Regulations of Residential Investment in The Industrial Cities
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Regulations of Residential Investment in The Industrial Cities

First: General Terms & Conditions:

1. Individuals who have applied for a loan from the Real Estate Development Fund shall have the right to transfer their loan applications to the residential lands in the industrial cities, provided that the loan has been approved by the Fund, and that the individual lessee shall provide to the Royal Commission the Fund written approval of the loan. He shall comply with the conditions stated in the basic lease agreement if he obtained the land through assignment and comply with the instructions governing the assignment. This is in addition to abiding by the schedule to complete the construction works. The Royal Commission issues for the lessees (if they wish to apply for loans) a notice to Real Estate Development Fund stating that the lessee has a land lease agreement for the construction of a private housing unit in the industrial city.

2. After the approval of the final drawings for the housing unit/units, the agreement shall be concluded with the lessee and attached with a "development Plan" to complete the construction works with a maximum duration of three years from the date of the conclusion of the agreement. This plan shall set the duration for the issuance of a building permit and the date of access to the site, as well as the start and finish dates of the construction works and the issuance of occupancy certificate.

3. Each lessee shall provide the necessary information on the selected construction contractor for review and approval by the Royal Commission before receiving the building permit. The construction contractor must have adequate experience in the construction of housing units, and has at least one qualified engineer who shall be in charge of the supervision and implementation. The Royal Commission may set first the necessary rules for the prequalification of contractors who will be allowed to build private houses for individuals, and those who will construct housing units for the entities that have ownership programs or housing units dedicated for investment.
4. The lessee is committed to hire a consultant to supervise the construction works. The Royal Commission shall inspect the construction works from time to time to ensure their compliance with the approved architectural drawings and specifications, and perform the final inspection at the completion of the building in preparation for the issuance of the occupancy certificate. The final connection of the sewage, water, power and telecommunications systems may not be made unless the building is ready for issuance of the occupancy certificate.

2nd: Investment Opportunities for the Private Sector

The Royal Commission in the Industrial Cities shall observe the following rules:

1. Determine the Development schedule, supervise the construction of the housing buildings, prepare and update brochures and leaflets to describe the different types of housing activities to encourage the private sector to take part in the construction of commercial projects.

2. The Royal Commission shall provide the necessary information for the private sector for review before submitting their applications. The information shall include a detailed description and maps for the location along with the Royal Commission’s Rules & Regulations.

3. The Royal Commission shall prepare the available investment opportunities documents for the private sector that shall be advertised. These documents shall include detailed information on each investment opportunity and prequalification requirements. The Royal Commission, after the approval of the advertisement by the concerned authority, shall advertise in the local newspapers and other possible advertisement channels the availability of investment opportunities for the private sector. The advertisement shall set the submission date. Applications submitted after the due date shall not be evaluated. The price for investment opportunities conditions and specifications documents shall be one thousand (SR1000) Saudi Riyals at the minimum and not more than five thousands (SR5000) Saudi Riyals a nonrefundable, unless the investment opportunity is cancelled by the Royal
Commission. Documents shall specify the due date for submitting the application. The investor’s proposed auction price must not be less than the determined minimum price set by the Royal Commission for the lease.

4. Interested investors shall submit their applications to obtain documents directly to the Royal Commission offices in the Cities or online at the Royal Commission website.

5. The period between the date of the first advertisement on local newspapers and the due date for submission of the investment opportunity/opportunities applications shall not be less than (30) thirty days or as indicated by the Royal Commission.

6. Submission of initial Bank Guarantee representing 100% of the annual lease amount as per the proposed auction price for the total allocated area. The investor shall submit all additional supporting documents that show qualifications, experience, financial status and the general plan for implementation.

7. The authorized person shall approve the formation of bids opening committee and bids evaluation committee. The bids evaluation committee may seek the assistance it deems necessary from the experienced personnel at the Royal Commission to complete its work, review the applications, supporting documents and proposals submitted by the investors, and evaluate the same according to the approved criteria so as to select the best qualifications, studies and prices and recommend to the authorized person the best bidder.

8. The Royal Commission may allocate residential sites with the objective to construct investment projects on them. Allocation shall be for one renewable year, where the investor shall prepare the necessary drawings and designs for the construction of its investment project on the allocated lot of land, provided that the allocated land shall be under the possession of the Royal Commission during the allocation period and shall not be transferred to the investor before concluding the investment agreement.
• The investor, during the allocation period, is committed to pay the specified rent amount. The Royal Commission may determine the start date of rent based on the project type and its requirements in return to the investors’ performance of the site development works provided that this is stated in investment opportunity documents.

• In case of the investor’s breach of the allocation conditions, the Royal Commission may cancel the allocation request without any compensation rights for the investor.

• The Royal Commission and the investor shall conclude an allocation notice that is considered a tentative binding agreement according to the conditions therein.

9. The agreement shall be effective from the date of its conclusion.

10. If the investor is granted a grace period in the lease contract before signing the agreement then this period shall not be considered part of the agreement.

11. When the investor is recommended for the investment opportunity he is obliged to submit a renewable final Bank Guarantee of (100%) of the annual lease amount, and shall be reduced to (15%) of its value after the issuance of the building occupancy certificate and the start of operation. The Bank Guarantee shall be returned to the investor if the Royal Commission annulled the investment opportunity, changed the specifications other than what has been advertised or basis on which it has been allocated, for the rebidding of the investment opportunity, or for other reasons related to Royal Commission. The Bank Guarantee shall be valid for a minimum period of (120) day after the expiration of the agreement as assurance to the Lessee’s obligation towards the Royal Commission.

12. If the Lessee fails to complete the drawings during the allocation period, the allocation shall be cancelled and the Bank Guarantee shall be confiscated. If there are justifiable obstacles that obstruct the accomplishment of the objective, then the issue shall be referred to the authorized person to grant the lessee an extra period not exceeding one year to fulfill its obligations before
cancelling the allocation request and lot withdrawal. The rent shall be calculated from the date of allocation.

13. The private sector may propose investment opportunities (with distinctive characteristics, special nature or extra-ordinary) not included in Royal Commission plan, these submitted proposals shall be studied according to the scientific principles and the investor shall be ready for its realization if approved by the Royal Commission. The Royal Commission in each city shall review the said proposals to ensure its compliance with the city master plan, study the availability of the location and the required area for the proposed project, and evaluate the proposal based on the availability of qualifications, the required experiences and the financial capability. The Royal Commission may require the attachment of the feasibility study for some opportunities if needed, and then refer with recommendations to the authorized person for approval.

3rd: The allocation of semi-developed and undeveloped residential lands for the Private Sector

The Royal Commission in the Industrial Cities shall observe the following rules:

1. Meet the housing demands for investors willing to invest in the Cities, for government agencies or any un-industrial entity having a housing ownership program for its employees or the like, or wish to construct housing units for its employees through the advertised investment opportunities. These entities shall bid for these opportunities with the rest of other private sector bidders, or by direct allocation.

2. If the investing entity is one of the basic or secondary industries companies and it has a housing ownership program for its employees, then it shall be granted the priority to get one of these investment opportunities. The number of housing units that will be constructed or distributed to its employee shall be taken into consideration during the year.
3. The Royal Commission in the cities shall study the land allocation requests for the housing ownership programs for government entities, corporates and industrial or commercial establishments operating in the cities and running housing ownership programs for its Saudi employees. Each request shall be individually studied based on the actual need and the phases for each government entity. Leasing prices shall be approved by the authorized person and an initial allocation notice shall be concluded with these entities as per the approved conditions.

4. The selected entity for any investment opportunity in undeveloped or semi-developed residential lands shall at its own cost abide by the following:

   a) Design and build the infrastructure inside the site as per The Royal Commission standards and specifications.

   b) Extend the developed services and utility lines to the site from the nearest connection point specified by the Royal Commission, and the Royal Commission shall attempt to make the service connection points near to the allocated site as per the Royal Commission plans.

   c) Connect utility lines to the boundaries of the allocated lots for general facilities such as mosques, parks, education, health and commercial facilities…etc.

5. The Royal Commission at its own discretion may bind the selected entity for any undeveloped or semi-developed residential lands investment opportunity by one or all of the following options:

   - The investor or the developer – at his own cost- is committed to design & construct some of the public facilities (such as mosques, parks..etc.) on the locations selected by the Royal Commission in the cities and as per the Royal Commission Standards and Specifications. The implementation and construction of these facilities shall be simultaneous with the construction of the housing units. The occupancy certificates for the housing units shall only be issued after
the completion of the construction of the required facilities and handover to the Royal Commission.

- Transfer (10%) of the total number of the developed housing units lots free of charge to the Royal commission, immediately after finishing the deployment of the total assigned location, or
- Transfer (10%) of the total number of the housing units free of charge to the Royal commission, immediately after finishing the construction works.

6. Two (2) committees shall be established: one for bids opening and the other for bid evaluation. The bids shall be opened on the set date in the presence of the bidders, the meeting minutes shall be prepared, and the bids shall be referred to the bids evaluating committee on the same day. The bids evaluation committee may seek the assistance it deems from the experienced personnel at the Royal Commission to complete its work, review the bids, supporting documents and the investors submitted proposals, and evaluate the said documents according to the approved criteria so as to select the best qualified bidder, who submitted the best studies and prices and then submit its recommendations to the authorized person.

7. The Royal Commission shall conclude with the private sector housing land allocation notice for one (1) extendable year. The notice is considered a binding tentative agreement for both parties according to the conditions therein. The investor shall prepare the necessary drawings and designs for the construction of its housing project on the allocated lot of land, provided that the allocated land shall be under the possession of the Royal Commission during the allocation period, and shall not be transferred to the investor before concluding the investment contract. The Royal Commission may determine the start date for the rent based on the project nature and its requirements in lieu of the investors’ performance of the site development works. In case of the investor’s breach of the allocation conditions, the Royal Commission may annul the allocation without any compensation rights for the investor.

8. The agreement period shall be for thirty (30) years (a non-renewable), the annual square meter rent price shall be the approved auction price and the
annual rent shall be calculated based on it. The investor has the right to purchase the developed land on which the housing units are constructed after the issuance of the occupancy certificates. The purchase price shall be the annual rent multiplied by twenty.

9. The completion period for any project (including the infrastructure, the housing units and the public facilities) shall not exceed five (5) years maximum from the lease agreement effective date.

10. If the investor fails to meet its obligations to complete the general site development works as per the set conditions and rules and the period stated in the development works schedule, or fails to meet his contractual obligations to the Royal Commission, this default or failure shall be handled by a written notice to the investor to rectify this the default or failure within a period of (three months). If there is no response, a final written notice to rectify the situation within (one more month) shall be given, and if he did not respond for the second time, then the Royal Commission shall send a letter to the investor notifying him that the agreement has been terminated. After that the Royal Commission shall establish an evaluation committee to be formed from the Technical, Financial and Legal Departments to study the contract status and submit a report to the authorized person including the nature of failure or default, the condition of the constructions (if any), their compliance with the conditions & specifications and the estimated value spent by the investor.

The First Case: If it becomes evident to the Royal Commission in the light of the evaluation committee report that the constructions performed by the investor are insignificant and they have no actual value and are unusable or are not in compliance with the agreed conditions and standards, the Royal Commission shall notify the investor by a written letter demanding the removal of the fixed and movable assets within a period of (90) days at his own cost. Upon expiry of this period and upon the investor’s failure to do so, the Royal Commission shall remove them at the cost of the investor and backcharge it for the rent values until it reinstates the location to its original condition at the date of contracting, and charge him with all related costs.
The second Case: if the evaluation committee report reveals that the investor has performed significant improvement or construction works and could be useful for the Royal Commission, then the investor shall be notified by a letter granting it (6) months period to transfer its interests and relinquish the contract to a third party acceptable to the Royal Commission. In such case the third party shall undertake to perform the contract without any changes. Minutes to this effect shall be recorded, signed by the two parties and approved by the Royal commission.

The Third Case: If the investor - during the period given to it in the second case above- fails to find a third party acceptable to the Royal Commission, and to ensure The Royal Commission rights and the investor’s rights, the Royal Commission shall do the following:

1- Inform the investor of the Royal Commission intention to dispose the land and the structures thereon and the estimated value of the structures as set by the Evaluation Committee.

2- Prepare the project operation procedures in a manner acceptable to the Royal Commission, either by directly completing the unfinished works, or to rebid the project to be accomplished by a new investor either through direct negotiations, or through limited or open bidding as decided by the authorized person.

3- Propose a mechanism by which to cancel the contract with investor, and to complete the project and make use of it without any obstacles to ensure the Royal Commission rights and the defaulted investor rights.

11. The investor/ developer shall return the land lots within the developed area whether allocated or not for housing after their development such as lots allocated for parks, public facilities, commercial centers to the Royal Commission after connecting utilities to these lots.

12. The Royal Commission concludes lease agreements for the semi-developed, and undeveloped lands.
Fourth: Allocation of Developed Lands to Individuals Working in the Cities:

Developed lands may be allocated to individuals working in the cities in accordance with the following rules:

1- The applicant shall be a Saudi national working in the city and wishes to construct a private residence.

2- If the applicant is a female worker, she shall be either unmarried, divorced or a widow.

3- The Royal Commission shall specify and allocate the appropriate land provided that it does not exceed a one developed residential lot.

4- The Royal Commission shall conclude a lease agreement, as per the text prepared in accordance with this regulation, for an unrenewable term of thirty Hijri years. The land lease rent shall be calculated as per the prices schedule approved for developed residential lands leasing categories. The rent amount shall be due starting from the lease agreement conclusion date. Individuals have the right to purchase the land on which the residential unit is constructed after the issuance of occupancy certificate. The purchase price shall be equal to the annual lease rent multiplied by twenty, minus the amounts paid in the first five years only. Buildings whose owners do not practice their right to purchase the lands, shall be the property of the Royal Commission after the lapse of the agreement period.

5- If the lessee fails to execute the building phases during the agreed time period as stipulated in the agreement, the Royal Commission has the right to terminate the lease agreement and to implement its provisions regarding retrieval of the premises while preserving the lending entity's rights –if any.

6- When transferring the land ownership deed to the buyer, the Royal Commission deposit the land's deed as mortgage in favor of the Real Estate Development Fund if the buyer is indebted to the Fund.
Fifth: Allocation of Developed Residential Lands to the Royal Commission Employees:

1- The Royal Commission concludes residential land allocation agreements with its employees who are interested in establishing private residences on single plots. The allocation priority shall be decided as per the employee's hire date when land lots are available. The land's value shall be calculated on one Saudi Riyal per square meter basis. The land's value shall be paid at the conclusion of the agreement. Such employees have the right to own the lands on which they construct their residences provided that the building works are completed and the occupancy certificate is issued within a period not exceeding six (6) years. If an employee quits the job or resigns before the elapse of ten (10) continuous years of service, he shall be treated as an investor when calculating the land's value. The lease agreement shall be amended as from the employee's end of service date. However, exception shall be made to legal retirees and the deceased, as their heirs shall be entitled to all the Royal Commission's employees privileges granted to Royal Commission staff prior to their retirement or death.

2- If a Royal Commission employee is deceased during the validity of the agreement, the heirs shall be granted a non-specified period to complete building works. Heirs may also relinquish the land at anytime before or after constructing the building.

Sixth: Allocation of Land to Mosques' Imams and Muezzins as Residences:

1- The entity interested in financing a residence construction for Imam or Muezzin shall submit an application for granting land lot which shall be reviewed and forwarded with a recommendation to the Royal Commission for approving the allocation of the appropriate land from the lands reserved for mosques' imams and muezzins. Consideration shall be given to the proximity of land to the mosque. The allocation shall be made on the basis that it is a Royal Commission facility. The financing entity shall refer to the Royal Commission for drawings submittal, building permit issuance and for completing necessary procedures to obtain occupancy certificate which shall be issued under the name of the mosque. The land and the buildings constructed on it shall be the property of the Royal Commission. The building shall consist of two residential units.
2- The resident or the financing entity shall pay the utility services, furniture and maintenance costs. If an Imam or Muezzin resigns, transfers or ends his service, he shall evacuate the residence which shall be reallocated to his replacement. Neither of them shall use the residence for any purpose other than purpose for which the land is allocated.

Seventh: Allocation of Land for the handicapped, Widows and Elderly persons:

The Royal Commission shall have the right to allocate residential lands with a nominal rental rate for the purpose of building of residential units for the handicapped, widows and elderly persons and alike. This shall be done upon request from entities and associations specialized in this field and upon the approval of the authorized person, the Royal Commission shall conclude an agreement, directly, with the beneficiary, and those entities concerned shall finance the building works.

Eighth: Sub-leasing:

The land shall not be sub-leased prior to the completion of building. Any residential land lessee, upon his interest, may exchange the land he is leasing with another lessee's land. In this case, both lessee's lease agreements shall be amended upon a prior written approval of the authorized person, regulations issued in the regard shall be observed.

Ninth: Assignments:

In assignment cases, the following provisions shall be observed:

A- The assignor shall sign an undertaking not to claim any costs resulting from retaining the land during the period preceding the assignment, and not to claim a land as replacement from the Royal Commission.

B- The assignor shall, prior to approval of assignment, pay all financial dues incurred for the assigned land till the date of the assignment.
C- The assignee shall undertake to seek approval for new architectural drawings, if any, within three (3) months from the assignment date. He shall also start construction works at his expense within three (3) months from the date of approving the drawings, provided that construction works shall be completed within three (3) years from the date of assignment.

D- The Royal Commission shall approve all assignments pursuant to the conditions and governing rules referred to in this regulation.

E- As for the cases that are not covered in the assignments conditions and rules included in this regulation, each case shall, individually, be forwarded to the authorized person for approval.

Individuals Assignment of a Land to Other Individuals or Investors:

The following rules shall be observed when individuals assign lands to other individuals or investors:

1- Assignment shall be made once. However, if there is an acceptable justification, the authorized person may approve a land assignment for the second time.

2- The assignor shall pay all his financial dues to the Royal Commission prior to the approval of the assignment.

3- The assignment shall not be made until the structural design is completed whether it is a single story or two-story building, i.e equivalent to 50% or more of the buildings.

4- The assignor shall have no right to claim a new residential land in future.

5- If the assignee is a Royal Commission employee, he shall have all the benefits provided to the Royal Commission employees regarding the construction period and the value of the land provided that the regulations and rules issued in this regard are applied. This applies to a single residential land only, regardless of how many land lots he may own in the city.
6- Individual lessees or investors shall have the right to assign the lease agreement after completing the building work and obtaining the occupancy certificate, but prior to the issuance of land's ownership deed.

7- The lessee, in case of leaving the industrial city, has the right to assign the land, he acquired through assignment, whether such a land is a vacant or under construction, to another individual capable of meeting his obligations towards the Royal Commission.

8- The above mentioned provisions shall be applied on the agreements of investors who concluded lease agreements for a single residential land.

9- Individual lessees who are granted loans from the Real Estate Development Fund have the right to assign their lands, if they are interested, provided that they shall provide an approved certificate from the Fund confirming redemption of the mortgage regardless of the completed buildings.

The following rules shall be observed when the investors develop lands assign semi-developed and undeveloped lands:

1- After completing 50% of the site's overall development works, the investor may assign all residential lands with completed services after payment of its full rental value including the rent for the year during which assignment had taken place. The assignee may also assign the land to any other party, regardless of the number of assignments, after the approval of the Royal Commission. However, the investor shall remain fully responsible for completion of site development works.

2- When starting development works, the investor may assign residential lands to primary and secondary industries companies having approved residences ownership programs for their Saudi employees, provided that the investor complies with the development schedule and such companies shall be committed and confirm to Royal Commission that they will construct the residential units of their employees as per the specified time schedule. If the investor fails to complete development works stated in the agreement, the
company shall be held responsible for completing those development works, subject to the approval of the Royal Commission.

3- The assignee shall be committed to pay the annual rent rate to the Royal Commission as per the rate specified in the lease agreement concluded with the assignor (the investor). He shall also commence and complete the unit(s) building within the first three years starting from the date of the first assignment. However, if he fails to do so, the annual rental rate shall be doubled every three years till an occupancy certificate is issued.

4- The ownership deed for the assigned land shall be issued after the investor completes all development works and all allocation requirements agreed to in the lease agreement and after they are received by the Royal Commission. He shall obtain the occupancy certificate of the public facilities he is required to construct (if any) and then, obtain occupancy certificate of the residential units.

5- The investor/assignee shall not hold the Royal Commission and its authorized representatives and all their employees, officers, directors and representatives, responsible for any suits, legal or administrative proceedings, claims, demands, damages, liabilities or responsibility that arise from such assignment and resulting works.

Assignment of companies or government agencies having the ownership programs of residential to their Saudis employees:

Companies or government agencies operating in any of the industrial cities may assign residential lands to their employees after completion of the building works and the issuance of certificate of occupancy, in which case the employee is treated as an individual.

Assignment of individuals transferred to the Real Estate Development Fund:

Only individuals lessees transferred to the Fund (after providing the Royal Commission with a proof of such transfer) may assign the lease agreement in the following cases:

A- Transferred their Loans outside Jubail Industrial City.

B- Benefited from the apartments and the houses of Real Estate Development Fund in other areas outside the city.
C – Submitted applications to Real Estate Development Fund for loans but did not receive the approval yet.

2- The individuals working in the cities may transfer their loans approved from the Fund in other areas to the Cities provided that the investor shall be committed to complete building phases stipulated in the lease agreement.

3- In the case of the lessee death his heirs may submit to Royal Commission a request to transfer the lease agreement to the names of the heirs or any one of the heirs willing to be a party with the Royal Commission after the rest of the heirs waive their rights in that agreement. Official documents certifying that shall be attached. Then the usufruct right with the same terms of the agreement shall transfer to the heirs of the lessee by giving notice to the Royal Commission stating their desire to continue the agreement. The same conditions of transferring the loan shall apply to the land, taking into account the rules issued in this regard, and coordination with the Real Estate Development Fund if necessary. If the deceased was an employee of Royal Commission, his heirs will be entitled to enjoy all the benefits granted to him before his death including the full rights of agreement concluded with them, including the building period and the value of the land.

Tenth: authorities

1- The Royal Commission in the Cities make the amendments after the approval of authorized person on the lease agreements forms if it deems that necessary, provided that such amendments shall not contradict with the approved policies of the Royal Commission.

2- The Royal Commission in Cities shall obtain approval from the chairman of Royal Commission to make amendments to the regulations when necessary.

3- The Chairman of Royal Commission issues organizational or interpretative rules to the regulations.

4- The Chairman of Royal Commission has the authority to issue exemptions from the provisions of these regulations.

------------------------Last Article------------------------