



# **BONIFACIO GLOBAL CITY: A PUBLIC-PRIVATE JOINT VENTURE**

- CASE STUDY

**URBAN REGENERATION KSB**



**WORLD BANK GROUP**







Urban, Disaster Risk Management, Resilience & Land



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# 1



## SUMMARY

<b>PROJECT &amp; LOCATION</b>	<b>Bonifacio Global City Manila Metro Area, Philippines</b>
<b>LAND-BASED FINANCING INSTRUMENT USED</b>	Joint venture
<b>ECONOMIC &amp; SOCIAL BENEFITS TO THE CITY</b>	Converting military bases into vibrant economic use

In 1992, the Government of the Philippines embarked on a mission to bring decommissioned U.S. military bases into productive use through the Bases Conversion and Development Authority Act.<sup>1</sup> Fort Bonifacio, a defunct base on the outskirts of Manila, held great potential due to its proximity to the city and available infrastructure. Through a joint venture with the private sector, the previous military base was converted into a mixed-use, international business district called Bonifacio Global City. The development boasts eco-friendly residential townships, retail outlets, cultural facilities, international schools, embassies, and multi-national firms.

# 2



## BACKGROUND

To convert abandoned military bases into vibrant economic use, the Government of the Philippines implemented the Bases Conversion and Development Authority Act; a vital legislative intervention to streamline the development of the military bases. The legislation also established the Bases Conversion Development

Authority (BCDA), a planning authority and an economic development agency with the mandate to “convert former military bases into centers of economic growth, aiming to create sustainable urban communities to uplift the lives of Filipinos”.<sup>2</sup>

1. Republic Act no. 7227  
2. BCDA official website



FIGURE 1  
Bonifacio Global City approximately 11 km south-east of Manila

### 3

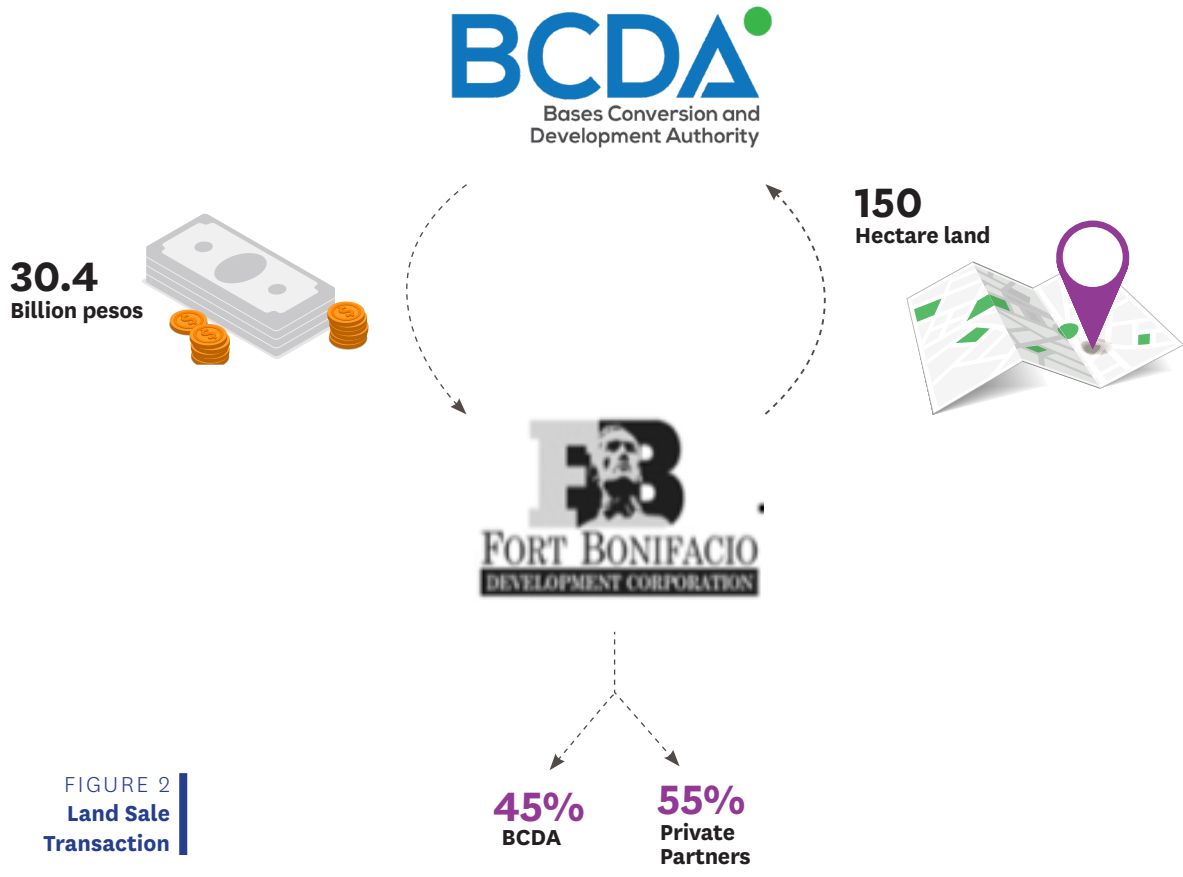


## ESTABLISHING THE JOINT VENTURE

In 1995, the Fort Bonifacio Development Corporation (FBDC) joint venture was formed between the BCDA and a private consortium<sup>3</sup> to develop the 150 ha Fort Bonifacio land. The private group acquired 55% stake in the joint venture for 30.4 billion pesos (approximately US\$800 million at the time), and the remaining 45% stake was held by the BCDA (Figure 2). The BCDA estimated the price of the land assets by considering (1) the market data of sales and listings of comparable land parcels, and (2) the present value of future lease income.



3. In 2003, a consortium called Metro Pacific, comprised of two of the largest real estate development firms in the Philippines, Ayala Land Inc. and Evergreen Holdings, Inc., acquired the private interest in the FBDC.



**FIGURE 2**  
**Land Sale**  
**Transaction**

The FBDC acts as the master developer of its land and sells off developable parcels to private developers who create individual developments. Bonifacio Global City, the landmark project of the FBDC, aimed to accommodate 250,000 residents and 500,000 daytime workers and visitors. The project's progress was initially slow due to the 1997 Asian financial crisis. However, it accelerated under the new private partners after 2003.

# 4



## BUSINESS MODEL

The use of proceeds from initial land sales was explicitly specified in the Act. The proceeds were allocated to the National Treasury to be utilized for development policies such as homeless housing, armed forces housing, and infrastructure investments in the adjacent municipalities of Taguig, Pateros and Makati. The mechanism granted the national government a revenue stream to pursue economic development policies. Those revenues were a key pillar in the development of the central Luzon region as well. Table 1 highlights the final allocation of proceeds from land sales.

BUDGET ALLOCATION CATEGORY	Percentage
<b>INFRASTRUCTURE INVESTMENT IN SUBIC AND CLARK SPECIAL ECONOMIC ZONES (SEZS)</b>	50%
<b>MODERNIZATION OF ARMED FORCES AND MILITARY HOUSING</b>	33%
<b>HOUSING FOR THE HOMELESS</b>	4%
<b>SHARE OF MUNICIPALITIES OF MAKATI, TAGUIG AND PATEROS</b>	3%
<b>GOVERNMENT'S GENERAL BUDGET</b>	10%

TABLE 1  
**Land Sales Proceeds**

As in almost all large land sales, the process of allocation of sales proceeds faced opposition, especially from “military families who argued that they were inadequately compensated for having to leave military housing in the compounds. One organization of retired military personnel refused to leave military housing and sued the government

in court over the issue. In January 2007, the Supreme Court of the Philippines issued a judgment that labeled the group as “professional squatters” and ruled that the law allows “summary eviction” when government infrastructure projects require conversion for development use”.<sup>4</sup>

4. George E. Peterson (2009). *Unlocking Land Value to Finance Urban Infrastructure*. The World Bank.

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## OUTCOME

The joint venture between the BCDA and the private partners has been able to achieve vibrant, eco-friendly and world-class townships within Fort Bonifacio. Bonifacio Global City is home to residential landmarks, international schools, offices of multinational companies, the embassy of Singapore, a state-of-the-art Mind Museum, high-end shopping malls, upscale restaurants, clubs, and bars. Fort Bonifacio has been

transformed into a prime location for business and residence with developments such as Megaworld's McKinley West, Uptown Bonifacio, and Federal Land in full swing. The success of Bonifacio Global City has also spurred the development of other former military lands. However, Bonifacio Global City remains a luxury, gated community project with limited public access to non-community members.

FIGURE 3  
**Fort Bonifacio  
before development**  
Source: Bonifacio  
Global City Official  
Website



FIGURE 4  
**FBonifacio Global City in 2016**  
Source: Mjdiamzon through  
Wikipedia Commons



# 6



## LESSONS LEARNED

The partnership between the BCDA and private partners was crucial for the success of the project. The private partners had decades of experience in real estate development and the BCDA was responsible for land development and had full support of the national government. The BCDA model highlights lessons in:

### **ECONOMIC SUSTAINABILITY**

Rather than a one-time land sale, the BCDA's decision to enter into a long-term partnership with the private sector ensured a sustainable income stream. The joint venture model allowed BCDA to receive 30.4 billion pesos in upfront capital to meet immediate economic development needs.

### **SOCIAL AND ECONOMIC OUTCOMES**

The newly created entity FBDC was not saddled with the responsibility of providing public goods or services. The disposition proceeds from land sales/leases were remitted into the National Treasury to be utilized for social and economic development policies such as homeless housing, armed forces housing, and infrastructure investments in the adjacent municipalities of Taguig, Pateros and Makati. The mechanism granted the national government a revenue stream for policy priorities without burdening the FBDC.

### **IMPROVED URBAN LANDSCAPE**

The case of Fort Bonifacio is not unique; congested cities such as Delhi, Dhaka, Riyadh, and Karachi are among many others where military bases occupy extremely valuable land, at prime urban locations. The BCDA model offers a model to convert land parcels into zones for economic development.

# 7



## SOURCES

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