

## News Release

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### **In comparison with selected European cities, Prague's development and construction lack stable legislation and a long-term strategy**

- **Deloitte compared selected European cities: In comparison with the other reference cities, Prague lacks clear conditions and stable rules for construction and its planning**

**Prague, 29 June 2016 – Prague's building regulations that will become effective on 1 August 2016 have recently been approved and Prague thus joined other European cities that have their own regulations. It has become apparent, however, that much more inspiration can be found in the area of building legislation. The construction of buildings in Prague is a complicated process which lacks long-term conceptual solutions and stable legislation. The two-phase approval procedure makes the entire process of preparation and realisation of construction longer and more expensive. In comparison with other metropolises, the administrative costs of construction preparation in Prague are the lowest, but Prague is unambiguously in the lead in terms of the complexity of the approval processes and the demands they represent. These are the main conclusions of the Analysis of Building Legislation Regulation in the Capital City of Prague and Selected European Cities performed by Deloitte.**

The construction industry and related legislation need a stable and long-term strategy that is currently lacking in Prague. The positions of Munich, Vienna, Berlin, Copenhagen or London are, in comparison with other cities, in the country very specific: the building process is either regulated by a special building code which is only valid on the territory of that city, or the cities hold a special position in territorial planning, which in itself provides for the possibilities of construction in a way that makes it unnecessary to issue other special building regulations. The discussion about the recently approved Prague building regulations shows that in this respect Prague and building legislation as such can still look for more inspiration.

*"The demands on construction in capital cities and metropolises cannot be compared with construction in other towns – the situation there is by definition different. The belief that legislation should be the same for all areas without taking into account the character of the city, its lifestyle requirements and environmental and historical context needs to be considered very carefully, if not rejected outright,"* says Michal Melč, Senior Manager in Deloitte's real estate department.

## Involvement of the public in permit procedures and EU legislation

The affected public can enter the permit procedure in Prague as well as the compared cities. In the case of Czech legislation, however, the possibilities open to the public are broader and in the absence of a historical tradition and general awareness, they leave plenty of opportunities for their abuse. *"The original intention of legislators to give the public a simple and efficient tool for the protection of the environment and the overall improvement of public administration so that citizens could efficiently supervise it themselves is disappearing, and, instead, there is significant encroachment on the rights of the builder and often also substantial delays in construction,"* explains Zdeněk Horáček, lawyer at Ambruz & Dark Deloitte Legal, who specialises in real estate and building law.

Construction is affected not only by local legal regulations but also by European legislation, which has a significant impact on the area of construction, despite the fact that there is no binding European directive on territorial planning and building code. Issuing rules for construction in its territory is within the exclusive authority of each member state. Nevertheless, the EU does influence the construction and legal process.

*"As an example, we can name the process of environmental impact assessment (EIA) which is included in Czech legislation as a result of the transposition of European law and which fundamentally affects the realisation of all constructions that could have a negative impact on the environment. But European legislation also has indirect effects in all stages of construction, for example in terms of the free movement of material, workforce or norms for certain materials that impact the construction sector,"* Zdeněk Horáček adds.

## About the Deloitte Analysis of Building Legislation Regulation in the Capital City of Prague and Selected European Cities

The study compares the legislative conditions of territorial development and legal requirements of construction in Prague to the conditions of preparation and realisation of constructions in selected European cities (Vienna, Berlin, Munich, Copenhagen and London). The analysis found that the realisation of construction in Prague is a complicated process which lacks long-term conceptual solutions and stable legislation. The study follows up the research performed by Deloitte in January 2016 among the expert public concerning sustainable development in the capital city of Prague.

Separate box:

## Deloitte analysis: The lowest administrative costs are in Prague, the highest in Vienna

Vienna and Berlin place great demands on the assessment of the impact of a building on its surroundings and have overall the highest administrative costs. Compared to the situation in Prague, the positives in Berlin include clear requirements on the placement of the construction set in advance by the territorial plan, or the fact that the building office secures all the underlying documents for the applicant. London specifics include a strong position of the authorised inspector who can stand in for the local building office and thus simplify the entire process. Copenhagen, like Prague, places great emphasis on discussing the implementing documents with the public, on the environment and on the use of public infrastructure. Additionally, an important sum in Copenhagen arises from the fee for the connection to public water mains and sewerage, which is something that builders in the Czech Republic do not have to pay for.

## Overall administrative costs related to building a storage hall in Prague and other European cities

City	Approximate administrative costs
Prague	EUR 2,000
Copenhagen	EUR 18,500
London	EUR 19,150
Berlin	EUR 20,100
Vienna	EUR 25,000

*(Total administrative costs, for indicative purposes only)*

The complete study can be downloaded at [www.deloitte.com/cz/nemovitosti](http://www.deloitte.com/cz/nemovitosti).

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