



An In-Depth Case Study on the Public Return of Development Gains

We analyze current status on the public return of development gains, benchmarking systems, and the Pangyo–Daejang development project for offering new suggestion to the Gyeonggi Province. First, the concept of the public return of development gains and related methods are reviewed. We analyze current status of the development charge, the residential land development project that changes the use of zoning system, the commercial rental housing supply promotion district, the urban development project, the metropolitan transport improvement measure, the metropolitan transport facility charge, development projects of the LH that refers the Korea Land & Housing Corporation, and special accounts and funds of Gyeonggi Province.

The collection of development charges is small due to reduction and exemption, low effective land price and inflated development cost. In addition, “Restitution Of Development Gains Act” stipulates that development charges should be allocated only to special accounts for regional development and the basic local government, indicating no collection for the Gyeonggi Province. In the case of the residential land development project that changes the use of zoning, it is found that the

criteria of the public donation, 45 percent of increased volume after the change of use is very weak, so there is a possibility of preferential treatment. In the case of a commercial rental housing supply promotion district, the public facility donation is significantly lower than the average of urban development projects. Three stage reviews of the Housing Policy Advisory Council, the Urban Planning Commission, and the Integrated Review Committee are inconsistent. The urban development projects shows that cities and counties with the right to make plans are not active in retaking development gains, which requires a higher level of cooperation than the level of business consultation. In the case of the metropolitan transport improvement measures, many projects have no measure because developers reduce the size of districts and are delayed because of the lack of sanctions and difficulty of funding. The collection of metropolitan transport facility charge is not well operated due to imposing charges at initial time of a project. LH's development projects have problems of the outflow of development gains and delay in the supply of living SOC facilities. Reviewing accounts and funds to manage public return, it turns out that special accounts are suitable for short-term and funds are for long-term.

We reviews the Seoul's pre-negotiation system for betterment recapture, combined development and re-investment for region as benchmarking systems. Seoul's pre-negotiation system is used for Hyundai Motor site by deciding public contributions through negotiations and guaranteeing implementation through a district unit plan. As examples of combined development, we study the redevelopment of Yimun 3 district, the reconstruction of Shinheung and Tongbo apartments in Seongnam city, and the construction of industrial complexes in Gyeonggi Province.

We perform an in-depth analysis on the Pangyo Daejang

development project in that development gains are returned to public through various methods. Seongnam city designates the PFV, Seongnam's garden as the operator of the project and confirms in advance about 550.3 billion won as public return through business agreement and shareholder agreement. The first industrial complex located in the old city is reconstructed as a park by utilizing the combined development, and various infrastructure is installed by creative methods. In addition, land for rental housing is secured through dividends and new concept policy is planned such as citizens dividends using local currency.

We suggest policies concerning the public return system of development gains of the Gyeonggi Province. First, we suggest to revise related laws. It is necessary to set up the combined development, the re-investment for region, and admitting living SOC as infrastructure donation in the "Special Act on Public Housing". It is necessary to revise the "Restitution of Development Gains Act" to allocate development charges to provincial governments and to allow a provincial governor to designate institutions that specialize in calculating development costs. We suggest to revise the "Special Act on Metropolitan Transport" and to lower the standards for planning a metropolitan transport improvement measure, to tighten sanctions on proactive projects, to strengthen a provincial governor's authority, and to impose heavy fines on not paying metropolitan transport facility charge. To activate the combined development of industrial complexes, it is necessary to revise the "Industrial Sites and Development Act" and "Integrated Guidelines on Development of Industrial Sites" and to allow to use the sale of support facility sites as well as the sale of industrial sites to preserve the loss of a combined industrial complex. In addition, we suggest to apply the combined development of "Urban Development Act" to

industrial complex in underdeveloped areas.

The improvement of systems of the Gyeonggi Province is as follows. With regard to the residential land development project that changes the use of zoning system, it is necessary to increase the criteria of the public donation, 45 percent of the increased volume after the change of use and to put the upper bound of the project area to prevent to avoid urban development projects. In addition, it is also necessary to introduce Gyeonggi style pre-negotiation system that developed the current pre-consultation system. The commercial rental housing supply promotion district requires to make a independent operation guidelines to strengthen link among three designation stages and to activate donations of completed rental houses instead of rental housing sites. The Gyeonggi governor should enact named "The Public Return of Development Gains Ordinance". Special accounts and funds should be set up to manage the development gains that will be recouped through the participation of the Gyeonggi Urban Innovation Corporation and to transfer to welfare budget.

A study on Pangyo Daejang development project suggests that the governor actively participates in projects with large-scale development gains, utilizes PFV method with financial companies without constructors, the method of confirming public gains in advance, and various methods to the public return of development gains, shares development gains using local currency, and organizes a dedicated organization.

Keyword

Public Return of Development Gains, Combined Development, Re-Investment for Region, Pnagyo Daejang Development Project