

**Appendix - IV. Priority Sub-tasks**  
**A. "Special District" Materials**

Introduction Paper

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*The following material was distributed at a training seminar conducted in Valdai, on the 14<sup>th</sup> of July, 1998*

**NOVGOROD REGIONAL INVESTMENT INITIATIVE**  
**LAND REFORM SECTOR IN NOVGOROD OBLAST MUNICIPALITIES**  
**PRIORITY SUB-TASK 2/a: PUBLIC INFRASTRUCTURE STRATEGIES**  
**"SPECIAL INVESTMENT AREA CONCEPT"**

**THE NEED:** In order to improve its economic condition, Novgorod *Oblast* and its local governments must restore its industrial-manufacturing zones to productive use. This restoration depends on successfully attracting private investment to construct and operate manufacturing plants. A strategy which combines land reform (privatization) with economic development and systematic construction of infrastructure is recommended to attract private investment into this area.

*THE SITUATION* Throughout the urban communities are large areas which were designated for "industrial" land uses, such as manufacturing enterprises. Many of these enterprises are bankrupt, and many others are operating at a much lower level than they were before 1990. The environment within these industrial areas has deteriorated, as many factories and industrial buildings have been abandoned, with no replacement activity having been found. Such abandoned, deteriorated industrial areas are called "Brownfields" in the industrialized countries of the world.

**THE SOLUTION: A "Brownfields" redevelopment strategy which combines...**

- Economic Development through recovery of land sites in these areas and orderly marketing of these sites to private investors
- Infrastructure Improvement through systematic, economical maintenance and new projects within these areas

THE RECOMMENDATION (Map II): Treat these areas as "**Special Investment Districts**" where effort and money are directed to:

- Implement "Pro-active land privatization," preferably through an Economic Development program to prepare and "market" sites for transfer to private investors
- Plan the system of infrastructure so that it can be maintained better and be extended to serve additional areas economically
- Introduce a system of Land Use Regulation which will ultimately lead to areawide "zoning" to designate land use
- Establish reliable ways to pay for the Economic Development and infrastructure improvements around these sites

#### ECONOMIC DEVELOPMENT: PREPARING AND MARKETING SITES FOR INVESTMENT

The first thing which is needed is to prepare and market industrial land sites to private investors. In 1998, the *city administrations of small municipalities in Novgorod Oblast* began undertaking a program of "pro-active land privatization," most of which affects *their* largest industrial sections. These industrial zone are occupied by many obsolete buildings and bankrupt enterprises; such areas are often referred to as "brownfields." As part of *their* "pro-active land privatization" program, the cities *considered the following preparations and marketing activities*::

- Preparing: Taking a land inventory and identifying underused land sites;
- Preparing: If there are "objects" on these sites, the administration negotiates with current users to return part of the land plots to administration for future marketing. The current user continues to use the "developed" portions of the allocated sites. (If these sites are vacant, then the administration seeks to have these properties identified as "municipal"; if the properties are qualified to be "municipal," then the administration proceeds with the necessary steps with the oblast and the RF to declare them to be "municipal" property.)
- Preparing: Following negotiations, the administration removes obsolete, unusable objects
- Marketing: Administration advertises and publicizes sites for use to private investors
- Marketing: Administration sells property through its "economic development program" or conducts a "marketing event" (an auction or tender) and obtains buyers for properties
- Marketing: Administration and the new buyers negotiate for sale or lease; following its acceptance by both parties, the administration assists buyers in obtaining fast approvals for permits and other necessary actions to construct ("develop") improvements on the property

#### THE NEED...AN ECONOMIC DEVELOPMENT PROGRAM AND A FUNDING SOURCE

- To continue the "pro-active land privatization" program for many years, until all these "brownfields" have been returned to productive use through successful investment

- To provide a source of money to pay for “Preparing” and “Marketing” in order to attract this new investment

#### INFRASTRUCTURE IMPROVEMENT: INFORMATION AND PLANNING

The City Administration and several Utility monopolies are responsible for designing the systems of infrastructure which serve these areas. At the present time, there is a need for a better planning because...

- maintenance of the existing systems is poor
- construction of new systems is nearly impossible
- improvements to some large facilities (water treatment plants and solid waste disposal sites) is necessary and will be more so in the future

Providing a complete, well-maintained system of infrastructure must be done in order to attract private investors. If these investors are confident that the roads, water lines, sewers, gas connections, and electricity will be adequate, they will be attracted to the area; if not, they will look elsewhere.

**There are two issues: Information and Money. Information about the Infrastructure should be collected. This will result in...**

- Better planning for Infrastructure will result as each individual service provider can understand the plans of the others. If there is better planning, money will be saved as unnecessary projects are eliminated in favor of projects which don't duplicate or contradict others
- Better planning for private investors will result as each individual can make better judgments about the risk of constructing a plant within the zones

To assemble information about infrastructure, an...

#### INFRASTRUCTURE PLAN

...should be prepared for the area inside the Special District. It should show *both* “Existing” and “Proposed” facilities—pipelines, streets, power stations, water cleaning plants, and the like. Each service provider should enter on to the plan the facilities for which it is responsible. Once this Infrastructure Plan is prepared, then one of the conditions for raising money will be improved.

## NEW FUNDING FOR ECONOMIC DEVELOPMENT AND INFRASTRUCTURE IMPROVEMENT

The *main* problem is money. At the present time, each responsible provider collects some money from land users in the area through taxes and rents (the city administration), service charges (utilities), and other sources, such as technical conditions (new private investors) and governmental gifts. Small amounts of these revenues used for infrastructure maintenance and construction. More must be found in order to implement a system of systematic, well-planned, well-maintained infrastructure.

THE SOLUTION: Create a "pool" of money which can be reinvested in the Special *Economic* District in order to achieve the results which were described above. Some money would be provided by the Administration, drawing funds from:

- revenues which are realized from successful "marketing" of properties through "pro-active privatization"
- other sources, as determined by the Administration Some money would be provided by the private new investment, drawing from:
- revenues from development charges;
- a different system of calculating the "technical conditions" which are usually applied by utility monopolies against the new construction on land sites;
- other sources, as determined by cooperation between the city administration, the utility monopolies, and the private investors

In the case of very large and expensive projects, some money would be provided by financial organizations who would "loan" money for construction. When this becomes necessary, the repayment of the loan would be made from money in the "pool" of money, which would be called the...

## INFRASTRUCTURE ACCOUNT

The Infrastructure Account should be coordinated with the Economic Development Account so that money which is spent for one activity should be supported by money spent for the other. In this way, money is spent wisely by supporting the overall objective of returning unproductive land to productive use. In addition, because some of the funds from one program (such as "pro-active land privatization") would be used to help set up the Infrastructure Fund, there should be a large measure of coordination by the City Administration.

## 2. Description of Proposed Velikii Novgorod "Special District"

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*The following was distributed to the City of Velikii Novgorod in February, 1998*

**NOVGOROD REGIONAL INVESTMENT INITIATIVE  
LAND REFORM SECTOR IN NOVGOROD CITY  
PRIORITY SUB-TASK 3/a: PUBLIC INFRASTRUCTURE\* STRATEGIES  
"SPECIAL DISTRICT CONCEPT"**

**Concept:** Create within Novgorod City: (1) a "Special District for Economic Development and Infrastructure Construction"; (2) the financial arrangement to help pay for economic development activities and construction of necessary facilities within the special district; and (3) the preparation of an Infrastructure Plan to guide the installation and maintenance of essential facilities within the district

What is the district? The area to comprise the district will be shown on a map. The district boundaries will be established by the city administration for the purpose of attracting private investment to create jobs for Novgorod's citizens. Most of this proposed area has already been designated for "industrial" uses by the "Rules for Land Use and Development in Novgorod," adopted in 1997. The district will establish the boundaries for special redevelopment activities, such as performing land management and marketing activities, constructing infrastructure projects, and collecting money from property owners which will pay for infrastructure.

Why should the city create such a special district? A strong base of employment is essential to the economic and fiscal condition of Novgorod. The source for enlarging this base will be private capital which will be invested by entrepreneurs into plants, factories, warehouses, and similar job-creating enterprises. The existence and maintenance of adequate infrastructure is important to attract this private capital to Novgorod. If this infrastructure is provided through a timely and well-planned program, then the city will be more attractive as a place for private investment, especially in competition with other Russian cities, because entrepreneurs will see less "risk" in investing in land and property. If this infrastructure investment program is also supported by activities to "market" property sites in the district, then the likelihood of attracting private capital is increased. Finally, if it is "targeted" within a special area, this investment activity will create economic efficiencies in terms of service costs.

Once private capital is attracted, it will: (1) create new jobs; (2) increase the base on which property tax revenues can be generated for the costs of administration of the city; and (3) help to stimulate the development of a market in private land and property within the city and the region.

How will the financial arrangements be created? In 1998, the city can establish a special account to help pay for the necessary economic development and infrastructure projects. This account will receive revenues as appropriated by the city administration and duma and will disburse money to pay for the two activities which are to be undertaken within the district—economic development (through property management and marketing) and infrastructure construction. After one or two years' operation with this arrangement, the city may determine that a more formal structure will be necessary to carry out the redevelopment of the area. In such an event, the city will pass a law which authorizes unique fee collection practices from property owners and land developers inside the district area. This law will describe the purposes for creating the district, its management, the sources of revenue to be collected, the allowable expenditures to be made, and its system of operation. The outline of such a law is included later in this paper (Item No. 7).

What is an "Infrastructure Plan?" The Infrastructure Plan for the Special District will show all existing and proposed infrastructure facilities and will provide a list of estimated costs for each proposed new project. The plan will be approved by the city administration, which will base its approval on recommendations made by those utility providers responsible for fresh water, waste water, electric power, roads, bridges, stormwater drainage, street lighting, traffic control, and others. The Infrastructure Plan will show: the location and general size of existing and proposed infrastructure facilities (see "definitions"); the dates proposed for construction of new projects; schedules for facility replacement or major maintenance; cost estimates for new projects; and the physical relationship of these with the physical cadastre of the city.

How will this special district operate? The city administration's operations will be based on these activities:

- Promote economic redevelopment through property management and marketing, such as preparing properties for sale by demolishing buildings, clearing land, creating new land parcels, and establishing conditions for future construction of plants, factories, warehouses, etc., on site.; AND conducting "marketing campaigns" to notify potential investors of the availability of properties within the district.
- Adopt an Infrastructure Plan which shows existing infrastructure facilities and proposed infrastructure projects
- Undertake new infrastructure project construction which conforms to the plan.
- Assist new investors to undertake the development of their properties, to assure that it results in the construction of new, employment-generating factories, warehouses, offices, hotels, and similar economically-beneficial investments
- Collect and administer money for the "special account"

In summary, the financial and administrative principles on which this district will operate are:

Financial support of a fund, referred to as a "special account." Revenues to support the fund will be appropriated by the city. In the future, after legislation is passed by the city administration and duma, the revenues may consist of: special fees (such as revenues from "technical conditions" which are now levied on newly-privatized parcels); revenues from sale of municipal property resulting from its "pro-active land privatization" program: a percentage which may be retained from land rent revenues paid by properties within the district; and other

sources authorized by the city administration. The Fund would be comprised of two accounts: one for "economic development" the other for "infrastructure finance."

Adoption, and periodic updating, of an "infrastructure plan" for the area. This plan will show all existing and proposed infrastructure elements and will provide a list of estimated costs for each proposed element. It will be approved by the city administration, which bases its approval on recommendations made by those utility monopolies who provide fresh water, waste water, electric power, roads & bridges, stormwater drainage, street lighting, traffic control, and others.

Management and operation of a special account to pay for the costs of redeveloping the area, especially undertaking an economic development program and constructing new infrastructure..

4. Expenditures from the special account will pay for costs of:

Demolition and removal of municipally-owned property objects which are declared to be "obsolete" by the city administration

Marketing municipally-owned land and property objects to private investors

Planning, design, construction, maintenance, repair, replacement, and removal of infrastructure facilities and systems which are part of the "infrastructure plan"

Principal and interest of those debt obligations ("bonds") which might be issued to pay for major infrastructure projects

Adherence to a policy that all expenditures from the special account are to provide benefits for the area within the district, (even though an actual facility, such as a water cleaning plant, might be constructed outside of it).

Given the complexity of the arrangements to establish the district and capitalize the special account, it is likely that the realization of the entire concept will take several months and perhaps years to be fully realized. Even though they mutually support each other, these arrangements are useful enough to justify being implemented individually. For instance, preparing and adopting an "Infrastructure Plan" will foster cooperative planning by the individual utility providers and certain government agencies. This step alone will improve the quality of planning and reduce the likelihood of overlapping or competing projects. It will also produce a clearer forecast of future project activities which have been proposed. Both of these results will encourage the attraction of investors to the area because their information about future plans will help to reduce their perception of "risk" involved in the proposed investment.

Likewise, creation of a special account with dedicated revenue sources will provide flexibility for project planning. Systematic project construction will replace incomplete piecemeal endeavors. Property management and marketing can be undertaken in an orderly schedule. Ultimately, this account will form the basis of a fund which can be leveraged into "bond" funding. The ability to maintain accounts such as this fund helps to attract lending resources.

### Implementing the Concept

The following table indicates a generalized listing of activities which can be taken by the city. Item 1 should precede all the others, because this step is necessary to declare a "policy" which justifies special treatment of one particular area of the city for economic development and infrastructure construction. However, after this policy action is taken, the subsequent activities need not be taken in numerical sequence. Creating the "Infrastructure Coordinating Committee" requires the full participation of the non-governmental utility monopolies. It is essential before any "Infrastructure Plan" can be prepared or any expenditures for infrastructure would be authorized under the new arrangement. On the other hand, undertaking the Economic Development Program requires administrative costs on the part of the city, and is therefore largely independent on creation of some favorable budget action, if not a separate "Fund." Economic development activity need not await the cooperation of the Utility Monopolies, establishment of the Coordinating Committee, or the adoption of an Infrastructure Plan. However, all these marketing activities will be far more successful if they are undertaken in a consistent schedule with the Infrastructure Plan and a means to carry it out through money provided by the Special Fund.

Actions to implement this concept (Details for each "Item No." are explained on following pages)

Item <sup>1</sup>	Outline of Actions	Implementation Steps and Programs	Responsible Structure	Timing and Comments
1.	Legislative Action: Resolution on Policy	A. Prepare the draft statement of policy and determine what legal actions are necessary to implement this policy  B. Approve the draft. C.. Negotiation and amend according to Utility Monopoly comments which are connected with the topic.	A. Agency of economic development and investment policy. Legal Department Finance Department B. City Administration C. Utility Monopolies City Administration adopts resolution as required by law	States that economic development is policy, land privatize. Should be done to develop key areas; identifies "special district"; sets up "Inf. Plan" and Infrastr.. Plan Committee
2.	Organization Action: Infrastructure Plan Coord. Committee	A. Identify the individuals who should participate in this committee B. Prepare Infrastructure Plan  C. Approve Infrastructure Plan	A. Utility Monopolies and City Administration B. Infrastructure Plan Coordinating Committee C. City Administration	
3.	Organization Action: Special Account	Administrative (legal?)	Finance Department, Utility Monopolies	See Comment Below
4.	Organization Action: Economic Development Program	A. Designate responsible officials and staff within the city administration B. Prepare Economic Development Program C. Approve Economic Development Program	A. City Administration B. Agency of economic development and investment policy (?) C. City Administration	See Comment Below
5.	Organization Action: Infrastructure Implementation	Designate responsible officials and staff within the city administration	City Administration, Utility Monopolies	
6.	A. Special Account Actions	A. Collect and deposit revenues, as permitted by policy and law; authorize expenditures for infrastructure projects and for property management/marketing	A. Finance Department	A. Proceeds from "pro-active land privatization might be used to establish Fund in 1998

	<p>B. Infrastructure Program Actions</p> <p>C. Economic Program Activities</p>	<p>B. Design, construct new infrastructure projects Maintain, repair, improve existing facilities</p> <p>C. Prepare additional sites for future marketing; demolish buildings; Conduct systematic marketing of sites within district</p>	<p>B. Novgorodgrazhanproekt designs; private contractors construct; utilities maintain</p> <p>C. City Administration</p>	<p>B./ C. activities may begin upon creation of "Special Fund," or other city budget action</p>
7.	<p>Legislative Action: Create Special District</p>	<p>Pass legislation to create the Special District as a special financing area with its own financing and budget,</p>	<p>Legal Department Utility Monopolies Finance Department</p>	<p>If progress is fast, and there are no legal problems, then the city might create district in 1998</p>

Notes and Explanation of "items" No. 1, 2, 3, 4, 5, and 7

**Item No. 1. Legislative Actions: Resolution on Policy:** A дума resolution would state that economic development is objective of city and that land privatization contributes to economic development; authorizes land privatization through marketing event in 1998; authorizes future land privatization through "systematic program" of site preparation and marketing within special district; authorizes preparation and periodic updating of "Infrastructure Plan" within special district; and authorizes funding arrangement to carry out economic development and infrastructure construction in district

Items 2, 3, 4, and 5. Organization Actions:

<b>Item No. 2: Infrastructure Plan</b>	<b>Item No. 3: Special Account</b>	<b>Item No. 4: Economic Development</b>	<b>Item No. 5: Infrastructure Implementation</b>
1. Identify and Map "Existing Conditions"	1. Receive and deposit Funds from authorized sources	1. Collect Data (see following pages for data)	1. Identify size of Proposed Projects
2. Analyze Current Service and Identify Needs (see following pages for data)	2. Analyze money requirement for Economic Development Program	2. Prepare Analysis of Conditions	2. Identify location of repairs and maintenance of existing facilities
3. Identify "Proposed Projects" on Map	3. Analyze total money necessary for Infrastructure Constr. & Maintenance	3. Identify Property Activities by Year	3. Estimate Costs of "1." And "2." Above
	4. Make payments as required	4. Estimate Costs of Activities	4. Inform Plan Committee & Special Fund

Item No. 2. Infrastructure Plan

*Activities;*

I. Collect data about the Area

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Prepare a Map showing boundaries of area; streets; rivers; railroads. Title of Map: "Infrastructure Plan—Special Economic Development and Infrastructure Planning District"

Text of plan would include a statement describing "Infrastructure Plan"; definition of "infrastructure;" description of "infrastructure planning process"; summary of existing and proposed infrastructure; identifies who is responsible for designing, constructing, maintaining, repairing, removing, and operating infrastructure facilities; identifies who is responsible for revising Infrastructure Plan and how it is amended; identifies how new projects are paid for and existing facilities are maintained

*Prepare a series of maps, as follows: (1) showing streets, boundary lines of special district, railroads; (2) showing "existing conditions" e.g, .land uses, environmental conditions, existing "objects," and property lines, if known; (3) existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed projects for new infrastructure.*

Prepare maps at scale of 1:500 as "working maps"

Prepare map at scale of 1:5000 as "Infrastructure Plan"

"Proposed Projects."

*Prepare a second overlay at the same scale, showing "proposed" infrastructure projects for each type of utility*

Prepare a New "Infrastructure Plan" map each year which updates information on completed projects and identifies new projects to be undertaken. Specify whether these projects will be taken in one, two, three, four, or five years, and identify the year in which the projects are proposed to be undertaken on the map.

Assign responsibility for preparing a new Infrastructure Plan each year

Item No. 3. "Special Account": No further explanation necessary

Item No. 4. "Economic Development Program" Contents and Activities

*Collect data about the Area*

Measure the total land area and collect data on:

Area in use: industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; other uses

Total no. of enterprises; no. of employees working in these enterprises; total no. of dwelling units; no. of residents in these dwelling units

Assign responsibility for collecting data and checking the accuracy in the field

*Prepare analysis of area:*

Measure the characteristics of Area in use: Employees or residents/hectare; No. of vehicles; Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

Same information for Areas used by utilities and railroad; streets & row's

Location of new (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available)

Location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

**Show this information on another map (or overlay) at a scale of 1:5000**

*Assign responsibility for preparing a new Economic Development Plan each year and show new activities which are proposed on a map at the same scale.*

Prepare a Map each year which updates information on land sites that have been prepared for "privatization" and those which are proposed for new demolition or redevelopment work. Maps to be prepared showing streets, boundary lines of special district, railroads; showing "existing conditions" e.g., land uses, environmental conditions, existing "objects," and property lines, if known;

Prepare a Statement describing Economic "Development Planning Process"; definition of property management, property marketing, identifies who is responsible for identifying properties to be privatized; what department carries out property management; identifies how the plan is amended each year.

**Definitions used in this paper:**

1. *Bonds*: Certificates or other evidence of indebtedness for a loan, which are issued in the name of the government (or sometimes a non-governmental debtor), and represent a guarantee of repayment of debt and interest. At the present time, neither the city nor the oblast of Novgorod has issued any bonds, and they are still experimental in Russian financial practice.
  2. *Costs of administration*: Expenditures for personnel and related management costs to oversee and supervise an activity
  3. *Costs of construction*: Expenditures for materials and labor to install, fabricate, erect, assemble, and otherwise build a project
  4. *Financing*: Obtaining or providing the money to pay for an undertaking such as construction
  5. *Infrastructure facilities*: The systems of wires, pipelines, towers, pumping stations, streets, bridges, treatment plants, generators, boilers, towers, parking areas, traffic control devices, and similar installations which make up the network to provide utility and transportation services.
  6. *Infrastructure Project*: The design and construction of new infrastructure facilities
  7. *Property Management*: The preparation of sites (land) for transfer from municipal to private ownership (either lease or sale). It includes these steps: Inventory land and objects, identify objects for demolition, demolish objects, and create parcel boundaries for sale to private sector.
- Property Marketing*: Publicizing the availability of sites which have been prepared for private ownership. Marketing may be accomplished through advertising, the use of agents, and other marketing media to solicit interest from investors in acquiring property.

*Utility Monopoly*: The following organizations:

<i>Name of Service</i>	<i>Name of Entity (Contact Official's Name)</i>
<i>Gas Lines</i>	JSC "Novgorodoblagas"; "Novgorodmezraigas"; (Kirlyuk, S.S.)
<i>Electricity</i>	JSC "Novgorod regional public electric wires" (Piluggin, G. F.)
<i>Water</i>	ME "Novgorodskii Vodokanal"; (Chertolin, M. P.) Novgorod Region Water Committee; (Frolov, V.,A.)
<i>Wastewater</i>	ME "Novgorodskii Vodokanal" (see above)
<i>Heat</i>	ME "Teploenergo"; (Lentovskiy, Y. V.)
<i>Streets and Traffic Controls</i>	MO "Customer Service in Housing Utilities"; (Ivanov, A. M.) Transport, Connection, Energy Committee; (Sarin, V. P.)

**Item No. 7. Legislative Actions: Create "Special District":** Following is an "Outline of Proposed Legislation to Authorize a Special District for Economic Development and Infrastructure Finance in Novgorod City"

### Purpose of the Special District

Findings: There is a need to attract private capital into Novgorod in order to generate new employment and improve the income of its citizens. An area has been identified which will serve as the location of enlarged and improved industrial plants as well as new factories. This area should be actively promoted as an investment location and should be equipped with a reliable funding arrangement for the construction of necessary infrastructure to better serve existing and future industrial operations.

Purpose: To create a special financing arrangement which will provide a high level of infrastructure quality and assure the continued orderly enlargement of the city's industrial base.

Definitions to be included in the legislation: Administration; Assessable improvements ("objects"); Bonds; Costs of administration, construction, financing, infrastructure facilities, maintenance, marketing, planning & design; Project;

Creating the District: To be done by the city дума (with or without RF and/or oblast authorization?); defined by map showing area

Control and Management of the District: To be done by the city administration, with appropriate advice from the responsible utility authorities.

The administration shall provide administrative supervision of employees of the district, assure the appropriate updating of the Infrastructure Plan, order or prepare plans and designs for new infrastructure projects; supervise the construction of these; prepare schedules for, and carry out maintenance and repair of existing infrastructure facilities; undertake marketing programs, including preparation of sites for marketing, publicity campaigns, sales events, and otherwise support negotiations leading to property transfers

Funding the Costs of the District. Establish a "District Fund" to be derived from: (1) a \_\_\_\_\_% retention of the district-originating land rent or property tax revenues; (2) the impositions derived from "technical condition" charges levied on transferred property; (3) other development fees or charges which are authorized by the дума. These fees will be deposited into a Special District Fund, which itself may comprise the source for debt service of "Bonds" (to construct major projects or systems) which might be authorized by the дума. The дума may also raise or lower these rates on the basis of demonstrated need

Rules for Expenditures by the District: The justification for all expenditures shall be toward the fulfillment of the currently-approved "Infrastructure Plan," the adequate maintenance of infrastructure facilities, or other costs as defined in Section II. All expenditures to be authorized in public meetings; all awards over Rbl 6,000 to be made pursuant to public bidding rules.

Terminating the District: To be done by the RF, the oblast, or the city

### 3. Outline of Publication Describing Contents of "Special Investment Area" Report

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*The following outline was distributed to the City Land Committee and the Investment Committee*

**NOVGOROD REGIONAL INVESTMENT INITIATIVE  
LAND REFORM SECTOR IN NOVGOROD CITY  
PRIORITY SUB-TASK 3/a: PUBLIC INFRASTRUCTURE\* STRATEGIES  
"SPECIAL DISTRICT CONCEPT"**

Description of the reasons for establishing the area

Identify the Area. Locate the area within a boundary line as drawn on a map of the city. The boundary line may follow the "center lines" of major streets, it might follow the shores of rivers and streams, it might be identical with the boundaries of the municipal government itself. The reason for showing the boundary line is to establish the basis of data which should be collected and maintained after establishing the special area.

Data about the Area.

A. Total land area

B. Area in use: industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; other *uses*

C. Total no. of enterprises; no. of employees working in these enterprises; total no. of dwelling units; no. of residents in these dwelling units

Maps, as follows:

showing streets, boundary lines of special district, railroads;

showing "existing conditions" e.g. land uses, environmental conditions, existing "objects," and property lines, if known;

existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed new projects for each infrastructure system.

IV. Economic and Land Use Analysis of area:

Characteristics of Area in use: Employees or residents/hectare; No. of vehicles; Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

Same information for Areas used by utilities and railroad; streets & row's

Location of "new" (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available); also location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

"Infrastructure Plan": Contents of Plan:

existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed new projects for each infrastructure system.

Proposed new facilities to be constructed—Show on a Map the Location, size, type, and costs of new facility projects;

List the sources of money to pay for new construction which is proposed.

List the problems which must be corrected by constructing new infrastructure projects

List the "standards" which are intended to be achieved by new infrastructure construction. Example: "water quality to contain no more than xxx000 parts per million of xxxx contaminant"; "water pressure to be at least xxx/cm2"; etc. etc.

"Economic Development Plan" Contents:

Activities of Past Year—Number, Size, and Type of Properties Prepared for Privatization; Number of Properties Sold; Number, Size, and Type of Investment Projects constructed on Properties; Number and Income of Employees occupied in construction of new Investment Projects; Number and Income of Employees occupied within "Special District," Investment Projects/Number and Income of Employees occupied outside "Special District"; costs of conducting economic development program (staff salaries, publicity/advertising expenditures, site preparation, including building clearance, environmental studies, surveying, legal work)

Analysis of Past Year—*Benefits to city*: Total Value of new Investment Projects measured by construction cost; Total Number and Salaries of employees working in new Investment Projects; Total Revenues yielded by land sales PLUS Estimated total increase in land value of all non-sale parcels (vacant and improved) during the year; Total Expenditures by new Investment Projects for Infrastructure construction. *Costs to city*: Total expenditures for conducting the economic development program; Total city administration and non-city expenditures for Infrastructure Plan preparation, facility maintenance, and new construction.

Analysis of Past Year—*Benefit/Cost Ratio*. Develop a "ratio" by dividing "benefits" by "costs." This "ratio" should serve to measure the effectiveness of the program; the higher the ratio, the better the results for the city.

Proposed Program for Next Year—Number, Size, and Type of Properties Prepared for Privatization; Number of Properties Sold; Number, Size, and Type of Investment Projects constructed on Properties; Number and Income of Employees occupied in construction of new Investment Projects; Number and Income of Employees occupied within "Special District," Investment Projects/Number and Income of Employees occupied outside "Special District"; costs of conducting economic development program (staff salaries, publicity/advertising

expenditures, site preparation, including building clearance, environmental studies, surveying, legal work)

B. "Pro-active land privatization" Marketing Options

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*Following is a memorandum which was prepared by the Chief of Party*

NOVGOROD PARTNERSHIP FOR FREEDOM  
LAND REFORM AND REAL ESTATE SECTOR

20 July, 1998

To:	Dep. Mayor V. P. Antifeev Land Committee Chairman N. K. Lepeshkin Chairman, Industrial Policy & Foreign Economic Relations M.S. Godgildiev
Subject:	Pro-Active Marketing Strategies

Despite the failure of its June land auction, the city of Velikii Novgorod remains committed to an active program of converting land from public ownership to private ownership. The following paper identifies two options to implement the city's goal. The first option is based on a continuation of marketing properties for industrial development through the process of "direct negotiations" with investors who have declared their intention to construct basic economic investments (e.g., industrial factories and tourism centers) in Novgorod. This option is suitable for the marketing of "major" land sites. The second option—selling land through the auction mechanism—is suggested as a supplementary method for local transfer of land into private control.

Option 1: Economic Development Strategy

"Pro-active land marketing" will be more successful if it considers the characteristics of land and real estate within the city's jurisdiction. The following activities are useful in preparing a useful "databank" about economic conditions. It should be understood that many of these activities are identical to those activities which are necessary to identify and plan the creation of "special districts" for economic development. Steps I, II, and III should be undertaken when the city seeks to identify important properties which it believes are suitable for investment into job-creating industrial or tourist enterprises.

Collect data about potential industrial properties and sites for development of tourism. It is recommended that this work begin first within any "special districts" which have been recognized by the city. The data collection should include materials on:

The total land area: Area "in use": industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; others

Total no. of enterprises; no. of employees working in these enterprises;

Total no. of dwelling units; no. of residents in these dwelling units

Assign responsibility for collecting data and checking the accuracy in the field

II. Analyze the area. Measure the characteristics of Area "in use", such as:

Employees or residents/hectare;

No. of vehicles;

Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

After the program has been conducted for one or two years, the database should be made larger to include: information for Areas used by utilities and railroad; streets & row's; Location of new (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available); Location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

Identify "Key Economic Development Properties." Select the largest, most accessible, most visible, land areas within the area which has been analyzed in Steps I and II (preferably the area has been designated as a "special district").

"Site Selection" of these properties should include:

Establishing boundary lines to create large parcels, and parcels which benefit from good access to streets and infrastructure systems;

Selecting parcels with good locations, such as being visible from streets, being located on well-travelled intersections, and being easy to develop with new buildings

Selecting parcels which are free from high regulations such as historic, cultural, and environmentally-sensitive areas.

Summarize the locations and areas of these sites on a map. For example, the map which was suggested for the "special district" as follows: A Map which updates information on land sites for "privatization" and those which are proposed for new demolition or redevelopment work. This Map also shows "existing conditions" e.g., land uses, environmental conditions, existing "objects," and property lines, if known;

Conduct a program of "Pro-active Economic Development Marketing" each year, focussing on those properties which have been identified as "key." As potential investors visit the city each year, use the databank, including the maps described in Step III, as a marketing resource to begin direct negotiations with investors. Economic Development Marketing will be more successful if it is coordinated with other programs which exist to publicize Velikii Novgorod (and Novogorod Oblast) to Russian and international investors. Therefore, close work should be

maintained in the publicity work of such organizations as the Chamber-of-Commerce, the Novgorod Investment Promotion Agency, and the Economic Committee of the Oblast.

The city's economic development marketing program will be aided by improved information materials. Many of the materials which are used to assist in auctioning land parcels may also be useful in conducting economic development marketing efforts. For instance, "Technical Passports" should be prepared for each "key property." In addition, "Information Packet" materials can be re-packaged as "economic development materials for use in marketing the larger, more strategically-located properties which will be sold through "pro-active economic development marketing."

Each year, the program should assess its progress in "pro-active marketing" for economic development purposes. If there are a number of properties which have failed to incite interest by investors, the city might include these in a package for offering as part of a "land auction" strategy. The preparations for this strategy are discussed in the next section.

#### Option 2: Organizing a Land Auction

The City of Novgorod is committed to disposing of property through competitions. It has organized auction competitions to sell residential dwelling construction sites and commercial "pavillions" It has also sought to sell sites for industrial development; unfortunately, this latest experiment did not succeed. Despite this failure, land auctions have proven to be the most useful technique for selling real estate throughout the developed world. Properly planned and organized, land auctions should be conducted by the city of Novgorod for the following development purposes:

- To make available sites on which residential units can be constructed for private purchase
- To make available sites on which retail and office commercial uses can be constructed and operated
- To make available sites on which secondary "smaller" economic development uses (not to be confused with the "key" economic sites described in Option 1) can be constructed

The following materials outline the elements of a successful future auction organization. This package of materials is based on information and discussions from several sources who were contacted during the preparations for the June event. Future auctions by Novgorod should be based on assembling personnel, money, and materials. The following five subject areas outline the elements of a successful auction planning program.

Advertising and Publicity Strategy

Media Sources

Information & Website Contents, including Schedule of Events-1998

Marketing Organization  
Contact List (separately provided) NOT INCLUDED IN FINAL REPORT APPENDIX

## **A. Advertising and Publicity Strategy**

A "Two-Phase" Strategy should be used to publicize land marketing

### ***PHASE I—Publicize Marketing Event***

Maximize "free" media, and provide information on:

Types of properties

Date of Auction

Names, telephone numbers of contact persons to provide more information

Get information out through:

Web-sites: USDOC "BISNIS," Chamber-of-Commerce, City of Novgorod, Regional Investment Initiative

TV news arrangements through administrative heads (Mayors, Deputies, Duma members, etc.)

C-of-C Magazine

**Dates: Publicity should be conducted for approximately six-to- twelve weeks, until immediately before auction event**

### ***PHASE II—Publicize Properties through Advertising***

Use "free" and "paid" media to provide information on:

#### **Points 1, 2, 3 as above**

Place & Time of Auction

Property and site information

Information Packet and Pre-Registration details; deposits, bidder information required

Get information out through:

Continued "free" media efforts, plus media as outlined on following page

**Dates: Begin 4-6 weeks before auction event, continue until final three days before event**

**B. Media Sources**

*(from "PRO-ACTIVE MARKETING—1998," the city's land auction campaign)*

"Free" Sources to Publicize Marketing Event (To be used during Phase I and Phase II)

a. Foreign Trade Resources

Organization (Country)	Medium	Address (Price?)	Contact Person Tel., Fax., E-mail
Japanese Embassy Information Section			(095)926-5585
Latvia Embassy Trade Section			(095)924-8886
Thailand Embassy Commercial Representative			(095)961-2066,67 Fax: 961-2090
Italy—Comm. Section (ask for Chamber of Commerce)			(095) 961-0275
Austria—Economic Off.			(095) 201-7334
Canada—Comm. Section			(095)956-6666
Germany—Comm. Section			????????????
U. S. Dept. of Commerce "BISNIS"	Website	Free	Alexandr Kanskiy (812) 329-6209
Other organizations to be identified with additional experience			

b. Other Organizations and Resources

Organization	Medium	Address	Contact Person Tel., Fax, E-mail
Chamber of Commerce— Novgorod			

Chamber of Commerce— “American”	Website: www.amcham.ru		Sviatoslave Bytchkov (812) 329-6210 or 6207 Fax: 325-6545
Regional Investment Initiative	Website	Free	(81622)78-051
Novgorod Velikii	Website		V. Kopyl (81622) 77-219 Fax: 78-342
Other organizations to be identified with additional experience			

c Radio (sources for interviews and programs)

Name	Phone/Fax	Address	Comments
Europa plus**	662 211 Kiril Tumanov		
Radio-nova	34 749		Also contact for “Russian Radio” and “Regional Radio”

d Newspapers and Magazines

Name	Phone/Fax	Medium	Address	Comments
Novgorod	77 450			City only, weekly
Novgorodskie vedomosti**	78 284			Regional, daily
“What? Where? When?”	34 749			Regional, weekly
Trade side**		Chamber of Comm.		Deadline – 10 <sup>th</sup> of each month

2. "Paid" Sources to Publicize Marketing Event (To be used during Phase II)

a. Foreign Newspapers and Magazines

Name	Phone/Fax	Medium	Price	Comments
Wall Street Journal				Has occasional feature articles
Financial Times				London-based
"Estates News"			Negotiable	Excellent for real estate

b. TV

Name	Phone/Fax	Type of Advert. (Duration/Time)	Price	Comments
Slavia	34-749	Announcement		5% tax added
Slavia	34 749	Announcement	Announcer's live announcement – 200 r Announcer's recorded announcement – 400 r Advertising in video blocks from 240 to 430 r*	Same
"	"	Video plot production	Video adv. Reel 30 sec. – 2350 r. PLUS either: <u>Simple</u> video plot (up to 1min.) – 750 r. OR <u>Complicated</u> (up to 3 min) – 1450 r	"
"	"	"Express" Tuesday: 16:55, 22:20 Thursday: 9:05, 22:00	Ordinary – 30 r. For full screen Friday & Saturday) – 36 r.	Screen is 10 lines, 24 symbols per line
"	"	In TV program "Business-News"**	To make the adv. Plot – 2000 r.	Use of channel separate charge
"	"	In TV program "Nail" ("Gvozd") 20 sec. Up to one minute	North-Western region – 100\$ - up to 1 min. S.Petersburg – 150\$ - 20 seconds	In 80 cities of UIS – 250\$ - up to 30 sec

\* Price depends on the time of the day when the advertising is broadcasting.

\*\* Recommended for advertising

#### d. Radio

Name	Phone/ Fax	Type of Advert. (Duration/type/?)	Price	Comment
Europa plus**	662 211 Tumanov	Announcement	1 unit - 30 sec. – 8,5\$; min 10 units	Kiril Tumanov is contact
Radio-nova	34 749	announcement	30 sec – 42r.;54r.;60r.;36 r *	
Russian Radio	34 749	For using the channel	30 sec. - 36r.;42r.;54r.*	
" "		For making the adv.	Up to 1 min. – 350 r.	
Regional Radio	34 749	For using the channel	30 sec. – 72 –252 r.; 60 sec. – 150 - 504 r	
" "	"	For making the adv.	Up to 1 min – 250 r.	

#### e. Local Newspapers and Magazines

Name	Phone/ Fax	Price	Comments
Novgorod	77 450	1 page – 6000 r.; Min – 3,5 lines – 95 r. ½ page – 3000 r.; on the 1 <sup>st</sup> p. – price x 5	City only, weekly
Novgorodskie vedomosti**	78 284	On the 3 <sup>d</sup> and 4 <sup>th</sup> pages – 5,25r/1sm2 On the 2 <sup>nd</sup> p. – 6,30r/1sm2 On the 1 <sup>st</sup> p. and in Sat. edition – 9,45r/1sm2	Regional, daily See price list All prices include the adv. Tax
"What? Where? When?"	34 749	1 page – 1080 r. ½ page – 960 r.; Min 1/32 – 144 r.	Regional, weekly
Trade side**	Chamber of Commerce	1 page – 3000 r.; ½ - 1648r.; ¼ - 824 r 2 central pages – 3300-20% discount	Deadline – March, 10

\* The price depends on time of the day when the advertising is broadcasting

\*\* Recommended for advertising

### 3. Recommendations for a representative "Paid" Media Publicity Campaign

a. TV:

<u>Slavia Channel</u> . "Business News" : Prepare advertisement, run ad 20 times during the week @ 1800 on regional channel and @ 2220 on city channel. Total estimate: \$1,750 (R10,500)
<u>Nevskiy Channel</u> : "Gvozd": Prepare advertisement, run ad 6 times during weekdays at unstated times on "Nevskiy" channel and city channel. Total estimate: \$945 (R5,400)

b. Radio:

**"Europa Plus": Prepare advertisement, run ad 100 times during weekdays at unstated times**

Total estimate: \$715 (R4,290)

**"Regional Radio": Prepare advertisement, run ad 4 times/day for 30 days from 1000 to 1800 each day**

Total estimate: \$1,090 (6,550)

c. Newspapers: "Novgorodskie Vedomostie" Run 10cm2 ad 10 times on the third or fourth page

Total estimate: \$744 (R4,465)

d. Magazines:

"Trade Side": ½ page ad in one month issue.

Total estimate: \$275 (R1648)

National" and Foreign Newspapers and Magazines

Wall Street Journal, Moscow Times, S. Peterburg Times, "Estates News:

Grand total estimate: \$6,150 (R36,900), plus "National and Foreign" sources

## C. Information and Website Contents

### 1. "CORE" Information

*The "Core" of information should include the following examples of content on the web page:*

ANNOUNCING THE FIRST...

*LAND AUCTION sponsored by Novgorod City and Other cities within Novgorod Region*

To Learn About the Properties Being Offered, Click (?)

To Learn About the Places and Schedule of Events before the Auction, Click (?)

For Information about the Rules of the Sale, Click (?)

*The "Core" web page and Information Packet should include the following examples of content:*

Contact Persons

Novgorod City—\_\_\_\_\_ Sites

Coordinator Contact Name:

Telephone and fax #:

E-Mail:

Alternate Coordinator Name and same information as for "Coordinator"

*If a coordinated land sales event is sponsored with raions in the oblast...*

Borovichi—\_\_\_\_\_ Sites

Coordinator Contact

Name:

Telephone # and Fax I:

E-Mail:

A separate listing should be completed for each participating city

2. Parcel Summary Information

The "Parcel Summary information" should include the following examples of content on the web page and in "information flyers" which are distributed:

Novgorod City      Coordinator Contact Name:

Parcel #	Type of Land Use	Street Address	Size and Comments

Borovichi, etc. Coordinator Contact Name and Tel. #:

Parcel #	Type of Land Use	Street Address	Size and Comments

A separate table should be included for each participating city.

3. Schedule of Events in Land Marketing

*This should be included in website and Information Packet  
(example dates only)*

DATE	EVENT	PLACE AND TIME
14 April	First day to get Information Packet	
12 May	Site Orientation—Malaia Vishera	
13 May	"Pre-Auction Information Meeting Site Orientation—Novgorod City	
14 May	Site Orientation—Valdai	
26 May	Site Orientation—Malaia Vishera	
27 May	Site Orientation—Novgorod City Site Orientation—Staraya Russa	
28 May ?????	Site Orientation—Borovichi Site Orientation—Valdai	
29 May	Last day to get Information Packet Last day to register for auction	
6 June	Auction	
7 July	Last day to sign contracts	

#### 4. "Information Packets" and "Technical Passports"

*Following are excerpts from Memorandum from Chief-of-Party Miller to City Land Auction Organizers of Land Committee. This memorandum was prepared prior to publication of the auction materials. See also Appendix IV, Part C.*

#### NOVGOROD PARTNERSHIP FOR FREEDOM LAND REFORM AND REAL ESTATE SECTOR MEMORANDUM

Date: 16 May
Subject: Recommendations for "Information Packets" & "Technical Passports":

*Analysis of Publicity and Advertising, distributed to City Administration May, 1998*

#### Information Packet

Note One. A "checklist" for the Information Packet contents was prepared. It included the following:

- General Information on Novgorod City
- Description of Novgorod City land use and zoning regulations
- Description of city's proposed "Special District for Economic Development"\*
- Application and Registration Procedure and forms (?)
- Description of Public Sales Procedure
- Address and contact numbers for the "Organizer"
- Schedule of Events on the Sale\*
- Texts of Contract Terms
- Other Provisions (?)
- Procedure of Calculations

At this writing (16 May) only part of the City's Information Packet has been provided to the RII advisors. None of the (\*) materials has been included in the materials which this office has reviewed; the status of the items with (?) is unknown.

Note Two Some of the data in the current 1998 Information Packets is inaccurate, and some of it is unclear. These defects should be corrected before the Packets are distributed for the June land auction:

The location map showing the sites to be sold contains 8 “stars,” one for each site; since only 7 sites are being sold, this map is misleading.

**The locations of the sites do not correspond to the stars which are contained on the location map.**

The list of sale properties includes street addresses which are either incomplete, inaccurate, or both. It is not possible to locate the sale sites on the basis of the information contained in the property site table.

The Information Packets should include the information items which are indicated with the symbol (\*) in the above checklist. This kind of information is important and helpful for potential investors to assess Novgorod's site offerings

The city should prepare the Information Packets in at least two languages—Russian and English.

Note Three. The Information Packet can be a valuable tool in marketing the city's real estate. It need not be prepared or used exclusively for purposes of future public land sales. Information Packets should be kept on hand by the city administration as “general guides” to be provided to interested investors—regardless of whether these investors are interested in participating in open land sales. These Packets can be a part of a “bank” of materials to be maintained by the city's economic development and land committees for distribution to interested investors who visit Novgorod for the purpose of purchasing real estate from the city.

“Technical Passports”

As of May 16<sup>th</sup> none of the Technical Passports has been provided to this office for review. These items are very important, and their late preparation is not helpful for a successful information campaign.

Advertising and Publicity

Note One. Well-organized Press Conferences, such as the one held on May 13<sup>th</sup>, are very helpful to a successful publicity campaign. The first press conference was targeted at a “general news” audience. A second press conference should be held to target the “business sector” as its audience. The reporters who are invited to this press conference might include representatives of the Chamber of Commerce, the international journal on property “Estates News,” and regional business reporters. This conference might be held concurrently with the June 4<sup>th</sup> “Pre-auction Information Meeting.”

Note Two. Mailout campaigns. Lists of potential investors and firms have been collected and are maintained by the city's auction organizer, the Land Committee.

**These lists should be updated periodically by the Land Committee and/or the Investment Committee.**

The mailout campaign literature should include a listing of the “Schedule of Events.”

Inquiries by interested companies may include questions by people who speak English; the auction organizers should have quick access

to city staff who are fluent in English in order to answer questions.

Note Three. Schedule of "Events. (See above note about including the "schedule of events" in mailout literature.

*Format of Public Sale.*

The city has determined that this first land sale will have the "open bidding tender competition" format which has been authorized by RF Regulation No. 2. This format is well-suited to competitions which may require some level of analysis of bids, such as in construction projects. However, in the case of land auctions which are conducted in places where the market is undeveloped, as in Novgorod, an "open" competition with "live" bidding has been shown to be superior. The reason for this is that "market prices" are not well-established in this environment; the competing parties will hesitate to offer substantial bids when they don't know the nature of the competition. However, a "live" auction allows the competitors to see that there is somebody else actually interested in a piece of property. Once this happens, "auction mentality" will begin to work to create a sense of competition among the bidders, and this mentality works to produce higher bids.

5. Rules of Sale Information:

*The "Rules of Sale" web page and Information Packet should include at least the following:*

Nature of Rights being Sold, such as...

"Successful bidders will purchase the right to lease—at pre-announced rental rates—parcels of land for terms of 49 years. With \_\_\_\_\_exceptions, these rights to lease will be sold by the respective municipal governments

With \_\_\_\_\_exceptions, all properties will be cleared of improvements.

All purchase contracts will contain a provision that the successful lessee will have the option to buy the underlying land, at such time as Russian Federation law and regulations allow. All "objects" (improvements) which are constructed on the leased land will be the property of the lessee, and may be sold or other wise disposed of by the lessee."

Nature of Auction Event, such as...

"The Auction will be "open," that is, subject to the "Public sales procedure" of the Resolution of the RF Government No. 2 as of January 5, 1998."

## D. Marketing Organization

*The most important issue about marketing "organization" is that there be officials or contractors who are hired specifically to:*

- Determine the date, place, time, and format of the sales event
- Serve as contact points for interested investors who wish to visit the city to look at the properties being offered
- Distribute, or provide knowledge about, any registration requirements that prospective bidders must complete
- Coordinate advertising campaign, including the preparation of a recommended budget;
- Maintain a list of contact persons of city or oblast departments which might provide information
- Maintain a list of contact persons at the utility monopolies who can provide detailed information about utility services and requirements
- Maintain a mailing list of prospective investors and distribute information sheets to members of this list.
- Assure that Information Packets and Technical Passports are printed and distributed to interested parties

Successful marketing events will be aided if responsibility for these activities is assigned to one office or individual, and that no others duplicate any responsibility.

## C. Novgorod Velikii city land auction preparation process

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### Work Plan

Appendix V Program "Regional Investment Initiative: Land Reform Sector" implementation

**Objective:** Improve and establish the legal base for conducting the tenders in order to stimulate the economic development.

**Tasks:** 1. Create the legal and regulatory laws for holding the tenders.

2. Work out the procedures for tenders.
3. Work out the methods of having relations between administrative structures and those structures which are interested in preparation for the tenders.
4. Form the tender package. (What documents should be included there)
5. Market the selected sites.

1	Task to be solved	Arrangements	Responsible Structure	Terms
1	2	3	4	5
1.	Creation of laws and regulation	1.Prepare the draft "Provision of holding the investment tenders and auctions in Novgorod city" 2. Examination of the provision draft.  3.Alteration according to structures' comments which are connected with the topic. 4. Approval of the draft.	Land Committee Agency of economic development and investment policy. Legal Department City Administration Architecture and Town-planning Committee	February 16,1998  February 24,1998  March 2, 1998  March 2, 1998
2.	Select sites.	1.Thrash over no less than 10 proposals.  2. Investigation of these sites on the technical committee (committee of giving the technical terms) 3. Final selection no less than 5 sites. 4. Evaluate suitability of HBU for each site.  5. Development of "disposition plan" and general conditions for holding tenders.	Land Committee Architecture and Town-planning Committee Land Committee Technical committee  Working Group  Agency of economic development and investment policy. " " " " " " " "	January 5, 1998  January 28, 1998  February 2,1998  February 9,1998  February 9,1998
3.	Form information package	1. Development of information data (description and mapping of the sites) 2. Development of the terms for each site 3. Development of the "land passport"	Land Committee  Land Committee Work Group	February 9, 1998  February 9,1998 February 16,1998

		<ul style="list-style-type: none"> <li>4. Composition of architectural pre-planned construction.</li> <li>5. Determine the "starting prices"</li> <li>6. Development of the forms for contract of site's purchase and sale.</li> <li>7. Development of the efficient form for questionnaire.</li> <li>8. Development of the efficient form of application for taking part in tender.</li> <li>9. Examining of the tender package. Discussion.</li> <li>10. Alternation according to the comments.</li> <li>11. Approve of the tender documents</li> <li>12. Sending the advertising prospectus to physical and legal entities.</li> <li>13. Advertising through mass media (TV, broadcasting)</li> <li>14. Advertising through Internet</li> </ul>	<ul style="list-style-type: none"> <li>Work Group</li> <li>Architecture and Town-planning Committee</li> <li>Working group</li> <li>Legal Department</li> <li>Land Committee</li> <li>Land Committee</li> <li>Legal Department</li> <li>Land Committee</li> <li>Work Group</li> <li>Work Group</li> <li>Work Group</li> </ul>	<ul style="list-style-type: none"> <li>February 16,1998</li> <li>February 18,1998</li> <li>February 16,1998</li> <li>February 24,1998</li> <li>February 24,1998</li> <li>February 27, 1998</li> <li>March 6,1998</li> <li>March 10,1998</li> </ul>
4.	"Pre-qualification" of bidders	<ul style="list-style-type: none"> <li>1. Advertise for "Pre-qualified" bidders.</li> <li>2. Select the potential Participants in auction or tender.</li> </ul> <p>The criteria of participants' selection.</p>	<ul style="list-style-type: none"> <li>Agency of economic development and investment policy.</li> <li>Work Group</li> </ul>	<ul style="list-style-type: none"> <li>March-may</li> <li>March 18,1998</li> <li>February 18, 1998</li> </ul>
5.	Hold the investment tenders  <i>OR auctions</i>	<ul style="list-style-type: none"> <li>1. Prepare the information announcement about the tenders.</li> <li>2. Tenders</li> <li>3. Analyze of the tender and make the recommendations for future ones.</li> </ul>	<ul style="list-style-type: none"> <li>Land Committee</li> <li>Committee of control</li> <li>Work Group</li> </ul>	<ul style="list-style-type: none"> <li>June 8, 1998</li> <li>August 12, 1998</li> <li>August 19,1998</li> </ul>
6.		Select buyers (if tender) and negotiate the final terms		
7.		Sign ("execute") contract		
8.		Assist in permit approvals/monitor project		

**D. City Land Auction Materials Checklist**

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**CHECKLIST FOR INFORMATION PACKET  
CITY OF NOVGOROD LAND AUCTION—JUNE, 1998**

From Resolution No. 2 of January 5, 1998: "The Organizer shall provide all the private individuals and legal entities, willing to take part in the public sales, with packages of documents and materials on land plots offered for the public sales, for the sum established by him and the Owner, required to make copies of the documents and the materials."

ITEM REQUIRED	OFFICE RESPONSIBLE
GENERAL INFORMATION ON NOVGOROD CITY	
NOVGOROD CITY LAND USE & ZONING REGULATIONS	
NOVGOROD CITY PROPOSED "SPECIAL DISTRICT FOR ECONOMIC DEVELOPMENT"	
APPLICATION/REGISTRATION PROCEDURE Location and name of city office which is to receive the applications of the claimants and register them in the Received Applications Register, giving each application a number and making notices on the time of documents submission (date, month, time in hours and minutes); Define the term of paying of deposit by the claimant Terms of applications and other documents receipt; Notification on the form of the application for participation in the public sales, the address of the applications reception, date, time of beginning and finishing of applications and documents reception from the persons willing to take part in the public sales and receiving of the package of documents on the subject of the public sales and on the conditions of the competition	
Statement of authenticity of the published information and compliance of the information reports contents with the legislation	
PUBLIC SALES PROCEDURE : Date, time, place and the procedure of holding public sale Form of the public sales (competition or auction) List of the documents required for participation in the public sales Sum of deposit, terms and the procedure of paying it and repayment of it to the participants of the	

<p>public sales, settlement accounts for transfer of deposit and payments for acquired land plots and the right of their lease</p> <p>Conditions of the competition and the criteria of choosing of the winner</p> <p>Conditions of providing payments in case of acquisition of a land plot or the right of lease of it for payment by installments (condition on the pledge)</p> <p>The form of submitting of an offer on the price;</p> <p>The increase in bid amount in case of holding public sales in Form of auction, which is open in terms of offering of the price</p>	
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ITEM REQUIRED	OFFICE RESPONSIBLE
Procedure of defining of the winner of the auction	
Method notifying on the results of the public sales;	
Address and the phone number of the Organizer	
Date, time and the procedure of "Site Orientations" or other examination of the land plot at the site	
Text of terms of conclusion of the Sale-Purchase Agreement or the Lease Agreement on the land plot	
Other provisions, containing requirements to the claimants, provided by the legislation	
THE PROCEDURE OF CALCULATIONS	

**Web-site Addresses and Contact Names**

<p><b>Novgorod City</b> Contact Person: Vassilii Mikhailovich Syitin, Deputy Head of Land Committee. Tel.: 8162-2(30-978); Fax 8162-(132-599)</p> <p><b>Novgorod Oblast</b> Contact Person: Alexander P. Soin, Chairman of the Property Fund. Tel.: 8162-(132-869); Fax 8162-2(73-474); e-mail: ROOT@FINO.NOV.SU</p> <p>Websites: //KET.TELECOM.NOV.RU/IREX/ENG/INDEX</p> <p>www.nov.ru</p> <p>www.adm.nov.ru</p> <p>www.itaiep.doc.gov/bisnis/bisnis/html</p>
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## CHECKLIST FOR TECHNICAL PASSPORT

CITY OF NOVGOROD LAND AUCTION—JUNE, 1998

ITEM REQUIRED	OFFICE RESPONSIBLE
Registration number of the public sales subject location (address), cadaster number of the land plot	
Conclusion of a relevant Committee on land resources and land development on the characteristics, legal regime of the land plot, including the land tax rate, the plan of the land plot with established boundaries and the area, with notification on the servitudes and other encumbrances established for this land plot	
Conclusion of a relevant body on town planning and architecture, including the data on the functional purpose and use permitted for the land plot, situation plan, relevant permissions to connect to engineering communications and approximate total cost of connection or the way it is calculated, requirements to the development and participation in the development of infrastructure of the city or other settlement	
Starting cost of the public sales subject	
Text of terms of conclusion of the Sale-Purchase Agreement or the Lease Agreement on the land plot, including the schedule of payments if necessary	
Draft agreement of land plot pledge (for the cases provided by Item 22 of the present Procedures)	
Data on ecological condition of the land plot	
Engineering-geological characteristics	

## **E. Recommendations on auction preparations by City**

*The following was distributed to the City of Velikii Novgorod in June, following the unsuccessful land auction*

### NOVGOROD REGIONAL INVESTMENT INITIATIVE LAND REFORM AND REAL ESTATE SECTOR

To: Dep. Mayor V. P. Antufeev  
Land Committee Chairman N. K. Lepeshkin  
Information Committee Chairman V. P. Kopyl  
Press Secretary O. O. Kalesnikova

cc: Chm., Industrial Policy/Foreign Economic Rel. M. S. Godgildiev  
Chief Architect M. F. Korzhev  
Duma Member I. I. Kibina  
Legal Committee Chair S. S. Pchelina  
PADCO

From: M. Richard Miller, Chief of Party, Land Reform Sector

Subject: Analysis of Auction Preparations for 1998 "Pro-Active Land Marketing" Program by Novgorod Velikii

Despite much hard work by many departments of the city administration, the city's "land auction" which was scheduled for June 20<sup>th</sup> was not held. This failure was the result of non-response from the potential investment community; no bidders registered for the auction.

Fortunately, the city has announced its intention to continue the practice of marketing its property through the open market device of land auctions. Every effort should be made to make these events successful. The following analysis is offered to help assure success in future attempts to undertake a "pro-active land privatization" program in Novgorod Velikii.

A. Process for Decision-Making: The process adopted by the city administration of Novgorod was adequate as a "road map" for identifying sequential actions which should be taken by the administration. Nearly all the necessary steps for proper authorization and administration were identified, although minor additions could be made for such items as property identification (setting boundaries). The steps were logical, responsibility for carrying out each function was assigned to city personnel, and enough time was available (at least in theory) to complete the process.

B. Execution of the Process. **Schedule-Making and Adherence to Schedule:** The city administration's schedule was ambitious, but probably realistic. However, Property preparation work was not aggressively pursued, especially in the "middle" weeks of auction preparations. Especially critical to "slippage" in the schedule were:

- **not completing selection of property sites to be included in the auction;**
- **not completing negotiations with "excess property " occupant-enterprises. These discussions did not proceed quickly enough to resolve the question of whether several such properties would be included in the offering package;**

These two factors contributed to three other problems:

- **late completion of information packets;**
- **late completion of technical passports;**
- **inadequate arrangements for "paid" advertising ("paid" advertisements were not activated until 10 days before auction event)**

C. Organization:

- 1. Publicity and Advertising suffered from the lack of a budget.** Without money to purchase advertisements in media which is available to foreign investors, these investors will not get any message about property availability.
- 2. "Website" texts were not listed as expected** (U. S. Dept. of Commerce web-site "BISNIS" was not successfully contacted until 10 days before the auction date);
- 3. Faxing of auction announcement to the firms on the "contact list" was expensive and time-consuming.** If it had been commenced earlier, it could have been by mailout medium instead of fax machines.
- 4. The auction event had serious competition from other marketing activities of the city administration. Due to its priority work in marketing industrial sites to foreign investors, the auction was not the "exclusive" marketing strategy followed by the city administration.** While seven properties were offered for sale through the land auction, at least seven different properties were under negotiation with private investors. This divided strategy had two results: first, the energies of the city staff were split between their need to give attention to the non-auction business contacts with whom negotiations needed to be conducted; second, the number and quality of the auction sale sites themselves was reduced.
- 5. Auction format: Use of the "closed" sealed bid format (e.g., the system where the "winners" are announced after the opening of sealed bids) is useful when "performance" in property development is more important than higher prices.** The closed format can be used to solicit favorable proposals from competing bidders who wish to disclose their favorable conditions in sealed form. Important, highly-visible industrial and tourist sites can benefit from more "creative" bid proposals in this format. **However, when there are a large number of essentially similar properties with a potentially large number of competitive bidders, the "closed" format is less satisfactory than a "live" auction because it produces lower bids.** A "live" auction creates a

greater sense of competition as each bidder sees and experiences the interest of other parties in the property being contested. The ultimate result is higher bids.

**6. The city administration should consider conducting “joint” sales events with other local jurisdictions in the future.** Money would be saved on publicity and personnel resources would be conserved if the city joined with other municipal governments or the oblast itself to organize future “major” auctions. If this strategy were followed, there should be a single group created from officials of the sponsoring governments to decide on such matters as: auction location and schedule; registration requirements; pre-auction information arrangements; sale format; advertising and publicity budgeting.

D. Recommendations. In summary, the following are suggested as “Recommendations for next marketing event”:

**1. Consideration should be given by the city to conducting a “common” event with other Oblast jurisdictions.** This is justified in order to maximize the usefulness of scarce budgetary and personnel resources, especially for advertising purposes.

**2. Earlier effort should be made to negotiate with the enterprises which are currently allocated potential sale properties.** These negotiations should be conducted with time-specific deadlines, so that the number of auction sale sites is determined in a more timely manner.

**3. More money should be budgeted at an earlier time in the auction process for the purpose of publicizing Novgorod sales events.**

**4. The next auction should offer the most desirable properties.** If a “moratorium” is not acceptable to the city administration (see recommendation #8 below, then the city should seek to make the auction properties more marketable by either: (1) offering only the most attractive sites for competitive bidding, perhaps selecting the auction properties from among those which have been favorably analyzed by interested investors or which have been highly recommended by professional real estate analysts; or (2) attaching “superior” conditions to the auction sites, such as conveying stronger property title guarantees (selling the “right of ownership”) or granting property tax holidays for the auction properties.

**5. The no. of offerings should be greater, with more variety in sizes, uses, and locations being subject to competitive sale.** The next auction event should offer more properties than the seven which were offered in June, 1998.

**6. In the future, if the properties are of very high priority (by virtue of their need to be developed promptly, because of their importance as especially unique industrial or tourist sites, etc.) then the “closed” bid system, or tender process may be considered by the administration.** Otherwise, especially where the property inventory of conventional land sites, the “live” auction format should be considered as a superior alternative to the sealed bid arrangement.

**Post-sale arrangements should be in place** to accomplish: (1) prompt execution of necessary contract; (2) early familiarity of the successful buyers with the administration officials who will be responsible for monitoring future development on the sites.

**Future auctions might be accompanied by a temporary “moratorium” on land negotiations with potential investors.** A greater effort should be made to market all properties through the transparent public sales technique in the next event. In order to create favorable

circumstances, the administration might remove properties from "direct" negotiations with investors in favor of putting sites up for sale at events. This might have two results: (1) stimulate faster negotiations for certain sites; or (2) produce higher offers or more favorable terms by competitors.