

PUBLIC–PRIVATE PARTNERSHIP IN REGENERATING UNPLANNED SETTLEMENTS IN JEDDAH

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ABSTRACT

In 2008, the Makkah Region initiated a program to regenerate Unplanned Settlements (UPSs) within its three main cities, namely Makkah, Jeddah and Taif. Since all past initiatives in tackling UPS improvements were dependent on limited municipal funds, results were limited and accordingly UPSs kept spreading and their conditions were far from improved. In response to political and social pressures, the Makkah Region developed a strategy to regenerate UPSs based on Public–Private Partnership (PPP) which specifically divides UPSs into four groups according to their economic feasibility. This paper reviews the regeneration process in the City of Jeddah which encompasses 55 UPSs, housing about one million people, which is equal to one-third of Jeddah's population. Jeddah Municipality was prepared to start the regeneration program due to the setting up of a private company called the Jeddah Development and Urban Regeneration Company (JDURC) which was established and ready to implement the regeneration strategy of Makkah Region. In 2008, JDURC successfully formed two partnerships with separate private developers to regenerate five UPS areas. Though the regeneration process is in its early stages, examining the legal and development frameworks for engaging PPP in the process is nevertheless important when assessing its competence to meet social, economic and technical issues. The paper finds that the use of PPP in regenerating UPS areas is fraught with difficulties; and that consequently, as the regeneration process engaging PPP is fairly recent, it must be subjected to continuous review to deal with issues arising.

Keywords: Jeddah, public–private partnership, regeneration, unplanned settlements.

1 INTRODUCTION

The majority of cities and towns in developing countries suffer from the spread and growth of Unplanned Settlements (UPSs) or informal developments which are usually associated with providing low quality housing within or around urban areas. UPS development does not adhere to or recognize urban, environmental, healthcare, or security requirements and standards. In addition, the development of UPS takes no consideration of the need to provide community services or utilities [1].

Although causes for the spread and growth of UPS vary between different countries, yet there are two common contextual factors that enable UPS development and dispersal: first, government policies [2, 3] and second, the market for land, which is unable to meet the needs of low income residents or migrants, as evidenced by the inadequate supply of affordable housing to this group [4]. The supply of affordable land and housing is further complicated by planning regulations that aim to provide high standard subdivided plots beyond the reach of segments of the city's population [5]. Additional factors include those associated with encouraging migration to urban areas, and the relatively high rate of natural increase among the UPS population [6].

Most improvement approaches to UPS have depended on public resources or aid from international organizations, namely the World Bank and United Nations. Such interventions have mainly attempted to variously improve the physical, economic, social and environmental aspects of UPS. Furthermore, some improvement programs have tackled security of tenure, by attempting to legalize occupiers' ownership status [7, 8]. However, a reliance on public and international resources to finance and effectuate improvement programs puts their continuity and success at the mercy of resource availability, which may change according to circumstance; and the issue is further complicated by limitations on resources.

Subsequently, strategies to address UPS regeneration and improvements have moved in some countries to more sustainable mechanisms that mix the strengths of public and private partnership (PPP). In Saudi Arabia, the central parts of Makkah and Madina were able to undergo regeneration programs because they engaged private developers. However, it was not until 2009 that a true PPP initiative in regenerating UPS took place in the Makkah Region, which includes Jeddah as a major city in the region. This paper examines the PPP approach in regenerating UPS in Jeddah, the second largest city in Saudi Arabia, and its main sea port and business centre. Jeddah is also the gateway to the holy cities of Makkah and Madina.

The framework of the analysis centers around understanding the evolution of UPSs, their features and the policy context that governed their development; as well as the shortcomings of old practices dealing with UPS growth and improvements. This paves the way to introducing the new approach that called for PPP engagement in responding to the UPS phenomenon. A central issue, important to highlight, is found to be that of dealing with existing ownerships. The paper also presents the application of the new approach, with its attendant risks, in the Ruwais area, one of the recent UPS areas selected by the Municipality of Jeddah (MOJ) to be redeveloped through PPP. As outlined in the text, data used for the analysis were gathered mainly from secondary sources. In addition, to enrich the paper with practical evidence, the author draws upon his own experience in two major companies established to deal with UPS regeneration in Jeddah, working initially as a Vice President in the Jeddah Development and Urban Regeneration Company (JDURC) and for sometime as a General Manager of the Ruwais International Company for Real Estate Development.

2 GROWTH OF UPS IN JEDDAH

In the course of the last six decades, Jeddah has witnessed exponential population and urban growth. The city's population has grown from less than a hundred thousand during the 1950s to nearly three and half million people by 2008 [9]. Likewise, the urban coverage of the city has expanded similarly but in a more literally exponential manner: the walled city used to cover almost 1 km² in 1947; now Jeddah stretches its urban fabric over an area that exceeds 1,200 km². In fact, demolition of the city wall in 1947 has paved the way for urban growth to take place in many locations along Makkah Road to the east, and Madina Road to the north; some of it planned while other parts were left to spontaneous development. Although the first Master Plan for Jeddah was approved in 1963, followed by several revisions and updates, UPS continued to account for a substantial proportion of Jeddah's urban growth. Recently, 55 UPS sites have been identified, and of these, 50 were the subjects of study in 2005 (Fig. 1). The studied UPSs covered an area of about 55 km² and housed 985,000, which was equal to one-third of Jeddah's population at 2005 [10]. The UPS studies conducted in 2005, categorized UPS areas into four spatial groupings:

- UPSs within a built-up area.
- UPSs to the east of Alharamain Expressway.
- UPSs to the south of Jeddah, and
- UPSs to the north of Jeddah.

Table 1 presents the main characteristics of these different UPS groups, mainly in terms of their numbers, area and population, as further explained below. UPSs within the built-up area accommodate half of the number of all UPS areas identified in Jeddah in 2005, covering 40% of the 50 UPS sites while housing 75.4% of the UPS population, with a relatively high density that mounts to 338 P/ha. The high density associated with UPSs within the built-up area manifests the growing demand for housing within city areas, and the fact that the expansion of such areas is



Figure 1: UPS distribution in Jeddah. Source: From Ref. [11].

limited to vertical expansion because they are already delineated by surrounding developments. By contrast, UPS areas outside the built-up area are fewer in number and population and have less density. They also have more flexibility to expand horizontally over vacant surrounding land. Notably, the UPSs east of Alharamain Expressway extend over the largest area, amounting to 43% of the area of the 50 UPS sites; while in number, they only represent 38% of the 50 UPS sites. Their dominant density is 89 P/ha, which is about one quarter of the density of UPSs within the built-up area. The last two groups of UPSs, located to the south and north of the city, share almost similar

Table 1: Characteristics of different UPS groups in Jeddah.

UPS group	Number	%	Area in ha	%	Population	%	Density P/ha
UPSs within built-up area	25	50	2,223	40	742,125	75.4	338
UPSs east of Alharamain expressway	19	38	2,326	43	208,198	21	89
UPSs south of Jeddah	4	8	443	8	16,009	1.6	36
UPSs north of Jeddah	2	4	490	9	18,102	2	37
Total	50	100	5,482	100	984,434	100	(Average) 180

Source: From Ref. [10].

features, predominantly having lower numbers than the other two groups because they originated as villages, but possessing good potential for growth commensurate with general city expansion.

3 FEATURES OF UPSs IN JEDDAH

Increasingly all UPS groups are becoming problem areas because of their demography, urban structure and socio-economic characteristics, as shown in Tables 2 and 3. Conventional 1–2 storey brick buildings are the dominant housing type for almost all UPS areas in Jeddah; this type represents 66% of all houses within all UPS areas in Jeddah. The percentage of conventional housing units is extremely high in UPS areas to the south and north of the city, where it reaches 91% and 95%, respectively. It is worthy of note that the conventional housing type is only dominant in UPS areas, while other parts of the city are overshadowed by villas and apartment buildings. Nearly half of the UPS houses appeared to be in a fair condition, while 40% were found to be in a poor or very poor state; and only 10% looked to be in good condition. Housing conditions were even worse in UPS areas to the south and north of Jeddah. In addition, most UPS houses (92%) had been built more than 10 years ago, while recent houses (<10 years of age) made up a very low proportion, only 8% of the overall stock, with not much variation among the different UPS groups.

Demographic features of UPS sites are also dissimilar from those of planned areas in the city, because most of the low income population reside in the UPS areas. It has been found that two-thirds of UPS households earn less than SR4,000 per month. The unemployment rate rises to 16%, and is worse in UPSs within the built-up area; by contrast, average unemployment in the city stands at about 9%. The student population makes up the largest proportion (40%) of all UPS residents; this marks the prevalence of younger age groups in UPS areas, which is also a feature of the wider Saudi population. Demographic features become evidently out of step with city-wide features when considering nationality, as it is found that some UPS sites are overwhelmingly (70%) dominated by a foreign population, of whom a considerable proportion are illegal immigrants.

The provision of utility and public services in most UPS areas is usually inadequate, except for electricity, which is given government support according to defined procedures [12]. The water network is connected to 26 UPS areas housing 52% of the UPS population in Jeddah. An inadequate sewage network is a city-wide problem which is given high priority, with an installation program covering the built-up area. Asphalted roads comprise nearly 74% of all UPS roads, but only 31% of roads are provided with street lighting. Pedestrian pavements are rarely found in UPS areas, as only 9% of allocated sidewalks are paved, while the remaining 91% cannot be separated from vehicular traffic on roads. UPS's physical and demographic characteristics, as well as the provision of utilities

Table 2: Housing in different UPS groups in Jeddah in 2005.

Group	Housing type (%)			Building condition (%)				Building age in years (%)		
	Conventional	Villa	Apartment	Good	Fair	Poor	V. poor	>10	10–25	25+
UPSs within built-up area	53	4	43	10	48	39	3	6	49	45
UPSs east of Alharamain Expressway	71	5	24	13	55	30	2	13	58	29
UPSs south of Jeddah	91	0.2	8.8	7	25	56	11	11	53	32
UPSs north of Jeddah	95	–	5	5	24	65	6	3	13	84
Percentage for all UPS	66	4	30	11	49	38	2	8	50	42

Source: From Ref. [10].

Table 3: Household features in different UPS groups in Jeddah in 2005.

Group	Household type (%)		Employment (%)					Monthly income in Saudi Riyals (%)		
	Family	Single	Employed	House wife	Student	Un-employed	Retired	<2,000	2,001–4,000	4,000+
UPSs within built-up area	69	31	30	13	37	18	2	40	35	25
UPSs east of Alharamain Expressway	82	18	19	15	49	14	3	20	37	43
UPSs south of Jeddah	75	25	21	17	51	10	2	31	45	23
UPSs north of Jeddah	90	10	20	18	46	13	3	50	21	28
Percentage for all UPS	74	26	27	14	41	16	2	32	35	33

Source: From Ref. [10].

and services, signal the need for immediate attention to be given to all UPS areas. Past interventions have been limited to improvements financed by insufficient municipal resources.

4 POLICY CONTEXT

UPS is controlled by controversial policies: on the one hand, encroachment on public and private land is forbidden and considered illegal, as affirmed by a number of royal orders and ministerial resolutions; on the other hand, there is certain provision within existing regulations that supports

extending electricity to houses without title deeds. Moreover, encroachment is further encouraged by land revival, which is an institution of Sharia (Islamic Law), that is used to legalize ownership claims on land which being revived through cultivation or development. A large number of properties have been occupied and owned through the institution of land revival, although there is a royal order (No. 21679 dated 9/11/1387h, 1967) limiting the legalization of land ownership through revival to those lands which were revived on or prior to 1967. However, claimants usually find ways to get around this restrictive clause in the law. In 2003, the Council of Ministers (Resolution No. 5909/4 dated 11/12/1423h, 2003) requested that municipalities apply certain procedures to legalize the ownership of those homes occupied by Saudi citizens. Procedures encouraged municipalities to delineate all properties without deeds and to introduce improvement plans to organize UPS areas, based upon which ownership of houses can be established, according to house boundaries that do not conflict with municipal plans. It was expected that a large number of citizens who lived in the UPS areas in Jeddah would avail themselves of the opportunity offered by the resolution of 2003, but in practice, only a limited number of applications were submitted to the MOJ. In 2004, the Council of Ministers issued another resolution (Resolution No. 115 dated 7/5/1424h) that called for the Ministry of Municipal and Rural Affairs (MOMRA) to coordinate with the Ministry of the Interior to record all houses without deeds and to find radical solutions to this issue within 5 years. This resolution called for the planning of UPS areas, and the legalization of home ownership for those in need, while selling encroached-upon housing land to those who were not in need. The resolution also called upon utility agencies to extend services to houses that completed the legalizing process with the municipality and were able to obtain title deeds for their houses.

It is worthy to note that in 2008, land revival, in general, has been subject to further restrictions which have minimized its use within suburban locations, especially for large plots of land. A high level government committee emphasized the need for alternative approaches in dealing with UPS improvements in Jeddah. In 2007, a Royal Resolution affirmed that MOMRA shall be responsible to guide UPS improvements and to coordinate with all concerned agencies; the resolution also called upon the Ministry of Finance to make available the resources needed for the improvement of UPS areas in Jeddah [13]. In the same year, the Council of Ministers approved the establishment of a private company to be owned by the MOJ called the JDURC which was empowered to regenerate the Khozam area and other UPS sites in Jeddah [14]. This resolution gave JDURC the eminent capacity to expropriate properties for redevelopment within designated UPS areas, and although specific legal and developmental frameworks were not put in place, these were lately enacted through the new approach discussed below.

5 NEW APPROACH TO UPS IN MAKKAH REGION

In 2008, the Governor of Makkah Region launched a program to develop and improve UPS in the region, emphasizing PPP. This initiative gained support from the Royal Cabinet by authorizing the formation of a high level Ministerial Committee and an Executive Committee to put in place the necessary legal and developmental frameworks required to effectuate the development and improvement of UPS areas in the main cities of Makkah Region including Makkah, Jeddah and Taif [15]. The Ministerial Committee included the Ministers of MOMRA, Interior, Labor, and Finance as well as the Governor of Makkah Region. Its main task was to oversee the improvements required for UPSs, including the framework needed for developing and improving UPSs in the main cities of Makkah Region. The Executive Committee is chaired by the Governor of Makkah Region and includes members from 18 local, regional and national bodies, comprising various sectors related to security, economy, finance, planning services and so on. The Executive Committee has formed three specialized committees, namely security, technical and social committees. These ensure integration

among the areas in the UPS improvement program. Among the main deliverables of these committees was the preparation of an Ordinance for Developing and Improving UPS Areas in Makkah Region (referred to later as the UPS Ordinance) which was endorsed by the Royal Cabinet [16]. This ordinance created an elaborate legal and development framework which organizes the way UPS can be developed and improved in partnerships between the public and private sectors. The UPS Ordinance called upon each municipality to delineate and group its UPS areas according to the following categories:

- UPSs viable to private developers,
- UPSs not viable to private developers,
- UPSs capable of regeneration by themselves, and
- UPSs in need of immediate public intervention (UPS Ordinance).

This categorization is based on the economies and features of UPS areas; the intention is to introduce an effective process for UPS development and improvement, avoiding the repetition of earlier attempts, which were constrained by limited public funds. The process is oriented to attract private developers to participate in developing viable UPS areas by paying premiums to the municipality or its private company. In this way, UPS development can be initiated in certain viable areas by generating resources for the municipality that enable it to finance improvements to the unviable areas. Figure 2 presents the mechanisms and procedures required to effect the development of each category. The municipality is required to delineate, profile, categorize and rank all UPS sites according to their features corresponding to the above categorization. The first category, UPSs viable to private developers, means that the returns from redeveloping a UPS area of this type will cover and exceed all costs incurred in acquiring land, clearing the site and providing infrastructure and development. The municipality is requested to rank all UPS areas within this group, and to decide which UPS area to begin with. Once a UPS area is selected for development, then the municipality is requested to

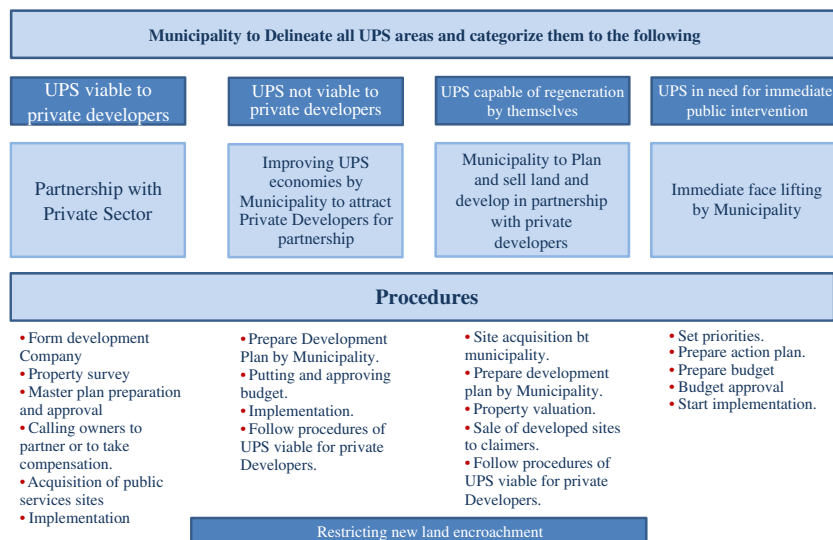


Figure 2: UPS development strategy in Makkah region. Source: Adapted from Refs [16, 17].

tender for partnership with prequalified private developers, based on the highest premium paid. Accordingly, a development company (DevCo) is established between the municipality and the winning developer which will undertake the development of the selected UPS area. Developers are given relaxed zoning regulations in terms of higher Floor Area Ratio (FAR) to encourage their engagement in the process and to improve potential returns from the redevelopment of the selected UPS site. However, development plans are reviewed by the municipality in accordance with city plans, but final approval rests on MOMRA. The second UPS category is characterized by its inadequate appeal to private developers because potential returns are less than the expected costs associated with acquiring, servicing and developing the land. Therefore the municipality is required to improve the economies of areas within this group with the aim of qualifying them to move to the first category and to progress development in partnership with private developers.

The third category refers to UPS areas located at the fringes of the city, with fragmented unplanned developments taking place in vast public areas. The intention here is to generate resources from these areas that are sufficient to finance their future development. Therefore, the municipality is called upon to identify these areas and to prepare a development plan allocating sites within them for sale, in order to generate enough money to help in installing a primary infrastructure in preparation for partnering with private developers to undertake specific development projects such as housing, recreation or projects of another nature. The last category includes depressed UPS areas which are in need of immediate maintenance and face lifts. These areas have no foreseeable potential to attract private developers to undertake their development or improvement, therefore their improvement becomes a public concern.

5.1 Dealing with existing properties

The very sensitive matter of dealing with existing properties is not clearly prescribed in existing legislation, therefore the UPS Ordinance has stipulated specific clauses that outline how to deal with existing land ownerships. The UPS Ordinance divided ownership types into five categories, namely municipal properties, state properties, public service properties, unknown ownerships, and private and Waqf properties (charitable properties or those whose owners have stopped their transfer of ownership). Figure 3 summarizes the methods by which these five categories of ownership are dealt with, in order to pool all properties within the development zone under DevCo's ownership. In principle, DevCo will be given public support to carry out a comprehensive property survey for all properties within the UPSs selected for development, in order to determine ownership type and measurements. Because the municipality is a partner in the regeneration project then all its properties, which include streets, parking spaces, public parks and other municipal land, will be owned by DevCo in return for the premium paid to the municipality or its company. DevCo will be required to provide all the required municipal services to the new development in accordance with MOMRA's standards. If the area provided with municipal services is less than the original area owned by municipality, then DevCo will not be compensated for the excess area provided, but if the area provided by DevCo is less than the original area, which is very rare, the difference is considered as in-kind share for the municipality or its company in DevCo. All state land is registered as municipal property and dealt with in similar manner. Properties owned by public services are given priority to remain and serve the new development, but if new planning calls for their removal, then DevCo will allocate an area for services, that is, similar to the original area existing in the development zone. If additional area is required for services in the new development, then the concerned agency will have to buy the area needed from DevCo. Unknown ownerships will be announced to the public so that their owners can claim their ownerships, but if no claims for ownership are successful; then unknown

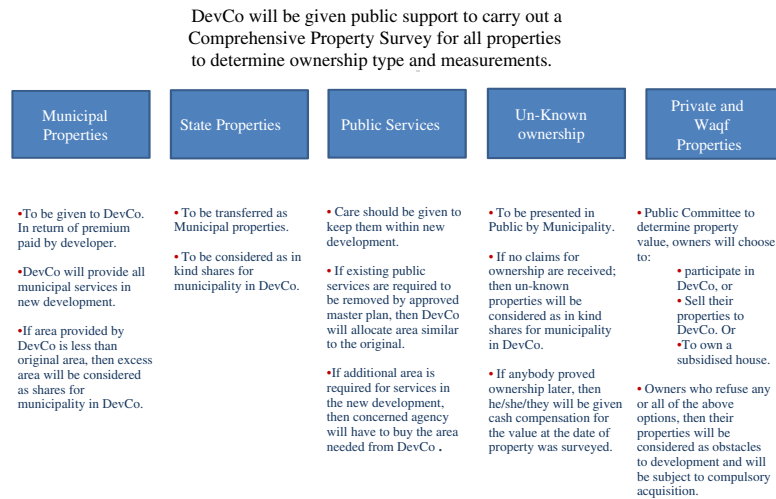


Figure 3: Dealing with existing properties in UPS selected for regeneration. Source: Adapted from Refs [16, 17].

properties will be considered as in-kind shares in DevCo for the municipality. If anybody later proves ownership, then he/she/they will be given cash compensation for the value at the date the property was surveyed. The UPS Ordinance calls all private landowners and Waqf owners to participate in the development of the UPS area which is defined for regeneration. All properties are valued by public committee and owners are given three options based on the value determined by the committee concerned:

- To become a shareholder in the development,
- To take cash compensation, or
- To acquire a housing unit from the alternative housing projects. Those whose compensation does not qualify them to acquire a housing unit will be supported from a subsidy fund established by the development company.

Therefore, the concept of partnership is extended and all property owners are enabled to avail themselves of potential returns, while providing support to those in need to acquire alternative housing. The issue that is questioned by most property owners regards the fairness of compensation, which is amenable to different interpretations. It is more likely that the public committee concerned with property valuation will use the existing market value to determine the compensation for each property, while owners will attempt to reap the development value. The public nature of the development process means that compensation based on existing values is fair, because the increase in value caused by development will be reaped entirely by a private developer not as it been determined entirely by a private initiative. In addition, the betterment in land value is usually provoked by public decisions and therefore, compensation based on existing market value is rendered fair on this ground. However, the issue becomes more complicated because appropriation is not applied for public use; appropriated properties are pooled, re-planned and developed by private developers. This can also be argued in another way: first, the purpose of UPS regeneration or development is to serve the public interest, because problems associated with UPS sites cannot be tolerated and must

be improved. Second, all property owners within the UPS area subject to regeneration are given options to become partners in the project based on their property's worth (based on public committee valuation), and therefore those who become partners can avail themselves of chances to increase their assets' value in the regeneration project as it progresses. In addition, support is extended to those in need of help, especially owners whose compensation may not be sufficient to allow them to purchase an alternative house. Concerns to maintain social integration among UPS residents are taken into consideration by providing affordable housing projects, where priority is given to housing UPS residents so that old neighbors can unite together in the new projects.

6 APPLYING THE NEW APPROACH TO UPS IN JEDDAH

The city of Jeddah was ready in 2008 to instigate the UPS improvement program and to apply the UPS Ordinance, since the MOJ had been able to establish its own private arm (JDURC) to work with the private sector to adopt and execute strategic developments and regeneration projects for UPS areas. Activities and mechanisms required to attract and support private sector participation included multi-disciplinary schemes such as financial modeling allowing pre-feasibility studies and the production of specific planning and design guidelines, saving time and money to investors. Furthermore, planning and design guidelines were provided based on an optimum financial model. JDURC aims to attract private sector investors including major developers, local landlords or a group of local landlords, small developers, and local businesses.

The intention of JDURC is to mobilize community members with a vested interest in the regeneration of their neighborhoods as well as offering opportunities to local businesses to expand their business through participation in regeneration projects. Accordingly JDURC have drawn up a detailed work plan to accomplish UPS development in accordance with UPS Ordinance. This started by categorizing and ranking all UPS areas in Jeddah according to the strategy outlined in the UPS Ordinance. In 2008, following the UPS Ordinance, JDURC deployed two projects for regeneration in the first category, that is, UPS areas viable to private developers, namely, Khozam and Ruwais. The following discussion focus on the Ruwais Development as an example that can shed light on the mechanisms used to realize UPS improvement through PPP.

7 RUWAIS DEVELOPMENT

Ruwais was the second UPS designated for development and accordingly a new partnership was established in late 2008 between JDURC and Ruwais Alliance (the winning Developer): this was known as the Ruwais International for Real Estate Development Company (Ruwais International). This partnership is empowered to carry out Ruwais development, starting with preparing necessary studies that include: a Property Survey, Master Plan, Market Study and Socio-economic Study. In consideration of its JDURC Shareholding in Ruwais International, JDURC will (1) support the provision of all expropriation powers with respect to land within the Ruwais development site, and (2) liaise, as appropriate, with the relevant authorities in this regard. To encourage Ruwais development, the MOJ agreed to allow a FAR of four on the gross site area. Objectives of Ruwais development are to: develop the Ruwais site, reorganize and redesign land distribution in the area, regenerate the Ruwais development site and provide public amenities and proper infrastructure, redevelop the area of UPS and invite existing landowners to participate in the Ruwais development.

The Ruwais development site covers ~140 ha in the Ruwais Area of central Jeddah. The site is primarily comprised of a high density unplanned residential area (UPS) that covers 79.4 ha (57% of the Ruwais Area). The development site will be subject to comprehensive planning and development by Ruwais International as one of the main components of Jeddah's master plan. The built-up area of the Ruwais development is set at around 5,600,000 m² [18]. The current built infrastructure of the

Ruwais UPS is of poor quality, with a preponderance of two to four story buildings; it is also congested, with low open space. Utilities and infrastructure are inadequate. Accordingly, the Ruwais development mission is to transform a poor-quality area into a pleasant environment with a vibrant local economy. The location of Ruwais is very strategic as it is well placed in the heart of Jeddah; and only 10 min away from Al-Tahlia Street, a famous retail area. Ruwais is also contiguous to the central areas and is close to the seafront, which are Jeddah's main attractions. Ruwais neighbors Jeddah's most prestigious district, Al-Hamra (Fig. 4). In addition, the Ruwais development is bordered by four main city arteries, Al-Andalus Road from the west, Palestine Street from the north, Al-Madina Road from the east, and King Abdullah Road from the south.

The Business Structure of the Ruwais development was established through invited competition, whereby JDURC appointed Ruwais Alliance (a group of five investors) as the Developer for the Ruwais development. Ruwais Alliance agreed to pay SR281,000,000 (scheduled in three payments) as a premium to JDURC, in return for the development rights to Ruwais. Accordingly, Ruwais Alliance and JDURC entered into a joint venture agreement (JVA) in November 2008, which governed their relationship and set out exclusivity arrangements in relation to the real estate development aspects of the project. Pursuant to the JVA, the Ruwais International for Real Estate Company

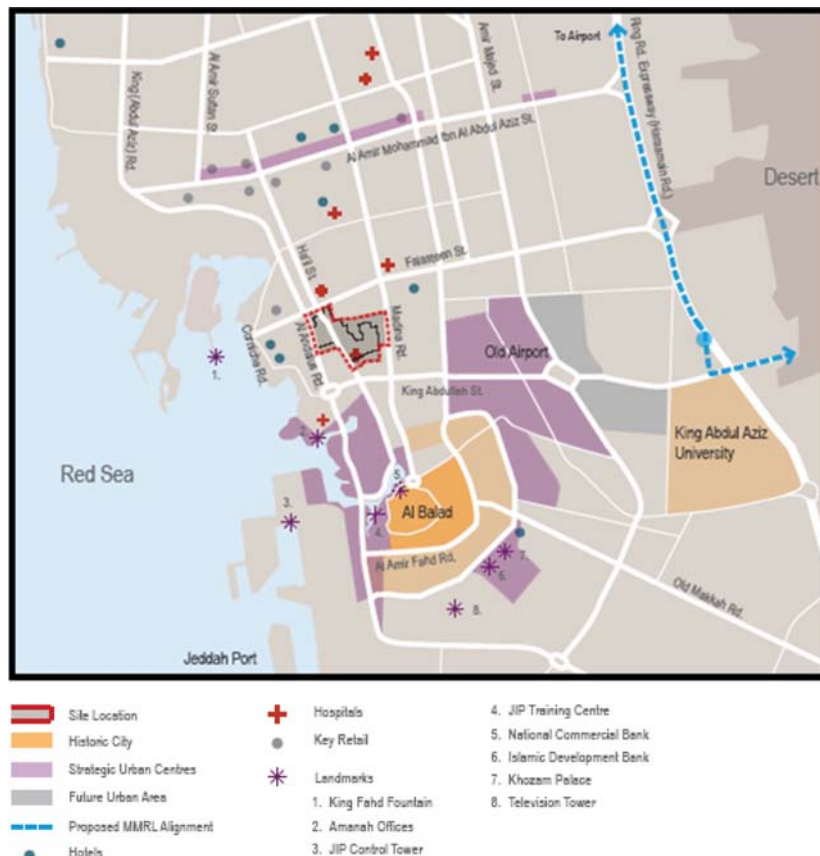


Figure 4: Location of the Ruwais development. Source: From Ref. [19].

(Ruwais International) 'LLC' was established in August 2009, with an initial share capital of SR50,000,000, to which the Ruwais Alliance subscribed for a shareholding of 74%; while JDURC subscribed for a shareholding of 26%, which was totally paid for by Ruwais Alliance. The main purpose of Ruwais International is to carry out all studies necessary for the execution of the Ruwais development. JDURC and the Developer, as founders of Ruwais International, desire to create a joint stock company to further carry out the implementation of Ruwais development.

The concept of the Ruwais Master Plan was developed to meet the objectives of Ruwais development. The proposed master plan provided more areas for open space, public services and roads. Once the master plan has been approved then the project will move to the second stage of calling existing landowners to decide upon whether they want to become partners or to receive cash compensation. A detailed socio-economic study was made of the existing residents of Ruwais to find the best ways to deal with relocating needy families. Furthermore, JDURC began arrangements to provide affordable housing projects to meet the needy residents of Ruwais. Acknowledging its responsibilities, Ruwais International agreed to establish a subsidy fund to enable landowners to acquire housing units in the affordable housing projects developed by JDURC. In addition, security of tenure was given to all landowners within the Ruwais development, given that a considerable proportion of landowners do not hold title deeds.

7.1 Risks involved

Although the new PPP approach in regenerating UPS areas is fairly fresh and recent, the approach appears to be fraught with risks and difficulties which are being experienced in the two new UPS redevelopment projects. The MOJ and JDURC are under political pressure to deploy more UPS areas for redevelopment; such pressures require MOJ and JDURC to prioritize all the 55 UPS areas in Jeddah and arrange for their regeneration according to the UPS Ordinance. But in practice, features of Jeddah's market raise awareness of the risks involved in the oversupply of development land within Jeddah through further regeneration projects. Khozam and Ruwais are long term projects and their development areas are considerable. They attempt to supply more than 20 million m² of floor space, which is too large for the market to absorb. This is especially so when considering that because of the costs incurred, they are obliged to target the middle income groups and this excludes low income residents from these markets. JDURC is also requested to provide affordable housing projects for UPS residents, who will be requested to move out once eviction and demolition start in their areas. Although JDURC was able to acquire some municipal properties for this purpose, these properties are in remote unserved locations. Accordingly, delays in putting affordable housing projects in place will subsequently lead to uncertain setbacks in the progress of the Ruwais and Khozam projects.

The property survey undertaken by the Ruwais and Khozam companies proved to be difficult because of social pressures. Many residents took a negative stand against these projects, despite all the information programs directed at raising people's awareness of how their properties will be valued and what options will be available to them, including cash compensation or becoming partners in the project, as well as the support given to those in need. Residents did not get the opportunity to be convinced by actual examples; therefore the new initiative was received with some suspicion by the existing residents. Mounting social pressures may lead to changes being made to existing arrangements and could lead to further burdens on DevCos.

The approval process for Master Plans in the new developments of Ruwais and Khozam is dealt with at the level of MOMRA, a central ministry that may not share MOJ's support for the high FAR proposed for Ruwais and Khozam. Attempts to reduce the FAR of four will challenge the

feasibility of the regeneration projects, and subsequently lead to complications with their progress and economies.

Regeneration projects depend on support from utility companies in order to supply the utilities needed for the new UPS schemes. It is understood that utility companies have their own priorities which may depart from the needs of regeneration projects. Therefore DevCos will be requested to enter into serious and perhaps long and tough negotiations with utility companies in order to come to an acceptable arrangement. Although DevCos will be given support in this regard, however, utility companies have their own concerns.

The UPS regeneration strategy was not able to escape the need for public funds, a factor which used to set limits on past UPS improvement programs. In fact, the regeneration strategy has emphasized the need for public funds to upgrade those UPSs not viable to private developers, to deal with UPSs in need of immediate public intervention and to supply public utilities to selected UPSs viable to private developers. Although municipalities are paid a premium by winning developers, the premium would not be enough to cover the cash required for the aforementioned requirements. Therefore, the regeneration process, though calling for PPP, rests also on public support and resources.

8 CONCLUSIONS

The regeneration of UPS areas is a complicated process, and if left to depend on public funds will not be capable of upgrading UPS areas within the city. The UPSs in Jeddah have continued to grow, manifesting serious social, economic environmental, urban and security concerns for the city; and increasingly UPSs are becoming a heavy burden on local and regional bodies. This has encouraged the exploration of other venues based on PPP. However, PPP alone will not be able to solve the problems of all UPS areas (55) within Jeddah, but will pave the way for a lengthy approach that needs to be continually reviewed and assessed in order to ensure the sustainable improvement of UPS programs. In addition, while PPP seems to offer a favorable proposition for attracting private developers to engage in partnership arrangements with municipalities in developing UPS areas, this sort of arrangement must not flourish at the expense of public interests and residents' rights. The allocation of public funds is inescapable because there are UPS areas which are not viable to private developers and there are other UPS areas which are in need of immediate maintenance and face lift. In addition, there is a public responsibility towards social issues, such as providing alternative suitable housing for needy households who are going to be moved from their houses.

Finally, the application of PPP to regeneration in Saudi Arabia is fairly recent and would require a highly skilled and experienced team to exploit its pertinence for regeneration purposes and with the building capacities needed to meet the challenges that inevitably arise. PPP initiatives in regeneration projects engage many public authorities and companies who may not share the same priorities and values, thus hindering the progress of regeneration projects. Therefore, the PPP drive to regenerate UPS areas should be implemented a way that enables ongoing revision, permitting the identification of difficulties and generating solutions that smooth progress. Meanwhile, ideas for other alternatives to deal with regeneration must not be excluded, especially in addressing issues arising within the long list of UPS areas in Jeddah.

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