

13 Greece

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Although there is no regulation by law for capturing planning gains, Greece as a whole has a number of tools for public value capture. Taxes on property provide significant tax receipts, much higher than the average in the EU, as a percentage of GDP (3.126%, the 5th highest in the OECD in 2019). Some aspects of the tax regime have been heavily criticised for their negative effect on growth (IOBE, 2018) and are due to be reformed with a view to reducing the overall tax burden, promoting investment and making the system more equitable. The non-recurring forms of public value capture are not particularly functional nor are they very efficient. The allocation of development rights in Greece, according to Karadimitriou and Pagonis (2019), follows 11 pathways that encompass both planned and unplanned development as explained in Section 2.3. There are also a few exceptional arrangements for big projects, which actually have explicit public value capturing arrangements (e.g. the old Athens Hellinikon airport regeneration project). In the cases where public value capture occurs, the process is cumbersome mainly due to the primacy that the Greek constitution and legislation give to private property rights.

13.1 Local Authorities and Planning System

Competence for urban planning in Greece has historically been a point of friction between central and local governments. Eventually, the Council of State issued several decisions, and annulled several urban masterplans that had been approved by local authorities during the 1990s, which tilted the balance in favour of the central government (Wassenhoven, 2021). This balance between central and local competence is reflected in the post-2010 reforms to the planning system, which have been critiqued for ardently promoting centralisation.

The mainstream planning process in Greece, so-called public regulatory planning, is carried out at the municipal level and aims at outlining development zones, land use and binding development parameters throughout the entire municipal territory. Besides that, there are also special planning instruments, namely, the reallocation of plots (land re-adjustment), active planning and private planning, which refer to organized types of urban development.

Unplanned development (see Section 2.3.1.2) constitutes a widespread practice in Greece. It accounts for a very large part of the overall land development and comprises both formal and informal processes. Here, we comment from the point of view of value capture on the three development pathways that enable the allocation of development rights without a statutory urban plan on owned land. Hence, we do not discuss the case of land and development rights grabbing.

13.2 Recurring Forms of public value capture

In Greece, the recurring forms can be divided into those applying to real estate ownership and those applying to real estate transfer. Tax income from real estate taxes in Greece as a percentage of GDP is one of the highest in the EU and the OECD (IOBE, 2018).

13.2.1 Recurring Forms (Annual Payments)

13.2.1.1 Real Estate Taxes

The most important such tax is the Uniform Real Estate Property Tax (REPT, in Greek: ΕΝΦΙΑ). The assessment basis is the 'objective value' of the real estate, which is determined based on a valuation done by private sector valuers for the Ministry of Economy. However, what is taxed are the rights over the property such as usufruct, etc. The 'objective values' cover thousands of zones throughout the country and are usually lower than the running market price, although the current re-valuation (to apply from 2022 onward) was approximating 'average' market levels for each zone. The tax is calculated by multiplying the square meters of the property (building or land plot) with a fixed 'tax due per square meter', which increases progressively according to 12 'objective value per square meter' bands (i.e. € 0–500/m², € 501–750/m², etc.). The total amount is adjusted using a set of coefficients to reflect the size, age, floor, location in the building and other characteristics of the object. Furthermore, the tax due is adjusted to reflect the type of right and the age of the owner.

A supplementary tax (progressive rate 0.1% to 1.15%) is charged to individuals if the total value of property rights subject to REPT exceeds € 250,000 (excluding the value of agricultural plots). Corporate supplementary tax is also charged, at a standard 0.55% of the total tax value of said rights. The rate drops to 0.01% if the company uses the assets for their business purposes.

The other significant tax in this category is the Municipal Property Duty (MPD, in Greek: ΤΑΠ), which is charged via the electricity bill. The rates are 0.025% to 0.035% of the 'objective value' of the object. Buildings under construction and listed buildings are exempt.

Finally, a special tax regime applies to a) real estate investment companies, which are taxed on the average value of their investments, and the tax rate linked to the European Central Bank rate and b) to companies whose owners cannot be traced back to a physical person or to companies whose passive income (from rents, etc.) exceeds their active income, whereby the tax rate is 15% per year on the value of the assets.

13.2.2 Recurring Forms (in Case of Sale/Purchase)

13.2.2.1 Real Estate Transfer Tax

The real estate transfer tax (RETT) is a legal transaction tax. The tax has to be paid, if a real estate property changes ownership but is not subject to VAT (currently 24% for newly built properties but suspended until the end of 2022). The basis of this transaction is a sale contract, a disposal of a leasehold or a legal property transfer by heritage or donation. The

tax rate is determined by the central government and currently is either 3% of the purchase price or the 'objective value', whichever is higher, for a purchase contract. A 3% municipal tax and 7% road building tax are charged on the total RETT due and in addition to it. The tax rate for inheritance and donations varies according to the total value of the inheritance/donation and the degree of kinship. Exchanges are taxed at 1.5%, adverse possession at 3%, distribution at 0.075%. Finally, there is a land registry fee of between 0.0475–0.06% in order to register the transaction.

13.2.2.2 Capital gains tax

Capital gains tax only applies to individuals selling for non-commercial purposes. There is a legal provision to apply such a tax, but application has been suspended until the end of 2022. The tax rate is 15% of the difference between purchase price and sale price, if that difference is a profit. There is a tax-free lump sum of € 25,000 if the object was owned by the seller for more than 5 years and there is a sliding scale for the tax rate, depending on the years of ownership. No tax applies if the object was owned by the seller before 1/1/1995.

If a person sells three or more properties in 2 years, then the regulations of the commercial property trade apply.

13.3 Non-recurring Forms of public value capture

The discussion about non-recurring forms of value capture in Greece cannot be approached without reference to the contextual particularities in the allocation of development rights. In our analysis of 2019, we demonstrated how development rights are allocated both in the context of planned and unplanned development and in ways that are not delimited by the formal planning system. For this reason, we have adopted the concept of the development pathways to include a wider spectrum of established institutional arrangements and social practices associated with the development of land (Karadimitriou & Pagonis, 2019). What is important to note is that, while value capture mechanisms are incorporated in most of the development pathways of planned development, they are either not activated or only partly activated. The development pathways of unplanned development that are widely utilised do not in fact incorporate direct public value capture mechanisms, resulting in a great overall value capture deficit in the operation of the land development system. As discussed in Section 2.3.1.2, the recent regulation for the legalization of informal construction, adopted in 2013, can be seen as a form of non-recurrent value capture instrument. However, this reform does not address the problems with unplanned and informal development.

13.3.1 Non-recurring Forms (Focusing on One Factor of Value Increase)

13.3.1.1 Value Capture in Planned Development

The special planning instruments that we comment on here are the reallocation of plots and private planning, where the main factor of value increase is the allocation of (enhanced) development rights by virtue of creating a plan. The main mechanism or value capture in either case is the contribution of land from private landowners.

Plot Reallocation

The process of plot reallocation/land re-adjustment (in Greek: αστικός αναδιασμός) is described in Law 947/1979 according to which private properties of a given area can be exchanged or even merged compulsorily, and after the exchange or merger the equivalent of the value of the merged/exchanged property is offered to the former owner in the form of land or property. In this way, the state can proceed with the implementation of an urban plan without enforced expropriations. The land surplus that is created through this process can be optimally allocated for the creation of public spaces and common facilities. The redistribution of plots differs from forced expropriation both in the type of compensation, which is non-monetary and, in the manner of compensation, since it does not result in the deprivation of the property but rather its readjustment for the sake of the common interest. A precursor of this planning instrument in Greece was applied for the redevelopment of the burnt parts of Serres (1914) and Thessaloniki (1917) and was then incorporated in the legal framework of planning in 1923 (P.D. 17.07.1923). Its use, however, has been limited only to very special occasions of natural disasters or bombings, where the imposition of a new town plan was urgently needed, such as in the cases of Cefallonia, Chania and Corfu.

Private Planning

Private planning (in Greek: ιδιωτική πολεοδόμηση) involves large-scale developments initiated by the private sector, mostly resorts and second-home settlements. The provision for private planning was incorporated in the legal framework with L. 1947/1991 and subsequent legislation referring also to the organized development of economic activities. The main factor of value increase in this case is the allocation of (enhanced) development rights and the concept of value capture in the context of private planning is implicit in the existence of an organized plan and in the fulfilment of obligatory requirements for open spaces and common facilities imposed by legislation. The infrastructure, which eventually gets built, mainly benefits the inhabitants of the development and less so the general public. A precursor of private planning, which in fact is a separate development path, are the 'building cooperatives' initiated since 1915. The building cooperatives are associations that acquire land with the purpose of converting it into developable land for the benefit of the members of the cooperative. The building cooperatives have been associated with practices of land grabbing with contested legality, especially in forest and coastal areas, a form of usurpation of public goods.

13.3.1.2 Value Capture in Unplanned Development

Development Inside Designated Settlement Boundaries

The right to develop inside designated settlement boundaries was introduced in the 1980s in order to facilitate development in remote rural and mountainous territories with less than 2,000 inhabitants. The justification was that such local authorities did not have sufficient resources to prepare detailed plans, and that there was no development pressure in these areas anyway. The application of this regulation however, led to widespread diffuse urban development outside the urban plan boundaries, due to the large number of settlements in Greece

that falls in this category (Yiannakou, 2015). More importantly, that pathway also covers numerous densely built suburban and second-home areas that evolved from settlements located in the periphery of metropolitan centres resulting to a significant loss of value capture. Every buildable plot of this category has to make land contributions according to a standard formula in order to provide public spaces or other public infrastructure (mainly roads).

Construction Outside the Town Plan

The right to construct outside the town plan boundaries (in Greek: εκτός σχεδίου δόμηση) is a blanket regulation that allocates limited development rights to land plots located in areas not covered by statutory plans, based on criteria related to the surface of the plot and technical parameters. This regulation, introduced in 1923 (Decree of 17/7/1923) to cover the needs of rural areas, is one of the most persistent institutions in Greece and has shaped the character of the vast majority of peri-urban landscapes and tourist areas. By granting development rights to practically every plot of land with few exceptions, it enables development to take place without explicit consideration for the social and environmental costs for the provision of public goods. In a lot of cases, this regulation has severely compromised the process of public regulatory planning and the potential for value capture, given that the right to construct outside the town plan boundaries is not suspended when the process of the preparation of the plan is initiated but only after the detailed implementation plan has been approved, which could be years later, if not at all. The cost of bringing the utilities network to each plot at the time of development is borne by the developer, who usually is the landowner. This is the one factor where some form of value capture occurs.

Informal Land Development

Informal land development (in Greek: αυθαίρετη δόμηση), meaning development without permission or deviating from the planning permission, is historically rooted in the process of land development in Greece, most notably the post-1922 refugee settlements and the post-WW2 decades of rapid urbanization. As scholars have noted, informal development has played a structural role in compensating the shortage of state intervention for the provision of housing and welfare (Mantouvalou & Mavridou, 1993). Nowadays these conditions have changed. Still, the informal sector retains a significant share of land development, covering a wide range of cases from illegally constructed villas in forested zones and tavernas on the seafront, to small-scale illegalities, for instance, turning balconies into enclosed spaces. These widespread practices, which cut across different social classes, have been 'invisible' to the formal value capturing mechanisms, given that there was practically no institutional way to acknowledge them as de facto developed land. Since 2010 and particularly since 2013, this has changed through a series of laws (L.3819/2010, L.4014/2011, L.4178/2013, L.4495/2017) that enabled property owners who had engaged in irregular development to be formally awarded those development rights retrospectively, for a given period of time, by paying a fine. Despite these contradictions and the criticism expressed by the professional planners' community and the Council of State, this regulation established a successful form of non-recurrent value-capture mechanism, which focuses on one factor of value increase (the usurpation of development rights). A total of € 2.4 billion had been collected from fines until 2017, and the initial purpose was to use them for urban green infrastructure projects.

Eventually, only a small fraction will be dedicated to that, the rest will be kept on a separate account to be offset against public debt.

13.3.2 Non-recurring Forms (Focusing on More Than One Factor of Value Increase)

13.3.2.1 Value Capture in Planned Development

Active Planning

Active planning (in Greek: ενεργός πολεοδομία) refers to the intervention of the state or other authorized body to plan and develop organized urban developments in response to social and economic needs, such as social housing. This planning instrument can be activated within special zones designated through the planning system, within which the state is given special powers to negotiate for the acquisition of private land in order to pursue the organized development scheme. The value capture is implicit in the provision of an organized plan, which incorporates physical, social and cultural infrastructure and suspends land speculation for the benefit of the community. Active planning was first introduced in 1979 (L.947/1979) and still forms part of the planning legal code but has seen very limited implementation and is practically inactive.

Public Regulatory Planning

Public regulatory planning represents the mainstream planning process in Greece. It involves the allocation of development rights through the preparation of spatialized development regulations, a process of detailed plan making for existing urban areas or urban extensions. As part of this pathway, land and property ownership is restructured, and detailed regulations are applied to buildable land plots, usually following the stipulations of higher-order spatial plans that are more strategic in nature. Responsibility for this process is entirely assumed by the public sector, and the role of central government is key in promoting this process. Value capture in public regulatory planning comes through the mandatory contributions to the cost of urban development of properties included in development zones. These contributions come in the form of land contributions without compensation as well as monetary contributions. The amounts of obligatory contributions were introduced in L.947/1979 and were applied at a large scale with L.1337/1983. The contributions depend on the size of the property and are a mandatory prerequisite for the allocation of development rights under the statutory power of the newly established urban plan. The land acquired through this process is allocated to roads and public spaces provisions, while the monetary intakes contribute to the cost of public infrastructure. Under the current planning law (Law 4447/2016), the required land contribution is taken at the time of approval of the road plan, i.e. at the stage of the detailed masterplan implementation.

Obligatory land and monetary contributions have been an innovative mechanism for value capture. However, in reality, the high level of complexity of public regulatory planning and lengthy approval processes have reduced its success in delivering the expected results. One of the main reasons for this is attributed to the existence of other pathways that allow the allocation of development rights outside the context of planned development, operating in parallel and often bypassing the planned development process as explained in the previous section.

13.4 Interim Conclusion for Greece

This analysis has attempted to shed light on the particularities of the real estate taxation system and the non-recurring forms of value vis-à-vis the development rights allocation system in Greece. It has shown that, while recurring value capture mechanisms are reasonably effective, the non-recurring mechanisms embedded in the formal planning system are either not activated or counteracted by a number of parallel mechanisms that enable the allocation of development rights outside the context of planned development.

Public Value Capture by Non-recurring forms in Greece (planned development; without interim acquisition)

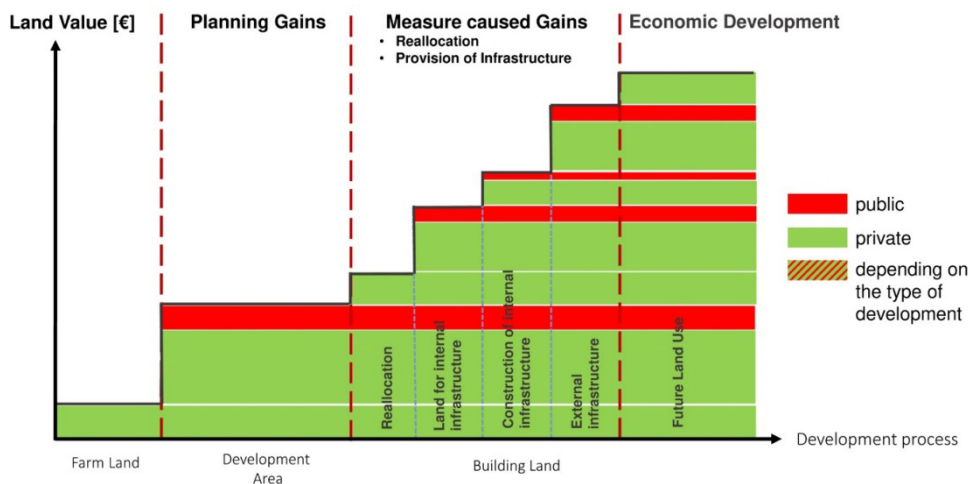


Figure 13.1: Value capture in Greece^{1,2}.

The combined effect of this state of affairs is a substantial loss of captured value, which is reflected in the built environment of Greek cities. Crucially, it manifests as underinvestment in public goods such as open spaces and public infrastructure. The recently adopted regulation for the legalization of illegal development is a corrective measure that extracts some of the value created through informal development. However, its potential for value capture has not been exploited in full, given that the funds are not reinvested for the creation of public goods but withheld to offset Greek public debt. Furthermore, it has created incentives for breaching planning regulations, especially in already developed urban areas, with a view to paying a fine and reaping huge returns in the process.

¹ The diagram does not show PVC for unplanned development because it is very low (5–10%) and therefore difficult to present here.

² Reallocation has been used in exceptional cases, mainly when entire urban quarters or towns were rebuilt after earthquakes or fires. These cases comprise a tiny percentage of the total urbanised land.

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