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Real Estate, Infrastructure and Hospitality Practice and Tax Practice Group Joint Newsletter



Converting offices into housing, an integral part of Mexico City's Economic Reactivation Plan

As part of Mexico City's Economic Reactivation Plan, on August 4th, 2021, Mexico City's Government published in Mexico City's Official Gazette the "Resolution establishing the Guidelines for converting offices into housing in Mexico City and issuing the General Resolution granting tax benefits" (the "**Guidelines**").

The purpose of the Guidelines is to establish the incentives that the Mexico City Government will implement in order to achieve the conversion of properties, through the change of land use, in order to reduce the housing deficit in Mexico City and increase housing availability through tax benefits.

Under the Guidelines, exclusively those properties located in urban corridors or in residential areas of: Azcapotzalco, Benito Juárez, Coyoacán, Cuauhtémoc, Gustavo A. Madero, Iztacalco, Miguel Hidalgo, and Venustiano Carranza, with the following types of zoning, may be converted:

- i. Residential (H);
- ii. Residential with Commerce (HC);
- iii. Residential with Offices (HO);

- iv. Mixed Housing (HM);
- v. Residential with Commerce and Services (HCS);
- vi. Residential with Entertainment (HE) in the Historic Center;
- vii. Residential, Services and Offices (HSO); and
- viii. Neighborhood Centers (CB)

In order to participate in the conversion of offices to housing, only those properties meeting one of the following criteria are eligible to participate:

- i. Offices and/or commercial buildings built with functional obsolescence occupancy;
- ii. Offices and/or commerce not currently used or in abandonment;
- iii. Low-impact industrial properties built with functional obsolescence occupancy; and
- iv. Low-impact industrial buildings not currently used or in abandonment.

The process for the filing before the authorities of Reconversion projects includes:

- a. Phase I.- Registration and enrollment; and
- b. Phase II.- Review and approval of the project.

Provided that the review of the project is approved, Mexico City 's Secretary of Urban Development and Housing will issue an "Approval Opinion" so that the applicant may access the respective tax benefits of the Guidelines, which consist in the exemption from payment of the following taxes set forth in Mexico City 's Tax Code:

- i. Installation of intakes to supply drinking water or treated wastewater and its connection to the distribution public service networks, as well as by the installation of derivations or branches or sewers for their connection to the networks (article 181 sections A, sections I and II, and B sections I and II);
- ii. Study of the request and the technical, administrative and legal documentation for the processing and obtaining of the authorization and installation of a water intake with a larger inlet diameter than the existing one (article 182, section IV);
- iii. Registration, analysis and study of Construction Manifestation types "B" and "C" (article 185);
- iv. Issuance of demolition licenses (article 186 section VII);
- v. Issuance of subdivision, re-lotification or merger licenses (Article 188);
- vi. Registration, annotation or cancellation of an entry made in the Public Registry of Property and Commerce of Mexico City (Article 196);
- vii. Certificate of no liens, domain limitations and preventive annotations (article 198 section I); and
- viii. Urban impact study report (article 235, section II).

The Guidelines contain the following qualifications:

- i. In the event that the housing resulting from the application of the Guidelines is leased, it may not be used for temporary housing (vacation).
- ii. The application of the Guidelines does not exempt the applicant from complying with requirements for the Registration of a Construction Manifestation types "A", "B" or "C" (among which is the structural project and its calculus memory).
- iii. Conversion projects may not increase the built square meters, with the exception of those considered to enable spaces with special facilities or, as the case may be, due to the needs of structural adaptation.

The Guidelines came into effect on August 5, 2021, and shall remain in effect until December 31, 2024.

Learn more about this Accord in [the following link](#).

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