International Experiences on Government Land Development Companies: What Can Be Learned?

Olga Kaganova
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Abstract

Governments of all levels in a number of countries have experimented with what can be called a government land development corporation. In the past twenty years, experimentations with this instrument of land management intensified, but their generalization and exchange of knowledge on the subject across borders is practically lacking. The paper attempts to start filling this void. It reviews ten case studies prepared specially for this purpose in a unified format and discusses similarities and differences among them, along with positive lessons and potential risks. Then, the paper outlines a “conceptual design” of a new corporation or, in other words, some guidance on which policy, governance, and business issues should be addressed before such a corporation is established. The annex presents the case studies.
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1. Introduction

In most countries, local (municipal) governments own or control large holdings of land and built-up properties, and, in addition, have the responsibility to provide local infrastructure services within their jurisdictions—from roads / streets, water and sewerage to social services such as schooling. Further, local economic development and urban regeneration are often considered an objective and responsibility of local governments as well. Establishing an organizational system that would manage government property assets and deploy them for achieving government objectives is one of the tasks of governmental asset management. There are, generally, three main institutional models of how this is handled around the world, with a continuum of various hybrids in between:

- By governmental departments / agencies themselves (“in-house”),
- By a government–established company, often called “special purpose corporation,” which handles some specific asset management tasks (“corporate model”), and
- Through engaging the private sector within a public-private partnership (PPP) framework.

Within the “corporate model,” there is no universal or standard approach and practices vary broadly. On one side of the spectrum are entities that have been used for a long time and

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resemble government departments quite closely. For example, many redevelopment agencies in California emerged after 1961, after the State law on redevelopment agencies was enacted, and they are considered corporations, but at least some of them are governed and operate quite similar to government departments. On the other end of this spectrum—which started emerging more recently—are corporations that operate under the commercial code, similar to private companies. Such corporations have a greater degree of separation from the parent government. This model is based on a presumption that singling out some operations into a business-like entity increases efficiency and effectiveness. A scope of functional assignments performed by such a company varies widely from case to case, as the sample of case studies below demonstrates. This may include land acquisition, equipping with infrastructure, and releasing vacant land on the market; building housing for low-income families; managing properties used by government for performing its functions, etc.

Some countries, like Canada, have experimented with the most recent versions of the “corporate model” for asset management for the past 20 years at all levels of government (local, regional, and national), with some corporations converted back into government departments, while new ones continue to be established.

While experiences have been accumulating in various countries, their generalization and exchange of knowledge on the subject across borders is practically lacking. Given a growing interest in the subject in countries that are starting more pro-active management of their land assets, this paper reviews some relatively recent experiences gained internationally from this “corporate model” for positive lessons and potential pitfalls.

How much such companies are ready to disclose about themselves is a good first lesson. This study is based mainly on information made available for the public via specialized web sites or publications. However, some information was provided by Canadian asset managers in special interviews. The sample analyzed includes

- Joburg Property Company (JPC),
- Korean Land Corporation (KLC),
- Canada Lands Company (CLC)
- Calgary Municipal Land Corporation (CMLC)
- Ottawa Community Lands Development Corporation (OCLDC)
- Partnerships British Columbia (PBC)
- Singapore Land Authority (SLA), JTC Corporation (JTC), Housing & Development Board (HDB), Urban Redevelopment Authority (URA).

In addition to the case studies, some relevant lessons from the real estate boom and bust in Dubai are factored in the suggested conceptual framework for such a company.

The paper starts from a summary review of country cases and a discussion of lessons that can be drawn from them, including benefits and risks of using this model. Then, building upon this analysis, the paper suggests some guidance on the first stages of establishing a new government land corporation (its “conceptual designs”), or, in other words, the policy, governance and business issues that should be addressed at the design stage and reflected in company’s
documents and later in its practices. This paper’s annex presents detailed case studies. All cases are presented, to the extent feasible, within a unified framework that covers the following main issues: functions and operations; organization and governance; property ownership; financial arrangements; private sector involvement; and specifics of the portfolio.

Some details in the chapter on the “conceptual design” mention issues typical for developing countries only (e.g., dealing with public land occupied by informal tenants), however, the main body of the chapter can be useful for any local government (and their advisors) contemplating the idea of a land development corporation.

2. Summary of Case Studies

The summary information on the case studies is presented in tables 1 and 2 below. The first lesson that can be learned is that practices vary substantially, and none provide a direct prototype for a government considering establishment of such a company anew. Conceptually, this implies that a useful approach can be extracting a “composite image” of a good company from international experiences and then applying this “image” to conceptual and practical design of the new company.

Specifically, substantial variations among cases take place on the following key issues:

Objectives and Functions. Objectives may be narrowly focused on one type of property, such as the Canada Lands Company’s mandate to maximize the value of surplus strategic properties owned by the federal government across the country or on a limited geographic area, such as Calgary Municipal Land Corporation’s focus on revitalization of the Rivers District of the City of Calgary or Ottawa Municipal Lands Development Corporation’s focus, at least initially, on development of Longfields Subdivision area. On the other hand, some land corporations have very broad mandates, such as the Korea Land Corporation’s objective of using public land efficiently to improve quality of life, promote economic development, and stabilize housing. Mandates can also evolve over time.

The range of functions (and property portfolios) follows the company objectives. For example, the Korea Land Corporation: built houses, developed new towns, developed industrial properties, and developed/maintained extensive land-related databases. In the same group with “broad range” functions is JPC, which manages all properties owned by the City of Johannesburg, including land.

Property ownership. Some land corporations own land, some manage / develop / acquire / sell land owned by other government entities. For example, three city-level land corporations in the study—the Johannesburg Property Company, the Calgary Municipal Land Corporation, and Ottawa Community Lands Development Corporation—have two different approaches: In the Johannesburg case, the city itself (not the company) owns the land; in Calgary and Ottawa, the Municipal Land Corporations own the land. Within Singapore, experiences vary: the Housing and Development Board and the JTC Corporation own land, while the Singapore Land Authority does not.
**Funding and finance.** In principle, government land corporations could be fully self-financing through revenues from their activities (service fees and land sales, for example) or fully funded from government budgets. In practice, some of the corporations studied are self-sufficient financially, such as CLC in Canada and URA in Singapore. Other, however, have mixed funding: they generate own revenue and also receive funding from the government, such as in the case of HDB. Indirect subsidies are provided to some corporations by granting them exemption from some taxes. Further, in addition to revenues from their own operations and transfers from the parent governments, some corporations borrow from commercial lenders or issue financial instruments such as bonds. Thus, KLC and CLC borrow on the private financial markets. The CMLC received start-up loans from the City of Calgary, which it expects to pay back through revenues from a dedicated property tax and land sales.

Rules governing how land corporations can spend their net income (profit) vary greatly, and rules are not always clearly defined. Some corporations, such as CLC in Canada and URA in Singapore, in addition to funding their own operations, make payments into general budgets of their shareholder (government) and pay taxes or fees in lieu of taxes. Some corporations are obliged to make contributions in special purpose funds outside corporation’s control or pay for property acquisitions not related to their own operations (for example, for acquiring land in governmental ownership for conservation purposes).

A financial model employed in each case substantially depends on the pricing of the corporation’s products (e.g. the land rights, for the land with or without infrastructure, that are sold to real estate developers or individuals). Often, land corporations sell land at discount prices (sometimes even below the cost of the land to government) or select private partners that may not offer the highest price for land. The prevalence of discount sales is due to the fact that corporations often have explicit social mandates, such as providing land for affordable housing or for local economic development or for an ecologically sustainable development.

However, below-market pricing of land often creates market distortions and leads to side effects when the value of government land is still captured, not by the owner (government), but by the intended recipients of the subsidy (Box 1). Following public debate about contribution of public land to PPPs, a law adopted by Kuwait in 2008 requires that any public land parcel considered for contribution to a PPP be appraised by two independent specialized appraisal firms, whose valuation estimates are to be made public before any decision.

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**Box 1. Kuwait City: Unexpected Outcomes of Allocating Land Below Market Value.** Since the mid-1960s, a total of 589 hectares of land in four old industrial and handcraft areas (Shuwaikh, Fahaheel, Ray, and Ahmadi) were leased to Kuwaiti citizens for up to 50 years, at low fixed rates, in order to stimulate production and development. The new tenants quickly sublet (informally) to small entrepreneurs, charging them market-level rents. The formal tenants/informal landlords became a powerful lobby against governmental plans to sell this land upon lease expiration, even if discounts from the market prices were offered to holders of expiring leases. Meanwhile, annual revenues captured by these tenants and forgone by the government during 1976-2001 constituted about 1.52 percent of GDP on average.

is made about a land transaction. Another instrument used in many countries is a requirement to allocate governmental land solely through auctions.7

Level and forms of private sector involvement. Practically all companies reviewed engage the private sector to some degree. However, exact methods differ substantially. On one end is the traditional model of government procurement, when a government entity can procure private services to obtain specific segments of work along a cycle of land / real estate development and property. These procurements can include pre-design studies, architectural and engineering design, elements of construction works, elements of maintenance of public buildings after they are completed, etc. However, within this traditional model, these elements are separated and do not optimize life-cycle parameters of the property. It appears that KLC and entities in Singapore have been practicing predominantly this model on their projects—they do not use in-house capacity and except those cases in Singapore when land leases are sold to private investors for building own-use facilities, such as production plants. Moreover, this model assumes that the government (or its entity) is financing the whole development / construction process.

On the other end is the contemporary PPP model, under which the government (or its entity) procures to the private sector to deliver and, often, to finance several elements of the development and property life cycle bundled together.8 For example, a common type of a PPP is design-build-finance-operate (DBFO). This is the model broadly used by JPC under long-term land lease arrangements for engaging the private sector in delivering market-oriented mixed use developments (e.g. residential, office, retail) on municipal land. Private sector partners are selected through Requests for Proposals (RFPs).

Similarly, some of Singapore and Korean projects are developed under a similar model, on land leased out to developers. CLC and other Canadian corporations analyzed often use a similar procurement mechanism of RFPs, but they sell land to developers. And, of course, the whole purpose of PBC is launching such PPPs. The issues of financial arrangements within PPPs further depend on what kind of real estate or infrastructure is developed by the PPP. If it’s a public facility that doesn’t generate revenues (school), the public entity eventually repays the private partner for his use of private financing for construction. If the final real estate product is financially viable from the private viewpoint, the private partner recoups its investment through selling or leasing this real estate (the scheme assumed in PPPs by JPC, CLC, KHL, and Singapore’s schemes). The same scheme has been used in PPPs in Kuwait.

An obvious lesson is that the issues listed above would require a particular attention while conceptualizing and designing any new government land corporation, because international experiences do not point to any common or typical solution that could be simply followed.

In addition to variations among reviewed practices, the following similarities are useful to notice, as most of the analyzed companies mentioned these factors as important:

Type of Entity / Governance. In all analyzed cases, the company has a substantial level of separation from the government. All companies are established as a separate entity, in most cases, as off-government corporate entities operating under a combination of special enabling legislation at the national or local level and corporate law. All are reporting to a ministry or city
council (except for the Korea Land Corporation). All companies are managed / supervised by Boards of Directors appointed by the government, with a CEO appointed by either government or the Board. Boards of Directors usually include private and public sector leaders, and have oversight (including audit) responsibilities. With the exception of the Korea Land Corporation and Ottawa Community Lands Development Corporation, all publish information about their Board of Directors. The majority makes their annual reports and audited financial statements available to the public.

This separation of the company from government is not a goal in itself but rather is needed for empowering the company to act efficiently.

*Transparency.* All companies strive for transparency. However, to what extent this is implemented in practice depends on many factors, political culture among them. The most open seem to be the Canadian entities: most of them publish online their governance documents, policies, annual plans and audited annual reports, along with such disclosures as compensation to Board members and operating executives. Singapore’s entities are also very transparent on their financial performance. JPC’s financial reports are not available, and KLC, after it was merged with the housing corporation and became LH, reduced publically available information substantially.

Transparency also includes openness about their business transactions—acquiring and selling land, allocating industrial sites and issuing tenders (in the case of the KLC, CLC, JPC, Singapore’s HDB, or PBS).

Many of the corporations provide access to significant databases of land information, such as Singapore’s SLA, as well as extensive information on upcoming land and construction tenders and information on how to participate, buy or lease land and access other services.

Another important aspect of transparency is consultation with the community on local land and planning issues. These are often contentious even where government entities are extremely open, such as with all three Canadian cases, where conducting extensive consultations with residents is a hallmark of CMLC and CLC, even when the area in question is not primarily residential. Particularly difficult issues can arise when conservation is at issue. For example, there has been criticism of the Singapore URA’s initial forays into conservation, which resulted in the significant dislocation of residents and business and the creation of tourist destinations in place of neighborhoods.

*Professionalization of management.* All successful companies and independent analysts emphasize that the presence of top-notch experts in subjects related to company’s operations at the Board of Directors and at key executive positions is critical for success of such a company. Ability to pay top managers and technical experts salaries comparable with the private sector and flexibility in staffing are two other important elements of a successful government land company.

*Good information management.* The presence of relevant information is considered as key for all operations. For example, it took several years for JPC to inventory all properties under their
management, but after this was achieved, they confidently established long-term land management and land disposition plans for their land holdings.

Social and environmental objectives among company’s objectives. The common thread among these companies is that achieving certain social goals is in their core mandate, even when they are required to be fully self-sufficient financially. In other words, achieving financial and profit targets is never a single of even main objective of such companies.

One of the noteworthy elements of such policies is community engagement in areas where the companies operate. Thus, consultations with local governments and stakeholders are hallmarks of CLC and CMLC operating procedures. JPC also makes public notification and comments from stakeholders an important part of its decisions. KLC consults with local communities as well, although less so than the others.11

Taking into account environmental concerns and sustainable development principles is the other common theme for all cases. This emphasis may simply be an indicator of changing political language given that these concerns are particularly relevant now. However, in at least some cases, this leads to real results. Thus, most of CLC’s new projects produce LEED certified12 buildings or whole communities. The latter is pioneering for the North American continent.

Economic development is another explicitly desired outcome of all land corporation activity although some companies track it and measure it more carefully. JPC specifically targets its economic development efforts towards promoting social and economic equality among races in South Africa.

Housing, specifically adequate quality and amounts of public rental housing, is a very current issue being addressed by companies. KLC in particular is very involved in remedying this problem in Korea, while JPC is dealing with the issue of regularization of squatter settlements.

A potential lesson from the listed similarities among international cases is that any new company would benefit from following the concepts and practices that have been successfully tested internationally, in more than one place, be this a high degree of separation from government or consistent transparency or professionalization of management.

A brief summary of information related to the companies mentioned is available in tables 1 and 2 on the following pages. This provides a general overview of information already covered, as well as more in-depth figures on land holdings and company accountability.
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Joburg Property Company (South Africa)</th>
<th>Korean Land Corporation, KLC(^3) (Korea)</th>
<th>CANADA CASES</th>
<th>Ottawa Community Lands Development Corporation, OCLDC</th>
<th>Calgary Municipal Land Corporation, CMLC</th>
<th>Partnerships British Columbia, PBC</th>
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<tbody>
<tr>
<td><strong>Company type and ownership</strong></td>
<td>Municipal Entity wholly owned by the City of Johannesburg Metropolitan Municipality; Established in 2000</td>
<td>An entity owned by Korean government (73.3%) and the Korean Development Bank (26.7%), off governmental balance sheet; Established in 1975</td>
<td>A wholly owned subsidiary of the Canada Lands Company Limited (CLCL), a national Crown corporation; Established in 1995</td>
<td>An independent, for-profit corporation chartered by the City of Ottawa, which is also the sole shareholder. Established in 2007.</td>
<td>A wholly owned subsidiary of the City of Calgary, incorporated as a controlled corporation under the Municipal Government Act and the Control of Corporations Regulation; Established in 2007.</td>
<td>Wholly owned by the Province of British Columbia, registered under the Business Corporations Act and reports to its shareholder the Minister of Finance; Established in 2002</td>
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<tr>
<td><strong>Organization / governance</strong></td>
<td>7-member Board of Directors (BD) oversees compliance; One of them is Managing Director; major JPC actions require approval by Metropolitan Council or City Manager.</td>
<td>CEO is a public face of KLC. Information on KLC Board or Directors is not available;</td>
<td>Managed by 7-member Board of Directors mainly from the private sector. Board of directors selects a CEO (currently the person with the public sector executive experience); CLC reports to Parliament through Minister of Transport, Infrastructure and Communities</td>
<td>OCLDC is overseen by an independent Board of Directors, who are in turn subordinate to the City of Ottawa, more specifically the Corporate Services and Economic Development Committee. OCLDC maintains transparency through frequent planning meetings with the committee and the issuance of reports.</td>
<td>Managed by 7-member board appointed by the City of Calgary, includes Mayor of Calgary, President and CEO of CMLC and private sector leaders. The City of Calgary is the sole shareholder.</td>
<td>10-member BD and its Chair are appointed by the Province BC. The BD includes established leaders from both private sector (including financiers) and public sector, with the majority of the members being from the private sector. The Board of Directors appoints a CEO. The CEO is a former investment banker.</td>
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\(^3\) Information presented in this paper was obtained in September 2009. In October 2009, KLC was merged with the Korean National Housing Corporation into Korean Land and Housing Corporation (LH), but information on LH is not available, so we present the information on KLC, given that it had 34 years of experience before the merge.
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<tr>
<td><strong>Objectives</strong></td>
<td>Develop and manage Council owned properties for the purpose of maximizing both social and commercial opportunities for the Council in the short and longer term</td>
<td>Stabilize citizens’ housing life; use public land efficiently for improving quality of life and spearhead economic development</td>
<td>CLC optimizes the financial and community value from strategic properties that are no longer required by the GoC.</td>
<td>Purchase and improve surplus lands owned by the city, with the ultimate goal of selling off lands to private developers for a profit. Use land to improve the environmental and civic value of Ottawa.</td>
<td>Implement the Rivers District Community Revitalization Plan, a public infrastructure program that will facilitate the reclamation, redevelopment and revitalization of the Rivers District of the City of Calgary</td>
<td>Bring together ministries, agencies and the private sector to develop projects through public-private partnerships; Structure and implement partnership solutions which serve the public interest</td>
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<tr>
<td><strong>Main function</strong></td>
<td>Property development; Alienation of Council’s properties; Property management services</td>
<td>Housing construction and development of new towns; Equipping land with infrastructure and release on the market for housing; Development of industrial and logistics properties; “Land informatization,” including GIS</td>
<td>CLC purchases such surplus strategic properties at fair market value, then holds and manages them or improves and sells them. The company’s goal in all transactions is to produce the best possible benefit for both local communities and the GoC</td>
<td>Lead redevelopment of the Longfields area of 50 hectares, which may require acquisition of sites from private owners, with the purpose of land assemblage, planning, and further sales to developers In the future may include purchasing and improvement of properties in other areas of Ottawa;</td>
<td>Plan, design, construct infrastructure improvements Develop and implement a comprehensive land sale strategy Acquire land to facilitate infrastructure improvements and consolidate development parcels to facilitate private investment</td>
<td>Provide specialized services to government and its agencies with respect to identifying opportunities for maximizing the value of public capital assets and developing PPPs; this may range from advice to project leadership/management and include business planning, procurement process, and project implementation.</td>
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<td>Canada Lands Company, CLC</td>
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<td>Ottawa Community Lands Development Corporation, OCLDC</td>
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<td>Calgary Municipal Land Corporation, CMLC</td>
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<td></td>
<td>Researching and proposing plans for new subdivisions and neighborhoods; Improvement and preservation of environment and culture in Ottawa</td>
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<td></td>
<td>Market Rivers District to potential residents and developers</td>
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<td></td>
<td>None</td>
<td>Land banking; Free Economic Zone; Real Estate construction for governmental agencies; Management of land owned by governmental entities of all levels; PPPs for commercial property development in planned communities</td>
<td>Land holding company for the City of Ottawa; Providing land reporting expertise for the City Council.</td>
<td>Heritage building preservation Environmentnal remediation</td>
<td>Knowledge transfer; Recommendations to Treasury Board on policy issues</td>
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<td></td>
<td>All ancillary services to the above, including analysis of the real estate market</td>
<td>All properties managed by JPC are owned by the City (its Council)</td>
<td>The balance sheet contains, as current assets, an inventory of $2.824 billion in completed lands and $24.512 billion in uncompleted lands. It’s not clear which portion of asset</td>
<td>CLC owns properties OCLDC owns and improves properties for future sale in the Longfields.</td>
<td>CMLC owns properties in the Rivers District</td>
<td>PBC does not own properties</td>
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<td></td>
<td>None</td>
<td>CLC owns properties</td>
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<td></td>
<td>CLC owns properties</td>
<td>OCLDC owns and improves properties for future sale in the Longfields.</td>
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<td></td>
<td>CMLC owns properties in the Rivers District</td>
<td>CMLC is financed through loan bylaws approved by the City of Calgary, loans from the City of Calgary, Revenues are fee-based and include 3 main sources: work fee from client agencies; annual payment from the Province</td>
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<td>PBC does not own properties</td>
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³KLC’s shareholders (Gov’t & Bank) paid in capital (a legal capital limit is 15 trillion won). KLC issues Asset Fully financially self-sufficient and profitable for GoC; authorized to use private financing
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<td></td>
<td>JPC may only acquire or expropriate lands or real rights for which it has an approved budget and an approved resolution</td>
<td>Backed Securities and Company Bonds as the way to raise private financing</td>
<td>using property it owns as collateral; pays all federal and local taxes</td>
<td>shareholder, currently the City of Ottawa.</td>
<td>mortgages on acquired property, investment income, and revenues from the Community Revitalization Levy, which allows the tax revenue generated by incremental increases in the property assessment in the Rivers District to be set aside for CMLC. Increases in property values are expected as CMLC’s and other projects are completed over time. The CRL was approved by the City of Calgary and the Province of Alberta</td>
<td>for services not attributable to any agency, and project recoveries representing reimbursable project expenses received from projects</td>
</tr>
<tr>
<td>Specifics of portfolios</td>
<td>14,000 deeds worth 6.8 million SA Rand; 63,000 vacant land assets and 1,500 built-up properties; 3,600</td>
<td>Since its founding, KLC has acquired 74,633 he, developed 40,894 he and supplied 60,709 he according to data on its web site</td>
<td>Land portfolio totals 884.2 hectares as of September 30th, 2008, located in 19 municipalities across Canada; includes Canada’s National Natural Land portfolio currently includes 50 hectares in the Longfields Subdivision, with 60 hectares for the development of</td>
<td>Land portfolio currently includes 50 hectares in the Longfields Subdivision, with 60 hectares for the development of</td>
<td>Developable land parcels and land acquired to support infrastructure upgrades within the Rivers District.</td>
<td>More than 30 PPPs, out of which 11 are completed and operational, 6 are under construction, and 5 are in procurement</td>
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<td>Lease contracts</td>
<td>Tower (the CN Tower) in downtown Toronto</td>
<td>Centrepoint Town Center under consideration</td>
<td>Multi-criteria, based on a ‘balanced scorecard”:</td>
<td>Internal audits of company finances; “Quadruple bottom line” stressing environmental, cultural and civic benefit in addition to profit; Attempt to optimize financial return for shareholder; Executive training programs and active human resources development</td>
<td>Key indicators include: • Projects executed on time and on budget • Media coverage • Feedback from the community • Issues tracking and effective risk management • Environmental stewardship • Optimize value of land sales • Optimize development of incremental tax base and ensure repayment of Community Revitalization Levy borrowings</td>
<td>Qualitative measures, related to transparency and fairness, reflect the need to serve the public interest; Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations In 2010-11, PBC will establish benchmarks to measure the procurement processes</td>
</tr>
</tbody>
</table>

**Performance management**

Not clear

Ethics training for staff and internal audits of compliance with the code of ethics; In addition, attempts to evaluate “investment ratio for social contribution,” customer satisfaction, and to participate in community events and cooperate with civil society

Multi-criteria, based on a ‘balanced scorecard”:• Optimize financial value & return; • Business process progress (milestones); • Customer relations for CT Tower; • Legacy initiatives; • Human resources development (such as retention) • Support local economic development, contribute to affordable housing and other social objectives where feasible • Incorporate elements of sustainable development in each project • Corporate philanthropy; Internal audits of company finances;“Quadruple bottom line” stressing environmental, cultural and civic benefit in addition to profit; Attempt to optimize financial return for shareholder; Executive training programs and active human resources development

Key indicators include: • Projects executed on time and on budget • Media coverage • Feedback from the community • Issues tracking and effective risk management • Environmental stewardship • Optimize value of land sales • Optimize development of incremental tax base and ensure repayment of Community Revitalization Levy borrowings

Qualitative measures, related to transparency and fairness, reflect the need to serve the public interest; Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations In 2010-11, PBC will establish benchmarks to measure the procurement processes

Alignment with government/ stakeholder agreements
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Joburg Property Company (South Africa)</th>
<th>Korean Land Corporation, KLC(^3) (Korea)</th>
<th>CANADA CASES</th>
<th>Ottawa Community Lands Development Corporation, OCLDC</th>
<th>Calgary Municipal Land Corporation, CMLC</th>
<th>Partnerships British Columbia, PBC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transparency and reporting</strong></td>
<td>Key procedures are regulated by formal policies published on Web; Tenders are published on Web;</td>
<td>Transaction System which discloses the process in land transaction and production (sales information, price information, drawing lots, etc.);</td>
<td>Board Charter is published on Web site, along with names of Board members; annual report and audited balance sheet are also published on-line; information on main projects is on-line</td>
<td>Meetings with Ottawa City Council available online; Information on development projects and cost outlays published through the City Council;</td>
<td>Annual reports and audited financial statements are presented to the City of Calgary and available online. In addition, CMLC holds an annual general meeting, regular meetings with key stakeholders, regular informational open houses for the public at large, and publishes a three-year corporate and financial plan as well as an annual business plan and budget.</td>
<td>Published on Web: ○ Annual Service Plans; ○ Audited Annual Reports; ○ Project reports or Communications on all projects after financial close has been reached; ○ Governance documents</td>
</tr>
<tr>
<td><strong>Private Sector Participation</strong></td>
<td>PPPs are routinely used for developing various market-oriented projects on municipal land; land is disposed to the private sector competitively, through RFPs</td>
<td>PPPs are used for commercial land uses within KLC development projects (new towns). In particular, for private co-financing</td>
<td>The private sector is involved through CLC sales of prepared and planed land to selected private developers, for building real estate according to pre-approved development plans</td>
<td>Is envisioned similar to CLC</td>
<td>CMLC outsources feasibility studies, design, etc., including management of selected properties</td>
<td>The whole mandate is about PPPs</td>
</tr>
<tr>
<td><strong>Issues of concern</strong></td>
<td>Overregulated land uses in PPP development projects and under-use of the private sector</td>
<td>Dominating / monopolistic position of KLC in the real estate sector; High &amp; growing debt;</td>
<td>None from the public viewpoint: CLC is considered one of the most successful special purpose</td>
<td>No negative coverage in media; City council is generally pleased with the</td>
<td>No negative coverage in mass media so far</td>
<td>Not clear</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Joburg Property Company (South Africa)</td>
<td>Korean Land Corporation, KLC³ (Korea)</td>
<td>CANADA CASES</td>
<td>Ottawa Community Lands Development Corporation, OCLDC</td>
<td>Calgary Municipal Land Corporation, CMLC</td>
<td>Partnerships British Columbia, PBC</td>
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<tr>
<td>capabilities, which reduces PPP financial viability and benefits for the City</td>
<td>Financial risks related to real estate market cycle; Oversupply of housing leading to housing liquidity crises; Bulldozing existing development for new towns</td>
<td>corporations in Canada</td>
<td>development projects currently underway through OCLDC</td>
<td></td>
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</tr>
</tbody>
</table>
Table 2. Public Land Corporations & Land Development Corporations: Summary of Singapore Case Studies

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Singapore Land Authority (SLA)</th>
<th>JTC Corporation (JTC)</th>
<th>Housing &amp; Development Board (HDB)</th>
<th>Urban Redevelopment Authority (URA)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company type and ownership</strong></td>
<td>Statutory Board (independent government entity) established by a special Act of Parliament to amalgamate land administration departments of the government, reporting to the Ministry of Law; Established in 2001</td>
<td>Statutory Board (independent government entity) established by a special Act of Parliament, reporting to the Ministry of Trade and Industry; Established in 1969</td>
<td>Statutory Board (independent government entity) established by a special Act of Parliament, reporting to the Ministry of Ministry of National Development; Established in 1960</td>
<td>Statutory Board (independent government entity) established by a special Act of Parliament creating URA from the HDB’s Urban Renewal Department, reporting to the Ministry of Ministry of National Development; Established in 1974</td>
</tr>
<tr>
<td><strong>Organization / governance</strong></td>
<td>11-member board, appointed by government, includes CEO, private sector leaders, academics, and government officials; SLA reports to the Ministry of Law, which approves the CEO</td>
<td>10-member board, includes the CEOs of JTC and URA, private sector leaders, government officials, and a director of the National Trades Union Congress; JTC reports to the Ministry of Trade and Industry</td>
<td>11-member board, includes the CEO and the Chair of HDB’s management subsidiary (EM Services Pte Ltd.), private sector leaders, academics, and central and local government officials; HDB reports to the Ministry of National Development</td>
<td>11-member board, which includes the CEO, private sector leaders, academics, and government officials; URA reports to the Ministry of National Development</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Optimize land resources for economic and social development; ensure best use of State land and buildings; provide effective and reliable land management system; enable use of land information for better land management and creation of new business opportunities.</td>
<td>Oversee industrial use and industrial development of the limited land resources in Singapore with the goal of promoting economic prosperity.</td>
<td>Provide affordable homes, create vibrant and sustainable towns, and promote active and cohesive communities.</td>
<td>Plan land use to promote strong economic growth and social cohesion, and ensure that sufficient land is safeguarded to support continued economic progress and future development.</td>
</tr>
<tr>
<td><strong>Main function</strong></td>
<td>Management of State land and buildings Land sales, leases, acquisitions and allocation Management and maintenance of the national land registration and the national land survey system</td>
<td>Provision of government-owned land to the private sector for industrial development including prepared industrial land and ready-built facilities</td>
<td>Sale and rental of residential apartments Upgrading and redevelopment of older housing developments Provision of mortgages to eligible purchasers under various public housing programs</td>
<td>Planning Development control Sale of sites Conservation</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Singapore Land Authority (SLA)</td>
<td>JTC Corporation (JTC)</td>
<td>Housing &amp; Development Board (HDB)</td>
<td>Urban Redevelopment Authority (URA)</td>
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<tr>
<td></td>
<td>Development and marketing land-related information and maintaining the national land information database</td>
<td>Development of master plans for sites Adaptive reuse for heritage sites</td>
<td>Development and management ancillary facilities such as commercial properties, car parks, markets, vendor centers, and other amenities in housing developments.</td>
<td>Management of car parks Implementation of development projects on behalf of the government</td>
</tr>
<tr>
<td>Secondary function(s)</td>
<td>Secondary function(s) Development of master plans for sites Adaptive reuse for heritage sites</td>
<td>Management of reclamation projects and infrastructure works in HDB towns Construction of housing</td>
<td>Management of reclamation projects and infrastructure works in HDB towns Construction of housing</td>
<td>Management of car parks Implementation of development projects on behalf of the government</td>
</tr>
<tr>
<td>Land / property ownership</td>
<td>Land / property ownership Although most land in Singapore is owned by the government (private sector access is through primarily long-term leases), it does not appear on SLA’s balance sheet. SLA sells and leases land to other government agencies and to the private sector.</td>
<td>As of March 31, 2009, the JTC Group (the Corporation and subsidiary companies) had approximately S$32 million of leasehold land, S$37 million of land development, $284 million of wharf and base structures, S$114 million of bulk handling facilities, S$138 million of leasehold buildings, and S$430 million of capital projects-in-progress (all values in Singapore dollars).</td>
<td>As of March 31, 2009, HDB had approximately S$23 billion of property, including freehold land, leasehold land, and buildings (all values in Singapore dollars). Of this property, 20% of the total (by value) was classified as investment property, 16% under development, and 2% as properties for sale.</td>
<td>As of March 31, 2009, URA had approximately S$136 million of leasehold land on its balance sheet as well as S$85 million of buildings (all values in Singapore dollars).</td>
</tr>
<tr>
<td>Financial arrangements</td>
<td>Financial arrangements SLA is self-financing with income from fees and charges related to its operations, as well as investment income (it also receives a small government grant). In lieu of income tax, SLA makes a contribution to the Government Consolidated Fund at the statutory corporate income tax rate. In addition, the government may require a special contribution of funds (as it did in 2007/2008).</td>
<td>JTC is self-financing with income from fees and charges related to its operations. The Corporation is exempted from income tax, although its subsidiaries and associated companies are not exempt.</td>
<td>HDB receives both a significant government grant and income from fees and charges related to its operations (including sales and car park income) and investment income. HDB is exempt from taxation, although its subsidiaries are not exempt.</td>
<td>URA is self-financing, receiving income from fees and charges related to its operations, including income from development control (sale of approved plans, search fees, application fees, etc.), consultancy and other fees, parking fees and related charges; interest income; dividend income; and rental income. In lieu of income tax, SLA makes a contribution to the Government Consolidated Fund at the statutory corporate income tax rate; in the financial year ending March 31, 2009, URA.</td>
</tr>
</tbody>
</table>
### Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Singapore Land Authority (SLA)</th>
<th>JTC Corporation (JTC)</th>
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<th>Urban Redevelopment Authority (URA)</th>
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<tr>
<td>Made no contribution because it had no net surplus for the year (a result of the global financial crisis).</td>
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</table>

### Specifics of portfolios

- **SLA** manages an estimated 4 million m² of floor space, of which approximately 20% is residential, 23% is commercial, 3% is industrial, 45% is social/civic institutional, and 10% is pending approval/reserved/other. In FY07, SLA sold approximately 300 ha of land to the public sector and 25 ha to the private sector.
- **JTC**’s portfolio primarily consists of prepared industrial land (PIL) and ready-build facilities (RBF). In 2008, JTC’s total stock of PIL was 5,956 ha.
- **HDB**’s portfolio includes housing developments (estates), ancillary facilities such as commercial properties, car parks, markets, vendor centers, and other amenities in housing developments and land reclamation projects and infrastructure works in HDB towns on behalf of the Ministry of National Development.
- **URA**, as the national planning authority, the main land sales agent for the government (as manager of the GLS Programme), and the development agency for Marina Bay (developed on reclaimed land) has the most diverse portfolio, ranging from historical monuments to industrial sites to luxury hotels.

### Performance management

<table>
<thead>
<tr>
<th>Corporate performance measures include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total area of State land sold</td>
</tr>
<tr>
<td>• Value of land sales</td>
</tr>
<tr>
<td>• Gross Floor Area managed</td>
</tr>
<tr>
<td>• Rental revenue</td>
</tr>
<tr>
<td>• Issuance of title documents to property holders</td>
</tr>
<tr>
<td>• Event licenses</td>
</tr>
<tr>
<td>• Volume of document searches</td>
</tr>
<tr>
<td>• Volume of integrated land information service transactions</td>
</tr>
<tr>
<td>• Approval of land/strata lots</td>
</tr>
<tr>
<td>• No. of State properties tendered</td>
</tr>
<tr>
<td>• Utilization rate of State land</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Performance Indicators for the prepared industrial land and ready-built facilities include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Gross allocation of land</td>
</tr>
<tr>
<td>• Termination (return of land to the JTC) because of expiry of leases and EBR buy-back (en-bloc redevelopment scheme for public housing)</td>
</tr>
<tr>
<td>• Net allocation (gross allocation less termination)</td>
</tr>
<tr>
<td>• Demand (cumulative net allocation at the end of the period)</td>
</tr>
<tr>
<td>• Supply</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HDB’s corporate objectives are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To formulate and implement housing policies and programs to provide affordable quality homes and foster cohesive communities</td>
</tr>
<tr>
<td>• To plan, develop and upgrade towns to create a vibrant living environment of distinct identity</td>
</tr>
<tr>
<td>• To deliver property management and housing administration services that meet the needs of our customers</td>
</tr>
<tr>
<td>• To advance innovative and cost-effective building design and technology</td>
</tr>
<tr>
<td>• To build a learning and caring organization that inspires creativity and develops staff to give of</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>URA’s mandate is to plan land use to promote strong economic growth and social cohesion, and ensure that sufficient land is safeguarded to support continued economic progress and future development. Through its Concept Plan 2001, which is a long term land use and transportation plan updated every 10 years to guide Singapore's physical development, URA sets out its vision for the next 50 years of growth through:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Providing more new homes in familiar places</td>
</tr>
<tr>
<td>• Introducing more high-rise city living</td>
</tr>
<tr>
<td>• Offering more choices for recreation</td>
</tr>
<tr>
<td>• Allowing greater flexibility for businesses</td>
</tr>
<tr>
<td>• Establishing a global business center</td>
</tr>
<tr>
<td>Characteristics</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
</tbody>
</table>
|                  | • Occupancy rate of State properties | | their best | • Building an extensive rail network  
|                  | • % of e-enabled transactions | | | • Focusing on identity  
| Transparency and reporting | SLA is required to report annually to the Ministry of Law; it publishes its annual report (including audited financial statements) on its web site.  
The State Property Online service (on the SLA web site) lists upcoming land tenders.  
According to the web site “SLA is responsible for ensuring that all sales of State lands by the Urban Redevelopment Authority, Housing Development Board, JTC Corporation, Land Transport Authority and SLA itself are conducted in the most open and transparent manner through competitive public tenders or auctions.” | JTC is required to report annually to the Ministry of Trade and Industry; it publishes annual reports and audited financial statements on its web site. Regular planned releases of land, tenders, and awards are also available on its web site. | HDB is required to report annually to the Ministry of National Development; it publishes annual reports and audited financial statements on its web site. Instructions on how to participate in housing programs (ownership, rental, upgrading, mortgages, subsidies) are available on the web site, as are regular planned releases of land, tenders, and awards. | URA is required to report annually to the Ministry of National Development; it publishes annual reports and audited financial statements on its web site. Regular planned releases of land, tenders, and awards are also available on its web site, as are planning documents, instructions on requesting waivers, etc. |
| Private Sector Participation | Private companies build their facilities on land acquired from SLA through long-term leases or lease ready-to-use facilities | Private companies build their facilities on land acquired from JTC through long-term leases or lease ready-to-use facilities | Leasing of properties from HDB | Leasing of properties from URA |
| Issues of concern | Government monopoly over land resources in Singapore.  
Function of planning and land sales are potentially conflicting |
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Singapore Land Authority (SLA)</th>
<th>JTC Corporation (JTC)</th>
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<th>Urban Redevelopment Authority (URA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>and land manager/developer are potentially conflicting roles.</td>
<td></td>
<td></td>
<td>roles.</td>
<td>Concern over goals and outcomes of conservation interventions.</td>
</tr>
</tbody>
</table>
3. Benefits and Risks of Using the “Corporate Model”

Although the operations, functions, scale and business models for land corporations vary widely, the common thread is that the “corporate model” allows for combining private-sector efficiency with public-value goals. On the efficiency side, the corporate model enables the following:

- Establishing incentives for the company to make operations cost-efficient and self-sufficient;
- A substantial acceleration of all processes;
- Flexibility and entrepreneurship; and
- Attraction and retention of private-sector experts in real estate, finance, PPPs, etc.

For example, all four Canadian companies are financially self-sufficient, along with three entities in Singapore: Singapore Land Authority, JTC Corporation, and Urban Redevelopment Authority. At least the CLC and PBC in Canada have compensation packages for top management and technical staff (salaries and bonuses) similar to those paid in the private sector.

Further, the corporate model can provide some level of protection of strategic land management and long-term planning from whims of short-sighted politicians to which land is subjected when managed by government directly. This is an important implication of the corporate model, which can be drawn from some cases in Canada and South Africa and which often is not discussed in the open. A potential importance of this protection of public assets from the government became especially clear during the current fiscal crisis in the public sector in many countries: there are many examples of fire sales of government land and properties when they are not protected from this short-term desperation of government that, in long term, is costly for taxpayers.

Moreover, land corporations can be a source of revenues to government—the case of the CLC and Ottawa Community Lands Development Corporation, which pay all corporate taxes and also dividends to its stockholding government. To a lesser degree, the two entities in Singapore also generate revenues for the government: SLA and UPA contribute into the Government Consolidated Fund, though they are exempt from the income tax, so this contribution is in lieu of income tax.

Furthermore, land corporations allow separating real estate & land development roles from the regulatory and planning roles of the government, thus avoiding a potential conflict of interest or the perception of such. In particular, land corporations can initiate changes—such as changing land use parameters (zoning) or assembling land for re-development—without potential government conflicts of interest. This benefit—that the contemporary corporate model allows avoiding the conflict of interest between regulating land uses and selling / developing land—is especially appreciated in Canada.

Securing planned development of a certain territory under a company’s control can be a benefit as well, as is illustrated by the case of the CLC project in Village at Griesbach in Edmonton. This project became the recipient of a Stage 2 LEED ND (neighborhood development) Gold certification, for its approved plan. The Village at Griesbach is built on the site of a former
Canadian Forces Base in Edmonton, which was purchased by CLC in 2003 from the Department of National Defense. However, government’s company control over the whole territory subject to development may also turn into a major problem: this was the case with new towns initially built by KLC in South Korea as mono-towns, practically not livable.

On the social values side, land corporations can harmonize relationships with local communities about what is being developed as well as secure environmental sustainability of buildings and neighborhoods developed. Again, the best showcases of this appear to be projects planned by the CLC (see the list of their performance indicators in Table 1 and Appendix 1 after all annexes, which presents the CLC balanced Score Card). Land corporations can also stimulate local economic development and regeneration of declining areas within cities through targeted development projects (see the cases of the Ottawa Community Land Development Corporation and Calgary Municipal Land Corporation in Annex 2 and 3).

At the same time, the analyzed cases raise a number of concerns regarding governmental involvement in land and housing development and risks associated with such involvement. Thus, there is a risk that government companies would take monopolistic positions in land supply (the case of Singapore) and housing supply (the case of South Korea), which is potent with market distortions. Thus, Singapore’s government land agencies represent an extreme case, as they have practically monopolistic control over land and have the ability to determine land supply in the market (and thus, to regulate the pace of development), to set land prices and to control the location of development. The outcomes associated with the Singapore government’s involvement in the land market have been actively debated. On one hand, Singapore is praised for consistency of planning and development and achievements related to sustainable development. On the other hand, researchers argued that very high real estate prices are directly related to governmental land policy and that high real estate prices and over-regulation of the sector are among the very few complaints expressed by the business community about an otherwise supportive business climate.

In the case of South Korea, governmental monopoly on housing supply became the major factor in dramatic oversupply: the ratio of housing units to households has increased from 72.4 percent in 1990 to 108.1 percent in 2007, and is expected to reach 116.7 percent in 2012. Moreover, this case illustrates how the risks can be compounded: in South Korea, the oversupply of housing is bundled with the commercial and financial risks to which KLC/LH have been exposed when they operate on the real estate and financial markets. The financial risks for KLC had been further exacerbated by the fact that the government asked the KLC to carry out some social-policy projects, such as affordable housing (and allowed to borrow for such projects), which were not fully financially viable. While LH still had a good credit rating in early 2010, it was based to a certain extent on the market’s belief that the government would back up the corporate debt. However, there is a very real possibility that all the compounded risks of LH will eventually become a direct governmental liability and burden for public finance, as happened in Dubai.

Another common risk is overregulated land uses even for market-oriented development. Specific examples have been identified in at least three cases: JPC in Johannesburg, the JTC Corporation in Singapore, and all PPPs in Kuwait.
The risk of potentially conflicting roles appears to have been present in Singapore’s SLA and URA and in the South Korean case.

Finally, there is the risk that the true costs of such government land corporations to taxpayers are often underestimated, even in full-fledged market economies like Canada. In particular, land is often contributed by various governments into their land corporations (or purchased from other governmental agencies) at historic cost instead of market value, while this hidden public subsidy to corporation’s projects is not accounted anywhere. This is illustrated by the case of the Calgary Municipal Land Corporation (Table 1 and Annex 5) and hinted in publications about the KLC in South Korea.

4. Conceptualizing A New Corporation

From international experiences, it is clear that ensuring the success of a new land corporation requires careful design and implementation. A special analysis of government asset management corporations in Canada identified the following factors that are most likely to define success:21

- A viable funding model that provides stable, multiyear funding
- Control over assets under its jurisdiction
- Strong leadership that is associated with a long-term vision
- Accountability mechanisms
- Authority to act
- Long-term planning horizon
- Mechanisms to harness private-sector capabilities
- Desire for change.

Besides, in the case of a new land corporation, it is important that its activity is a part of a “bigger picture” that advocates strategic and well thought-through management of governmental property assets.

A critical stage for establishing such a company is the conceptual design. In particular, the key policy, governance, business, and organizational contents have to be formulated and agreed upon in substance terms, before they are codified in legal documents and translated into company’s actions. The conceptual issues that should be addressed include the following:4

1. **Clearly define goals**
The first set of questions to answer while conceptualizing the company comes in the form of clear policy objectives:

- What is the company going to do?

---

4 This section assumes a municipal (city) company. However, the framework can be easily adjusted to a different scale.
Will it deal only with vacant land owned by the city or will it deal with occupied land as well (for example, retrofit with infrastructure and regularize land used by informal settlements)?

Will it manage all municipally owned properties or just land that is vacant or under development?

Note that the company’s goals and scope may be different for different types of land use (e.g., for residential, commercial, and industrial).

There are a number of more detailed questions that should be answered as part of the process of goal and policy setting:

- What types of land will the company manage / supply? For selected uses only (such as residential or public uses—schools, medical facilities) or for other uses (e.g. commercial) as well?
- Will the company operate across the entire city and surrounding metropolitan areas or in some specified part(s) of the city only?
- Will the company handle all land releases and allocations in the city for the land uses that it serves or only some part? For example, if the company is created to provide land for housing, will it have an exclusive authority to manage all forms of land releases (auctioning on the market, allocating through Requests for Proposals (RFP), providing subsidized land for specific recipients)? Or, alternatively, will it deal with land released through market mechanisms only (auctions and RFPs)?
- Similarly, if the company deals with industrial / “employment” land, will it be a single entity in the city which supplies such land on government’s behalf or some other government entities would supply industrial / employment land as well?
- What will be the role of the company in infrastructure provision? Will it release the land for development with subdivision prepared and off-site infrastructure (water, sewerage, electricity, internal roads / streets) provided or will it release the raw land as well? When the land is to be released with infrastructure, will the company plan and build infrastructure itself or will provision / building infrastructure be outsourced to the private sector as well?

**Note:** This issue—who provides infrastructure and how it is provided—is critical. In particular, there are cases (the Kuwait City) where government itself was dealing with the infrastructure provision, without the help of private developers, and fell far behind citizen needs, while the private sector capacity could have helped to remove this bottleneck.

- Similarly, what will the role of the company be in building on the land? Will it be involved in real estate development or is the company intended to provide land (infrastructure-equipped or raw) and let the private sector build real estate?

**Note:** The case of Dubai and the KLC / LH in South Korea provide a cautionary tale for the cities in similar countries. In Dubai, the bust of the real estate converted government’s high contingent liabilities into real ones, and not only financial, but political as well. The latter includes long-lasting effects of underused or abandoned buildings on the spatial fabric of the city. This exposure
resulted from heavy governmental involvement in real estate conglomerates, including Dubai World. A similar over-exposure of the government to various risks was discussed above, regarding the KLC / LH in South Korea. The possible lesson is that it is advisable for city’s government to distance itself, clearly and explicitly, from the risks of building real estate for any non-public uses and from related liabilities and to assume the role of a land supplier only. This should be reflected in a company’s establishing documents and in the forms that company’s cooperation with the private sector takes place. In particular, the private sector should assume the risks of market-oriented construction on the land supplied by the company. This kind of unbundling risks and allocating them separately to each partner in a public-private partnership is best achievable within contract-based PPPs between the company and the private sector partners, for each specific project of this kind. This implies that one would not recommend creating a legal joint venture (JV) between the government land corporation and the private sector partner, where the risks would be borne by both partners, proportionally to their share in a JV.

In other words, the role of the company as a part of land management and land development in the city should be clearly defined and delineated from other actors’ roles. However, defining the goals of the company cannot be reduced to answering the questions above. The Case Studies in the Annex illustrate that company objectives are most often formulated in substantial detail. Regardless of the specifics of a company’s goals and activities, they should be carefully aligned with other policies of the municipal and upper-level governments; most importantly, with overall land policy, housing policy, and economic development policy and a long-term financial policy plan.

2. Define a mid- or long-term time horizon
From the outset, the company should be envisioned as an institution systematically working over an extended period of time. Given that a full cycle of land acquisition, subdivision / infrastructure provision (even basic infrastructure), and release takes at least 3-4 years, the company planning horizon should be at least 6-10 years.

If the company is created for dealing with a particular project or area, this should be clearly stipulated in its documents, along with provision that the company will be liquidated upon completion of the project, unless the establisher decides otherwise along the way.

3. Develop a detailed conceptual design
The company should be carefully thought through. Key issues are:

   o Governance / organization
   o Funding model and financial instruments that the company may use
   o Property ownership / control
   o Powers / Responsibilities

These issues should be elaborated clearly and specifically, with a level of detail that would be sufficient—after the conceptual design is approved—to serve as the basis for further legal work.
to codify the concept into proper regulatory, governing, and planning documents related to the company.

The company should have sufficient authority to conduct all needed activities and act quickly (for example, for initiating changes of land uses and their parameters, “zoning” in the US terminology, for areas where it operates) and, at the same time, be accountable for its activities.

If the company is created as a holding company, one should assume that the government will establish the second company, a wholly-owned subsidiary to the holding company, which will conduct activities on land development (see graph 1).

Graph 1: Structure of a Local Development Company as a wholly-owned subsidiary

A standard arrangement in this case is that both the holding company and its wholly-owned subsidiary have the same Board of Directors, but often have different executive teams. Further, assets (e.g. land) are held on the balance sheet of the subsidiary, not the parent holding company.24

If, however, the company is envisioned as the holding company with several subsidiaries, the complexity of the overall arrangement increases. Thus, the whole host of issues related to interplay among the subsidiaries and their holding parent becomes critical. For example, how the land would be divided among subsidiaries? How their finances will or will not be coordinated, especially given that some of them could generate profit very soon, while others may become profitable much later if at all, so that partial cross-funding can be a needed option? How to avoid over-supply of land to the market, given that each subsidiary would be interested in going ahead with releasing “its” land? How to avoid competition among them for always limited private investment resources? How to secure overall efficiency instead of duplication at the subsidiaries, especially in use of highly specialized expertise such as preparing, launching, and managing PPPs? Overall, establishing a government land development corporation with multiple subsidiaries is especially complex and is not recommended unless the subsidiaries have clearly delineated business niches, do not compete for resources, and the issues formulated above are clearly addressed.

The guidelines below identify the main issues to be covered in the conceptual design.
Governance / organizational regime

- **Governing law**
  - Which law will govern the company—special legislation, general commercial law, or a combination of laws?

- **Governing documents**
  - What is the list of specific documents that should be prepared for establishing the company?
  - Which specific documents will govern its structure, operating and financial activities, control mechanisms?

- **Establishing body**
  - Who will be the establishing body / shareholder(s)?
  - If the establishing body is the city, will it be a sole shareholder or are there some other shareholders to be included?
  - Can the company go public (sell shares to the public)?

- **Board of Directors**
  - Who should be on its Board of Directors or other supervisory body?
  - What will be the main powers and responsibilities of the Board?
  - What will be the level of Board independence from governmental officials?
  - What will be the disclosure requirements for Board members?
  - Can foreigners be members of the Board?
    
    *Note:* Including private sector experts (bankers, real estate developers, builders, etc.) as a majority on the Board appears to be one pre-requisite of success, according to international experience. At the same time, it is important to avoid any real or potential conflicts of interest for Board members.

- **Executives**
  - Will the CEO be appointed by the Board of Directors or the government? What will be his / her main powers and responsibilities?
  - What qualifications will be required? For example, will he / she need to demonstrate past success in executive positions in the private sector?
    
    *Note:* The international Case Studies indicate that the past experience of the company Board members and executives in the private sector is one of the ingredients of success.
  - Will the compensation of CEO and other leading executive and technical staff be competitive with the private sector? Will the compensation be linked to performance?
  - Can a foreigner be hired?
    
    *Note:* Given that in-country experience with land development corporations and PPPs can be limited in some cases, hiring an executive from a country with broader experience can be beneficial.
Accountability
- Which accountability mechanisms will be stipulated and used?

  *Note:* Some combination of tools can be deployed: a proper system of reporting (by executives to the Board and the Board to the establisher and the public); clear lines of decision making and responsibilities; performance management. Accountability mechanisms should be stipulated in company’s establishing documents.

Performance management
- Against what criteria will the company’s performance be measured?
- Which methods of performance management will be used?
- Will financial performance targets (such as return on investment or others) be included in performance management?
- What kind of safeguards will be used against potential collusions between the company staff, officers, and Board members and people or entities from which it may acquire land or services (in particular, to make sure that the company does not overpay for assets and services it acquires)?
- Will compensation of the executive and lead technical staff include incentives for the company’s performance?

Funding and finance

Sources of funding
- What will be initial capitalization of the company?
  
  *Note:* 1. One option would be to give the company some capital assets in the form of land that it should manage and some start-up cash (which may be treated either as a financial asset or a no-interest loan from the city). 2. A simple way to generate cash for start-up operations and investment would be to place some well-located vacant sites in well-organized auctions.

- What are the ultimate sources of funding (i.e., after the start-up period)? Fully from company’s own revenues? Fully from the city budget or the budget of the higher-level government (provincial, central)? Some mixture of both?

  *Note:* 1. Mixed funding is most likely if the activities of the company will include “lines of business” that differ in their financial nature. For example, if the company will deal with releasing the municipal land to private developers at market prices, this should be a profitable line of business and may allow for self-financing. In contrast, delivering public transportation infrastructure or land for such infrastructure will most likely require public subsidies or, in the best case, will take a very long time to recoup the initial capital investment. 2. Careful consideration should be given to all forms of “land financing” as a set of instruments for mobilizing values of governmental and private land for infrastructure finance.

Level of financial autonomy
- If the company is expected to be financially self-sufficient, will it have complete financial autonomy; i.e., be allowed to retain profit from its activities or is it supposed to pay some dividends to its shareholder(s) or make contributions / payments to other entities?
- Will the Board of Directors have the autonomy to approve the company’s financial plans and budget or will they need approval of the government as well?
  
  Note: The answer may depend on whether the company will receive governmental grants or not. Specifically, if the company is self-sufficient financially, it may be given the right to manage its finance and budget independently, following the reporting requirements (see below). If, however, it will be a recipient of governmental grants / subsidies, it should be subject to the governmental budget approval process.

○ Spending mandate
  - What are the rules the company needs to follow in determining how it may spend net revenues (profit) from its activities?
  - In particular, may it purchase land? If so, for its own operations only or will it be required to acquire land for other governmental activities as well?
  - Is it supposed to contribute in paying for city’s infrastructure needs, beyond the company’s own activities with infrastructure?
  - May the company set up salaries and other benefits for its executives and staff?
  
  Note: A standard approach would be for the Board of Directors to be responsible for approving the company’s annual and multi-year financial plans and budgets. In particular, the Board should have the right to establish salaries / benefits. Further, a good practice model would require that:
    - A “golden rule” is followed, meaning that net capital revenues, i.e. net revenues from disposal of land / property held by the company, are used, predominantly, for capital investment or for paying of long-term debt;\(^{28}\)
    - Net capital revenues of the company are held in a special multi-year fund that accumulates them and buffers the funding available for capital expenses from volatility of the real estate market.
    - Another good-practice tool can be a profit-sharing arrangement, which reallocates a part of the net capital revenues of the company for funding capital needs of the city that go beyond the responsibility of the company. However, this arrangement should be predictable for the company and not conflict with its long-term financial planning and viability.

○ Tax status
  - What will be the tax status of the company: Paying all taxes or being exempt from some?
  - If the latter, are these exemptions temporary or permanent?
  - If temporary, what is the time horizon for the exemptions?

○ Borrowing
- Will the company be permitted to borrow on the private financial markets?
- If so, who will define the permissible upper limits on its debt liabilities?
- How will these limits be defined?
- What will be the liability implications for its shareholder(s), including the city? For example, what would be the city’s contingent liabilities related to this borrowing?
- Which forms of borrowing may the company use (bank loans, bond issuing, contractual agreements with the private sector regarding private finance)?
- May the company use its property as collateral for borrowing?

Note: It is advisable to prohibit company’s borrowing or guaranteeing loans, except for funding public infrastructure and public-use facilities.

- Pricing policy
  - If some land / real estate will be contributed into the capital / ownership of the company (and placed on its balance sheet), how will it be valued: At market value or somehow else?
  - If the latter (not market value), what would be the value?
  - What will be the policy for pricing properties / land that the company disposes: Is it required to dispose at market value only or will there be cases when other rules apply?
  - If the latter (nonmarket value dispositions), what are the cases and pricing rules for them?

Note: Good practice is to value the land at its market value, even if it is allocated at prices below the market prices. This would allow, at least, knowing the true cost to the company and its shareholder of the policies that require below-market land allocation. A good example of market pricing was introduced in Kuwait as discussed in chapter II above.

- Planning, accounting, reporting and auditing requirements
  - Which operating and financial plans are required?
  - Which accounting rules apply?
  - What are reporting requirements (to whom and how often)?
  - Will the company have an independent internal audit function?
  - How will independent external auditors be appointed / selected?

Note: In the case of the mixed funding (some part from company’s own revenues, some from government), a good practice would be to clearly recognize, as an element of financial management, which lines of business generate revenues and which require subsidies (even if subsidies are internal). In other words, revenues and expenses should be monitored and accounted separately for each line of business.

- Transparency
  - Which information and data about the company will be publically available and by which channels?
  - Which of company’s activities should require mandatory consultations with the public?
Property

- **Ownership**
  - Will the land / real estate which will be operated / managed by the company be given to it in ownership or will it still be owned by the city?
  
  *Note:* This question is not the same as the one above regarding company’s capital. In particular, a possible scenario is that some land, but not all, will be owned by the company as its capital asset, while the rest would be given to it for management, according to a contract between the company and its shareholder. However, this contract-based relationship may complicate further transactions with this land. Therefore, a simple model of company–owned land is recommended. However, as a precaution, only some part of the land should be transferred in its ownership at inception.

- **Balance sheet**
  - On whose balance sheet will this land / real estate be kept—the company or city’s?
  
  *Note:* In the case of establishing a holding company and its operating subsidiary, property is usually owned by the subsidiary and held on its balance sheet.

Powers / Responsibilities

- **Acquisition**
  - Will the company have the right to acquire land from other holders (the private sector and other government entities)?
  - If so, does it have the right to decide where to acquire the land?
  - Which land acquisition techniques are the company permitted to use? Potentially, there are several mechanisms that can be employed:
    - Obtain vacant or surplus land that is already under the city’s control or under control of other government entities (e.g. central government)
    - Negotiate and conduct voluntary purchases of land from private land owners in the city and surrounding areas
    - Conduct a land readjustment process (including nonurban land around the city), as an alternative to land expropriation (Box 2)
    - Expropriate land
  
  *Note:* It should be clearly defined which of these options can be used, for which purposes, and under which conditions.

  - Will the company need case-by-case approval by its establisher for each acquisition or will it have a blanket mandate to acquire the land, if the acquisition is according to an approved plan?
  
  *Note:* International practices indicate that having a blanket mandate to both acquire and dispose of the land within pre-approved plans (annual or longer-
term), without transaction-by-transaction approvals, is very important for efficient operations.

- **Disposition / pricing**
  - Does the company have the right to decide which rights in land does it dispose (outright sale in private ownership; long term lease or concession or other partial / termed right)?
  - Does the company have the right to decide which allocation mechanisms to use in each particular case (auctions for the highest price; multi-criteria RFPs, noncompetitive allocation, draws, allocations to wait-listers) or would this be defined in the general policies of the company codified in its documents?
  - Will the company need case-by-case approval by its establisher for each disposition transaction or will it have a blanket mandate to dispose of, if according to an approved plan?
  - Does it have the power to set prices and payment schedules for land plots that it sells and otherwise allocates?
  - Does it have the power to conduct transactions, such as purchases and sales of land rights, on its own?

  **Note:** Establishing a transparent business process is important for multiple reasons. This transparency should include clear rules regarding (i) eligibility for potential buyers for buying land / property (or partial rights like lease) that the company disposes or for otherwise engaging in company’s activities (such as responding to RFP for PPPs and outsourcing projects) and (ii) competitive and transparent procedures. In particular, it is worth noticing that competitive procedures of land release, such as auctions, would help the company to maximize revenues that, in turn, can be invested in further projects, including funding for social-use facilities. Auctioning can be applied to any rights in land, including allocation of long-term land leases to developers. The competitive procedures also have a strong anti-corruption effect. In any event, all eligibility criteria and land release procedures should be spelled out very clearly and be widely known to potential “clients” of the system.

- **Urban planning**
  - Does the company have land use planning power? In other words, may the company define such parameters of land use as type of land use, plot sizes, permitted density of land use or, alternatively, is the company limited only to initiating land use planning performed by another city entity?

  **Note:** It is advisable to separate the urban planning and land management functions, in order to avoid conflict-of-interest situations. However, the company should be able to initiate revisions to existing land use plans.

- **Outsourcing / relationships with the private sector**
  - May the company outsource some of its activities to private sector service providers, on a contractual basis (for valuing land, providing infrastructure to company’s land, preparing and conducting auctions, etc.)?
  - May it enter in long-term PPP agreements with private partners?
Which forms of PPPs are allowed and encouraged for the company to enter? 

**Note:** This issue requires especially careful consideration. The notion of public-private partnership (PPP) is understood very differently in different countries or even in one country depending on the subject of the cooperation between government (or its land development corporation that represents public/government interests) and a private-sector partner. In the subject area related to land/real estate/public infrastructure, the most common contemporary forms are based on **contractual relations** between the governmental partner (in this case, land development corporation) and the private sector partner (which can be a consortium or a special private company created by several private partners, such as a bank, real estate developer, and property management company). In this case, no joint legal entity is created by government (or its company) and the private sector partner. Instead, they sign a legally binding contract, which can be a so-called “development agreement” if the subject of cooperation is re-development of a specific whole area or it can be one of many forms of project-specific contracts (build-operate-transfer, etc.), when the cooperation is related to a specific facility or property (water treatment plant, etc.). Sometimes, the government and private sector partner do create a **joint legal entity**, but this form is considered less appropriate for achieving government’s goals. Finally, sometimes, particularly in countries with a government monopoly on land for development (Kuwait, Hong Kong, Singapore), government participates in commercial real estate entities established as local versions of publicly traded Real Estate Investment Trusts (REITs), in order to open the real estate sector for small investors. Obviously, for being a good instrument for private investors, these REITs should be profit-generating, i.e. deal with commercial real estate. This, in turn, suggests that the government would better be an enabler and regulator for them rather than a direct participant.

- **Responsibilities**
  - What are the company’s obligations regarding compensating holders of properties if they are expropriated for the company’s operations or are included in a land readjustment project?
  - What are their obligations regarding infrastructure provision to the land the company disposes of—both before sites are released and as a follow-up gradual improvement?
  - Are there responsibilities about an annual volume of operations? For example, will the company be obliged to offer for disposition some number of plots annually, according to some rule or, alternatively, may it time its operations to the demand signals and according to a long-term plan?

- **Relationships with other city’s entities**
  - What are the relations with other city’s entities, including municipal utility companies (water, sewerage, electricity, etc.) and the agency in charge of urban planning?
Box 3. Example of Preventing Municipal Land Corporation from Becoming a Monopolist

City of Edmonton (Canada) has the following provision in its Land Development Policy:

“The City’s development of residential lots will not exceed 10 percent of the total single family residential lot development in the Edmonton region.”

Source: Edmonton, Land Development Policy.

4. Develop documents needed for legal actions to establish the company

The company should be instituted and regulated by the appropriate legal documents. For example, it may have its Charter as a defining document or a special regulation or directive that would codify the company’s governance, organization, powers and responsibilities as they were designed conceptually.

Which specific governmental decisions or regulations—and at what level of government—are needed for establishing a city-level company depends on the country’s overall legal framework? Qualified lawyers should advise on which documents are needed and on procedural, regulatory and legal issues of establishing the company, as a part of the conceptual design outlined above.
It is critically important that formal documents are developed within a proper cycle, after the policy and conceptual solutions are formulated (according to the guidelines above), discussed and agreed upon. This would allow for avoiding a common mistake when formal documents are developed without a clear conceptual blueprint.

5. Prepare a start-up plan
The start-up period requires special planning and attention. In particular, as indicated in the section on the conceptual design, the initial capitalization of the company is important, including both land assets and initial financing until the company becomes self-sufficient or stabilized with mixed–source funding. However, a scope of initial capitalization may depend on what exactly the company’s start-up activities would include. Therefore, in addition to the conceptual design, and consistent with it, a start-up business plan is needed.

This business plan should outline initial activities / projects to be undertaken by the company, define various resources needed, provide realistic pre-feasibility estimates of the time line for these activities / projects, and present possible financial schemes (cash flow forecasts) for the start-up.

This plan should be realistic and acknowledge the current realities on the local real estate market in which the company will be operating, as well as the cyclical nature of the market. No realistic forecast of costs, revenues, and timing are feasible without reliable data on real estate prices, transactions, construction costs in the market, and on inventory of land that will be under the company’s control.

Therefore, establishing the land information system (inventorying municipal vacant land and monitoring the private real estate market) is a prerequisite to a company’s success, otherwise the lack of relevant information will inhibit its activity. Whether developing and maintaining this land information system should be one of company’s responsibilities or should be launched independently, with a secured easy access to data, is a separate issue to be considered and decided.

Assuming that relevant real estate market data would be available at the moment when the start-up business plan is developed, the company organizers should then secure participation of highly professional real estate experts in the business plan development. Otherwise there is a high risk of developing unrealistic assumptions that undermine the reliability of cash flow analysis and the viability of the activities / projects considered and resources required.

Professional expertise, land assets and financial resources needed for the start-up will depend substantially on the nature of projects the company will be engaged in. For example, if the start-up activity would consist of a pilot PPP project that would procure some PPP within a design-finance-build-operate model, the company would need experts and resources for preparing and launching this procurement and a land site to contribute for building this project, but no financial resources for capital investment. If, however, the start-up would be a project dealing with planning, subdividing, equipping with infrastructure and selling on the market land plots in an area designated for such activity, the company would need a land tract very different from the
site in the first example, resources for capital investment in infrastructure, a completely different group of experts, and, most probably, a different time span of the project.

6. ** Longer-term: Develop and implement realistic operational and financial plans**

Operational planning and financial planning are both central to a company’s work and should be established as interwoven parts of a planning process. The objective of this inter-related planning is to make sure that the operations planned and the funds available are consistent with one another. In particular, to insure that unrealistically high volumes of infrastructure provision or land acquisitions are not planned if there are no financial resources to fund these activities. These plans should cover at least two time horizons:

— One-year, detailed plans, and
— Five-year, less detailed plans. These should demonstrate the continuity of operations and the consistency of financial results from year to year. In practice, the financial planning should incorporate a spreadsheet model of a 5-year cash flow to simulate financial results depending on the volume of operations and market conditions. Such a model will help the company’s managers to forecast realistic and responsible parameters for its activities.

The 5-year plan should be periodically adjusted (every 6 to 12 months) to reflect factual, operational and financial results over the previous 6 to 12 months, as well as changing market conditions.

7. **Monitor and evaluate results**

The company should be obliged to regularly report its results to its Board of Directors and shareholder(s), perhaps semi-annually or annually. What exactly is reported is important. The first step would be to monitor and report the operational and financial results within the same format as the 5-year plan was developed. The second step would be introducing—after 2-3 years of operations—some indicators directly related to the goals set up for the company; monitoring these indicators would allow the Board and outside auditors to judge whether the company performs according to its mandate. Appendix 1 in the Annex provides an example of a multi-criteria method (“balanced score card”) use by the Canada Lands Company.

Making the results of the company operations and its audited reports publicly available would set up the company as a beacon of good public management.

5. **Conclusion**

International experiences with government land development corporations provide a sufficient body of knowledge and lessons for new entrants to move ahead with introducing this instrument of land management with reasonable chances for success. A systematic and professional approach to designing a concept for the land development corporation, factoring in lessons from other places, and a careful implementation appear to be useful.
ANNEX: DETAILED CASE STUDIES

Case 1. Johannesburg Property Company (JPC)
Case 2. Korean Land Corporation (KLC)
Case 3. Canada Lands Company, Canada Lands Company Limited
Case 4. Ottawa Community Lands Development Corporation
Case 5. Calgary Municipal Land Corporation
Case 6. Partnerships British Columbia
Case 7. Singapore: Singapore Land Authority, JTC Corporation, Housing and Development Board, and Urban Redevelopment Authority

Case 1
Johannesburg Property Company (JPC)
Reference Web Site: http://www.jhbproperty.co.za/

Function/Operations:
The Johannesburg Property Company (JPC) was established in 2000 as a part of the City of Johannesburg’s long-term vision and strategy development plan for 2030. JPC is wholly owned by the City of Johannesburg Metropolitan Municipality which consists of eleven regions. JPC is classified as a Municipal Entity and is the primary property manager, acquirer, disposer and developer for the city. As a result, its role is more expansive than simply handling surplus government properties.

As the municipal property management company for Johannesburg, JPC is responsible for land acquisitions, expropriations, identification, designation and conveyance. JPC also makes arrangements for long, medium, and short-term leases for land, servitude encroachments, and outdoor advertising space owned by the city; provides financial, accounting and strategic business services for city properties; develops, manages and services certain properties on an as-needed basis; and finally is responsible for maintaining an Asset Register with all property portfolios owned by the city which come to a total of over 14,000 deed worth over 6.8 million South African Rand. JPC provides property-related services to all of Johannesburg’s fourteen Municipal Owned Entities with the aim of improving their ability to deliver services. JPC also provides a direct service to the public by acting as the city’s approving body for land sales and transfers between private entities where the title deed states that such exchanges must be approved by the city.

The primary functions of JPC are divided into four categories: Property Asset Management; Property Management; Property Development; and Facilities Management, with the latter being a very small part of the overall.

Property Development involves conceptualizing, designing and then implementing (either individually or in partnership) a development on CoJ land. The following projects have been tendered already:
o Arena Sporting Precinct (sport facilities, a sport stadium, relaxation purposes, hotel, retail purposes, offices and related uses; housing for the second stage);
o Bruma—10.4 he for mixed-use development;
o Fairlands—6 he for commercial development;
o Jabulany—30 he for housing / commercial / open space development;
o Randburg Civic Precinct & Hilltop Development—mixed use, civic, transport; and
o Sandton Central Business District—high density mixed use.

Property Management is divided up into separate portfolios such as the Municipal Portfolio, the Social Portfolio and the Residual Portfolio. Property management includes:

o Lease Management (currently 3,600 leases);
o Identification of appropriate properties for leasing;
o Negotiation of lease conditions and drawing up of lease contracts;
o Managing tenancy to ensure timely renewals or terminations;
o Ensuring timely rental payments;
o Ensuring adherence to lease conditions;
o Property sales through public tender processes;
o Vacancy management;
o General property management services [such as paying service providers];
o Lease agreements with advertising entities for Council-owned advertising sites;
o Putting out public tenders for Council-owned advertising sites;
o Running accounts; and
o Providing reports.

JPC’s role in development is only for developments that are strictly property-related; the Johannesburg Development Agency is given power of attorney for property developments in some instances. Property Asset Management is JPC’s newest addition to its functions and has a very ambitious scope. JPC considers asset management to be making decisions on whether to buy, sell, hold or modify properties, management analysis and reporting of performance, managing of the property manager, and market analysis, making decisions regarding asset allocation. The JPC website breaks down its asset management program as follows:

**Property Finance and Investment Analysis**

Provide strategic advisory role relating to activities of capital investment, portfolio planning, the disposal of single asset and/or entire portfolios and identification of possible scenarios for the positioning of the portfolio. The primary objectives are the means of the intervention of complex real estate operations and identification of potential utilization or investment opportunities.

o Identification of investment opportunities
o Assistance with disposal of property holdings
o Pre-feasibility and feasibility studies
o Analysis of portfolio and investment returns
o Investment analysis
o Portfolio analysis

**Portfolio Performance Management and Monitoring**
Offer primarily the analysis, evaluation and assistance with the performance and formulation of alternative scenarios in the property management of the portfolio.

- Strategic portfolio management
- Watchdog (performance monitoring)
- Certify conformity to best practice and acceptable standards
- Evaluation of legal and procedural matters
- Identification of potential for best practice property management
- Rent roll analysis and identification of potential revenue sources
- Strategies for the optimization of revenues/benefits from each property

**Property Economics and Research**

Provide for specialization in the gathering and analysis of data relating to the property market in general.

- Market and sector studies
- Data management and statistical analysis
- Economic impact studies on development projects
- Analysis of supply and demand
- Macroeconomic and demographic analysis
- Property market reports

**Fixed Asset Register**

Responsible for the establishment and management of applications and methodologies for the compilation, safe keeping and the use of the fixed asset register in terms of acceptable standards.

- Custody of title documents
- Classification of the fixed asset register
- Fixed asset register due diligence
- Valuations of the assets
- Compilation and updating of the register

**Asset Management Administration**

Ensure success in all asset management operations by providing precise information and understanding of the physical characteristics of the portfolio or the assets.

- Investigation into best practice standards
- Document management and analysis
- Property specific or portfolio data compilation and survey

The Property Economics and Research aspect of JPC’s work is fairly robust for a local level operation. JPC has put out a document with “Market Rentals and Building Cost Rates” with its market research on construction costs per square meter for everything from parking lots to private dwellings to luxury hotels. JPC also surveyed rental costs by each of Johannesburg’s regions comparing the stock of different types of property. Rental rates for industrial and residential properties in each region are reported twice a year.5

**Organization/Governance:**

5 Manganye, Sam, Johannesburg Development Corporation “Market Rentals and Building Cost Rates 2nd Half”
Because it functions on a local level the governance and oversight for the Johannesburg Property Company are somewhat less layered than for national land corporations and because of its expansive, multi-faceted role, JPC is undoubtedly one of the more powerful/influential of the fourteen Municipal Owned Entities in the City of Johannesburg. JPC has a Board of Directors charged with overseeing its compliance. Ultimately, the Greater Johannesburg Metropolitan Council is the highest authority within the city and is the title holder for all public land in the city. Most major action on the part of JPC requires approval from the Council or its representative, the City Manager. Implementation of the Supply Chain Management Policy for Land must be reviewed annually by either the City Manager or the JPC Managing Director. The JPC Managing Director is also the JPC Accounting Officer and it is to him that the JPC General Manager reports directly.

According to the Supply Chain Management Policy for Land, the City Manager for Johannesburg has the responsibility to “enforce reasonable and cost-effective measures for the prevention of fraud, corruption, favoritism, and unfair and irregular practices in the implementation of this policy.” The City Manager also chairs the City Executive Adjudication Committee which approves the transfer of land in cases when it is worth 5 million Rand or more, the period is over 50 years, the rental income is over 100,000 Rand per month, or it requires capital improvement over 10 million Rand. Cases in which the value of the land is less than 5 million Rand are referred to a separate City Central Adjudication Committee chaired by the City Executive Director for Finance and Economic Development.

JPC through its own Adjudication Committees, made up of JPC employees only, has the power to make final awards in all other cases. The first JPC Adjudication Committee is chaired by its Managing Director and has the power to dispose of land in cases when the lease period is between 10 and 50 years, the rental income is less than 100,000 Rand per month, required capital improvement is less than 10 million Rand and can cancel or acquire servitudes of any amount. The second Adjudication Committee is chaired by the General Manager or his/her nominee and has the power to enter into leases for a period of less than 10 years.

Besides these final approvals, JPC is required to report on its actions extensively as outlined in JPC’s Supply Management Policy for Land. The reporting line is as follows: internally, the JPC Adjudication Committees report to the General Manager and the General Manager reports to the Managing Director; externally, the JPC Managing Director is required to submit reports to the JPC Board; the JPC Board in turn reports to the City Manager; the City Manager Reports to the Council; and the City reports to the National Treasury and/or Provincial Treasury as well as the Department of Trade and Industry. In addition, JPC and City Adjudication Reports are made available to the public as required by law through the City of Johannesburg web site.

Programmatic and financial information reported includes: Adjudication Committee meeting minutes; reports on construction projects awarded and any final awards made that month including the amount of the award, the recipient of the award, the reason for the award to the recipient; progress reports on the implementation of the Supply Chain Management Policy for Land; progress reports on the operations of the Supply Chain Management Unit; consolidated reports on Quarterly Income from leases, transfers and the disposal of land and real rights with reference to the Budget; and any transfers, leases, disposals of land or real rights made to another
organ of state; and transactions/contracts valued at 100 million Rand or more; contracts awarded with a duration of more than 3 years.

Information reported for the sake of transparency and good governance include: any noncompliance, deviation and remedial action proposed or taken; any awards or leases above a certain amount made to close family members of anyone who within the last 12 months has worked for the State, Government, Municipal Owned Entities or served as a consultant to JPC or is affiliated as a board member or shareholder with any concerned service providers or municipal entities; any abuses found and the associated corrective action; all declarations made and gifts received by employees; any bidders or officials who abused the Supply Chain Management system and found guilty of improper conduct; any bidders who have been found guilty for bribing or inducing City employees to secure and award; any sponsorship, promised or given, directly or indirectly, from a recipient or potential recipient of disposed land.

Annual reviews, such as an audit of the Supply Chain Management practices and whether Supply Chain Management objectives are being set and then measured are two institutionalized measures of performance management for JPC.

Property Ownership:
JPC does not own the land assets it manages and develops; rather the City of Johannesburg owns them and has the title in its name. JPC is currently responsible for about 63,000 vacant land assets and 1,500 built-up properties which it manages but appear on the CoJ balance sheet. Its full portfolio contains:

- Land and buildings for sale.
- Land and buildings for rent.
- Advertising spaces for rent.

Financial Arrangements:
JPC may only acquire or expropriate lands or real rights for which it has an approved budget and an approved resolution. The General Manager of JPC is the individual responsible for ensuring that this has been accomplished.

Specifics of the JPC Portfolio:
As with other land corporations, social benefits are taken into account when formulating asset management strategies. For example, JCT considers it mission to be “maximizing the COJ’s return on its property, both in terms of its social, economic and financial value.” In most cases JPC uses a competitive bidding process for disposing of land, leasing land to private investors/developers under long-term leases, or soliciting private service for maintenance and management of City’s properties. The latter two cases are, in fact, forms of PPPs.

However, in the Supply Chain Management Policy for Land it states:

Although not encouraged that land and/or real rights be leased, disposed of or transferred at lower than market related price, the following principles will be considered to determine what is best in terms of the “public interest” factor:

(a) the interests of the State (all organs of state);
(b) strategic interests (if applicable), including the long-term effect of the action/decision;
(c) the interest of the public (or portion of the public);
(d) economic interests (if applicable);
(e) the interests, including the constitutional rights (if any) and legal interests, including legislative provisions and the Constitution
(f) whether the interest of the affected parties should carry more weight than the interest of the public. In other words, the interest of the individual should be weighed in the context of collective interest; and
(g) whether the public would be better served if the action is performed, as opposed to a continuation of the status quo.

Among its property management portfolios, JPC manages what is called its Social Portfolio. The Social Portfolio primarily consists of leasing portfolio properties to nongovernmental organizations, nonprofit organizations, places of worship, and for sports and recreation facilities. Organizations in this category are provided with in principles lease/sale agreements at the market rate but then may apply for exceptions through the city entities which oversee them such as the Community Development Department and the Sports and Recreation Department.

Once an organization has one of these approvals from the appropriate department they may receive a discounted rate on land rental and purchase. Churches (and presumably other places of worship) and NGOs “will rent land for a nominal amount” after which if the amount is still determined to be excessive to the applicant, an exemption can be sought. In the case of sports clubs, sport facilities may be rented for “a nominal amount and 10 percent of the rates applicable to that site.” If the sports club is earning revenue on the site the rate is renegotiated to secure greater rental income. If the sports club invests in improvements to the property, these “should be discounted against the 10 percent.”6

As a part of JPC’s Policy on the Release of City of Johannesburg-owned Land for “Public Places of Worship,” reduced market values are assigned to properties to be disposed of as places of public worship. This reduction in the market value of the property is justified in the policy by placing certain limits on the use and further sale of the property. In order to protect the city from the possibility of the property being re-sold at market value without being required to be a place of worship or from the original lessee being unable to continue payments, the following restrictions apply.

Properties leased as places of worship face property use restrictions and any expanded uses require prior written consent from JPC. Should there be a commercial expansion in the use of the property the rent payable would be increased accordingly.

Properties sold to be places of worship contain provisions in their title deeds which require the inclusion of a pre-emptive right in favor of the City of Johannesburg and require approval from the city should the land be sold or experience any transaction that would change its use, such as re-zoning. JPC would remove this provision from the lease once it has assessed the value of the

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property in its new capacity and “the increase in the value as a result of the land-use amendment will be for the account” of the City of Johannesburg.

In addition, JPC takes the following into consideration when selecting an organization for a property designated as site for Public Places of Worship:

- Standing in local society;
- Role and contribution to local society—additional functions other than religious (i.e. daycare, etc.);
- Not less than 400 members;
- Extent and value of improvements to the property;
- Compensation offered—rental/purchase price;
- Financial means—extent of own funds or ability to raise finance to effect necessary improvements;
- Undertaking to commence construction of improvements with 6 months of property allocation;
- Completion of improvements within 12 months of initial undertaking; and
- Location of other suitable facilities in the vicinity of the property in question.

The community Development Department is responsible for final evaluation and certification.

Among the principles ascribed to in JPC’s Supply Chain Management Policy for Land, is the Broad Based Black Economic Empowerment, Code of Good Practice. Elsewhere in the policy JPC states its commitment to the “utilization of the City’s land ownership as leverage to ensure effective implementation of Broad Based Black Economic Empowerment objectives” and the “economic development of local communities, Small Medium and Micro enterprises, women-owned enterprises, youth-owned and disabled-owned enterprises within the jurisdiction of the City.” In JPC’s Supply Chain Management Policy for Land, it is even more clearly stated that “land and or real rights that are disposed of transferred must be done so at market related prices, unless the public interest of plight of the poor demands otherwise.”

The socioeconomic obligations and objectives of the City of Johannesburg gave prompted it to provide the following “Empowerment Benefits” for all properties submitted for alienation/disposal.

<table>
<thead>
<tr>
<th>Empowerment</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>No Benefit</td>
</tr>
<tr>
<td>Up to 25% Empowerment</td>
<td>2% increment on offer price</td>
</tr>
<tr>
<td>26–50% Empowerment</td>
<td>4% increment on offer price</td>
</tr>
<tr>
<td>51–75% Empowerment</td>
<td>6% increment on offer price</td>
</tr>
<tr>
<td>76–100% Empowerment</td>
<td>8% increment on offer price</td>
</tr>
</tbody>
</table>

These benefits are applied only after the auction or tender process and should not influence the bid offer. Bidders or tenders’ must seek the benefits by filling out an Empowerment Verification Affidavit form to prove the Empowerment component of their offer as a part of their Offer to Purchase document. The City can evaluate all claimed Empowerment benefits and has the
discretion to apply then, approve them or reject them. This order is intended to reduce the distortion effect of such a benefit while at the same time making it possible to give such a benefit.

Regularization/Formalization of Illegal Occupancy Relationships

The problem of “squatting,” illegal occupation of land, is found almost universally in varying degrees. The City’s 5-year objective of formalizing 95 percent of settlements and upgrading 50 percent of settlements to a minimum level of basic services has been partially achieved since 2006. In the financial year 2008 alone 18 informal settlements have been upgraded. Under the Land Regularization project in the Soweto area alone, some 25 000 properties need to be transferred, rezoned or made available for development, in the process creating first time home-owners, stimulating entrepreneurship, creating job opportunities and encouraging further strategic investment in area.

Formalization of informal settlements includes setting up proper layout and demarcation of stands by means of fencing; registration of residents; allocating stands to deserving and registered families; providing street names and numbering to each unit; providing basic lifeline services; and finally, developing a framework for the upgrade of the settlements, in consultation with the residents.

The JPC implementation policy is expected to make two impacts:

- In the short-term, the programme seeks to verify and quantify the total number of properties under the control of the CoJ. In so doing, it legitimises local government in the eyes of its ratepayers, updates the existing database of Council-owned property and provides strategic property plans for the release of Council-owned property. In the longer term, the Council will have a clear land release strategy that will not only grant ownership but also access to Council-owned land.
- The process allows legal tenants transfer, provides economic incentives to invest in strategic parcels of land and identifies specific precincts that stimulate economic and social development. The CoJ will also be in a position to obtain revenue from those parcels of land release on public tender.

This effort can also be taken as a part of JPC’s commitment to the principle of “Broad Based Black Economic Empowerment” which it names as being one of the principles to which it ascribes in its Supply Chain Management Policy for Land. According to the Policy: “broad based black empowerment” means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socioeconomic strategies that include, but are not limited to

1. Increasing the number of black people that manage, own, and control enterprises and productive assets;
2. facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
3. human resource skills development
4. achieving equitable representation in all occupational categories and levels in the workforce;
5. preferential procurement; and
6. investment in enterprises that are owned or managed by black people.

In these ways, JPC promotes the City of Johannesburg’s social agenda—beyond promoting economic growth via strategic land development—through the subsidization of what the city considers to be socially desirable private sector activities which complement its own aims.
Case 2  
Korean Land Corporation (KLC) \(^7\)  
Reference Web Site: http://globalproject.lplus.or.kr/  

**Function/Operations:**  
The Korean Land Corporation (KLC), formed in 1975, is described in a World Bank report as “a particularly effective version of the urban development agency model”\(^8\). On its web site, the Korean Land Corporation described itself as a “land service company” and had over 400 employees\(^9\) across the country. The range of services offered by KLC was broad and extended beyond the borders of Korea itself although it was a Korean government-owned entity.

KLC was jointly owned by the Korean government (73.3 percent) and the Korean Development Bank (26.7 percent) with shareholders paying in capital for shareholder status. In 2007, KLC was “responsible for around half of the residential development and almost all industrial land development in the country,”\(^10\) Usually this development was in “new towns, major housing developments, and industrial estates.” As a part of its functions KLC developed and sold land for residential use; acquired idle and vacant land for resale; issued land debentures; reclaimed land; and developed new towns. This body had the capacity to carry out all of these activities.

Since its founding, KLC has acquired 746,328,000 m\(^2\) developed 408,941 m\(^2\) and supplied 607,090 m\(^2\) according to data on its web site. The breakdown by sector is below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Acquired Land</th>
<th>Developed Land</th>
<th>Supplied Land</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size</td>
<td>Amount</td>
<td>Size</td>
</tr>
<tr>
<td>Total</td>
<td>746,328</td>
<td>591,316</td>
<td>408,941</td>
</tr>
<tr>
<td>Housing Complex &amp; New Towns</td>
<td>316,355</td>
<td>389,214</td>
<td>257,538</td>
</tr>
<tr>
<td>Urban Renovation</td>
<td>3,207</td>
<td>6,174</td>
<td>70</td>
</tr>
<tr>
<td>Industrial Complex &amp; Distribution Complex etc.</td>
<td>155,210</td>
<td>44,265</td>
<td>137,541</td>
</tr>
<tr>
<td>Free Economic Zone etc.</td>
<td>28,766</td>
<td>41,717</td>
<td>10,265</td>
</tr>
<tr>
<td>Multifunctional Administrative City &amp; Innovation City</td>
<td>82,597</td>
<td>56,445</td>
<td>3,527</td>
</tr>
<tr>
<td>Reserve Land</td>
<td>147,169</td>
<td>26,858</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Land</td>
<td>13,024</td>
<td>26,643</td>
<td>-</td>
</tr>
</tbody>
</table>

Unit : 1,000 m\(^2\), 100 million KRW

Among all of the land corporations being examined, KLC had had one of the widest mandate and the most types of activities and, it seems, the most institutional authority to pursue its ends. City

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\(^7\) Readers should remember that in late 2009, KLC ceased to exist (reportedly, due to de-facto bankruptcy, and was merged with the Korean National Housing Corporation in one company, Korean Land and Housing Corporation (LH)).

\(^8\) Sustainable Development Department, East Asia and Pacific Region, The World Bank, Principles and Practice of Ecologically Sensitive Urban Planning and Design: An Application to the City of Hai Phong, Vietnam, June 2007


\(^10\) Sustainable Development Department, East Asia and Pacific Region, The World Bank, Principles and Practice of Ecologically Sensitive Urban Planning and Design: An Application to the City of Hai Phong, Vietnam, June 2007
planning, development and management of land, real estate financing, real estate consulting, research and contributions to land records and land policy were all a part of KLC’s activities.

KLC carried out typical land bank functions which it calls its “Land Stockpile.” KLC buys land which it expects to be valuable in the future with the intent of selling or leasing it later. By securing the land early on KLC sought to control the land’s development and stabilize/regulate real estate prices by developing that land and releasing it on to the market as demand for it increases. Since KLC was founded, it has purchased 14.25 million m² of land for its stockpile of which it had resold over 94 percent as of 2006. The land KLC was buying for the Land Stockpile should be “land that was disposed of by law, limited in use or purchased for other reason but hasn’t been sold or severely developed” either “within the city area: land the building site of which exceeds the minimum size prescribed in Article 49, Section 1 of the Architecture Law” or “outside the city area: land the building site of which exceeds 600 m².”

KLC also managed land owned by the Ministry of Finance and Economy and other state institutions. KLC described its approach as establishing a “differentiated management strategy for individual sites through fact finding investigation;” “effective use of land resources by disclosing the computerized site information to the public and sharing information between the government and regional bodies;” and increasing “government profits by actively utilizing unused land and low-utilized land.” KLC would also engage in the “prevention and elimination of illegal occupancy and collection of compensation;” sell land based on “the state owned property management plan;” and loan [rent] properties “according to the property type and utilization.”

KLC may also develop land on behalf of a government agency or local government through a mechanism called “entrustment.” According to KLC’s web site “entrustment means that entrusting the entire land development project—ranging from business plan setting, compensation, construction, sales to business management—with regard to businesses implemented by the nation, local government and state-invested companies.” The justification for KLC’s “entrustment” is that KLC can leverage its “credit rating, business experience and technical power in such businesses” to the advantage of the entity from which it has received an entrustment. The stated intent of this arrangement is to avoid the inefficiencies that would come of an organization that does not have the necessary expertise to carry out a land development project. KLC and six other organizations may play such a role but KLC is “the nation’s top specialized compensation organization, KLC participated in the compensation entrustment business to utilize its compensation experience and strengthen public functions.”

KLC called these entrustments “establishing a joint cooperation system with the local government” and considers such entrustment arrangements to have a “win-win effect by introducing various joint development methods such as establishing a corporation [sic] with the local government.” However, there is no material on any efforts made to develop the capacity of local governments or other government bodies to be effective land managers.

KLC was also responsible for “land space information,” preparing the government’s official statistics on land, preserving cultural assets found during land development excavation, and land policy research. KLC oversees what it calls “Land Informatization” which involves the creation
of a “national space information foundation” charged with “digitalizing the analogue form of land information and forming a comprehensive land information system.” KLC also seeks to integrate information on land value, evaluations of land fitness, and relevant areas of land policy and land use regulation into their information system.

The sophistication of the information available to KLC and the types of analysis KLC was able to do with that information was immense. In 1990 KLC began keeping GIS data on “digital geographic information including cadastral, terrain, and environmental data set” which later became its “special data ware house” which now contains “more than 125 layers of geographic data” on everything from land suitability assessments, urban planning statistics, road networks, protected habitats, regulations, and natural features and topography.

All of this data is sorted, organized and analyzed by KLC’s new Spatial Information Knowledge System (SPINKS) which it began in 2006. This powerful tool is being used to make development decisions particularly for potential housing projects and determining sites for acquisition. SPINKS has significantly reduced the time required to process many of KLC’s most involved transactions and certainly serves as model for information management and optimization.

**Organization/Governance**

The public face of the organization was its CEO but board members and KLC’s direct link and reporting lines to the government and the public were not readily available although there were linkages to the Ministry of Construction and Transportation noted. For example, when it comes to the authority for zone designation for new urban development areas the “Minister of Construction & [sic] Transportation has designation authority if government-invested entity develops a site of 300,000 m² or more” and the administration of state tests for this ministry suggest that if KLC was responsible to the national government through its shareholder relationship that the link was likely through the Ministry of Construction and Transportation.

Overall, the KLC approach was very planned, centralized and top-down. Although there are nods made to local consultation as a part of the planning process, the greater impression is of a body which plans self-sufficient projects without reference to many outside sources. The experience, expertise, commitment to the greater good of KLC staff and the environmental and economic sustainability of its projects are taken as givens and oversight mechanisms are not mentioned. The consolidation of duties such as keeping the land register, certifying realtors, and buying, selling and managing land for the government leaves open the potential for abuse.

KLC had instituted regular ethics trainings for its employees and “strengthening internal evaluation” involving its Human Resources department, which is charged with disciplinary actions resulting from code of ethics infractions, and Audit Office, which is charged with full scale investigations into ethical violations. Management, new employees, regular employees, and management officers receive four hours of ethics training per year while ethical management staff and officers receive twelve hours of ethics training per year.

**Transparency Efforts**
KLC has developed what it calls is TOMATO\textsuperscript{11} Transaction System which “discloses the whole process in land transaction and production, ranging from sales information, drawing lots and defect review and enables customer participation.” KLC has also “launched a green society project in cooperation with civic organizations” to ensure that the public’s voice is heard on environmental matters. To pro-actively deal with environmental issues a management committee to handle conflicts with environmental groups and customers was created to institutionalize conflict management practices.

The TOMATO system attempted to respond to land purchaser’s calls for “transparency in contractual procedures, “participation in land clearance process,” and “securing convenience for moving-in.” The Transaction System clarifies contracts through “online subscription” land clearance matters by having a “customer committee in operation,” and move-in concerns through “prior review system implementation.” Additionally, a Comprehensive Real Estate Information System (KOREIS) was created to make public “actual transaction prices of real estate instead of asking prices…to stabilize real estate prices.”

The web site with this information is <www.koreis.co.kr> and the information is reported under the Act on Real Estate Agency and Real Estate Transaction Report, however, when the link is entered into a web browser an error message in Korean appears.

Property Ownership
KLC’s balance sheet contained among its current assets an inventory of $2.824 billion in completed lands and $24.512 billion in uncompleted lands but does not provide the number of properties. These lands may represent KLC’s land stockpile holdings. Entrustments and new town developments are more likely temporary holdings that would not owned by KLC. Industrial estates and other developments for specific government clients or purposes such as the Multifunctional Administrative City are most certainly not owned by KLC but are only being developed by it.

The emphasis of being a land service company is on the management and development services provided by KLC as much as on its land ownership. Unfortunately the Income Statement provided shows revenue and cost for “merchandise and finished goods revenue” without specifying so breaking out the different parts of KLC’s business based on these figures is also difficult.

Financial Arrangements
KLC was jointly owned by the Korean government (73.3 percent) and the Korean Development Bank (26.7 percent) with shareholders paying in capital for shareholder status. According to its articles of incorporation, KLC had a legal capital limit of 15 trillion won. KLC was issuing Asset Backed Securities as well as Company Bonds to investors. In 2004, the last year for which the figure was available, KRW 74.4 trillion in Asset Backed Securities and Company Bonds were issued. The full financial holdings were available on KLC’s web site along with information on sales numbers and other financial data. For three consecutive year KLC had a debt ratio of less than 100 percent and has taken some steps to improve its financial capacity.

\textsuperscript{11} TOMATO is an acronym for Trust, Ownership, Monitoring, Active Education, Transparent, Only Customers
However, KLC’s debt (and of its successor, LH) was growing and was of public concern, along with a broader governmental policy of (i) allowing off-balance sheet state-owned corporations such as Korea Land and Housing Corporation (LH) to incur debt and (ii) assigning the corporations to borrow for projects of social nature that were not producing sufficient financial returns. The liabilities of LH, into which two corporations, land and housing, merged in October 2009, stood at 109 trillion won at the end of 2009\textsuperscript{12}. This amount represented an increase of more than 20 trillion won over one year, which helped push up the corporation’s debt ratio to a very high level—524 percent, the highest among the 23 Korean state-owned corporations.

In 2010, the corporation started scaling back on projects with insufficient profitability, by reconsidering its 120 projects nationwide, and may need real restructuring.\textsuperscript{13} LH expected that many of its past investments will begin to yield profits in 2013. However, there was a high risk that this expected profitability may not realize up to expectations, given that the property markets are in decline and it is not clear when they recover. Moreover, the country’s housing market is substantially oversupplied: the ratio of housing units to households has increased from 72.4 percent in 1990 to 108.1 percent in 2007, and is expected to reach 116.7 percent in 2012\textsuperscript{14}. State corporations are active contributors to this oversupply, in particular by building housing in new towns of Cheonan and Asan.\textsuperscript{15} Given this oversupply, there is a risk for LH to sustain losses.

Specifics of the KLC Portfolio
In addition to land management and land banking activities, KLC takes a leading role nationally in the development of new housing, especially rental housing, in Korea. KLC began to move in the direction of providing housing following major housing shortages in and around Seoul in the 1980s, when, according to the KLC web site, the Korean government decided to:

change its policy paradigm to view real property as public goods and, judging that price control alone would not be effective in containing the skyrocketing land price in the region, decided to construct a lot of housing units all at once in an effort to stabilize rising housing price and address the imbalance between supply and demand in the housing market which culminated in the announcement of the new town construction plan on April 27, 1989 as a part of the 2 million houses construction program.

At that time KLC developed four out of five “new towns” designed to relieve Seoul of its crowding and overpopulation by presenting attractive housing alternatives. According to the Residential Site Development section of its web site, “to date, KLC has invested KRW 32.35 trillion project sites in total and developed 65.73 million pyong\textsuperscript{16} of residential sites to deliver homes to 5.16 million persons amounting to 1/10 of the total national population.” Although there is no independent verification of these numbers exactly the scale itself is staggering but given South Korea’s settlement pattern not so surprising. Although the total area of the country is

\textsuperscript{13} http://english.donga.com/srv/service.php3?biid=2010072876368
\textsuperscript{14} “South Korea Price History—South Korea Moves to Forestall Bubble.” http://www.globalpropertyguide.com/Asia/South-Korea/Price-History seen on April 30, 2010.
\textsuperscript{15} Home Prices in South Korea Stalling at a High Point, New York Times, 2007/12/18.
\textsuperscript{16} Approximately 217.29 million m² from http://www.sizes.com/units/pyong.htm.
99,720 km², about half of its 48.5 million people about live in the Seoul Metropolitan Area which measures 605.25 km².

It is unclear from KLC’s materials what percentage of the housing developments referenced above was for rental and what percentage was for sale, however, it is clear that KLC does have an interest in rental housing development which became a focus in 1998 with the national rental housing scheme and was formalized in 2003 with the national government’s Act on Special Measures for National Housing. The government had planned on developing one million housing units between 2003 and 2012 to be available through the public rental housing scheme, increasing the proportion of long-term rental housing as a part of the national overall housing portfolio from 10 percent to 15 percent. The Korean National Housing Corporation (KNHC) and local municipalities typically build and provide long term (30 years or more) national rental housing funded by national or local government budgets or the national housing fund, but KLC has played a role in developing some of these properties.

KLC’s residential site development has been carried out in accordance with the Residential Site Development Promotion Act which “provides a legal framework that governs the residential site acquisition, development, sales and management for stabilization of national housing market an improvement of public welfare.” KLC has planned and contracted for infrastructure such as roads, parks, utilities, water supply, sewage treatment, educational and cultural facilities, single family houses, multi-household units and apartment complexes. Between 1990 and 2003, KLC’s stock of residential sites has nearly tripled.

In addition to the redistributive intent of its development of rental housing “to provide quality housing option for the less fortunate,” KLC also engages in geographical redistribution.

KLC promotes efficient utilization of national territory and balance in urban development by executing national policies relating to land in a systematic and consistent manner and delivers value to the general public by diverting development gains in Seoul Metropolitan Area to remote area development programs and social infrastructure construction projects.

KLC is now embarking on its third round of new town construction, in some cases in cooperation with local urban development corporations. The figures for these developments are below.

<table>
<thead>
<tr>
<th></th>
<th>Dongtan 2, Hwaseong</th>
<th>Wirye (Songpa)</th>
<th>Geomdan, Incheon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area (unit=1,000 m²)</strong></td>
<td>23,982</td>
<td>6,788</td>
<td>11,239</td>
<td>42,009</td>
</tr>
<tr>
<td><strong>Target population (unit=1,000 people)</strong></td>
<td>260</td>
<td>123</td>
<td>177</td>
<td>560</td>
</tr>
<tr>
<td><strong>No. of houses(unit=1,000)</strong></td>
<td>105</td>
<td>49</td>
<td>66</td>
<td>220</td>
</tr>
<tr>
<td><strong>Executor</strong></td>
<td>KLC, Gyeonggi Innovation Corporation</td>
<td>KLC</td>
<td>KLC, Incheon Urban Development Corporation</td>
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Developing entire new self-contained towns is a part of KLC’s activities that is not duplicated by any of the other land corporations examined. KLC has taken this strategy farther in its Urban Development and Comprehensive Regional Development growth areas.

KLC’s Urban Development plan involves creating multi-purpose developments incorporating more than just residential developments into their new towns. A new legal framework provided by the Land Readjustment Business Act has enabled KLC to “incorporate multiple perspectives in urban development programs and provide incentives to promote participation by the private sector.” KLC designates urban development zones and creates development plans and can use means such as “private acquisition, land condemnation, land swap” or a combination to secure the site as can any private developers if “they have acquired more than 2/3 of the prospective project site and [have] obtained agreements from more than 2/3 of property owners.”

Because of the option to use these methods of land acquisition, KLC first conducts a preliminary study and “organizes open discussions and public hearing sessions to collect input from local residents and relevant authorities to find the most efficient project implementation strategy. KLC then establishes an urban plan in line with regional urban plan and urban master plan before selecting a construction contractor, acquiring land and initiating construction.” It is unclear the extent to which the public opinion can influence KLC plans but the consultation is a part of the established process.

Comprehensive Regional Development plans are another planning tool KLC both creates and utilizes. As a part of its master planning, KLC seeks to implement local development with a mind towards more balanced regional development. To do this, KLC signs a framework agreement with local governments and plans “comprehensive regional development projects.” The process is twofold, involving a long-term vision or roadmap:

KLC and local municipalities establish plans for urban readjustment and local development jointly to coordinate a variety of development initiatives for living quarters, industrial plants, distribution facilities which have long been local issues from regional and general perspectives to promote balanced development of locality and national territory as well.

and a short-term vision or project plan and investment scheme:

Local municipalities establish urban master plan, urban renovation plan and mid/long-term development plan and solicit endorsement of local residents while KLC supports planning programs, execute development projects and reinvest development gains in a comprehensive regional development framework.

Planning costs are shared with local municipalities and projects suitable for joint implementation are chosen at which point KLC carries out the projects as entrustments. The project owner, project strategy, and the funding and cost-sharing scheme are determined in the implementation agreements with municipalities. Through this regional planning process KLC tries to act as a facilitator between local governments and municipalities, the national government and the
private sector. There is also a geographical redistributive aim in the regional development plans. As a part of these plans, KLC seeks to “fix the imbalance between regions.”

In addition to its urban and residential developments, KLC also has a business area dealing with Industrial Estates which it develops to rent or sell. It develops national industrial estates under the national government’s sponsorship and local industrial estates intended to boost a province’s competitiveness for attracting new business investment. Nationally KLC’s development of industrial estates has helped the competitiveness of Korean-based businesses by reducing start-up costs. KLC sees “sustaining the supply of industrial sites” as one of its key activities. KLC considers itself uniquely suited for this purpose because “such projects require prompt implementation and consideration of public benefits, which is hard for private entities” whereas “KLC is a public corporation [and] has played a leading role in constructing industrial estates in support of underdeveloped local economy.”

This sense of ensuring the public good through its control and regulation of development is a common theme throughout KLC’s web content and reflects the way it perceives its mission and mandate from the national government. Like its residential projects, KLC develops industrial estates with a mind towards evening the distribution of production facilities throughout the country to address what is sees as the “imbalance between developed and under developed parts of the nation.”

In newly developed industrial estates being planned specifically for rental and to draw businesses from the Seoul Metropolitan Area to the provinces, preference is given to start-up companies and small/medium enterprises. These sites are designated for rental-specific industrial estates by the Minister of Construction and Transportation following consultation on the development potential of the site and its viability as a rental-specific site with the local municipality and the national government “funds 30 percent of site preparation cost borne by KLC.”

KLC also supports industry through what it calls is “logistics centers” which include coordinated supporting services for its tenant businesses such as freight terminals, warehouses, cargo collection and delivery sites, shops and wholesale agriculture markets as well as financial, insurance, and medical facilities and other workers’ amenities.

The scope of KLC’s ambition in planning is impressive. KLC is currently designing six “innovation cities” which are cities planned to optimize “innovation conditions to promote close cooperation amongst public organizations to be relocated to local areas, industry, academia, research institutes and government agencies” all 78 of which will be relocated to the appropriate “innovation city” once it is complete. The organizations being relocated are not minor and include the National Health Insurance Corporation, the Korea Highway Corporation, the Korea Electric Power Corporation, the Korea Gas Corporation, the Korea Labor Welfare Corporation and KLC itself. Each of these innovation cities is intended to be a center for learning and collaboration. KLC was also selected to be the “project owner” for the National Assembly for the development of a Multifunctional Administrative City to which to reallocate other public organizations.

Private Sector Involvement
KLC has taken a public private-partnership approach to land site development projects for commercial area developments in planned communities by securing partial project-financing from private sources. After having experiences developing residential sites without adequate “major convenient facilities such as discount stores, hospitals and parking lots” KLC began to explore the options of developing both aspects of a community—residential and services—in concert. The revised Enforcement Ordinance of Land Development Promotion Act of July 2001 “stipulated grounds for public and private sectors to jointly develop a real estate.” In addition to the benefits to residents of these planned communities, KLC cites the following benefits for the public and private sectors:

Public Sector:
- Creation of synergy effect by introducing the private sector’s construction power and creativeness;
- Development of a complex and three-dimensional plan; and
- Revitalization of an advanced real estate financial technique and stabilization in the real estate market.

Private Sector:
- Enhancement of business confidence and increase in land sales by utilizing the public sector’s credibility;
- Securing high quality land without the burden of early land acquisition costs; and
- Enhancement of the business process through smooth fund raising and business cost saving.

KLC has also a Special Business component that Overseas Projects. KLC recently entered into an agreement with the government of the State of Gujrat in India and the Gujrat Vital Innovation City in August 2009 to develop an industrial park/development zone, according to the Mumbai Business Standard. KLC’s global outreach efforts have the intention of assisting Korean construction firms in expanding their business into overseas markets and reducing the risks to those companies of expanding their operations. KLC seeks to increase Korea’s “national wealth by developing new towns abroad in order to implement national policy projects such as resource diplomacy and generate profits.” KLC has Memoranda of Understanding with organizations in Algeria, Azerbaijan, Kazakhstan, Vietnam, Mongolia, and three in China. At this point, technological support and technical assistance are the primary forms of engagement. Within Korea KLC is taking an international focus as well by developing three free economic zones to attract foreign investment to be completed by 2020.

Environment and IT
Incorporating IT and eco-friendly practices and design into its city planning and is a key element of KLC’s vision and is emphasized in most of their project descriptions. Fiber optic networks reaching all residences, businesses and public places and public information centers which “deliver easy access to a variety of public IT services” are planned to benefit citizens and businesses in KLC’s new town developments while e-government will be used to manage

potable water leakages, traffic safety and information services, safety check services, and law enforcement services.

There is a high awareness of environmental impacts of construction and development. One of the reasons for developing outside of Seoul is the level of pollution in Seoul which on the KLC sites as having micro-dust pollution levels 3.5 times higher than in “advanced countries.” It also cites the cost of traffic jams as being 12.4 trillion KRW. Among its goals for the development of industrial estates KLC includes “balanced national development and sustainable industrial growth as well as harmony between industrial estates and natural environment.”

Included among the data in the land information system KLC is developing is information on environmental factors and KLC claims that “analysis is also conducted using the national land information to select the candidate development areas whose development leaves minimal impacts on environment, society, and humanities.” An entire section of KLC’s Sustainability Management Plan is devoted to its Strategy for Environmental Sector. The ways KLC planned to implement this strategy in the 2007–2008 year were through the following activities: “conducting a study on the reward system based on environmental performance;” “building an environmental accounting system;” “development of the evaluation system for environment-friendly land development;” “sharing information with suppliers [on pro-environment factors];” “offering to suppliers training on environment;” and “fortifying the support for environment researches.” Each management department is also measured against a specific performance index for the environmental sector. For example, the Construction Support Department is judged based on the “pro-environment materials usage ratio.”

**Performance Management**

As a part of its Sustainability Management Plan, KLC has goals such as evaluating its “social contribution and performance and taking feedbacks;” “expansion of ethical management internally;” “continuous improvement handling conflicts with customers;” and “enhancement of customer loyalty management.” These indices hint that there may be times when local communities are dissatisfied with the course development is taking and raise the question of whom KLC sees as being its customers. Are its customers the businesses or residential tenants to whom it rents, the national government, local governments and municipalities, companies buying land, foreign investors? The Customer Satisfaction Department at KLC is measured against five social sector performance indices: “customer satisfaction with state-run enterprises;” “investment ratio for social contribution;” “volunteering time per employee;” “participation in local community events;” and “cooperation with civil societies.”

KLC counts its social contributions as including infrastructure improvements to land it has managed, building roads, subway/railway, tap water facilities, sewage facilities, waste treatment facilities and others, when needed, on the sites it develops. KLC also prides itself on its economic development impact stating, “We play an essential role in spurring national and local economic development by generating production and creating new jobs.”

Finally, although technically the Ministry of Construction and Transportation is the Examination Supervisor for the Realtor Qualifying Examination KLC is the Examination Entrustment of the exam and administers it.
It becomes clear from reading the range of activities carried out by KLC that it is atypical in its range of responsibilities and authorities. For all of its capital and widespread influence, it is not clear the extent to which KLC can be held accountable to the public for which it makes these plans. The relationship between KLC and its other government collaborators both national and local is also undefined in the material available. Does KLC dictate development or simply advise on it? Who sets the priorities for KLC and, given the fact that it is constantly growing, how long will its mandate last and in what capacity will it continue to operate?
Case 3
Canada Lands Company, Canada Lands Company Limited
Reference Web Site: http://www.clc.ca/

The Canada Lands Company, Canada Lands Company Limited is a national land corporation designed fifteen years ago to deal specifically with disposing or developing strategic state-owned lands.

Function/Operations:
CLC’s primary function is to purchase surplus strategic properties, which are no longer required for program purposes by the Government of Canada and to either hold them and manage them, or to improve them and sell them. CLC’s stated goal for all transactions “is to produce the best possible benefit for both local communities and the Government of Canada.” To do so, CLC follows a six step process; (1) Analyze; (2) Acquire; (3) Consult; (4) Visualize; and (5) Develop/Sell/Retain.

Upon being approached by a government department which has identified surplus real estate, CLC carries out an analysis of the market conditions, location and other factors in order to determine how best to generate value financially and for the surrounding community. CLC then acquires the property at fair market price through the Government of Canada’s real property disposal process. The consultation process which follows acquiring the asset is what CLC sees as its hallmark practice.

As a part of this process CLC managers meet with municipal officials to introduce CLC and go over how community consultations will take place. The consultation method would depend on the community but might include meeting with community organizations/CSOs, holding open houses and establishing local advisory committees to elicit public input on potential uses of the property. Once it has the property in its possession and consultations with the local community have been made, CLC creates a master development plan for it which incorporates sustainable development principles and meets the needs of the community in which it is located. The plan is submitted to a local government body for approval.

Once the plan is approved, CLC can begin to service the site to prepare it for its approved use. Preparing the site could involve any of the following: debris removal, contaminated soil or other environmental hazards removal, existing road renovation, unsafe structure demolition, new road or other municipal services installation. Following all of this preparation, the decision to develop, sell or retain the property must be made. Properties may either be developed by CLC itself or sold off in phases to a builder who has agreed to build according to the community approved master plan. Far less often, properties may be retained for their investment value to CLC.

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18 According to page 3 of CLCL’s Annual Report 2008–2009 issued on March 31, 2009, $61.3 million has been invested in environmental remediation by CLC or its purchasers since 1995.
Federal and municipal CLC project milestones measure discreet targets such as the number of property transfer approvals, title acquisitions, development permits, engineering drawing approvals, environmental approvals and development agreements.

Organization/Governance
The Canada Lands Company, established in 1995, is a wholly owned subsidiary of its parent company the Canada Land Company Limited through which is ultimately responsible to the Canadian people through Parliament to which it reports through the Minister of Transport, Infrastructure and Communities.

The CLCL has made some efforts to be transparent. In December 2008, the CLCL Board held a Public Information Session which they publicized in print media and later posted on the CLC web site. The CLCL’s Board Charter is published on the internet as are the names of the Board members with their professional background and experience as well as the overall percentage attendance at board meetings and their annual retainer compensation, and per diem payment rates. The travel and hospitality expense for the President and CEO, senior management team, and board members are all voluntarily disclosed on the CLC web site. Other information about CLCL is also available online including its annual report which includes a scorecard monitoring CLC’s performance and measuring outcomes in the following areas: community/legacy, business/financial, human resources, municipal/provincial and shareholder/board of directors’ interests. A description of CLC’s specific scorecard indicators can be found below.

CLCL’s consolidated balance sheet is also audited annually by an independent accounting firm (KPMG in 2008–2009) and approved by the Auditor General of Canada. The auditor’s report is submitted to the responsible Minister for Transportation, Infrastructure and Community. This information is also made publicly available in the Annual Report. The CLCL’s financial management is subject to the generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants and the Financial Administration Act and Canada business Corporations Act, and its own articles and by-laws.

Property Ownership
As clear from the above, CLCL owns the property assets (land) that it acquires and manages. Property assets are shown on the company balance sheets, by the following three categories:

- Revenue producing properties
- Properties under development for sale
- Land held for development or sale

Financial Arrangements
Although it is a federal Crown corporation, CLC is completely financially self-sufficient and self-financing and runs very much as a typical private sector corporation with some distinct differences in its mission since profit is not the singular motivation. According to the CLCL Charter of the Board of Directors:

Each of CLCL and CLC is expected to be self-financing and is authorized to use private sector sources of funding and such standard financial instruments and arrangements as
appropriate. While striving to maximize commercial viability with the inventory of properties that CLC purchases, CLCL and CLC may also take into account any relevant strategic considerations of the Government of Canada. Strategic planning and time horizons for corporate activities are designed to achieve the most effective manner of balancing both the financial and community value objectives identified by the respective Boards of Directors.

Additionally CLC receives no government subsidies and pays all applicable taxes at all levels of government and follows the normal development process set out by the municipal provincial and federal governments. According to its 2008–2009 Annual Report, CLC paid $5.2 million in federal income taxes in 2008–2009 and another $100,000 to the provinces and also paid out $7.6 million in dividends to the federal government, for that same time period. Its total revenues for that year were $149.5 million.

**Private Sector Participation**

Even though CLC does construct some buildings itself, it more typically markets and sells the property in phases to builders. The builders carry out construction in a manner consistent with CLC’s overall vision. Specifically, private sector developers are engaged through a competitive RFP process for buying land prepared and planed by CLC, for building real estate according to pre-approved development plans. In certain cases, CLC retains and manages properties to optimize the financial and community value obtained from them.

**Specifics of the CLC Portfolio**

It is important to note that not all surplus government owned land assets are developed or disposed of by CLC. The November 1, 2006, “Directive on the Sale or Transfer of Surplus Real Property,” issued by the Treasury Board of Canada Secretariat defines that “routine surplus real properties are properties or a portfolio of properties with lesser value which can be sold easily without any substantial investment. These properties are normally sold in their ‘as is’ state on the open market by the custodian, its agent, (Public Works and Government Services Canada) or a private sector firm.” It is only when properties are identified as strategic by the custodian with the involvement of the Treasury Board Secretariat that they may qualify for sale to the CLC which “as the government’s disposal agent, disposes of these selected surplus properties through a strategic disposal process.” Properties which are defined as strategic meet one the following criteria:

- The size or value of the property, or of a portfolio of properties, is significant enough to affect local markets negatively if its integration into the market is not managed;
- The value of the property, or properties within a portfolio, can be increased significantly (e.g. through subdivision, rezoning investment or pre-sale development);
- A partnership with another level of government, the private sector, or other party may offer the best mechanism to realize either the inherent value of a particular property or portfolio of properties or the greatest benefits to the government beyond financial return;

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19 The department whose minister has administration of real property for the purposes of that department.
d. Sensitive policy issues exist, including the potential for a substantial gain by a party other than the federal government.

Standards and procedures for the appraisal of government-owned real property and its disposal are issued by the Treasury Board Secretariat which is also responsible for maintaining the national land registers. Before a government department can sell land to CLC, it must obtain at least one current appraisal in the case of a single property or a current portfolio valuation using bulk or mass appraisal techniques in the case of a portfolio. It is the Chief Appraiser at the Public Works and Government Services Canada (PWGSC) who is responsible for creating the terms of reference for the appraisal in consultation with CLC. PWGSC is responsible for ensuring that the appraisal is signed by a real property appraiser accredited or licensed by a provincial, national, or international real property appraisal organization or a federal public servant recognized by the Chief Appraiser at PWGSC.

CLC distinguishes itself through its focus solely on strategic government lands and the process by which it obtains them from government departments and also through its emphasis on consultation with local and regional governments and communities. These could be said to be the primary distinctive features of an organization which otherwise operates like a private sector corporation. In CLC’s Annual Report 2008–2009, these particular distinctive areas are highlighted:

CLC strives to build projects of lasting value in the communities in which it operates. Wherever possible, it partners with local organizations to seek input from and engage the community. In addition, the company evaluates opportunities that create legacies (such as commemorative public parks) and supports community initiatives through corporate philanthropy.

CLC strives to create effective partnerships with municipalities and provincial governments in regions where it operates. The company provides economic stimulation in local communities, while promoting sustainable development.

**CLC Performance Management and Social Indicators**

CLC’s performance as a corporation is measured in several areas: under Shareholder/Board of Directors is Operations; under Business/Financial are Financial Performance, Business Development, and Customer Relations; under Community/Legacy are Legacy Creation and Corporate Philanthropy; under Human Resources is Work Environment; under Municipal/Provincial are Economic Stimulation, Social Policy Objectives, and Sustainable Development, with the last three areas representing CLC’s mission as a government corporation while the others are more typical of large corporation’s performance management.

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21 Two national land registers are kept in Canada, the Directory of Federal Real Property (DFRP) and the Federal Contaminated Sites Inventory (FCSI). The DFRP must be updated annually and the responsible authorized officials certify its completeness and correctness. Deputy heads are primarily responsible for the management of real property in their organizations. The complete guidelines for reporting on real property and information required for the national register can be found online in the Treasury Board Secretariat’s “Reporting Standard on Real Property” at http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/RealProperty/siglist-eng.asp.
CLC believes its “balanced score card approach is a demonstration of the company’s commitment to the principle of corporate responsibility” since it takes into account both financial goals of “value optimization” and nonfinancial goals of benefiting its major stakeholders, including local communities. Performance targets are prepared each fiscal year, sometimes with 5 year targets used for longer-term goals. For example, a goal for Shareholder/Board of Directors under Operations is “pay dividends of $86.6 million for 2008–2009 to 2012–2013.” The full list is appended.

Community-related goals for CLC include good environmental stewardship and commemorating heritage. However, unlike the Johannesburg Property Company, rather than directly trying to influence socially desirable outcomes, CLC ties to “work through the private sector to revitalize communities in a commercially oriented manner.” Through its regular business activities CLC aims to promote economic development on the municipal and provincial levels by promoting “timely and appropriate development and construction of sites, and track activity in line with the company’s guidelines on tracking benefits beyond dividends.” Development expenditures and direct construction employment spurred by CLC projects are how CLC measures its impact on economic development. According to CLC, since it was founded in 1995, it has stimulated $5.4 billion in private sector development and 40,000 person years of direct construction employment was generated.

CLC also has Social Policy Objectives which it tracks as a part of its performance management such as contributing to “affordable housing and other social policy objectives where feasible, with each major project.” CLC aimed to do this by increasing the number of “subsidized residential units stimulated by CLC and its project associates.” Overall since 1995, 21,000 residential units have been built by either CLC or its purchases at varying levels of affordability.

Finally, towards the end of Sustainable Development, CLC attempts to “incorporate sound principles of sustainable development for each development initiative” and to recycle and or reuse demolition or construction wastes.

CLC sees its benefits of its actions within a community as
- Private sector investment;
- Creation of residential housing;
- Provision of parks and recreational facilities;
- Preservation of heritage properties; and/or
- Environmental benefits, including green building.

For example, CLC’s section of its Village at Griesbach real estate development project became the recipient of a Stage 2 LEED ND (neighborhood development) Gold certification22, for its

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22 The LEED® (Leadership in Energy and Environmental Design) building rating system is a certification program for the design, construction and operation of high performance sustainable buildings and developments. Developed jointly by the United States Green Building Council (USGBC), the Congress for New Urbanism and the Natural Resources Defense Council, the Neighborhood Development certification is a new rating system that integrates the principles of smart growth, new urbanism and green building for neighborhood design.
approved plan. Village at Griesbach is the first project in Edmonton to receive this prestigious international designation. The Village at Griesbach is built on the site of a former Canadian Forces Base in Edmonton, which was purchased by CLC in 2003 from the Department of National Defense. When the project is completed, as many as 13,000 people will be living and working at the Village at Griesbach.
Case 4
Ottawa Community Lands Development Corporation

Reference Web Site: http://www.ottawa.ca/residents/planning/index_en.html

References:


Longfields and Centrepoint Subdivision Projects. From presentation slides by the Ottawa Community Lands Development Corporation. 2 October 2007.

Function/Operations:
The Ottawa Community Lands Development Corporation is an independent development corporation wherein the City of Ottawa is the sole shareholder. OCLDC was created in 2007 for the purpose of holding, servicing and selling lands currently owned by the municipality. Among the goals of the city council in creating the OCLDC is the expansion of “flexibility to address business issues related to development, including the ability to enter into subdivision agreements.”

OCLDC’s mandate orders it to “ensure the commercially oriented, orderly disposition of selected surplus city real properties with optimal value to the city’s taxpayers.” The corporation calculates ‘optimal value’ to taxpayers by using an innovative “quadruple bottom line” approach, emphasizing not only a net operating profit for OCLDC, but overarching concern for the “social, environmental, and cultural sustainability” of all land sales to private ownership.

Potential purchasers must meet OCLDC requirements that the development of former city land not create an environmental or cultural conflict with the goals of the Ottawa City Council or its civic initiatives, and that purchasers make use of purchased land in a manner consistent with the desires of taxpayers and the greater city. The corporation also conducts research and design related to the effective development of subdivision units within the city as part of its mission to “promote and undertake community improvement.”

Organization/Governance
OCLDC has a Board of Directors with members chosen from the private sector. In order to perform its activities, OCLDC must gain approval from its shareholder, the city. Further, it must report the progress of all study and development projects (including cost projections, project timeframes and environmental impact statements) to the Corporate Services and Economic Development Committee of the City Council. This committee both oversees general projects related to OCLDC and publishes guidance related to existing and potential city land use development projects. It also reports, of course, to its Board of Directors.

Overall, OCLDC operates from an unambiguous mission statement authored in part by the City Council of Ottawa and enacted by the corporation’s private-sector management.
Though the corporation regularly reports on its business ventures and development projects to the City Council of Ottawa, these reports do not appear available in any online databases. OCLDC also has a very limited Internet presence, with no main website and only sparse archived information, mostly copies of the corporation’s Ottawa City Council testimonies and reports. Similarly, no annual statements or construction plans are available on the Internet; an interested party would be required to dig through several layers of the Ottawa City website to gain any information on OCLDC.

It is important to note that a lacking Internet presence does not itself indicate a lack of transparency and accountability. OCLDC submits to annual audits of the corporation’s consolidated balance sheet as part of their financial reporting standards, and oversight is conducted by a City Council subcommittee specially charged with serving as OCLDC’s activist shareholder. All hearings related to OCLDC, land use, subdivision development and land sale are open to the public, and city-backed developments go through a review process in which the public may opt to participate.

**Property Ownership**
Similar to a private corporation, OCLDC owns all property assets (land) that it acquires, either from the City of Ottawa or from private purchases of land. Once land is in possession of the corporation, it may be disposed of without further input from local government. OCLDC is currently cleared to develop their land holdings in the Longfields subdivision, with future development projects to be mapped by the City of Ottawa.

**Financial Arrangements**
OCLDC is functionally an independent land management corporation with full in-house control over its financial reporting and management. However, as a “for-profit” motive is not the only reason for the company’s creation, other business and community goals are pursued alongside financial gain.

As an independent corporation, OCLDC is responsible for managing all of its fiscal reporting and tax payments, and is subject to standard auditing procedures. OCLDC is also bound to follow all laws regarding capital gains and losses reporting, local and federal property taxation, and employee health care tax reporting. OCLDC also reports when a sale of land is made to another private developer for completion of construction or lot improvement.

OCLDC is envisioned as a private-public partnership wherein the corporation handles its business dealings entirely separate from the City of Ottawa. In return, the City of Ottawa, as shareholder, would receive a dividend on its investments in OCLDC in addition to the development of community land without investing city funds in construction and improvement.

**Private Sector Participation**
OCLDC is planned as a system by which the corporation makes improvements to land provided by the City of Ottawa and then sells the improved land to other local private real estate developers. This is similar in scope to the Canada Lands Company’s mission of improving and
selling land for a net profit to the shareholders—in this case, the City of Ottawa—with the corporation also enjoying a portion of the proceeds from land and structure sales. OCLDC also contracts with private companies for land improvement and construction services, in addition to working in the private sector itself as a publicly-held corporation.

Specifics of OCLDC Portfolio

The bulk of OCLDC’s development projects involve the purchase, improvement and eventual sale within the territory of two major subdivision improvement projects initially undertaken by the city and now under the operation of OCLDC. These two projects, the Longfields subdivision and Centrepoint Town Centre, consist of major land preparation, construction and development phases as well as (for Centrepoint Town Centre) the development of public transportation systems that currently have no integration into existing developments.

The Longfields project consists of developing 50 hectares of vacant government-owned land into 1,276 residential lots for future expansion of the existing Longfields subdivision plan. The proposed subdivision plan would involve mixed-density residential spaces along a modified grid network, providing pathways for pedestrians and cyclists as well as easy access to rapid transit systems. After initial land improvement, OCLDC will oversee the sale of individual plots to small builders with the intent of securing a balance between return on investment and social goals. This plan was initially agreed upon in May 1998, but revised downwards from over 1,500 units to the current 1,276 in July 2002.

The Centrepoint Town Centre development project involves developing 60 hectares—the territory that includes both public- and private-owned lands—for the creation of a mixed-use public space in the Centrepoint neighborhood to include public transportation and mixed-use structures. The plan went through several public workshops and alternative-planning sessions before a final adoption in June 2006. Of the 126 acres of Centrepoint land to be developed and sold, the City of Ottawa currently owns 87 acres, with other agencies and the private sector dividing the remaining 39 acres. The overall goal of OCLDC with the Centrepoint Town Centre project is to “develop a sense of community” from a series of undeveloped lots before offering plots to small developers with the capability build on the development plan established by OCLDC.

OCLDC Performance Management and Social Indicators

Performance management within OCLDC is measured through several methods of evaluation. These include a standard financial analysis common to corporations, active investor relations management between OCLDC and its sole shareholder, and a comprehensive analysis of where projects fit into the overall mission of OCLDC. Mission management is performed by comparing potential development and land sales projects against OCLDC’s “quadruple bottom line,” which includes an emphasis on land development enhancing the environmental, cultural and civic aspects of Ottawa in addition to standard corporate profit motives.

Financial performance management is conducted through the use of internal audits on company assets and finances, as well as annual reporting of current holdings and cash flow to the City of Ottawa. OCLDC is clear in its mission statement that one of the purposes of its position as a private corporation is to maximize return for its sole shareholder through the sale of improved
community land to private developers for a profit, and a large measure of satisfactory financial performance rests on realizing a net gain on the sale of Ottawa’s formerly government-owned land.

For implementing OCLDC’s “quadruple bottom line” approach to conducting business, whereby the corporation analyzes the social and cultural impact of its land improvement and sale processes before concluding the sale of land to a private developer. Every land improvement and development proposal discussed by OCLDC evaluates the potential environmental impact of construction on existing land, and projects such as Centrepoint Town Centre are also viewed as opportunities to provide new public services (public transportation and light rail, activity centers for youth organizations) over previously underutilized government land.

Improving land for increased social or cultural benefit is a major mission goal of OCLDC, and as such the corporation devotes multiple project planning workshops to the optimization of public use in its subdivision construction projects. OCLDC also works to improve its corporate performance internally through executive training and human resources development programs aimed at creating an effective, collaborative workforce.
Case 5
Calgary Municipal Land Corporation
Reference Web Site: http://www.calgarymlc.ca/

The City of Calgary uses land corporations as a development instrument. The Calgary Municipal Land Corporation (CMLC), specifically, was designed to support the redevelopment of the Rivers District, which the CMLC’s business plan describes as “an area … characterized by urban blight with significant crime, social and infrastructure concerns.”

Functions/Operations
CMLC is tasked with carrying out five projects approved by the Calgary City Council for the revitalization of the Rivers District. Within that framework, its main functions include planning, designing, and constructing infrastructure improvements; developing and implementing a comprehensive land sale strategy; acquiring land to facilitate infrastructure improvements and consolidating development parcels to facilitate private investment; collaborating with the Rivers District community on environmental design, law enforcement, investment in arts/culture and increasing density; and marking the Rivers District, which suffers from a negative reputation in Calgary, to potential residents and developers.

In support of its main functions, it is also responsible for the preservation of heritage buildings and environmental remediation.

Organization/Governance
CMLC was established in 2007 as a wholly owned subsidiary of the City of Calgary, incorporated as a controlled corporation under the Canadian Municipal Government Act and the Control of Corporations Regulation.

CMLC is managed by a seven-member board appointed by the City of Calgary, which includes the Mayor of Calgary, the President and CEO of CMLC, and private sector leaders. The City of Calgary is the sole shareholder.

Transparency
CMLC produces annual reports and audited financial statements, which are presented to the City of Calgary and available online.

CMLC holds an annual general meeting, regular meetings with key stakeholders, regular informational open houses for the public at large, and publishes a three-year corporate and financial plan as well as an annual business plan and budget. In addition, CMLC has established a community advisory committee.

Extensive information about CMLC is available on the web site, including updates to the business plan, information about staff, the board, the advisory committee. Requests for expressions of interest are also published on the web site for private sector response.

Ownership
CMLC owns properties in the Rivers District.

**Financial Arrangements**

CMLC is financed through loans from the City of Calgary, mortgages on acquired property, investment income, and revenues from the Community Revitalization Levy (CRL). The CRL is a form of tax increment financing (TIF), which allows the tax revenue generated by incremental increases in the property assessment in the Rivers District to be set aside for CMLC. With this type of financing, increases in property values are expected as the project achieves its redevelopment goals. The CRL in particular depends on increases in property values expected not only from completion of CMLC’s projects, but also other development projects in the area. The CRL was approved by the City of Calgary and the Province of Alberta.

Land sales are also expected to be a source of revenue (specifically to pay off the mortgages) in the future as infrastructure upgrading is completed.

**Portfolios**

The CMLC manages developable land parcels and land acquired to support the infrastructure upgrades within the Rivers District.

**Performance Indicators**

As specified in the Business Plan, CMLC’s key performance indicators include
- Projects executed on time and on budget;
- Media coverage;
- Feedback from the community;
- Issues tracking and effective risk management;
- Environmental stewardship;
- Optimize value of land sales;
- Optimize development of incremental tax base and ensure repayment of Community Revitalization Levy borrowings;
- Alignment with government/stakeholder agreements; and
- Best practice information transfers.

**Private Sector Participation**

CMLC outsources feasibility studies, design, etc., including management of selected properties, as well as tenders for site development (with a focus on green/environmentally friendly building).
Case 6  
Partnerships British Columbia  
Reference Web Site: http://www.partnershipsbc.ca/  

Functions/Operations  
Partnerships British Columbia is a company responsible for bringing together ministries, agencies and the private sector to develop projects through public-private partnerships. The organization was established in 2002, registered under the Business Corporations Act, and is wholly owned by the Province of British Columbia and reports to its shareholder the Minister of Finance.

A mission at Partnerships BC is to structure and implement partnership solutions which serve the public interest. The organization is committed to transparent operations and achieving wide recognition for our innovation, leadership and expertise in public procurement.

Partnerships BC’s core business is to

- Provide specialized services, ranging from advice to project leadership/management, to government and its agencies with respect to identifying opportunities for maximizing the value of public capital assets and developing public private partnerships;
- Foster a business and policy environment for successful public private partnerships and related activities by offering a centralized source of knowledge, understanding, expertise and practical experience in these areas; and
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company’s clients are public sector agencies, including ministries and Crown corporations. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

<table>
<thead>
<tr>
<th>Business Planning</th>
<th>Procurement Process</th>
<th>Project Implementation</th>
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<td>• Concept Plans and</td>
<td>• Procurement Process Management</td>
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<td>• Market Sounding</td>
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</tbody>
</table>

23 In 2006, BC introduced the capital standard policy, that requires that for any capital project that has $20 million or more in provincial funding (50 million from November 2008) a PPP will be considered the base case unless there is a compelling reason to do otherwise. The PBC is responsible for reviewing all such projects and recommending the best model for proceeding.
Organization / Governance

The company’s organization, staffing and governance reflect and support this meshing of public and private sector interests.

The 10-member Board of Directors and its Chair are appointed by the Province BC. The Board includes established leaders from both private sector (including financiers) and public sector, with the majority of the members being from the private sector. The Board of Directors appoints a CEO.

The Board has two key functions: to provide governance and oversight for the Company, and to review and recommend to government potential PPP opportunities.

The Board is supported by two subcommittees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the Company’s risk management, internal controls and information systems. The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters and the establishment of a plan of continuity and development for senior management.

The executive team of 8 people is headed by a CEO who is a former investment banker and includes people with extensive past expertise, including international, on structuring, financing, and executing PPPs.

The organization embraces the "Best Practice Guidelines" as published in the "Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations".

All governance documents are published on the Web and include both PBC establishing documents such as Board Governance Guidelines and operation guidelines and discussion materials (Methodology for Quantitative Procurement Options Analysis; Procurement Related Disclosure for Public Private Partnerships; Risk Management in Public Private Partnerships, etc.)
**Performance Measurement**

In 2002–03, when PBC was first incorporated, an independent third party consulting firm was engaged to perform a review of internal performance measures for PBC based on other comparable public and private sector organizations. When PBC revised its business model in 2006–07, an independent third party consulting firm was again engaged to review the internal performance measures for PBC. On an annual basis, the Board reviews the performance measures and provides recommendations for change, if necessary.

Although the Canadian PPP market has been expanding over the last few years, there are no other agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, it is difficult to provide benchmark comparisons with other organizations.

Partnerships BC holds a unique place in the market, acting both as advisor to government and as the gateway to partnership opportunities for the business sector. Qualitative measures, such as those related to transparency and fairness, reflect the need to serve the public interest. Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations. The performance measures and targets selected reflect the nature of the advisory services business model under which Partnerships BC operates, and also to reflect the maturity of the PPP market.

PBC tracked data from a number of sources throughout 2008–09, including:
- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations;
- Project milestones and comparison of milestones achieved based on project plans;
- A knowledge management strategy was used to track and catalogue best practices and project precedents; and
- Information from client and employee satisfaction review processes, including surveys and interviews.

In 2010-11, PBC will establish benchmarks that allow for the measurement of procurement processes. PBC presented an operations report to the Board each quarter and tracked progress against the Service Plan and took corrective action as necessary to ensure it remained on-track to achieve its corporate goals.

**Property Ownership**

PBC normally does not own properties involved in PPPs. Some special cases of temporary holding of assets on the PBC balance sheet during construction period, took place in the past.

**Financial Arrangements**

Since 2006, PBC introduced a new business model in which revenues are largely based on work fees instead of completion and milestone fees, revenue from the government services contract, and project recoveries.

*Work fees* typically reflect the cost of providing services and are not directly related to milestone events or performance. In 2008-09, PBC’s clients who paid work fees included a number of
provincial government ministries, Crown corporations, universities, colleges and non-ministry sources: Ministry of Health Services and Provincial Health Authorities; Ministry of Transportation and Infrastructure; Ministry of Labor and Citizens’ Services; Ministry of Education; British Columbia Universities, Colleges and Vocational Institutes; British Columbia Municipalities; British Columbia Crown Corporations; Other Provincial Governments; Government of Canada.

Under the terms of the government services contract, the Province provides PBC with an annual payment for a variety of services, including: developing the PPP market for British Columbia projects; assisting agencies in identifying and assessing PPP opportunities; providing policy expertise; developing best practices for PPPs and alternative procurement methods; exploring opportunities in other jurisdictions to expand the application of best practices across Canada; and providing other advisory and consulting services directly to the Province and/or organizations on an ongoing basis whose costs are not attributable to a specific project.

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project.

Specifics of the Portfolios
Since its inception, PBC has been involved in over 30 PPPs with a capital value approaching $10 billion. As a center of procurement expertise, PBC continually transfers knowledge and experience gained from past projects to others to improve efficiency and quality, and to streamline the procurement process to save time and money for the public sector.

Over 2008–09, nine projects in the health, education and transportation sectors either entered the market or reached a final agreement.

Based on this experience, a number of new PBC best practices were identified in the following four categories: costing, affordability, evaluation, and governance.

ANNOUNCED/IN PROCUREMENT

- Interior Heart and Surgical Centre Project
- South Fraser Perimeter Road Project
- Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower
- Surrey Pretrial Services Centre Expansion Project

UNDER CONSTRUCTION

- BC Cancer Agency's Centre for the North Project
- Fort St. John Hospital Project
- Kelowna and Vernon Hospitals Project
- Port Mann/Highway 1 Project (PMH1)
- Royal Jubilee Hospital Patient Care Centre Project
- Surrey Outpatient Care and Surgery Centre
OPERATIONAL/COMPLETE

- Abbotsford Regional Hospital and Cancer Centre
- Britannia Mine Water Treatment Plant
- Canada Line
- Golden Ears Bridge
- Gordon and Leslie Diamond Health Care Centre
- Kicking Horse Canyon
- Pitt River Bridge & Mary Hill Interchange Project
- Sierra Yoyo Desan Road
- Sea-to-Sky Highway Improvement Project
- Vancouver Island Health Authority (VIHA) Residential Care & Assisted Living Capacity Initiative
- William R. Bennett Bridge.
In Singapore, about 90 percent of the land is owned by the state. As a result, several of the
government entities concerned with land development participate in the Government Land Sales
Programme (GLS), which has aspects that resemble government Land Corporations in other
countries. However, much of the land that is provided to the private sector for development is
leased long-term from the government, rather than purchased outright and then returned (along
with improvements) to the government at the end of the lease. While there are a number of
government bodies involved in land transactions and development, three are particularly
interesting in the context of government Land Corporations and will be described below: the
Singapore Land Authority (SLA), the JTC Corporation (JTC), the Housing and Development
Board, and the Urban Redevelopment Authority (URA).

Functions/Operations

Singapore Land Authority (SLA). The SLA is the government body responsible for working
with government and private industry to “optimize” Singapore’s land resources for economic and
social development, while ensuring best use of State land and buildings, providing an effective
and reliable land management system, and enabling the use of land information for better land
management and creation of new business opportunities.

Its main functions are
management of State land and
buildings; land sales, leases,
acquisitions and allocation;
management and maintenance
of the national land registration
and the national land survey
system; and the development
and marketing land-related
information and maintenance
of the national land
information database.

With respect to land sales, leases, and allocation, the SLA makes government-owned land
available for residential, commercial, retail, industrial, educational, and other uses by selling land
directly to other statutory boards, such as the JTC Corporation (JTC) and the Housing &

JTC Open Land Application Scheme Eligibility Checklist

1. Is your business related to industrial activities?
2. Are your proposed industrial activities compatible with the zoning of JTC industrial facilities?
3. Does your proposed space utilisation comply with the Urban Redevelopment Authority's 60:40 rule [at least 60 percent of the
gross floor area must be used for industrial activities]?
4. Does your application for industrial land meet JTC's minimum plot ratio requirement [this ranges from 0.8 to 2.0 depending on the
location of the site]?
5. Have you fully utilized the existing land and factory space [this criterion is only applicable to existing JTC lessees]?

25 The sales are transacted at prices determined by the Chief Valuer at a price intended to reflect the full
cost of land resources.
Development Board (HDB), by conducting and overseeing all land transactions by other government entities, such as the Urban Redevelopment Authority (URA), to ensure that all sales are conducted openly and transparently through competitive public tender or auction.

JTC Corporation.\textsuperscript{26} Incorporated in 1968, the JTC Corporation oversees industrial use and industrial development of the limited land resources in Singapore with the goal of promoting economic prosperity. As such, it is the main public body in Singapore providing government-owned land to the private sector for industrial development, ranging from serviced land to ready-built factories. JTC solicits proposals for its available industrial land, which it leases to the private sector for 30 to 60 years. One mechanism it uses to lease land to the private sector is the Open Land Application Scheme.

At the beginning of each financial year, the total amount of land to be leased in that year through the Open Land Application Scheme is announced; specific sites are allocated through quarterly “launches” of the Scheme. The open land launches give details of the sites, the posted land rents, the plot ratio (the ratio of gross floor area to land area) criteria, the prevailing investment guidelines and the application materials. Unlike GLS, the allocation under the Open Land Application Scheme is made based on the company’s growth potential, business and investment plans.

Unleased lots are put on the reserve list, which was introduced in 2001 in response to worsening market conditions. Under the Reserve List system, the Government will only release a site for sale if an interested party submits an application to release the site with an offer of a minimum purchase price that is acceptable to the Government. The successful applicant must undertake to subsequently submit a bid for the land in the tender at or above the minimum price offered in the application.

Housing and Development Board (HDB).\textsuperscript{27} HDB is Singapore's public housing authority. The main functions of the HDB include sale and rental of residential apartments, upgrading and redevelopment of older housing developments, and the provision of mortgages to eligible purchasers under various public housing programs. HDB develops and manages ancillary facilities such as commercial properties, car parks, markets, vendor centers, and other amenities in housing developments. It also functions as the agent for the government on land reclamation projects and infrastructure works in HDB towns on behalf of the Ministry of National Development. HDB undertakes construction of housing and other properties as well. Finally, through a subsidiary, it is the largest managing agent for public housing in Singapore.\textsuperscript{28}

Urban Redevelopment Authority (URA).\textsuperscript{29} The URA is Singapore’s national planning authority, tasked with preparing long term strategic plans, as well as detailed local area plans, for physical development, coordinating implementation, and conservation. It also sells and manages land for the government, manages car parks, and undertakes development projects on behalf of the

\textsuperscript{26} http://www.jtc.gov.sg.
\textsuperscript{27} http://www.hdb.gov.sg.
\textsuperscript{28} In 2007, 81 percent of Singapore’s resident population lived in HDB-managed public housing. (Study Report, Urban Renewal Policies in Asian Cities for the Urban Renewal Strategy Review, University of Hong Kong, March 2009, p. 17).
\textsuperscript{29} http://www.ura.gov.sg.
government. Its major functions are planning, development control, sale of sites, and conservation.

With respect to the sale of land, it manages a government program that is intended to release land regularly to meet demand generated by economic growth and the desire of citizens to own their own homes. For commercial, hotel and private residential development, rights to 99-year leases are sold through public tender. URA leases land to both developers and individuals. The goals of the URA land sale program are to

- help keep property prices and rentals in check;
- develop special planning areas;
- conserve historic districts; and
- provide opportunities for individual and small developers to participate in the development of housing through the sale of small sub-divided parcels of land; promote the decentralization of commercial space from the city center to new regional centers.

All of these agencies participate in the Government Land Sales Programme (GLS) in which the Government of Singapore announces the amount of land to be supplied and the location of the sites every six months. The results of the first six months of the year are reviewed before the announcement is made concerning the second half of the year. The amount of land to be released is determined based on the projections of future demand of private housing units, office and shop spaces and takes into account the existing and future committed supply of such properties. In selecting sites for GLS, agencies are guided by considerations such as the overall development strategy for Singapore, the planning intention for the sites and prevailing market demand.

Although developers are required to complete the construction as detailed in their winning tender, they may subsequently sell the completed development on a GLS site with the remaining lease term. The terms of the lease are binding on subsequent purchasers of the leasehold.

Other conditions include a requirement in JTC leases that construction begin within six months and be completed within 24 months. SLA requires that the successful tenderer hold and retain a controlling interest of more than 50 percent of the shares in any new company to be formed to undertake the project until its completion. The purpose of this condition is to guard against the situation where a tenderer bids for a land parcel with no intention to undertake its development but merely to speculate and sell off all or a substantial part of his interest in the land parcel if his tender is successful.

In the past, zoning regulations have been very detailed, URA has expanded its pilot, “white sites,” designed to offer private-sector developers more flexibility and to promote a more active partnership between the government and the developer. URA continues to issue Development Guide Plans for all of Singapore that are intended to guide physical development with regard to land use, intensity and building height and other controls on the development of land.

Organization/Governance

SLA is a statutory board (independent government entity) incorporated under the Singapore Land Authority Act in 2001 and reporting to the Minister of Law; it brought together several land
administration departments of the government, including the Land Office, Surveys Office, Singapore Land Registry and the Land System Support Unit. It is governed by an 11-member board, which includes the CEO, private sector leaders, academics, and government officials; the CEO is approved by the Ministry of Law.

**JTC** is a statutory board incorporated under the Jurong Town Corporation Act in 1969 and reporting to the Ministry of Trade and Industry. It is governed by a 10-member board, which includes the CEOs of JTC and URA, private sector leaders, government officials, and a director of the National Trades Union Congress.

**HDB** is a statutory board incorporated under the Housing and Development Act in 1960 and reporting to the Ministry of National Development. It is governed by an 11-member board, which includes the CEO and the Chair of HDB’s management subsidiary (EM Services Pte Ltd.), private sector leaders, academics, and central and local government officials.

EM Services, established in 1988, is 75 percent owned by HDB and 25 percent owned by Keppel Land Limited, the property arm of Keppel Corporation, one of Singapore’s largest multi-national groups with key businesses in offshore and marine, infrastructure, and property.

**URA** was created in 1974, when the Urban Renewal Department of the HDB became an independent statutory body under the Ministry of National Development under the Urban Redevelopment Authority Act. It is governed by an 11-member board, which includes the CEO, private sector leaders, academics, and government officials. URA also has a variety of Advisory Committees, including: International Panel of Architects and Urban Planners, Conservation Advisory Panel, Design Guidelines Waiver Committee, and the Design Advisory Committee.

**Transparency**

In addition to reporting to their respective ministries, all four government agencies publish annual reports and audited financial statements, available on their web sites. Regular planned releases of land, tenders, and awards are available on each of their web sites. In addition, HDB conducts and publishes regular surveys of public housing residents.

Finally, according to its web site, “SLA is responsible for ensuring that all sales of State lands by the Urban Redevelopment Authority, Housing Development Board, JTC Corporation, Land Transport Authority and SLA itself are conducted in the most open and transparent manner through competitive public tenders or auctions.”

**Ownership**

**SLA**: Although most land in Singapore is owned by the government (private sector access is through primarily long-term leases), land holdings do not appear on the SLA balance sheet.

**JTC**: As of March 31, 2009, the JTC Group (the Corporation and subsidiary companies) had approximately S$32 million of leasehold land, S$37 million of land development, S$284 million of wharf and base structures, S$114 million of bulk handling facilities, S$138 million of leasehold buildings, and S$430 million of capital projects-in-progress (all values in Singapore dollars).
**HDB:** As of March 31, 2009, HDB had approximately S$23 billion of property, including freehold land, leasehold land, and buildings (all values in Singapore dollars). Of this property, 20 percent of the total (by value) was classified as investment property, 16 percent under development, and two percent as properties for sale.

**URA:** As of March 31, 2009, URA had approximately S$136 million of leasehold land on its balance sheet as well as S$85 million of buildings (all values in Singapore dollars).

**Financial Arrangements**

SLA is self-financing with income from fees and charges related to its operations, as well as investment income (it also receives a small government grant). In lieu of income tax, SLA makes a contribution to the Government Consolidated Fund at the statutory corporate income tax rate. In addition, the government may require a special contribution of funds (as it did in 2007/2008).

JTC is self-financing with income from fees and charges related to its operations. The Corporation is exempted from income tax, although its subsidiaries and associated companies are not exempt.

**HDB** receives both a significant government grant and income from fees and charges related to its operations (including sales and car park income) and investment income. HDB is exempt from taxation, although its subsidiaries are not exempt.

**URA** is self-financing, receiving income from fees and charges related to its operations, including income from development control (sale of approved plans, search fees, application fees, etc.), consultancy and other fees, parking fees and related charges; interest income; dividend income; and rental income. In lieu of income tax, SLA makes a contribution to the Government Consolidated Fund at the statutory corporate income tax rate; in the financial year ending March 31, 2009, URA made no contribution because it had no net surplus for the year (a result of the global financial crisis).

**Portfolios**

SLA manages an estimated 4 million m$^2$ of floor space, of which approximately 20 percent is residential, 23 percent is commercial, three percent is industrial, 45 percent is social/civic institutional, and 10 percent is pending approval/reserved/other. In FY07, SLA sold approximately 300 ha of land to the public sector and 25 ha to the private sector.

JTC’s portfolio primarily consists of prepared industrial land (PIL) and ready-build facilities (RBF). In 2008, JTC’s total stock of PIL was 5,956 ha.

HDB’s portfolio includes housing developments (estates), ancillary facilities such as commercial properties, car parks, markets, vendor centers, and other amenities in housing developments and land reclamation projects and infrastructure works in HDB towns on behalf of the Ministry of National Development.
URA, as the national planning authority, is the main land sales agent for the government (as manager of the GLS Programme), and the development agency for Marina Bay (developed on reclaimed land) has the most diverse portfolio, ranging from historical monuments to industrial sites to luxury hotels.

**Performance Indicators**

*SLA.* SLA’s corporate performance measures include:

- Total area of State land sold
- Value of land sales
- Gross Floor Area managed
- Rental revenue
- Issuance of title documents to property holders
- Event licenses
- Volume of document searches
- Volume of integrated land information service transactions
- Approval of land/strata lots
- No. of State properties tendered
- Utilization rate of State land
- Occupancy rate of State properties
- Percent of e-enabled transactions

*JTC.* The JTC publishes quarterly statistics, which include “Key Performance Indicators” for the prepared industrial land and ready-built facilities it releases to the private sector:

- Gross allocation of land
- Termination (return of land to the JTC) because of:
  - Expiry of leases
  - EBR Buy-back (en-bloc redevelopment scheme for public housing)
- Net allocation (gross allocation less termination)
- Demand (cumulative net allocation at the end of the period)
- Supply

*HDB.* HDB’s corporate objectives are:

- To formulate and implement housing policies and programs to provide affordable quality homes and foster cohesive communities
- To plan, develop and upgrade towns to create a vibrant living environment of distinct identity
- To deliver property management and housing administration services that meet the needs of our customers
- To advance innovative and cost-effective building design and technology
- To build a learning and caring organization that inspires creativity and develops staff to give of their best

*URA.* URA’s mandate is to plan land use to promote strong economic growth and social cohesion, and ensure that sufficient land is safeguarded to support continued economic progress and future development. Through its Concept Plan 2001, which is a long term land use and
transportation plan updated every ten years to guide Singapore's physical development, URA sets out its vision for the next 50 years of growth through:

- Providing more new homes in familiar places
- Introducing more high-rise city living
- Offering more choices for recreation
- Allowing greater flexibility for businesses
- Establishing a global business center
- Building an extensive rail network
- Focusing on identity (conservation of built heritage)
## Appendix 1: Canada Lands Company Balanced Score Card

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<th>Business/Financial</th>
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<th>PERFORMANCE TARGETS</th>
<th>PERFORMANCE ASSESSMENT</th>
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<tbody>
<tr>
<td><strong>2008-2009 OBJECTIVES</strong></td>
<td>Optimize financial value and returns</td>
<td>Achieve net income before tax of $17.5 million for 2008-2009 and $309.7 million for 2008-2009 to 2012-2013</td>
<td>Net income before tax of $16.4 million achieved</td>
</tr>
<tr>
<td></td>
<td>Achieve revenues of $180.5 million for 2008-2009 and $1.5 billion for 2008-2009 to 2012-2013</td>
<td>Revenues of $149.5 million achieved</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Projected CLC capital expenditures, including investments in environmental remediation of $106.8 million for 2008-2009 and $545.5 million for 2008-2009 to 2012-2013</td>
<td>Incurred $43.6 million in capital expenditures; target not met due to delays in infrastructure work at Currie Barracks and reduced expenditures due to downturn in the economy and reduced demand</td>
<td></td>
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</tbody>
</table>

### BUSINESS DEVELOPMENT

- Achieve as many of the identified 2007-2008 federal and municipal CLC project milestones as possible (property transfer approvals, title acquisitions, development permits, engineering drawing approvals, rezoning approvals, plan approvals, environmental approvals and development agreements)
- Achieve at least 70% of the identified 2008-2009 federal and municipal CLC project milestones
- CLC met its target by achieving 84% of the identified 2008-2009 federal and municipal milestones

### CUSTOMER RELATIONS

- Continue to improve customer satisfaction for tenants and CN Tower visitors
- Develop a customer satisfaction target that measures the CN Tower's performance against that of other local attractions
- The CN Tower achieved its developed objective of reaching an overall satisfaction score of 67.8%, significantly higher than the industry average of 56.5%
### Community/Legacy

#### LEGACY CREATION

<table>
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<tr>
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<th>PERFORMANCE TARGETS</th>
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</thead>
<tbody>
<tr>
<td>Implement legacy initiatives</td>
<td>Commemorate the heritage of company projects through activities, such as erecting monuments, assisting with the hosting of events, and naming streets and parks</td>
<td>Assisted the Canadian Association of Veterans in United Nations Peacekeeping (CAVUNP) in hosting a Peacekeepers’ Day event in Calgary in August 2008; branded the 1500 Ottawa Street property in Montreal as “Les Bassins du Nouveau Havre” to commemorate the four shipping basins that originally occupied the site and which will now be partially excavated; created redevelopment plan for 800 Montreal Road property in Ottawa that includes retention of heritage building</td>
</tr>
</tbody>
</table>

#### CORPORATE PHILANTHROPY

<table>
<thead>
<tr>
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<th>PERFORMANCE TARGETS</th>
<th>PERFORMANCE ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluate and act upon potential areas of donations</td>
<td>Contribute up to 1% of net income before taxes (which equates to $146,000 towards corporate philanthropy donations) in line with the company’s corporate philanthropy policy</td>
<td>As of March 2009, contributed $140,000 to corporate philanthropy initiatives; continued to respect this policy in spite of economic downturn, in light of charitable organizations’ increased need for donations due to many companies cutting back during recession</td>
</tr>
</tbody>
</table>

### Human Resources

#### WORK ENVIRONMENT

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Maintain positive and safe work environment and recognize and reward employees appropriately</td>
<td>Maintain voluntary employee turnover at below 5% for real estate divisions</td>
<td>Voluntary employee turnover rate for real estate operating divisions was 1.2%</td>
</tr>
<tr>
<td>Continued focus on integration of programs of the CN Tower</td>
<td>Maintain voluntary employee turnover at below 15% for CN Tower employees</td>
<td>Voluntary employee turnover rate for CN Tower operating division was 22%</td>
</tr>
<tr>
<td>Expand health and safety program by evaluating compliance with provincial regulations across the country and addressing any deficiencies</td>
<td>Maintain the succession plan for real estate divisions, and create one for the CN Tower with increased focus on development opportunities</td>
<td>The CN Tower successfully completed all Ministry of Labour audits. A review was conducted of the health and safety programs of the real estate/corporate and CN Tower divisions to verify compliance with applicable legislation</td>
</tr>
<tr>
<td>Increase communication and employee input at the CN Tower through introduction of HR Round Table and employee survey</td>
<td>A succession plan is in place for the real estate/corporate divisions, and the CN Tower succession plan is under active development</td>
<td>Business Development meetings are held on a quarterly basis and include all managers. The purpose of these meetings are for regular communications updates and to conduct brainstorming sessions on new revenue generating programs</td>
</tr>
</tbody>
</table>
### Municipal/Provincial
#### ECONOMIC STIMULATION

<table>
<thead>
<tr>
<th>2008-2009 OBJECTIVES</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Promote timely and appropriate development and construction of sites, and track activity in line with the company’s guidelines on tracking benefits beyond dividends</td>
<td>Increase cumulative development expenditures stimulated by CLC and its project associates by $84 million for 2008-2009 and $1.05 billion for 2007-2008 to 2010-2011</td>
<td>Increased by $400 million through the construction of residential units and industrial and commercial facilities</td>
</tr>
<tr>
<td></td>
<td>Increase cumulative person years of direct construction employment stimulated by CLC and its project associates by 700 for 2008-2009 and 8,750 for 2008-2009 to 2012-2013</td>
<td>Increased by 3,200 person years for 2008-2009</td>
</tr>
</tbody>
</table>

#### SOCIAL POLICY OBJECTIVES

| Contribute to affordable housing and other social policy objectives where feasible, with each major project | Increase subsidized residential units stimulated by CLC and its project associates by 10 for 2008-2009 and 125 for 2008-2009 to 2012-2013 | The number of subsidized housing units stimulated by CLC has not increased from its prior year’s cumulative total of 512 |

#### SUSTAINABLE DEVELOPMENT

<table>
<thead>
<tr>
<th>Incorporate sound principles of sustainable development for each development initiative</th>
<th>Demonstrate sustainable development approaches for company projects</th>
<th>CLC’s Currie Barracks neighbourhood in Calgary received LEED ND gold classification in October of 2008; other CLC projects that have applied for this certification are Garrison Crossing in Chilliwack and the Village at Griesbach in Edmonton; CN Tower received BOMA Toronto BEST designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling and/or reusing demolition or construction wastes</td>
<td>Divert minimum of 75% of demolished materials (by weight) from landfills for company projects</td>
<td>Demolition of two buildings and some sheds at CLC’s Currie Barracks project in Calgary achieved 85% diversion from landfill plus considerable quantities of copper, steel and tin being salvaged for recycling; demolition of three small buildings, old roads, and four house foundations at CLC’s Village at Griesbach project in Edmonton achieved 85% diversion from landfill; demolition of CLC’s laboratory complex at 800 Montreal Road in Ottawa achieved 90% diversion of debris from landfill; and demolition at CLC’s project in Sennville, Quebec achieved 90% diversion of concrete, metal bricks and wood from landfill</td>
</tr>
</tbody>
</table>
NOTES

1 An example can be San Diego Redevelopment Agency, with is non-profit corporation, which leadership includes exclusively leadership of the City itself: http://www.sandiego.gov/redevelopment-agency/pdf/overview/rdabylaws2005.pdf


3 In particular, availability of public information was one of key factors in selecting cases for the sample.

4 Information about KLC was initially collected in September 2009. In October 2009, KLC was merged with the Korean National Housing Corporation into Korean Land and Housing Corporation (LH). However, no detailed information on LH is available as of late April 2010. Therefore, we present the information on KLC, given that it had 34 years of experience before the merge, with some additions about recent developments related to LH.

5 As these lessons are identified in the paper by Bertrand Renaud, 2010. “*Dubai’s Real Estate Boom and Bust of 2002-2008: Dynamics and Policy Responses*,” forthcoming in Housing Finance International.

6 In both cities, Calgary and Ottawa, there is a tendency to create a corporate structure for redeveloping a particular area in the city, so that several municipal corporations can be operating in the city simultaneously.


9 Notice that the transparency in property operations and market transactions also has much broader importance than for this activity alone, as it is monitored by private investors: see Global Real Estate Transparency Index, July 2008 at http://www.joneslanglasalle.com


11 Besides, it is not clear how this combines with use of involuntary land takings from private owners for KLC’s new projects.

12 LEED is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO₂ emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

13 Though they are initially capitalized with government assets.

The LEED® (Leadership in Energy and Environmental Design) building rating system is a certification program for the design, construction and operation of high performance sustainable buildings and developments. Developed jointly by the United States Green Building Council (USGBC), the Congress for New Urbanism and the Natural Resources Defense Council, the Neighborhood Development certification is a new rating system that integrates the principles of smart growth, new urbanism and green building for neighborhood design.


South Korea Price History- South Korea moves to forestall bubble. – http://www.globalpropertyguide.com/Asia/South-Korea/Price-History seen on April 30, 2010

This and some other risks discussed here are not tied exclusively to the corporation model and often materialize under other forms of government land management as well. However, they clearly were present in the corporation cases studied.


The term used in zoning regulations in some countries (Serbia) to identify land zoned for any kind of activities that create jobs (production, services, retail, offices, etc.)

This and further references to Dubai build upon the paper cited in the endnote 2.

An example of a land development corporation established as a subsidiary of a holding company is Canada Lands Company CLC Limited, which is considered in Annex as one of the case studies. The relationship between this company and its parent holding company Canada Lands Company Limited can be traced in detail through there respective Web sites: http://www.clc.ca/home and http://www.clcl.ca/en/home.htm.

Quality of corporate governance has direct impact on company performance and its public outcomes. As B. Renaud reports in his Dubai paper, with the reference to Fitch Ratings report “Large Projects, Giant Risks? Lessons Learned” of 18 May 2009, a recent survey of fully private companies by the European Public Real Estate Association identified five categories of governance factors that are central to aligning the interests of company management and stakeholders. There are: management compensation packages linked to performance; the existence of internal and external auditing mechanisms; independence and operation of the supervisory board; disclosure on board members; and reporting standards.


