	€ 145,000	5%	€ 7250	€ 6525	**€ 156**	**€ 2542**

* Land value quote

How is my current lump sum payment taken into account?

You are not going to pay twice. For example, if you have bought out your current continuous period of 50 years until 2035 and switch over to perpetual leasehold in 2017 with a calculated indexed ground rent of € 1000, then you are then entitled to pay nothing until 2035: you have after all already bought off the remaining years. You then pay ground rent from 2035.
You can also choose to buy out these ground rent payments (lump sum payment). Then all future ground rent payments will be converted to net cash now. Receiving money now is valued more highly than money received in the future. That means that the further away the ground rent payment, the less those future earnings are worth. Hence, the lump sum payment of ground rent payments will be relatively lower well into the future.

Is switching over appealing?

The City cannot offer leaseholders individual advice about whether or not they should switch over to the perpetual system. This is a personal decision, which depends on more than just the leasehold fees for perpetual leasehold, for example, the leaseholder's finances and access to financing, the remaining time of the current period, and property speculation all play a role. There are a few points to bear in mind when considering whether or not to switch over in 2017:

1. The variation in the ground rent percentage is determined by the City at a rate somewhere of between 2.39% and 4.23%. In 2017, this percentage is 2.39%.
2. The leasehold land value of residential and non-residential properties, as described in The Land Valuation for Existing Leasehold Rights policy document is the starting point for calculating the leasehold costs, including perpetual ground lease. The (actual) land value is depreciated by 10% to arrive at the leasehold land value, due to the fact that there is an existing contract relationship.
3. The City's offer to switch over to perpetual ground lease is (on average) more appealing to the leaseholder than the continuous leasehold system because, in addition to the depreciation of 10%, the City works with a WOZ value that is less than the current market value. As an exception to the rule, the 2014 WOZ (real property) value will apply to people who switch over in 2017. This property tax value is on average 10% lower than the property tax value that would apply in accordance with the policy. For an application in 2018, a property tax value with 2016 as the reference date will be used. This is on average 28% higher than the property tax with a reference date of 2014.

4. Regulations Governing Conversions from Continuous into Perpetual Leasehold 2016

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Section I General

Article 1 Conversion from continuous into perpetual leasehold

1. The municipality of Amsterdam will offer holders of continuous leasehold rights the possibility of converting their continuous leaseholds into perpetual leaseholds based on these conversion regulations, with due observance of the provisions of these regulations.

2. If the requirements for eligibility for conversion from a continuous into a perpetual leasehold are met (articles 3, 9 and 10), an offer will be made to the leaseholder subject to administrative approval (article 16). Only if this offer has been fully and unconditionally accepted by the leaseholder in writing, will the agreement be formed subject to administrative approval (article 17). The administrative approval or its refusal shall be given through a decision of the competent authorities. If an approving decision is given, the condition of administrative approval shall lapse and the agreement shall take effect. The conversion from a continuous into a perpetual leasehold shall subsequently be recorded in a notarial deed (article 18).

Article 2 Definitions

In these Regulations the following terms shall have the following meanings:

a) **GC 2016:**
the General Conditions for Perpetual Leasehold in Amsterdam 2016;

b) **purpose:**
the purpose recorded in the leasehold deed and the permitted use of the parcel recorded in the leasehold deed;

c) **ground rent:**
the amount that is due to the municipality by the leaseholder, whether or not periodically, as compensation for the leasehold right;

d) **ground rent percentage:**
the percentage used to calculate the ground rent. This percentage shall be periodically determined and announced by the municipality;

e) **perpetual leasehold:**
leasehold for an indefinite period of time with a period of lease that is perpetual;

f) **leasehold:**
the leasehold right *in rem* described in the leasehold deed (as well as any undivided share therein);

g) **leasehold deed:**
the notarial deed in which the rights and obligations associated with the leasehold right are set out. It includes:
    a. the deed of establishment (*'akte van vestiging'*) in which the leasehold right is created;
    b. all subsequent notarial deeds in which the rights and obligations associated with the leasehold right are amended, including the conversion deed in which the GC 2016 are declared applicable to an existing leasehold right

h) **leasehold land value:**
the value of the parcel determined on the basis of the purpose recorded in the leasehold deed, the permitted use and the maximum permitted floor area of the parcel on which the ground rent calculation is based. It does not cover the value of any buildings situated on

the parcel. Wherever the term 'land value' is used in conditions older than the GC 2016, it shall be understood to mean 'leasehold land value';

i) **conversion:**
the conversion of a continuous leasehold right into a perpetual leasehold right;

j) **conversion regulations:**
the current regulations, which provide which leaseholders can convert their leaseholds in which cases and on which conditions from continuous into perpetual leaseholds;

k) **shadow land value:**
the land value at the start of any period of lease to be annually indexed for the development of the value of money in accordance with an instruction adopted for that purpose by the municipal executive;

l) **floor area:**
the floor area of the building(s), calculated in accordance with standard sheet 'NEN 2580'. This shall be expressed as the usable area (UA) for residential properties and as gross floor area (GFA) for other purposes.

m) **continuous leasehold:**
a leasehold for an indefinite period of time subdivided into 50- or 75-year periods of lease. At the end of every period of lease the ground rent will be revised and the municipality may declare the latest general conditions for continuous leasehold applicable;

n) **WOZ value:**
the value of the immovable property (e.g. a residential property, an office building or commercial premises) determined by the municipality in conformity with the Dutch WOZ Act (Immovable Property Valuation Act, '*Wet Waardering Onroerende Zaken*').

Article 3 Scope

These regulations shall apply to all leasehold rights created by the municipality of Amsterdam subject to the general conditions for continuous leasehold of the municipality of Amsterdam, with the exception of:

a) leasehold rights created subject to the General Conditions for Continuous Leasehold for Housing Corporations in Amsterdam 1998 ('*Algemene Bepalingen voor voortdurende erfpacht voor woningcorporaties 1998 Amsterdam*');

b) leasehold rights held by an admitted institution within the meaning of Section 19 of the Dutch Housing Act ('*Woningwet*');

c) leasehold rights created subject to the General Conditions for Continuous Main Leasehold Rights for the Amsterdam Port Area 2013 ('*Algemene Bepalingen voor voortdurend hoofdrecht van erfpacht voor het havengebied Amsterdam 2013*');

d) leasehold rights created subject to General Conditions other than those referred to under a. and c. or general provisions and situated in the Amsterdam port area,
   - which Havenbedrijf Amsterdam N.V. manages on behalf of the municipality at its own risk and account, and
   - for which the parcels to which these leasehold rights relate were released to Havenbedrijf Amsterdam N.V. subject to the General Conditions for Continuous Main Leasehold Rights for the Amsterdam Port Area 2013 on the condition precedent that those rights would end.

Article 4 Conversion from continuous into perpetual leasehold for leasehold rights intended for 'living' according to the leasehold deed

1. A conversion shall be possible:

   a) at the leaseholder's request during the period of lease of the continuous leasehold. The conversion request shall be suspended if the leaseholder has submitted a request for early review (in conformity with the Council decision of 18 February 1998, Municipal Gazette no. 20) and this request is under examination;
   b) on the expiry of the period of lease of the continuous leasehold (see articles 6 and 7);
   c) as a municipal condition for the combination of leasehold rights in cases where any of the leasehold rights to be combined is subject to the GC 2016.

3. Every leaseholder shall be eligible for a conversion into a perpetual leasehold, provided:

   a) his leasehold right is eligible under article 3, and
   b) he meets the requirements of articles 9 and 10, and
   c) he accepts all the conditions attaching to the consent for conversion from a continuous into a perpetual leasehold (article 11).

Article 5 Conversion from continuous into perpetual leasehold for leasehold rights intended for a purpose other than 'living' according to the leasehold deed

1. A conversion shall be possible:

   a) at the leaseholder's request if the time left of the period of lease of the continuous leasehold is less than 10 years. The request shall be suspended if the leaseholder has submitted a request for early renewal (in conformity with the Council decision of 18 February 1998, Municipal Gazette no. 20) and this request is under examination;
   b) on the expiry of the period of lease of the continuous leasehold (see articles 6 and 7);
   c) as a municipal condition for the combination of leasehold rights in cases where any of the leasehold rights to be combined is subject to the GC 2016.

2. Every leaseholder shall be eligible for a conversion into a perpetual leasehold, provided:
   a) his leasehold right is eligible under article 3, and
   b) he meets the requirements of articles 9 and 10, and
   c) he accepts all the conditions attaching to the consent for conversion from a continuous into a perpetual leasehold (article 11).

Article 6 Possibility of conversion on the expiry of the period of lease of a continuous leasehold

1. The provisions of this article shall apply in addition to the policy on the ground rent revision on the expiry of the period of lease and shall not affect that policy.

2. The municipality will offer leaseholders the opportunity to convert their leaseholds on the expiry date of the period of lease. To enable the leaseholder to make a comparison, the municipality shall submit a proposal to the leaseholder which includes the following:

   a) an offer to continue the continuous leasehold; this offer will be made based on the general conditions that apply to the period of lease of the continuous leasehold in progress and

with due observance of the general conditions that will become applicable to the new period of lease and the municipal policy applicable at that time, and

b) an offer to convert the continuous leasehold into a perpetual leasehold based on the GC 2016 with the accompanying financial and leasehold conditions applied by the municipality based on the municipal policy applicable at that time and ensuing from the possible application of articles 9 and 10 of the present Regulations.

As for the offer to continue the continuous leasehold, the following shall apply:

- In cases where the municipality has already made an offer based on the general conditions applicable at that time, that municipal offer for the continuation of the continuous leasehold shall be considered as the offer set out in paragraph 2 under a of this article. This applies to leasehold rights governed by the GC 1966 (article 3 paragraph 7), GC 1994 (article 12 paragraph 1 in combination with paragraph 4) and GC 2000 (article 11 paragraph 1, paragraph 2 in combination with paragraph 5).
- In cases where experts will be instructed to fix the ground rent under the general conditions applicable at that time, the municipal offer shall be considered as a non-mandatory offer which shall not create any obligations on the part of the leaseholder. This applies to leasehold rights governed by the GC 1915 (article 6 paragraph 2), GC 1934 (article paragraph 6), GC 1937 (article 6 paragraph 6) and GC 1955 (article 6 paragraph 6).
- If the leaseholder does not accept the offer to convert his leasehold into a perpetual leasehold, the leasehold shall continue to be continuous and the ground rent will be revised with due observance of the applicable general conditions.

3. If the leaseholder has not accepted the municipal offer for conversion into a perpetual leasehold, but does request a conversion during the procedure for a ground rent revision on the expiry of the period of lease, the municipality shall only make a new conversion offer if:

   a) the conversion can be recorded in a leasehold deed in the municipality's opinion no later than the expiry date of the period of lease of the continuous leasehold right in progress, and
   b) the experts appointed by the leaseholder and the municipality respectively have not yet appointed a third expert, and
   c) the leaseholder and the municipality jointly withdraw the instruction given to the two experts appointed by them, and
   d) the leaseholder pays for the costs incurred until then for the procedure for the ground rent revision on the expiry of the period of lease.

4. If all the requirements of paragraph 3 are met, the municipality shall base its offer on the leasehold conditions applicable at the time of the offer, the municipal policy and the conditions and principles included in articles 9, 10 and 11.

5. If not all the requirements of paragraph 3 are met, the conversion shall be possible only after the procedure for the ground rent revision on the expiry of the period of lease has been concluded.

Article 7 Transitional period for conversion possibility if a procedure for ground rent revision on the expiry of the period of lease of the continuous leasehold is in progress when the conversion regulations take effect

1. This article provides for the situation where the conversion regulations take effect while the procedure for the ground rent revision on the expiry of the period of lease is already in progress.

2. If a leaseholder requests a conversion into a perpetual leasehold during a procedure for a ground rent revision on the expiry of the period of lease and the requirements stated in articles 9 and 10 of these regulations are met, the following transitional arrangement shall apply:

   c. If no municipal offer for the ground rent revision on the expiry of the period of lease has been made to the leaseholder yet, but *is* required by the applicable general conditions, the municipal offer shall also include a conversion offer.

   d. If a municipal offer for the ground rent revision on the expiry of the leasehold period has been made to the leaseholder ① which has not been accepted or rejected and ② for which the acceptance period has not expired yet, the municipality shall also make an offer for the conversion into a perpetual leasehold to the leaseholder. The municipality shall extend the period for accepting the municipal offer for the ground rent revision on the expiry of the period of lease with due observance of the period for accepting the offer to convert the continuous leasehold into a perpetual leasehold.
   The municipality shall only extend the acceptance period, if the conversion can be recorded in a leasehold deed in the municipality's opinion no later than the expiry date of the period of lease of the continuous leasehold right in progress.

   e. If agreement has already been reached on the ground rent for the new period of lease of the continuous leasehold right with the leaseholder through the (tacit) acceptance of the municipal offer, then a conversion shall only be possible during the period of lease in progress, if the conversion can be recorded in a leasehold deed in the municipality's opinion no later than the expiry date of the period of lease of the continuous leasehold in progress. In that case the municipality shall make the leaseholder an offer for a conversion into a perpetual leasehold. After the leaseholder has accepted this offer and the conversion has been recorded in a leasehold deed, the agreement already reached on the ground rent for the new period of lease of the continuous leasehold right shall lapse.

   f. If the ground rent for the new period of lease of the continuous leasehold will be fixed by experts, because either ① the leaseholder has opted for this or ② the applicable general conditions required this, a conversion into a perpetual leasehold during the period of lease in progress shall only be possible if:

      - the conversion can be recorded in a leasehold deed in the municipality's opinion no later than the expiry date of the period of lease of the continuous leasehold in progress, and

      - the expert appointed by the leaseholder and the expert appointed by the municipality have not yet appointed a third-party expert, and

- the leaseholder and the municipality jointly withdraw the instruction given to the experts appointed by them, and
- the leaseholder pays for the costs incurred until then for the procedure for the ground rent revision on the expiry of the period of lease.

If all the requirements set out above are met, the municipality shall make the leaseholder an offer for a conversion into a perpetual leasehold.

3. The provisions of this article shall apply in addition to the policy on the ground rent revision on the expiry of the period of lease and shall not affect the application of that policy.

Article 8 Leasehold rights divided into apartment rights

For leasehold rights divided into apartment rights the following shall apply in addition to the other provisions of these regulations:

a) a conversion to the GC 2016 shall be possible for every apartment right individually by means of a conversion agreement between the municipality and the apartment right holder concerned which includes a qualitative obligation, a perpetual clause and a penalty clause;
b) if all the holders of apartment rights in respect of the leasehold right have converted their leaseholds into perpetual leaseholds in this way, they must cooperate under the conversion agreement referred to under a above in the execution of a leasehold deed that records that the continuous leasehold is changed into a perpetual leasehold.

Article 9 Conditions for considering a request for conversion

1. The municipality shall only consider a request for conversion into a perpetual leasehold if:

c. the leaseholder has met all the financial obligations relating to the continuous leasehold, and

d. the leaseholder complies with the obligations ensuing from the general and special conditions applying to the continuous leasehold right or if agreement has been reached with the leaseholder on any required adjustment of the leasehold right within the meaning of paragraphs 2 and 3 of this article.

2. If a larger floor area has been realised than the leasehold deed permits, the municipality shall only consider a request for conversion into a perpetual leasehold:

a) if granting the consent required for the larger floor area under the applicable general conditions for continuous leaseholds ① is permitted by the applicable rules of public law and ② if there are no municipal interests that oppose the granting of that consent, or
b) if the municipality has found that consent is deemed to have been granted under the municipal policy, to the extent that the enlargement is permitted under the rules of public law,
c) provided agreement has been reached on the ground rent revision to be attached to that consent and on the conditions, in accordance with the policy on changes in the purpose of the leasehold and in development/construction.

3. If the leasehold right is not being used in agreement with the purpose and use recorded in the leasehold deed, the municipality shall only consider a request for conversion into a perpetual leasehold:

   a) if granting the consent required for the change in the purpose and the use under the applicable general conditions for continuous leaseholds ① is permitted by the applicable rules of public law and ② if there are no municipal interests that oppose the granting of that consent, or
   b) provided agreement has been reached on the ground rent revision to be attached to that consent and on the conditions, in accordance with the policy on changes in the purpose of the leasehold and in development/construction.

4. If the leaseholder has created a sublease in respect of the immovable property, the municipality shall only consider a request for conversion into a perpetual leasehold:

   a) if the sublease created in respect of that property with the consent or agreement of the municipality is compatible with or has been adjusted to the GC 2016;
   b) if the leaseholder releases himself from a sublease created in respect of that property without the consent or agreement of the municipality or if consent for the sublease is given to him after all and he has complied with the conditions attached to that consent by the municipality.

Article 10 Conversion into perpetual leasehold if certain data are missing

1. If no permitted floor surface (for the various purposes of the leasehold) was recorded in the leasehold deed, the following shall apply:

   a) for leasehold rights intended for 'living' only according to the leasehold deed, the floor surface recorded in the WOZ decision referred to in article 14 paragraph 2 shall be used as the starting point;
   b) for leasehold rights for a purpose other than 'living' only according to the leasehold deed, the floor surface shall be determined using a NEN 2580 measuring report. The costs of the NEN 2580 measuring report shall be borne by the municipality.

   This floor surface shall be recorded in the leasehold deed, provided this surface is permitted under the rules of public law.

2. If no permitted purpose was recorded in the leasehold deed, the actual use shall be recorded as the purpose in the notarial deed, provided it is permitted under the rules of public law.

3. If the leaseholder does not cooperate in the recording set out in paragraphs 1 and 2 above, the municipality shall not consider the request for conversion into a perpetual leasehold.

Article 11 Conditions attaching to consent for conversion

The municipality shall only take a decision on the consent for conversion if full agreement has been reached with the leaseholder on the conditions attaching to the conversion. This agreement shall be evidenced by the complete, unconditional and written acceptance of the municipal conversion offer referred to in article 16 in combination with article 17.

Article 12 General and special conditions governing the perpetual leasehold right

1. In the case of conversion the GC 2016 and the special conditions to be agreed shall apply as of the effective date of the conversion, to the extent that they are not derogated from below.

2. In the special conditions the following shall be stated:

   a) the applicable purpose, the permitted use and the maximum permitted floor area;
   b) any additional special conditions the municipality may have attached to its consent for conversion, which shall in any event include the following:
      - the finding that it concerns the continued use of the parcel, as a result of which the municipality does not guarantee the condition of the parcel from an environmental-hygienic, constructional or other perspective or the suitability of the purpose (conformity), in connection with which article 3 of the GC 2016 shall not apply and the condition of the soil at the time of the first release shall be the starting point for the application of articles 14 and 15 of the GC 2016;
      - the municipality's authority to effect vacation/eviction of the parcel based on the first authenticated copy ('grosse') of the deed of establishment, if the municipality has terminated the leasehold right due to payment default or serious shortcomings or for reasons of public interest;

   c. the special provisions applying to the perpetual leasehold after the conversion; the starting point in this regard will be that all the special conditions recording all the leaseholder's rights and obligations attaching to the leasehold right that continue to be relevant after the conversion will be stated in these special conditions (consolidated deed).

3. In the financial conditions the following shall be stated:

   a) the financial conditions of the continuous leasehold right which continue to apply until the expiry date of the period of lease of the continuous leasehold:
   - the leasehold land value or shadow land value applicable at the time of conversion in the case of a ground rent fixed for 25 years;
   - the ground rent of the continuous leasehold right applicable at the time of conversion;
   - any indexation of that ground rent, which shall continue to apply until the expiry date of the period of lease of the continuous leasehold, and which will be recorded based on the articles included in the table below and taken from the general conditions for the continuous leasehold:

GC 1915 or GC 1934 or GC 1955	GC 1966	GC 1994	GC 2000 per ground rent type
n.a.	5-yearly article 3 paragraph 11 and following	5-yearly: article 8	indexed ground rent: annually article 7
	n.a.: in the case of excluded indexation based on part III of the		

	Modernisation Decision(1)	n.a.: in the case of excluded indexation in conformity with article 9	10 years fixed: 10-yearly article 8
			25 years fixed: after 25 years article 9

- the amount of the lump sum if the leaseholder elects to prepay the ground rent due until the expiry date of the period of lease of the continuous leasehold at the time of the conversion of the leasehold right;
- in addition to these provisions, the GC 2016 shall apply immediately and fully as of the time of the conversion;

b) The financial conditions for the perpetual leasehold right, including:

- the leasehold land value determined and agreed between the parties, as set out in article 13;
- the amount of the ground rent with the accompanying ground rent percentage at the time of conversion, as set out in article 13, and the date as of which this ground rent will become due (which is the date on which the period of lease of the continuous leasehold would have ended), without prejudice to the inflation adjustment referred to in article 15 paragraph 2;
- the amount of the lump sum if the leaseholder elects to prepay the ground rent at the time of the conversion into a perpetual leasehold.

Section II Ground rent for perpetual leasehold

Article 13 Calculation of ground rent for perpetual leasehold

1. For the conversion into a perpetual leasehold the leasehold land value for the perpetual leasehold will be determined. The leasehold land value will be determined in conformity with the policy 'Land Valuation for Existing Leasehold Rights' ('*Grondwaardebepaling voor bestaande erfpachtrechten*'). The leasehold land value for leasehold rights intended for 'living' according to the leasehold deed shall be determined while allowing for the conversion premium(2).

2. The ground rent for the perpetual leasehold after the conversion shall be determined by multiplying the leasehold land value fixed in accordance with paragraph 1 by the ground rent percentage.

3. After the ground rent for the perpetual leasehold has been fixed, its level can be adjusted in the cases and manner provided in article 20 of the GC 2016.

Article 14 Principles for calculation of ground rent

1. The reference date for the parameters to be used when calculating the leasehold land value and for the ground rent percentage to be used is the date on which a complete request for conversion has been received by the municipality and the conditions of articles 9 and 10 are met.

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(1) The Modernisation Decree 1990 was adopted by Council Decision 942 of 28 November 1990.

(2) The conversion premium shall be determined by the municipal executive of Amsterdam. The conversion premium may be zero.

2. On the 1st of January of every year the WOZ reference date shall be adjusted for rights intended for 'living' according to the leasehold deed to the date of two years before. This for instance means that as of the 1st of January 2018 the WOZ value having the 1st of January 2016 as its reference date (which is the WOZ decision for tax year 2017) shall be taken as the starting point in order to determine the leasehold land value.

3. As an exception to paragraph 2 of this article, the WOZ reference date of the 1st of January 2014 shall be used (which is the WOZ decision for tax year 2015) for holders of a leasehold intended for 'living' according to the leasehold deed who apply for a conversion offer in 2017. Until the 31st of December 2017 a holder of a leasehold intended for 'living' according to the leasehold deed can apply for a conversion offer based on the WOZ value of the 1st of January 2014.

Article 15 Transition to perpetual ground rent

1. In the case of a conversion into a perpetual leasehold the leaseholder shall retain the financial conditions attaching to his continuous leasehold right until the expiry date of the period of lease. This has been elaborated in article 12 paragraph 3 under a. For a leasehold for which ground rent is due this means that the ground rent must continue to be paid until the expiry date of the period of lease of the continuous leasehold in conformity with the continuous leasehold regime. In the case of a leasehold for which the ground rent has been prepaid until the expiry date of the period of lease of the continuous leasehold, this means that no ground rent shall be due until that date.

2. The ground rent for the perpetual leasehold shall be determined on the effective date of the conversion in conformity with article 13. This ground rent shall be adjusted to inflation every year as of the effective date of the conversion in conformity with article 7 paragraph 4 and following of the GC 2016. As of the expiry date of the period of lease of the continuous leasehold the leaseholder shall owe the perpetual ground rent adjusted for inflation.

3. On the effective date of the conversion the leaseholder shall have the following options with regard to the prepayment (buy-off) of the perpetual ground rent:

    a) in the case of a continuous leasehold for which ground rent is being paid: the leaseholder can only prepay the ground rent for the perpetual leasehold, if the ground rent for the period of lease of the continuous leasehold in progress has also been prepaid until the expiry of the period of lease;
    b) In the case of a continuous leasehold for which the ground rent has been prepaid until the end of the period of lease: the leaseholder can immediately prepay the ground rent for the perpetual leasehold at the time of the conversion into the perpetual leasehold.

    After the payment of this lump sum (or these lump sums) the leaseholder shall no longer owe any ground rent, unless the leasehold right is amended at the request of the leaseholder in the cases and with the consequences set out in article 20 of the GC 2016.

Section III Municipal offer, administrative decision and recording in leasehold deed

Article 16 Offer

1. A conversion shall be preceded by a written offer from the municipality.

2. This offer shall in any event include the following:

   a) the area of the parcel, the Land Register designation and, to the extent known, the local designation;
   b) the effective date of the conversion;
   c) the possibility to prepay the ground rent (buy-off);
   d) the details of the starting points for the specific right in terms of the financial rights and obligations that continue to apply until the expiry date of the period of lease of the continuous leasehold;
   e) the period within which the (financial) conditions of the offer apply; the municipality shall be authorised to amend the financial and any other conditions, if this period expires without the recording of the conversion of the continuous leasehold into a perpetual leasehold in a leasehold deed and the registration of this deed in the public registers. If the municipality is to blame for the latter, it shall not make use of this power;
   f) the municipality's power to dissolve the conversion agreement if the leaseholder does not cooperate in the execution of the leasehold deed as referred to in article 18 paragraph 1;
   g) the provisions of article 12;
   h) the condition that administrative approval must be given. This condition shall lapse when the decision referred to in article 17 is taken.

Article 17 Administrative decision

The municipality shall not take the administrative decision on the consent for conversion until after the leaseholder has fully and unconditionally accepted the offer referred to in article 16 in writing.

Article 18 Leasehold deed

1. The fact that there has been a conversion into a perpetual leasehold and that the GC 2016 and the special conditions have become applicable shall be recorded in a leasehold deed to be entered in the public registers.

2. The leasehold deed shall in any event contain the following:

   a) the area of the parcel, the Land Register designation and, to the extent known, the local designation;
   b) a reference to the GC 2016 as they become applicable at the time of conversion;
   c) the special conditions applying to the leasehold, including:
      - the acceptance of the parcel constituting the finding that the leaseholder is already using the parcel under a continuous leasehold and that this use is being continued, that article 3 of the GC 2016 does not apply and that the condition of the soil at the time of first release shall be the starting point for the application of articles 14 and 15 of the GC 2016;

- the applicable purpose, the permitted use and the maximum permitted floor surface;
- the municipality's power as stated in article 31 of the GC 2016 to effect vacation/eviction of the parcel under the first authenticated copy of the leasehold deed;

d) the financial conditions of the continuous leasehold that continue to apply until the expiry date of the period of lease:
   - the shadow land value applicable at the time of conversion;
   - the then applicable ground rent for the continuous leasehold and the manner in which the ground rent will be adjusted (indexed) in conformity with the general conditions that applied to the continuous leasehold;
   - the financial conditions in the general conditions governing the continuous leasehold, to the extent that they continue to apply until the expiry date of the period of lease of the continuous leasehold as referred to in article 12 paragraph 3 under a;
   - the amount of the lump sum if the leaseholder elects to prepay the ground rent due until the expiry date of the period of lease of the continuous leasehold at the time of conversion;
   - the due dates of the ground rent;

e) the financial conditions of the perpetual leasehold, including:
   - the leasehold land value agreed between the parties;
   - the ground rent amount with the accompanying ground rent percentage at the time of conversion and the date as of which this ground rent will become due (which is the date on which the period of lease of the continuous leasehold would have ended), without prejudice to its adjustment in accordance with the provisions of article 7 paragraphs 4 and following of the GC 2016;
   - the amount of the lump sum if the leaseholder elects to prepay the ground rent at the time of the conversion of the leasehold right;

f) the effective date of the conversion;

g) the dates on which the ground rent must have been paid;

h) the election of domicile at the office of a notary established in Amsterdam, if the leaseholder has no actual or elected domicile within the Netherlands.

Article 19 Non-execution of the leasehold deed

The municipality may dissolve the conversion agreement if the leaseholder fails to cooperate in the execution of the leasehold deed as referred to in article 18 paragraph 1.

Article 20 Notarial fees and charges

1. The costs of preparing the leasehold deed and the costs of registering that deed in the public registers shall be for the leaseholder's account. These costs shall also include the taxes and any other charges due.
2. The costs of adjusting the legal situation as referred to in article 9 paragraphs 2 and 3 shall be paid by the leaseholder in conformity with the policy on changes in the purpose of the leasehold and in development/construction.
3. The costs of adjusting the legal situation by recording missing data within the meaning of article 10 shall be for the account of the municipality.

4. The leasehold deed shall be executed before a notary established in the municipality of Amsterdam.

Articl3 21 Official title

These Regulations may be cited as the 'Regulations Governing Conversions from Continuous into Perpetual Leasehold 2016'.

5. Appendix A: Relevant background information

In addition to the Conversion Regulation, the College has also announced adjustments to the Land Valuation for Existing Leasehold Rights policy and several supplementary policy documents to bring them in line with the new perpetual leasehold system. Because of their interdependence with the Conversion Regulation the City is now making these public. The land valuation in the College's proposal will also apply to continuous ground leases. These documents are not open for consultation.

- The 'Land Valuation for Existing Leasehold Rights' policy explains how the current leasehold land value and ground rent is calculated for continuous and perpetual ground leases and the amount of the ground rent percentage. It therefore concerns the establishment of tariffs and is thus not open for consultation.
- The supplementary leasehold policy describes the procedures for alterations such as change of use, parcel expansion or division, and buying off the ground rent with a lump sum payment (buy-off instruction).

The supplementary leasehold policy has been adapted for both continuous and perpetual ground lease rights and also made more readable by combining and rewriting some of its articles. In addition, some provisions that become redundant once the Conversion Regulation is in force will be repealed. These policy documents are not available for consultation because they elaborate on policy that has already been submitted for consultation, specifically the various general conditions (the General Conditions for Perpetual Ground Lease 2016 were submitted for consultation in 2016).

These policy documents will be ratified simultaneously with the Conversion Regulation. This is planned for June 2017.

Land valuation for existing leasehold rights

The manner in which the value of the land, the ground rent and, when applicable, the lump sum buy out of the ground rent is determined for existing temporary, continuous and perpetual leasehold rights is established in the Land Valuation for Existing Leasehold Rights policy. This policy is applicable in the following situations:

1. an offer from the City to revise the ground rent at the end of a fixed period;
2. changes to the contract for an existing leasehold (e.g., converting a continuous right to a perpetual right, a change of purpose, a building extension or an early revision, or a combination of two or more of these);
3. conversion of a temporary right to a continuous or perpetual leasehold right.

There are other agreements applicable to leasehold rights issued under the General Conditions of the Port of Amsterdam and the 1998 General Conditions for Housing Associations.

The land value is calculated using the residual method, i.e., by deducting the value of the building from the market value. The specific methods differ for the functions 'housing' and 'commercial'. The City can decide to reduce the land value, because land issued in leasehold is subject to restrictions and an existing contract relationship. This is called depreciation and means a reduction of 10% of the land value. The depreciation is applied to the land value at the end of a period, at the moment of conversion to perpetual ground lease, or to the new purpose in the event that it changes.

The value of land depends on the location, the possible uses and benefits that the location offers the user, and the market valuation. The land value is partly determined by the potential revenues. These revenues are in turn partly determined by the destination, the authorised use and the available building surface area.

Land valuation for homes

In the new system the land value is calculated based on the property tax value. This formula is applied to both continuous and perpetual leasehold rights. Different land value quotes (BSQ) are used for apartments and single-family homes. Because the land always represents a value, the minimum land value quote is set at 5% of the WOZ (property tax) value.

The step-by-step method for homes

The formula used to calculate the leasehold land value: WOZ x BSQ - depreciation

- WOZ = this is the property tax value with a reference date of two years prior to the actual conversion. If you switch over in 2017 the 2016 property tax value (with reference date 2015) would apply.
- However, for applicants in 2017, the City will use the 2015 WOZ value (with reference date 2014), which, on average, is almost 10% lower. Since 2014, the WOZ value has increased by over 30% compared to 2017. This appreciation in value is for the benefit of the leaseholder who switches over.
- BSQ = the 'land value quote' is a generic system that eliminates the necessity of having to calculate the land value of each individual property in Amsterdam. Long streets in Amsterdam are divided into neighbourhoods: neighbourhood streets. The BSQ indicates what proportion of the WOZ value is attributable to the ground for every part of the road. The City has not yet finalised the more than 4600 land value quotes. Only after the policy is adopted will the land value quotes be finalised.
- Depreciation: the land value is reduced by 10% to arrive at a leasehold land value.

Land valuation for commercial and social real estate

The City determines the land value for commercial real estate such as offices, businesses, restaurants/cafes and shops. In these cases, the so-called normalised residual approach is the starting point. This means that the real estate value is based on the average yield of comparable properties in the area concerned. The building value is calculated based on the rebuilding costs. The land value is calculated by deducting the building value from the real estate value at the specific location. The main features of the property and the applicable regulations (in particular the applicable building and zoning plans) are taken into consideration.

The value of land for social purposes is established on the premise of commercial real estate exploitation. For these facilities the starting point is that the land values are determined residually.

Ground rent and lump sum buy out

The canon is the (annual) fee for the use of the land. When switching over to perpetual leasehold the ground rent is calculated one last time. The ground rent of the perpetual leasehold right is derived from the leasehold land value when the transition occurs. It is calculated by multiplying the leasehold land value by the ground rent percentage.

The ground rent percentage is determined annually based on fluctuations in the current interest rate. For leaseholders who want to convert in 2017, the ground rent percentage is 2.39%. The minimum ground rent percentage is 2.39% and the maximum is 4.23%. The ground rent percentage is relevant only once when determining the perpetual ground rent. After determining the ground rent, increases (or decreases) in the ground rent percentage no longer affect the set ground rent.

After this, the ground rent for a perpetual ground lease is never revised. The amount is only adjusted if the leasehold changes, such as changes to the volume and/or purpose, and is adjusted annually for inflation (not deflation).
In the case of continuous ground lease, the ground rent is revised at the end of the fixed period and every 50 years thereafter.

With the lump sum payment, all future ground rent payments are converted into a single sum (net present value). This can apply to a continuous or a perpetual period. The lump sum payment for a perpetual ground lease is calculated by dividing the ground rent by the ground rent percentage and is at least equal to the leasehold land value recorded in the leasehold deed at the time of issuance or conversion. For more information about the land valuation, see: www.amsterdam.nl/erfpacht.

Supplementary leasehold policy

The supplementary leasehold policy elaborates upon the General Conditions for Continuous Ground Lease and the 2016 General Conditions for Perpetual Ground Lease. For example, in the General Conditions it is stated that the leaseholder must ask permission for a change of purpose and that the City may as a result alter the ground rent. The policy regarding the modification of the purpose and/or the building stipulates exactly how this should be implemented and under what conditions the City permits it. The AB2016 has already been presented for consultation.

The purpose of the supplementary leasehold policy

The supplementary leasehold policy inter alia focuses on ensuring that the City acts consistently in equal circumstances and not arbitrarily. The policy must not contradict the applicable general and special conditions agreed with the leaseholder. Agreements made with the City, therefore guarantee the leaseholder certainty.

Do you anticipate requesting changes to your leasehold agreements in the near future, such as a change of purpose or an early change to the ground rent? Please consult the information about the changes to the policy documents at www.amsterdam.nl/erfpacht, 'to ensure that you are not applying a regulation that has since been changed.

A brief explanation of the supplementary leasehold policy

- ***A change in the leasehold right***
  This refers to Modifications of the purpose and the building, Merging, Vertical Division, Horizontal Division and Parcel- and garden expansion. These policy documents for continuous ground lease have been modified such that they can also be applied to perpetual ground lease. A number of essential points are changing in the policy regarding modifications of the purpose and/or the building. The City has therefore drafted a transitional regulation. Leaseholders can still make use of the old policy documents relating to this topic for three months after this new policy is ratified in June 2017.
- ***Ground rent revision at the end of a period (CHET)***
  The CHET procedure remains unaltered. Several points do change in the execution thereof, however. The main change is that the City will pay all the legal fees in exchange for mitigating the adjustment policy. The adjustment policy is a discount on the increased ground rent for the leaseholder for the first two years after the new period begins to enable them to accustomise to the new ground rent. This policy adjustment results on average in the same benefit to the leaseholder (in the case of leaseholders with a home) but is a simplification of the policy, and therefore easier to apply. The current policy will continue to apply to leasehold rights where the CHET procedure was initiated when the new policy was adopted.
- ***Transition of temporary rights***
  In the case of temporary ground lease, a leasehold ends after a fixed period. There are approximately 50 temporary ground lease rights in Amsterdam. The City now has a policy by which a temporary ground lease can be changed to a continuous ground lease. This is called a transition. The City is currently modifying this policy so that when converting temporary leaseholds they become perpetual ground leases. Should these 50 leaseholders with temporary leasehold rights prefer a transition to a continuous ground lease, they will be given one more opportunity to make that choice. The City has formulated a transitional regulation and will notify these leaseholders by post.
- ***Temporary vicarial rights***
  Leaseholders with vicarial rights do not have to pay ground rent until either 2053 or 2064. The current vicarial policy regulates the transition to the AB 2000 without having to pay additional ground rent. In addition, the first period of the continuous right ends when the vicarial right would have ended (in 2053 or 2064). The new proposal will allow leaseholders of vicarial rights who want to switch over before their term ends in 2053 or 2064 to switch over to the AB 2016. The switchover, in financial terms, would be treated as if the (continuous) right had been bought off until 2053/2064. This is consistent with the framework of the current temporary vicarial policy. A transitional regulation has also been formulated to address this.
- ***Buy-off instruction***
  Leaseholders who have opted for ground rent payment can choose to buy off the ground rent at any time. To determine the amount of the lump sum payment the City calculates the (net present) value of all future ground rent payments at the time the leaseholder makes this choice. This is now different for each set of general conditions in the case of continuous leasehold rights. The City wants to make the buy off instructions unambiguous. Based on the new calculations, the lump sum payment may turn out to be higher or lower than that based on the current buy off instruction. Therefore leaseholders have three months after the ratification of the new policy to choose between the old and the new methods.
- ***Sharing contractual costs (when making modifications, etc.)***
  There are several situations in which a notary must draw up a deed to record changes in the leasehold contract. Switching over to a perpetual leasehold must also be recorded in a deed and therefore the 'legal fees' policy has been amended. It specifies, *inter alia*, the following breakdown of legal fees:

- With CHET: City pays 100% of the costs (currently 50%)
- Conversion: Leaseholder pays 100% (currently no policy)

- ***Safety Net Scheme***
  The City has a subsidy regulation for leaseholders who experience financial difficulties due to a ground rent increase at the end of the period (subject to strict conditions). This regulation has largely remained intact and now also covers situations where leaseholders choose for a subsequent perpetual period at the end of their period. The regulation does not apply to leaseholders who made a conversion in the interim.
- ***Policy documents that formerly provided certainty about leasehold costs are to be replaced by the Conversion Regulation***
  The City currently has three regulations on the basis of which leaseholders can have certainty about their future leasehold costs earlier than the end of their period. The Conversion Regulation provides the same certainty about these costs. Therefore, the comprehensive revision, the early renewal and the early revision will be repealed once the Conversion Regulation is ratified. Should you still wish to make use of one of these regulations and apply for a further period of 50 years, you can do so until June 2017. The early revision regulation is often used for transformation projects; a separate transformation policy will therefore be formulated for this.

Appendix B: Glossary

AB 2016
: the 2016 General Conditions for perpetual ground lease in Amsterdam

CHET
: ground rent revision at the end of a period

continuous ground lease
: ground lease for an unspecified period, divided into periods of 50 or 75 years. The ground rent is revised at the end of each period based on the current leasehold land value and the current ground rent percentage

Conversion Regulation
: the regulation that stipulates the circumstances and conditions under which leaseholders can switch over from a continuous ground lease to a perpetual ground lease

ground lease
: the leasehold right in rem, as defined in the leasehold deed (as well as the undivided share therein)

ground rent
: the amount that the leaseholder owes the City as payment for the leasehold right

ground rent percentage
: the percentage used to calculate the ground rent; this percentage will be periodically established and published by the municipality

leasehold deed
: the notarial deed in which the rights and obligations linked to the leasehold right are stipulated. These include:
  - the leasehold deed which establishes the leasehold right
  - all subsequent notarial deeds in which the rights and obligations relating to the leasehold right have been changed, including the deed of conversion with which the AB 2016 is declared applicable to an existing leasehold right

leasehold land value
: the value of the parcel determined on the basis of the purpose stated in the leasehold deed, the permitted use and the maximum permitted floor area of the parcel on which the ground rent calculation is based. This does not cover the value of any buildings situated on the parcel. In general conditions predating the AB 2016, 'land value' is included under 'leasehold land value'.

switch-over
: the conversion from a continuous leasehold right to a perpetual leasehold right

perpetual ground lease
: leasehold without time periods, whereby the ground rent is determined at the start and is never revised again (unless the leaseholder himself makes a change, for example, to the purpose)

purpose
: the permitted use of the land as stated in the leasehold contract

WOZ value, Property tax value
: the value of property (for example a house, or an office building or commercial premises) established by the City in compliance with the Property Valuation Act (Wet Waardering Onroerende Zaken).