



Gulf of Papagayo Tourism Project Most Common Questions

1. What is the Polo Turístico Golfo de Papagayo?

The Polo Turístico Golfo de Papagayo (hereinafter the “**Gulf of Papagayo Project**”) is a special area with an approximate extension of 1,658 hectares (4097.007 acres) that was created pursuant to Law No. 6758, enacted in 1982. This law created this special administrative zone with the clear intention of developing a **well-balanced international tourism destination** with its own unique legal framework.

Later, in 1995, the General Master Plan of the Golfo de Papagayo Tourism Project (the “Papagayo Masterplan”) was published in the Official Gazette. The **Papagayo Masterplan enacted general development guidelines to regulate urbanism, development, and zoning matters**, such as controlled density, well-defined zoning distribution, cohesive and organized uses, public service availability, road organization, and plenty of protected areas.

Some of the current developments that have been established in the Gulf of Papagayo Project are (i) Peninsula Papagayo, where projects like Four Seasons Hotel, Andaz Hotel, Exclusive Resorts, and the Papagayo Marina are located; (ii) El Mangroove, Autograph Collection; (iii) Secrets Papagayo; and coming soon, **Bahía Papagayo Development**.

2. What is the legal framework that regulates the Gulf of Papagayo Project?

In 1979, Law 6370 was officially approved, declaring the “Golfo de Papagayo Tourism Development” of public interest. In 1982, Law 6758, which regulates the Gulf of Papagayo Tourism Project, was enacted. In 1995, the Regulations for the “General Master Plan of the Golfo de Papagayo Tourism Project” were published in the Official Gazette. In 2012, under the name “Reform to the Regulation of the General Master Plan of the Golfo de Papagayo Tourism Development.” On May 21st, 2024, a new reform and addition to the regulation of the Law Regulating the Golfo de Papagayo Tourism Pole was published.

3. Who governs this special zone?

The Gulf of Papagayo Project is **governed by the Costa Rica Tourism Board** (hereinafter “ICT”) through an Executive Office created specifically for this effect (“Papagayo Executive Office”). ICT and the Executive Office administer and supervise all concession land and businesses in this special area.

4. Can anyone acquire the right to a concession in the Gulf of Papagayo Project?

Yes, any **national or foreign individual** may become the rightful and legal owner of a concession right (hereinafter “concessionaire”) within the Gulf of Papagayo Project. If this right is acquired by a company, corporation, or similar, it must be **incorporated and domiciled in the Republic of Costa Rica**. The owners of the capital stock of this company may be national or foreign individuals without limitation. **It is important to highlight that foreign individuals have the same constitutional rights as Costa Ricans.**

5. Where is the Gulf of Papagayo Project located?



The **Gulf of Papagayo Project** is in the province of **Guanacaste**, on the northern Pacific coast of Costa Rica. It surrounds the shores of Bahía Culebra, a natural bay known for its beautiful beaches, cliffs, and scenery.

Although it is part of the municipality of Liberia, it is governed and controlled by the Papagayo Executive Office at ICT.

It is conveniently located 25 minutes west of the Liberia International Airport (LIR) and approximately 45 minutes from Liberia, capital of Guanacaste. It is also a short drive from the local tourist towns of Playa Hermosa and Playas del Coco.

6. What is a concession right in the Gulf of Papagayo Project?

A concession is an administrative contract that grants the concessionaire an **administrative right over a specific and well-defined land area** within the Gulf of Papagayo Project. This right allows the concessionaire to use the land privately and exclusively, including exercising **all attributes of the domain of the land**, like fee simple properties, with only a few exceptions, such as requesting prior approval to assign or transfer the right or the term (renewable) of the concession.

7. What are some of the benefits of being a concessionaire of a concession within the Gulf of Papagayo Project?

The concessionaire can **use, enjoy, transform, build, defend, grant as collateral or guarantee** (including to transfer the concession in a trust), encumber, segregate, partially, or assign the concession right to fulfill the tourism development project. In addition, being a concessionaire provides the added benefit of belonging to a more cohesive, uniform, and international development project.

8. What are my obligations as a concessionaire in the Gulf of Papagayo Project?

Some of the **obligations** that all concessionaires have to comply with are:

- Comply with allowed uses and zoning rules.
- Comply with the Papagayo Master Plan guidelines.
- Comply with the development of the land pursuant to the concession contract.
- Comply with all environmental and legal permits.
- Stay up to date with tax and administrative obligations.
- Constant and proper maintenance of the land.
- Guarantee access to the public beach area adjacent to the concession.

9. What is the usual term for concession rights in the Gulf of Papagayo Project?

The **usual term of a concession** right is 50 years, extendable for equal periods. The term shall be extended, provided the concessionaire follows its obligations under the applicable laws, including the Papagayo Master Plan guidelines.

10. When does each concession come up for renewal?

Based on Law 6370, concessions within the Gulf of Papagayo Project have a term between 20 and 50 years. Each component of the Gulf of Papagayo Project concessions has been awarded a different term based on the original concession request and the contractual obligations. Bahía Papagayo's sales team will share this information depending on where each client is interested in purchasing.

11. What are the requirements for requesting the renewal or extension of the concession land term?

- Eligibility for Extension: At least half of the original term has elapsed.
- Compliance: Must adhere to all requirements and obligations pursuant to applicable laws and concession contracts.
- Maintenance of the area, buildings, and facilities.
- Timing: Within the year before the concession term expires.

12. Can ICT cancel a concession without cause?

No, ICT cannot cancel a concession right without cause. The law only establishes specific situations in which a concession can be canceled with just and duly proven cause, and it includes:

- Non-compliance with the project and with the technical standards issued by ICT.
- Violation of the legal and regulatory provisions.
- Breach of the concession contractual clauses.
- Changes to the allowed uses for the specific concession
- Not following provisions of the Papagayo Executive Office on previously established terms.
- When a concession is transferred, assigned, or encumbered without prior and express authorization from the Institute.

There are no known cases of concession cancellations without cause. In any event, concessionaires are completely protected by Costa Rican laws.

13. As a purchaser, why should I have no concern about purchasing real estate situated on land where a concession has been granted?

Costa Rica has proven to be a **stable country** that **respects land ownership, whether it is fee simple or concession land**. The Gulf of Papagayo Project is a well-planned development with luxury resorts, hotels, residential communities, and recreational facilities and is crucial in Costa Rica's tourism industry. It contributes significantly to the local economy by creating jobs, attracting international investment, and boosting local businesses. It enhances Costa Rica's reputation as a premier destination for luxury and eco-tourism. It is a unique gem in Costa Rica's tourism landscape, offering a harmonious blend of luxury, natural beauty, and sustainable development. The Gulf of Papagayo Project is also **regulated through a special law specifically created to attract and protect local and foreign investment**. Several projects have been operating with identical concessions, such as Four Seasons, Hyatt Andaz, Exclusive Resorts, Ritz Carlton, and many other individual lots with residential houses under the concession format.

14. Why would I buy a concession property in Costa Rica?

As indicated above, even though the property is not *titled fee simple* land, the concessionaire, as the **rightful and legal owner** of a concession right, whether the Developer or the final purchaser, **has the constitutional and legal rights over the well-defined land**, including the same domain attributes as titled fee simple properties. As a result, the concessionaire is the **exclusive owner of such land** for the term of the concession and its subsequent renewals.

15. Do I need title insurance?

Title insurance is not currently available in Costa Rica. Nevertheless, title insurance is not required in Costa Rica.

16. Are concession rights within the Gulf of Papagayo Project similar to those in other maritime zone areas in Costa Rica?

No, the Gulf of Papagayo Project area has its **own law and general development guidelines** that regulate urbanism, development, and zoning issues, which grants concessionaires **better development standards**. In addition, these are some of the most significant differences with other maritime zone areas:

- Foreign individuals may acquire concession rights in the Gulf of Papagayo Project freely.
- Concession rights in the Gulf of Papagayo Project may be granted as collateral or transferred in trust, subject to prior approval.
- Zoning and development rules in the Gulf of Papagayo Project are more cohesive and uniform.
- Concession rights are issued by the Papagayo Executive Office at ICT, not the local municipality.

17. Can you briefly explain the purchase structure of buying Bahía Papagayo via a corporation?

When purchasing a concession via a corporation or company transfer, it is important to emphasize that **you acquire 100% of the capital stock of a newly formed corporation that owns the concession**.

This process starts by checking that the Developer has been able to assign/transfer the concession to the newly formed corporation. This newly formed corporation will receive the concession rights in the same form as any fee simple property title transfer duly recorded before the Costa Rican National Registry. This assignment/transfer at the National Registry shall generate a concession number that certifies and identifies each concession lot. The **concession ownership certificate** issued by the National Registry will show the **owner's name** (the corporation), the **location** of the land, the exact **area**, the **cadastal plat or survey**, its **boundaries**, its **authorized use**, and the **term** of the concession.

As part of the transfer process, the Developer will assign 100% of the corporation's capital stock that owns the concession to the Buyer through a Private Assignment Agreement. Simultaneously, the new assignee shall hold a shareholder's meeting to appoint new legal representatives, legal domicile, and resident agent. Finally, it is necessary to prepare and submit to the ICT and local Municipality declarations of who the new shareholders are, their personal information, and an affidavit complying with formal requirements specifically defined by ICT. **At Cordero & Cordero Abogados, we will assist you in completing this process legally and safely. We will ensure your questions are duly answered and your legal rights are protected throughout the purchase process.**

18. How long does the purchase process take?

Once you have selected your residential property at Bahía Papagayo, a binding Purchase and Sale Agreement is executed, and a deposit of 50% of the purchase price is made to reserve your chosen property. The remaining balance will be paid upon delivery of the residence via the execution of the above-indicated Private Assignment Agreement. Ownership to the **corporation that owns the concession and the concession rights will be delivered once the final balance is paid at closing.**

19. Can I purchase in the name of my family trust or my company?

Yes, you can purchase 100% of the capital stock of the Costa Rican corporation that owns the concession through your foreign family trust, or foreign company. For clarification purposes, a foreign trust or company cannot be the direct concessionaire. **At Cordero & Cordero Abogados, we will assist you in completing any required Estate Planning and analyzing the best ownership structure.**

20. Are any costs associated with concession land in the Gulf of Papagayo Project?

Yes, some of the costs associated with concessions are the following:

- **ICT Annual Canon (Tax).** For granting, extending or term adjustment
 - For new concessions: \$3.39 per m²
 - For partial or total assignment: \$1.68 per m²
- **Municipal Annual Tax.** Levied according to concession value per ICT:
 - Residential touristic use: 3%
 - Hotel use: 4%
 - Commercial Use: 5%
- **Transfer Expenses:** Cordero & Cordero Abogados will charge a flat fee of 1% of the purchase price plus the value-added tax ("VAT") to represent potential buyers at Bahía Papagayo. This fee will include the due diligence and review of the closing documents. It also includes all required documents and submissions before the corresponding authorities and entities, such as ICT, the Municipality, and the National Registry.
- **Exemption of Transfer Tax and Stamps:** These types of transactions do not require a direct transfer of title at the National Registry; thus, there is no need to pay the 1.5% transfer tax or the 0.86% transfer stamps.

If you should have additional inquiries about concession rights in the Gulf of Papagayo Project, please let us know.

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YOU THE RIGHT WAY TO DO BUSINESS IN THIS GREAT COUNTRY.**

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