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Economic Reactivation Plan 2022-2024

Administrative Measures regarding Urban Development Matters



Administrative Measures regarding Urban Development Matters to Promote Mexico City's Economic Reactivation Plan 2022-2024

On March 17, 2022, the Economic Reactivation Plan for Mexico City 2022-2024 (the "Reactivation Plan") was published on the official website of the Urban Development and Housing Ministry of Mexico City ("SEDUVI"), which seeks to accelerate the economy of Mexico City in the wake of the COVID-19 pandemic, together with the generation of at least 100,000 jobs, through the promotion of family economy, and the construction, housing and tourism sectors, by means of three main axes:

a. Support to the public, social and solidarity economy:

- Access to a fixed fee or 30% discount on property tax payments for people 58 years of age or older, for 2 years
- Waiver for senior citizens on payment of fees on Housing Units
- Payroll Tax (Impuesto Sobre Nómina) exemption for micro and small businesses during the first 3 months after starting operations in 2022
- Obtaining the Soil Use Certificate for Recognition of Activity for more than five thousand micro-enterprises, small businesses, or low-impact industries through the Ventanilla Única and digital procedure (Ventanilla Digital)

- Granting of microcredits of MXN\$10,000 with 0% interest rate for self-employment in areas of high or very high marginalization through a fund of 500 million Pesos
- Granting of simple loans to formal sectors through "Programa Impulso Nacional Financiera"

b. New instruments to support construction, housing and the economy in general:

- Presentation of the Single Urban, Social and Environmental Impact Study digitally through SEDUVI, and creation of the Urban and Environmental Impact Study Commission to facilitate and make a more transparent process
- Updating of the Special Program for Urban Regeneration and Inclusive Housing that extends incentives to develop at least 20% of inclusive housing in real estate developments, through the granting for 5 years of property tax remission
- Adjustment of guidelines to convert offices to housing

c. Actions to relaunch the tourism and cultural sector and the Historic Center:

- Launching of digital tools to simplify procedures for restaurant openings and continuation of the "Ciudad al Aire Libre" Program

Based on the foregoing, on March 22, 2022, administrative measures regarding urban development matters to promote Mexico City's Economic Reactivation Plan 2022-2024 were published in the Official Gazette (Gaceta Oficial de la Ciudad de México), where 4 main points are addressed:

1. Guidelines for the Conversion of Offices to Housing (the "Guidelines"):

The Guidelines' main objective is to grant tax benefits through the transformation or adaptation of an asset to a use other than that for which it was originally intended, for optimal utilization, including assets in disuse or that were abandoned. It is important to point out that, notwithstanding these benefits, the current regulations and the Zoning of Land Use of the Urban Development Program will continue to be respected. The Administrative Unit responsible for the operation and attention of these Guidelines will be the General Direction of Urban Development (Dirección General del Ordenamiento Urbano) of the SEDUVI

Only the properties located in the following zones and streets will be able to choose to follow these Guidelines, and must also comply with the land zones established in the Urban Development Programs or Territorial Arrangement that are indicated next:

a. Properties located in:

- Mexico City's Historic Center
- The area included in the Partial Urban Development Program of the Santa Fe Zone of the Urban Development Programs for the territorial districts of Álvaro Obregón and Cuajimalpa de Morelos
- The area comprising the Partial Program of Urban Development Polanco of the territorial district Miguel Hidalgo
- The area comprising the Sistema de Actuación por Cooperación para el Mejoramiento y Consolidación Sustentable del Desarrollo Urbano of the Zone known as Granadas, located in the territorial demarcation Miguel Hidalgo
- Paseo de la Reforma Avenue in the section from Hidalgo Avenue to Fuente de los Petróleos
- Avenida Revolución in its entirety
- Insurgentes Sur Avenue in the section from Monumento al Caminero to the intersection with Anillo Periférico
- Insurgentes Centro Avenue in its entirety
- Insurgentes Norte Avenue, from Ribera de San Cosme Avenue and México Tenochtitlán, to Ricardo Flores Magón
- Anillo Periférico in the corresponding sections within the territorial districts of Benito Juárez, Coyoacán, and Miguel Hidalgo



b. Land use:

- Residential
- Residential with Commerce
- Residential with offices
- Mixed Residential
- Residential with Commerce and Services
- Residential with Entertainment in Historical Center
- Residential, Services and Offices
- Neighborhood Center Housing

2 Submission of Urban and Environmental Impact Studies through the Ventanilla Única and digital procedure (Ventanilla Digital), as well as the creation of the Comisión de Impacto Único

Procedure to facilitate the presentation of the referred studies through the SEDUVI's Ventanilla Única (in person) and Ventanilla Digital (Llave CDMX), with the purpose of integrating a single digital file, facilitating the evaluation and ruling of the same, and simultaneously issuing the urban impact rulings and environmental impact authorizations, in the following cases:

- Housing projects with more than 10,000 m² of construction, including those destined to social interest housing, popular or developed within the framework of Federal or Local Government programs, with low impact commerce or services with type C manifestation
- Projects for offices, commerce, services, industry, equipment, or any use other than housing with more than 5,000 m² of construction
- Mixed-use projects (housing, commerce, services, or equipment) with more than 5,000 m² of construction, with the exception of those destined for low-income housing, popular or developed within the framework of Federal or Local Government programs with low-impact commerce or services with type B manifestation
- Projects part of the Norma de Ordenación General no. 10

The created Comisión de Impacto Único (the "Commission") will oversee the applications and evaluation of urban and environmental impact, as well as the authorizations and rulings issued, and will operate as follows:

- A collegiate body composed of a representative of the following authorities: (i) SEDUVI (president of the Commission); (ii) Environmental Ministry; (iii) Integral Risk Management and Civil Protection Ministry; (iv) Mobility Ministry; (v) Mexico City Water System; and (vi) the Mayor's Office corresponding to the location of the project
- The Commission will meet ordinarily at least 4 times a month and extraordinarily when they determine it pertinent and will issue its Rules of Operation in the Official Gazette of Mexico City

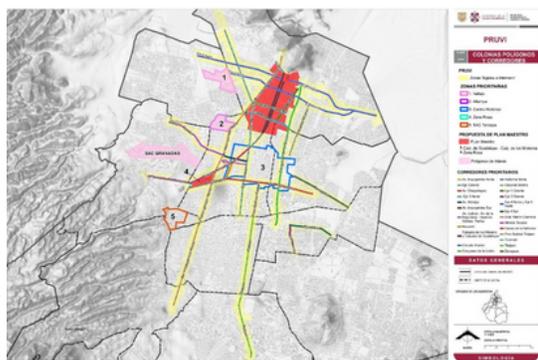
3 Update of the Special Program for Urban Regeneration and Inclusive Housing 2019-2024

The Special Program for Urban Regeneration and Inclusive Housing (the "Program") is a new public policy which aims to reverse and correct processes of renewal of old urban centers, the increase in land prices and the main violations of urban dispositions, seeking the generation of Inclusive Housing and thus improve Mexico City's urban conditions; According to the Housing Law for Mexico City, Inclusive Housing shall be understood as that which "...in conditions of equality and equity guarantees the right for housing to the different sectors of the population according to their socioeconomic, cultural and demographic characteristics, with priority to the low-income population"

The execution of the Program will be the responsibility of the SEDUVI, with the assistance of the Commission, and its scope of application will correspond only to properties with the following land uses:

- Residential
- Residential with Commerce
- Residential with Offices
- Mixed Residential
- Neighborhood Center Housing

Map for the implementation of the Program:



The Program proposes, through the development of economic, technical, legal, administrative, environmental, and social instruments, the stimulation of housing production, through the following actions:

- Recovery of high-risk properties in the Historic Center of Mexico City and Production of Inclusive Housing
- Regeneration of urban corridors and production of Inclusive Housing
- Recycling of industrial and deteriorated zones and production of Inclusive Housing

- Delimitation of priority zones and corridors
- Complementary public investment in actions to improve the environment
- Tax benefits
- Administrative measures and operation of the Program through the Commission

The Program will provide tax and development benefits, taking into account those published in the General Resolution (Resolución de Carácter General) which totally exempt the payment of the taxes indicated in the Program (Tax Benefits); and, the approved projects will be considered as "receiving properties" of the Urban Development Potential Transfer System, which will have a development benefit consisting of an allowance of up to 75% of the cost associated with the receipt of urban development potential (Development Benefits). The Commission will oversee the granting of these benefits

Eligibility criteria for projects to be evaluated by SEDUVI and the Commission:



Social

- *Inclusive Housing for sale:*
 - Develop and market, the minimum percentage of Inclusive Housing of the zone or corridor where the project is located, same which will take as a starting point 20% of the housing units as Inclusive Housing units, of the total housing built under the Program and which will mandatorily include affordable housing for the families that inhabit the property at the time the construction project begins;
 - In all cases the maximum housing price will be \$1,400,000. 00 pesos;
- *Granting of free Inclusive Housing to the Government of Mexico City:* to produce and grant free of charge, to the Government of Mexico City, at least 10% of the total housing built under the Program, as Inclusive Housing, which will include mandatory affordable housing for the families that inhabit the property at the time of the beginning of the construction project

Urban Development

- *The land uses and building density established in the current regulations will be considered, including that the projects may be integrated by more than one property, as long as the integration allows compliance with all the criteria*

Mobility

- *Inclusive Housing may not have parking spaces*

Risk Management

- *During the construction stage, there must be technical training in risk and civil protection for the personnel*

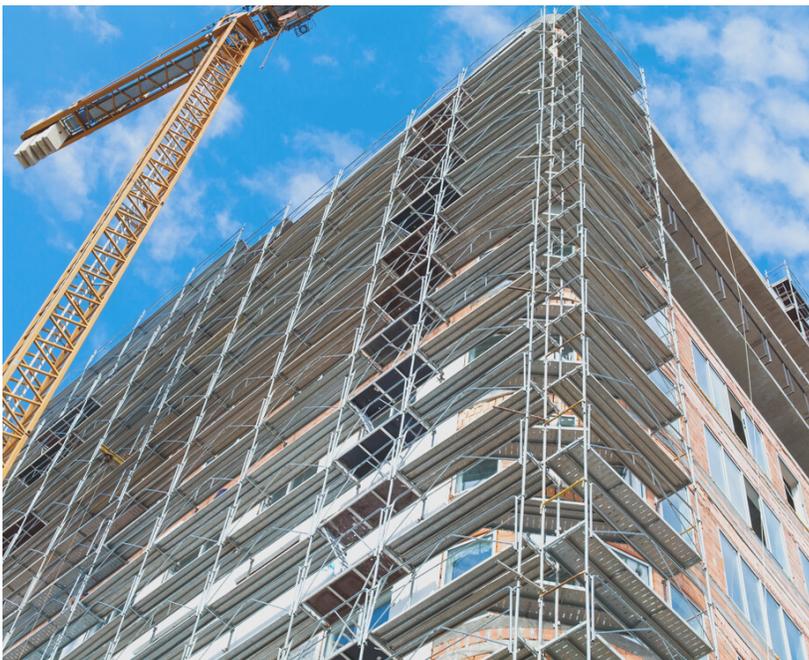
Urban Cultural Heritage

- *In the event that a project is located within a Heritage Conservation Area, it must follow the guidelines of Norma de Actuación 4 (regarding heritage conservation areas), as well as have the authorization of the National Institute of Anthropology and History, the National Institute of Fine Arts and Literature and Cultural Heritage of the Secretariat of Urban Development and Housing of Mexico City*

4 Administrative Measures to the Housing Institute of Mexico City ("INVI") in connection with the processing of the Notice of Construction that does not require a Construction Manifestation or Special Construction License for real estate projects intended for low-income housing

This agreement seeks to benefit priority attention groups, financed by INVI, by simplifying the procedures for the execution of housing projects of social or popular interest, granting the following administrative measures:

- The execution of construction will be done immediately, once the INVI submits the Notice of Construction to the SEDUVI, establishing the projects that do not require a Construction Manifestation or Special Construction License, in accordance with the Construction Regulations of Mexico City
- It will not be necessary to extend Certificado Único de Zonificación de Uso de Suelo and the Official Alignment and Number Certificate (Constancia de Alineamiento y Número Oficial) if at the time of initiating the procedure before the INVI these were in force and the project to be executed is not modified. However, the foregoing does not exempt interested parties from obtaining the Urban Impact Report, the Approval of Incorporation to the Sustainability Criteria Table (established in Norma General de Ordenación No. 26), when the projects require it, as well as authorizations, licenses or permits when so established in other applicable laws or regulations



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