

NEWSLETTER

September 12, 2008

Re.: *construction: considerable reduction of the amount of contributions into the infrastructure and area subject to transferring to local councils*

According to the Decree of the Cabinet of Ministers of Ukraine “On Measures to Reduce the Cost of Dwelling Construction” of August 27, 2008, #772, which became effective on September 10, 2008 (“**the Decree**”), the maximum amount of the listed below was decreased:

- (i) share of dwelling area in a new building, which is to be transferred to the local council, and
- (ii) customer’s funds, which are to be contributed into development of engineering, transport and social infrastructure of populated area (“**Infrastructure**”).

Share of local councils in new buildings has been decreased to 2%

Customers shall transfer shares of dwelling area in new buildings to the local councils for the forming of social dwelling resources (according to the Law of Ukraine “On Social Dwelling Resources”).

The share of dwelling area in new buildings, which is to be transferred to the local councils, shall not exceed **2%** of total apartments’ area in the building (para. 1 of the Decree). This share is beyond comparison with analogous share in Kyiv that was equal to **7-20%** (depending on the building’s location) under the Decision of Kyiv City Council “On Kyiv City Budget for 2008”. The above changes are applied not only to customers’ obligations, which will start construction works after the Decree has become effective. The said changes should be also applied to customers, which had already started construction works before the Decree became effective but did not transfer the dwelling area to the local councils yet.

Amount of contribution into the Infrastructure will be decreased in 4-5 times from Jan. 01, 2009

Contribution into the Infrastructure means

- (i) compensation of expenses of the city for extended Infrastructure (pro rata the Infrastructure’s load caused by the object of construction/reconstruction (“**Object**”)), and
- (ii) payment for the right of implementation of the Object’s project.

The said contribution is one-time payment and shall be paid before the Object is put into operation under the agreement between the city and customer.

Starting from January 01, 2009, the maximum amount of funds, which are to be contributed into the Infrastructure development (taking into consideration the cost of works, envisaged by initial project data), shall not exceed:

- 5% [20% at present] of cost of engineering structures and non-dwelling buildings (except the mentioned below buildings), and
- 2% [10% at present] of cost of construction of dwelling buildings, buildings of cultural, educational, medical and recreational purpose.

* * *

We trust that the above comments might be useful for you. Please do not hesitate to contact us in case of any questions to the above or if any additional information might be required.

Sincerely yours,
KM Partners

http://www.km-partners.com
e-mail: admin@kmp.kiev.ua
tel. : + 38 044 490 71 97
fax: : + 38 044 492 88 59