

TRANSLATION

Council of Ministers Resolution No. 234

Dated 16/9/1427AH

The Council of Ministers:

After having reviewed the transaction received from the Presidency of the Council of Ministers under reference no. 29659/B, dated 1/7/1427AH, comprising a letter issued by the Minister of Finance under reference no. 4654/405, dated 12/11/1405AH relating to the law regulating the Government rental and eviction of real estates;

The minutes no. 187, dated 13/5/1426AH, prepared by the Board of Experts;

The resolutions issued by the Shoura (Consultative) Council under reference no. 38/35, dated 28/8/1423AH and no. 43/27, dated 6/6/1427AH;

The recommendation issued by the General Committee of the Council of Ministers under reference no. 448, dated 13/7/1427AH;

Resolves as follows:

The law regulating the Government of rental and eviction of real estates, in the form enclosed, is hereby approved.

A draft royal Decree, in the form enclosed, has been prepared.

Signed by:

The President

Council of Ministers

THE LAW REGULATING THE GOVERNMENT RENTAL AND EVICTION OF REAL ESTATES

Rental Conditions

Article 1. Government agencies shall not rent real estates except where it is extremely necessary. Such rental shall be restricted to the needs of the relevant Government agency.

Article 2. Except where otherwise provided for, housing of personnel shall not be considered as a necessity that permits the rental of real estates. If the rental is intended for housing the personnel who are entitled to such housing pursuant to the regulations, the amount paid by the relevant Government agency for such rental, or otherwise, shall not exceed the amount of housing allowance of the beneficiary at the time of the lease agreement or any renewal thereof.

Article 3. The premises subject to a lease agreement shall fulfill the following conditions:

- (a) Title to the premises shall be vested in the landlord, pursuant to a Shari'atic deed of ownership. This condition shall not apply to premises located in provinces and districts where suitable premises owned by a Shari'atic deed of ownership could not be found.
- (b) The proprietor of the premises should not be an employee of the relevant agency (the tenant).
- (c) The landlord undertakes, at its own expense, to repair and fix any construction defects that could delimit the continuity of use of the premises for the intended purpose and shall not be entitled to claim any compensation or rental increase during the currency of the lease agreement. If the landlord fails to repair the construction defects within a reasonable time after he has received a formal notice, the relevant Government agency may carry out such repair at the expense of the landlord and deduct the cost from the rent. However, the relevant Government agency shall be responsible for carrying out the normal maintenance of the premises and the repair of any damage resulting from the use thereof.

Leasing Procedure

Article 4. A Government agency wishing to enter into a lease agreement shall cause an advertisement to be published, at least twice, within a period of fifteen (15) days in two (2) of the daily papers. Furthermore, advertisement in districts shall be effected by affixing the advertisements showing the wish of the relevant Government agency to rent some premises. In all cases, the advertisement should specify the type, area and the specifications of the desired premises, the duration and the intended purpose of the lease agreement.

Article 5. A Government agency wishing to take premises on lease shall set up a committee comprising three (3) of its employees to consider the submitted bids and recommend the acceptance of the most appropriate bid, regard being had to fitness of purpose and the amount of rental. This committee shall ascertain the safety of the premises and may elect to seek the assistance of an expert whenever it is deemed necessary.

Article 6. If the rental of the premises recommended by the committee referred to in Article 5 hereof falls within the limits prescribed in Article 15 hereunder, the Minister or his duly authorized representative, or the president of the independent agency or his duly authorized representative, shall be entitled to approve such rental following completion of the formalities herein provided for and the signing of the lease agreement. Should the rental of the recommended premises exceed the prescribed limits, the relevant Government agency shall notify the Ministry of Finance (State Properties Division) to inspect the premises and approve the rental prior to entering into the lease agreement.

Duration of the Tenancy

Article 7.

- (a) The lease agreement shall be for a period not exceeding three (3) years, which period shall be automatically renewable unless one of the parties notifies the other of his wish not to renew one hundred eighty (180) days prior to expiry of the lease term or any renewal thereof. The lease agreement may provide for the right of the relevant Government agency to extend the lease term following the expiry of the first duration

for a period not exceeding three (3) years without obtaining the approval of the landlord. In any such case, the lease agreement may provide for the increase of rent by not more than 5% of the original rent where the required extension is for one (1) year and by not more than 10% of the original rent where the extension is for more than one (1) year.

- (b) The duration of lease agreements may continue up to twelve (12) years provided that the premises forming the subject matter of the lease were to be constructed in accordance with certain specifications that were agreed upon by the two parties, namely: the landlord and the tenant.

Termination of the Lease Agreement and Eviction of the Premises

Article 8. The relevant Government agency (tenant) shall notify the landlord of its wish not to renew or extend the lease agreement on expiry of its term, by registered mail at the landlord's address kept by the tenant, unless it could be presumed that the landlord had knowledge of the tenant's wish not to renew. However, the tenant shall be entitled to terminate the lease agreement and evict the premises prior to expiry of the lease term if such premises have become unsuitable for use by reason of construction defect, or where the place has become unsafe.

Article 9. The tenant shall not be liable for compensating the landlord upon eviction of the premises in respect of the losses resulting from construction defects or normal wear and tear or the cost of repair or the additional buildings or the cost of removing such buildings where such removal was requested from and approved by the landlord prior to signing the lease agreement. However, the tenant shall be liable for compensating the landlord in respect of the losses resulting from the abnormal (improper) use of the premises, such as:

- (a) The removal of fixtures or fittings including, *inter alia*, windows, doors, the contents of kitchen and bathrooms or the cancellation or use of these facilities for some other purpose.
- (b) The demolition of a wall on the occurrence of cracks or ditches in the floors of the building.

- (c) The filling of wells or green areas.
- (d) Failure or malfunctioning of the air conditioning units, or the occurrence of a decay or damage in the electricity, water or sewer networks.

Article 10. Upon eviction, the premises shall be handed over pursuant to minutes which describe the condition of the premises and any damage resulting from abnormal use. These minutes shall be signed by a representative of the tenant and by the landlord or his duly authorized representative. In case of any objection by the landlord or his duly authorized representative with respect to the gravity or quality of the damage certified by those minutes, the landlord shall make and sign a reservation to that effect.

Article 11. The landlord shall be notified to receive the premises upon eviction or on expiry of the lease agreement, pursuant to a registered mail to be sent to the address kept by the Government agency (tenant) specifying the time of handover within a period not less than fifteen (15) days from the date of such notice, unless it could be presumed that the landlord had knowledge of the time of handover. Should the landlord, or his duly authorized representative, fail to appear on the prescribed date, the representative of the tenant shall, jointly with a representative of the principality or the province or the district, sign the minutes referred to in Article 10 hereof and deliver the keys of the premises to the relevant principality, province or district. By so acting, the liability of the tenant shall be deemed to have come to an end and no rent shall be payable in respect of any period following that date; the tenant shall not be liable for any damage to the premises not specifically mentioned in the handover minutes.

Article 12. The relevant Government agency shall set up a Committee comprising three (3) of its employees for listing the damage referred to in Article 10 hereof, assessing the amount of compensation and preparing detailed minutes to that effect within a period not exceeding thirty (30) days from the date of eviction. If the assessed compensation is in an amount not exceeding twenty-five percent (25%) of the annual rental or the amount of SAR 100,000, whichever is less, the relevant Government agency (tenant) shall pay such compensation to the landlord after completion of the formalities provided for under Article 14 hereof. If the compensation is assessed in an amount exceeding this limit, a Committee shall be set up from

the Ministry of Finance, the General Auditing Bureau and the tenant in order to assess the amount of compensation and prepare minutes to this effect. The said committee shall finalize its job within a period not exceeding one hundred twenty (120) days from the date of eviction of the premises, provided that in assessing the compensation the Committee shall take into account the period that has lapsed between the date of eviction and the date on which it has inspected the premises.

Article 13. If the landlord carries out any repair or variation or change in the building following eviction of the premises but before the two (2) committees referred to in Article 12 hereof have made a list of the damage and an assessment of the compensation, as the case may be, he shall have no right to claim compensation.

Article 14. The relevant Government agency shall notify the landlord of the amount of compensation by registered mail to his address kept by that agency within a period not exceeding fifteen (15) days from the date of assessment of the compensation. If the landlord accepts such compensation, the Minister, or his duly authorized representative, or the head of the independent agency, or his duly authorized representative, shall approve the payment of such compensation. If the landlord rejects the compensation as assessed and approved, he shall be entitled to file a claim before the Board of Grievances within sixty (60) days from the date on which he has been notified of such compensation.

General Provisions

Article 15.

- (a) If the rental of the premises is SAR 200,000 or less, the formalities relating to such rental shall be completed by the relevant Government agency.
- (b) If the rental of such premises is in excess of SAR 200,000, the formalities of such rental shall be completed through a committee comprising representatives of the relevant Government agency and representatives of the Ministry of Finance who shall assess the value of the land, buildings and the contents thereof, if any; the rent shall be computed according to the following percentages:

1. Twelve percent (12%) for schools, security checkpoints, hospitals and medical centers.
2. Ten percent (10%) for other Government directories.
3. If the landlord's offer is less than these amounts, such offer shall be adopted.

Any of the stipulations of this article may be amended pursuant to a resolution of the Council of Ministers.

Article 16. The Board of Grievances shall have jurisdiction over all disputes that may arise pursuant to the application of this law.

Article 17. The General Auditing Bureau shall carry out periodic inspection of the premises that are on lease to the Government with a view to ensuring that they are tenantable, properly used and fit for the purpose.

Article 18. The Minister of Finance shall, jointly with the Minister of Education and the Minister of Health, issue the implementing rules of this law and the standard lease agreement within a period of one hundred eighty (180) days following the publication of this law.

Article 19. This law shall be published in the Official Gazette and shall be implemented one hundred eighty (180) days following the date of its publication, and shall supersede any contrary enactment.