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Collaborative development: Capturing the public value in private real estate development projects in Ho Chi Minh City, Vietnam

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ABSTRACT

This article addresses a relative gap in the literature on real estate development and property rights in transitional economies, particularly on the “shadow” role of private developers in urban management at the local level. The paper argues that the development of high-rise buildings in Vietnam resulted from the national privatization policy shift known as *Doi Moi* that gave landowners greater rights. These changes in land rights policy are important constitutive elements for institutional functionality of value capture via privatization of land, to become viable and effective. Further, the paper describes how private developers (foreign and domestic) take advantage of vague and indistinct city governance regarding privatization of land, while the property rights of the original users of the land are insufficiently protected. These issues are illuminated and analyzed through the use of three case studies of commercial projects in Ho Chi Minh City. We suggest a further institutionalization of privatization of land and value capture in Vietnam.

1. Increasing land values and value capture

International development institutions like the [United Nations \(1976\)](#) and the [World Bank \(2015a\)](#) have long recognized and stressed the importance of urban land policy and land rights in the development process. One of the most important functions that improved policy and rights in development plays is rationalizing the value capture of land use and land appreciation, which is often generated by actions from those other than the landowners; namely, public investments in infrastructure. This question of value capture has tremendous importance for the sustainability and viability of the communities that host large development projects. As a transitional country, Vietnam's main value capture strategy is based on the privatization of land ([Section 3](#)). However, the insufficient institutionalization of this system and the absence of clear guidelines may threaten sustainable urban growth in rapidly expanding cities like Ho Chi Minh City.

Rapidly increasing commercial activities resulting from urbanization have generated a high rate of consumption of city-center urban land. Since the supply of urban land is limited, most of this urban central growth has taken place through the conversion of land from

residential into commercial use. Because of their unique locations, urban-center lands often are subject to problems regarding the control of building development, inefficient land use, extreme land speculation, and high land prices ([Son, 2013](#); [Temelová & Dvořáková, 2012](#); [Zeković, Vujošević, & Maričić, 2015](#)).

This article addresses privatization of land and value capture in Vietnam, by focusing particularly on the Central Business District of Ho Chi Minh City (HCMC), Vietnam, and its micro-planning of the re-development of the urban center. It examines a new flexible-urban management mode that has emerged in Vietnam, and contrasts significantly with Vietnam's central planning system of the pre-*Doi Moi* days. We also question how the public sector and private developers negotiate privatization and development of land based on long-term leasehold, to illustrate the critical importance of value capture in a transitional urban setting. We believe that the research presented in the article is also relevant for an international audience. The Vietnamese experiences with a transitional land market can be linked to similar processes in some other countries and particularly in China, while the difficulties HCMC faces with implementing an efficient and fair value capture mechanism in a context of underdeveloped regulatory

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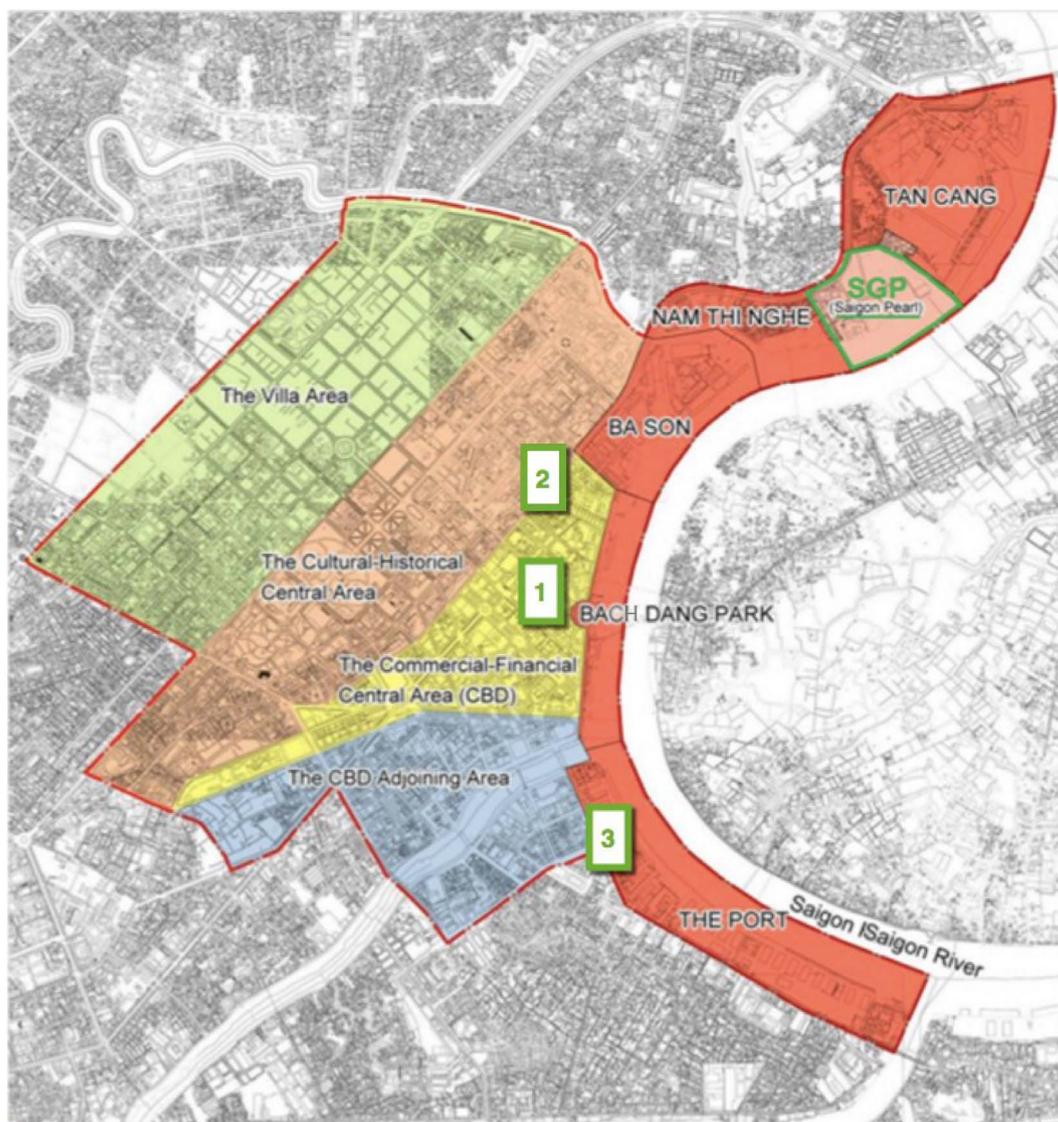


Fig. 1. Location of three buildings in HCMC Central Area: 1. Times Square; 2. The Lancaster and 3. REE 2 Tower Project.

institutions can be found in many other developing countries as well.

We explore these issues in Vietnam by presenting three cases of high-rise building development in the central area of Ho Chi Minh City built in the late 1990s and early 2000s (See Fig. 1). The case studies may be seen as narratives that illustrate how underdeveloped regulatory institutions and a nascent but fast-growing private real estate sector are at odds in Vietnam.

2. Methodology

This paper is based on a combination of literature review and empirical data. The empirical research is largely based on information gathered from May to October 2012, from June to August 2013, and from July to September 2015 in Ho Chi Minh City. The main activities included an extensive field reconnaissance survey, classified document searches and interviews with key informants. Information on earlier construction and discussions of changes in investment relied on interviews with staff members of the Ho Chi Minh City Department of Planning and Architecture (DPA) and Department of Construction (DoC), two realtors, four developers and two former residents.

Primary data collection was carried out at three commercial projects in HCMC's District 1 – Times Square, The Lancaster and REE 2 Tower Project (See Fig. 2). Secondary data and information were also

collected, consisting of government records of city-level and regulations on center area management. For governance in spatial center areas, in addition to secondary data, we carried out unstructured interviews with key informants who work in the center management unit of the DPA. Finally, potential alternatives to present value capture practice in HCMC were discussed with several local experts, both from academia and the public sector.

The paper is organized into seven sections. Section 2 discusses Vietnam's changing planning system and property rights regime. Section 3 provides a brief literature review of value capture tools and discusses value capture mechanisms in Vietnam. Section 4 briefly describes high-rise development in HCMC. In Section 5, the results of three case studies of high-rise development in HCMC, including negotiations between public sector and private developers and value capture practice are presented. Section 6 aims to critically evaluate these cases and suggests possible needed adjustments to current policy and planning. Finally, Section 7 concludes the discussion and raises some issues for further debate and research.

3. Institutional context: the Vietnamese planning system and property rights regime

The post-1975 housing situation in Vietnam created a number of

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