Guidebook on Packaging and Marketing Municipal Land to Investors

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I. Introduction

This edition builds upon a version prepared initially in 2010 for Serbia, under the project Municipal Economic Growth Activity, financed by US Agency for International Development (USAID), and implemented by the Urban Institute. However, we believe this edition can be useful in any country where local governments try to release urban land under their control for private sector activities.

In particular, the purpose of this Guidebook is to provide practical advice to local governments on how to make municipally owned or controlled vacant land more attractive for potential investors. In other words, how to attract investors to buying land and make them willing to pay more for it. The Guidebook is addressed to decision-makers and technical experts at local governments who are engaged in various aspects of auctioning land to private users. This guidance covers only one of several aspects of successful land management, while other aspects of strategic land management (for example, whether to auction land in private ownership or for long-term lease) are detailed in the GUIDEBOOK ON REAL PROPERTY ASSET MANAGEMENT FOR LOCAL GOVERNMENTS.

This Guidebook has chapters that review a common context for auctioning municipal land; outline how to get prepared organizationally for this process; suggests practical “recipes” for success and solutions for some technical issues; and list the land policy issues that should be addressed as well. The Guidebook ends with annexes that provide a wealth of technical materials: a checklist for auction preparation, model legal documents (ordinance of land disposition and land sale contract),¹ etc.

II. Context

Most local governments have authority to allocate land to private sector tenants either in private ownership or in long term lease. Usually some national-level law requires that the land is allocated through a competitive procurement and at market price.² Forms and techniques of land procurement, along with tools for enhancing land value and for pricing land are among main subjects of this Guide.

There are three standard ways of allocating land or other property competitively:

- Verbal auctions
- Bids submitted in sealed envelops, and
- On-line auctions.

¹ These model documents were “tailored” to the case of Serbia, with a broad participation of local stakeholders. However, the substance of the documents’ structure is reasonably universal and is based on several generations of such documents developed with support of international donors for post-socialist countries since early 1990s.

² If these requirements are not introduced by law, they should be established by local regulatory documents (ordinances), as a matter of good governance and good practice. Cases when allocation can be for below-market price or without procurement should be either defined in law or be established in local ordinances.
Box 1. On-line Auctions of Governmental Property

Effect of on-line auctions results from broadening a geographic outreach to buyers and extending auction’s duration. As a result, sale prices can be substantially higher than achievable at regular auctions. There are two forms of on-line auctions: (i) the simulcast auction (similar to live verbal auctions, with a live auctioneer, but with bidders being present via Internet access instead of in person), and (ii) the eBay type auction where a bidding process takes place completely on-line, without a live auctioneer, and lasts over a specified period of time (e.g. a few weeks).

Example (USA):
Building that was owned by Federal Government is located in Bethesda, Maryland (the Washington, DC metropolitan area). It was marketed for sale by the international real estate company Jones Lang LaSalle. The opening bid price suggested by government was $14 million, but lower bids were permitted, while the government reserved the right not to accept them. The online eBay type auction started on April 30, 2010 and ended on July 21, 2010, after two rounds. In the first round, bidders started from $100, but bid up to $10.9 million. However, the government declined to sell at this price. Besides, one bidder reported technical glitches with submitting his bid. The second round started from the $11.5 million bid and ended at the $12.5 million, for which the government sold the property.

The first two have been practiced broadly over the past 20 years in many countries with formed centrally practiced economies, while experience with on-line auctions is yet sporadic. On-line auctions of governmental property are gaining popularity in various countries (see Box 1), and their use will grow over time. This Guidebook does not go in detail of on-line auctions. However, it should be noted that it is not recommended to establish on-line auctions as a single legal option in countries where citizens’ access to high-speed Internet is not close to 100%, because this would make auctions de-facto discriminatory for those who doesn’t have access.

What is a successful auction? Within good practice, the success would be more than just selling land; in particular, it would include the following elements:

- A procedure of auctioning was open, fair, non-discriminative, and competitive
- Conditions of land use associated with the sites were inductive for competition (and not “tailored” for any particular buyer)
- Land offered on auction is sold (i.e. land rights, permanent or temporary, are sold)
- Price obtained is a market price (i.e. the highest possible)
- Land became available for the most productive use.

III. Get Organizationally Prepared for Successful Land Procurement
For conducting land auctions of good quality in an efficient manner, a certain routine should be established at a local government. Key elements of such routine are outlined below.

1. **Somebody in charge.** Somebody at your local government should be organizationally in charge for the entire process. Usually several governmental entities (departments and enterprises) are involved in preparation of various documents and elements of land procurement, and the private sector experts can be involved as well. Nevertheless, somebody needs to have the power of leading the process. Besides, a contact person should be designated for responding to any private sector inquiries. The entity in charge for auctions should not have its own hidden interests in auction outcome and should honestly represent declared interests in the local government that puts land on auction.

2. **Ordinances adopted.** Potential investors want to know the rules, and the rules should be as straightforward as possible. A “model” ordinance on land allocation is enclosed in Annex 2. Obviously, local governments can modify these model documents as they see a need. The text of ordinances should be easily available to the public.

3. **Good quality contracts.** Sale and lease contracts should be standardized and have quality acceptable for experienced investors. A “model” sale contract is enclosed in Annex 3. Moreover, for each land site placed on procurement, a draft contract should be easily available for examination to potential buyers at no cost, as a part of a “package” (see more in section IV.1).

   Similarly, it would be very advantageous for local governments to have similar standard contracts for specific land-related fees, such as a fee for infrastructure development charged in many countries.

4. **A pre-approved land disposition program.** For accelerating the process of land disposition, it is useful to have a list of sites available for auctions to be pre-approved by a local council on annual or semi-annual basis. This would allow accelerating the transaction process when the sites are auctioned. The model ordinance in Annex 2 stipulates that such program should exist.

   Moreover, this 6- or 12-month land disposition program should be a part of a longer-term and broader strategic plan regarding land management. In particular, it is highly advisable to include in the strategic land management plan the following elements:

   - Full inventory of vacant municipal land
   - Classification of this land in at least three groups: (i) plots reserved for future public uses; (ii) plots slotted for allocation at market prices (however, some of these sites should be preserved for future sales as "golden reserve", and not placed for disposition now), and (iii) plots that are suggested for allocation at below-market prices
   - Elements of land policy.

5. **What to do if the auction failed?** Unavoidably, some auctions would not result in sales. Learning from such cases is a key: understand why no buyers materialize and modify pricing and marketing actions accordingly. Common reasons for lack of buyers include:

   - Location is not attractive for investors within the current economic situation or due to lack of infrastructure
   - A starting price is too high

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3 “Local Council” is the term used here for a local elected legislative body.
Marketing and exposure to the market were not sufficient.

It makes no sense repeating advertising in 30 days or any time soon, with the same conditions as before. Instead, talk to as many private sector experts as possible, including real estate brokers working in your market area, in order to clarify what caused the lack of interest. After that, make needed corrections. This may include the following options, not necessarily mutually exclusive (thus, option # 2 and 3 can be applied together):

- Postponing an auction indefinitely (if the location is not attractive in the current economic situation)
- Modifying the estimated market value of land and reducing the starting price (if the site was overpriced), and
- Improving the overall marketing approach as discussed further.

Another option (not stipulated in the model ordinance) is to place the site on ‘over-a-counter” sale at the estimated market price. This implies that anybody can buy a site through a direct sale, at the specified price, if the site is not sold on the failed auction.

IV. Recipes for Successful Land Auction

For success of auctions, there should be effective demand for land from the private sector. Your local government cannot create this demand. However, all too often, governmental land auctions fail not because of fundamental lack of demand, but because of errors made by the seller. A typical set of mistakes includes lack of proper marketing (from unwelcoming and badly organized environment that potential buyers face to insufficient marketing campaign), overpricing, and government-inflicted inhibition of land attractiveness for buyers. The “recipes” below outline how to avoid such mistakes.

Furthermore, it is important to remember that you government, as a seller of land rights, competes for buyers with other sellers in your municipality but also with other municipalities in your country and, often, in the region. Therefore, success of your land auctions will depend on how honest, welcoming, transparent, and reliable your local government is with your buyers, before and after auctions.

1. **Plan the process of preparation and auctioning.** The person or entity in charge (mentioned above in III.1) should develop and implement an action plan that will identify each step, responsible people, sequencing of steps and a realistic schedule.

2. **“Package” land sites planed for auctioning.** This simply implies presenting each land site and information about it in a form that is useful and pleasant to potential buyers, and making this well before the auction, as a part of the marketing. In this regard, marketing your land is not much different from how good car dealers or real estate developers market their cars or apartments to potential buyers – not only the quality of the product itself matters, but the quality and timeliness of the accompanying service and treatment of a potential buyer by the seller as well. So, the “package” should include information and data that would help potential buyers to make a decision – with minimal time and efforts spent - on whether to participate in the auction and how much they would be able and willing to pay for the site.

The right timing for “packaging” is important. This documentation should be prepared before the announcement of the auction and, preferably, before the marketing materials such as advertizing or brochures are developed. The ad and marketing materials will be based on the “package,” but will be shorter, more concise and visually attractive.
Finally, copies of the “package” should be available to any interested persons immediately after the formal announcement of the coming auction is made, free of charge or at the cost of copying only.

A suggested content of the “package” for potential buyers

1) A copy of a relevant detailed urban planning document related to the site. For example, a map showing the block where the site / parcel is located and the site/parcel itself, their borders, existing infrastructure etc..
2) Basic information about the site / parcel
   • size, geographical location (address or geodetic data)
   • information about location with all building parameters and permitted uses of the site.
3) Aerial photo (orthophoto image) if available and 3D image of the site (optional)
4) Cadastral and land register data for the site / parcel; if this is a construction site that includes several cadastral parcels, these cadastral parcels should be listed;
5) A document confirming local government’s rights to the auctioned land. If there is a third party’s claim for this land (a “legal cloud”), this should be clearly disclosed. The general rule, though, should be not putting the land burdened by claims on auctions
6) Right that is transferred (ownership or lease right (duration/number of years))
7) Initial price / lease fee
8) Model contract on sale / lease of construction land
9) Contacts of a person (name, position, body / departments, phone number, email address) appointed as responsible for overall coordination of the auction preparation and assistance to potential investors (or their representatives, brokers etc.) in connection with the subject site (from the announcement to the land contract signature)
10) Contacts of all persons (name, position, body / departments, phone numbers, email addresses) from bodies and departments of the city administration responsible for:
   • Processing a sale / lease contract of the site
   • Issuance of necessary permits for construction
   • Various infrastructure hook-ups needed for the site
   • Local economic development and investments (if such exists)
11) Steps in the process of registration of rights to the site after its acquisition
12) Information on obtaining permits for construction.

Information about infrastructure:

13) List and characteristics (capacity) of existing infrastructure
14) List of missing infrastructure and position of the closest (primary) infrastructure
15) The schedules / rates of infrastructure-related fees and charges
16) The amount of fees and charges for connecting to the utility infrastructure.

| Infrastructure: |
|-----------------|----------------|----------------|----------------|
| Existing infrastructure | Does it exist and its capacity: | Distance from the site (m): | If not – when will it be available: |
| Access roads/roads | | | |
| Water: | | | |
| Sewer: | | | |
Why some of the above items are really important is discussed in further sections.

3. **Enhance attractiveness / value of the land for investors.** This is the most important and often neglected factor. Private sector actors who, potentially, might be interested in buying land on municipal auctions look for opportunities to obtain profit from their operations on this particular land site and, as a rule, have a choice of buying from private owners or in other cities and towns or investing in other activities or even going to neighboring countries. In other words, local governments are in direct explicit competition for potential buyers.

What can you do in such a competitive environment? The answer is simple and twofold: make your land attractive to as many potential buyers as possible and reduce their risks. Specifically:

- **Broaden permitted land uses and land use parameters.** There are two issues to be addressed here.

Permitted land uses. The land uses permitted on a site should not be artificially limited, which urban planners in many former centrally planned economies often still do. For example, a very common case is that some green field areas are zoned in Master Plans and, consequently, in more detailed land use plans as “industrial zones” for production and storage. Such zoning excludes many land uses, which otherwise could attract more potential buyers, such as showrooms for wholesale and retail trade, office-type uses needed for high-tech post-industrial production (e.g. software), etc. Some urban plans go even further with land use limitations and name specific types of activity allowed on a particular parcel (e.g. “car repair,” “soft drink production,” “leather processing,” etc.). Why do you need to scare other potential users away? There are no public benefits in such restrictions. A better way would be to name land uses prohibited in the zone or allowed by a special permission only, with all others allowed automatically.

An example below illustrates how permitted land uses influence the land value and potential attractiveness of land for potential buyers. In particular, for the industrial zone stipulated in the detailed development plan, an expected price on auction could be, in the best case, EURO 14.5 / m², on average. If the land uses are expanded to include some retail & retail-related warehousing, the average expected land prices could go up to EURO 21.6 / m². The
difference in potential revenue from land sales in this zone is about 716,000 Euro – this is the forgone revenue for the municipal budget caused by the unnecessary land use limitations imposed by urban planners.

<table>
<thead>
<tr>
<th>Scenario-1 (according to the detailed development plan): Green field site, 10 ha; Permitted land uses are an “industrial zone” defined as production &amp; warehouses; auxiliary offices up to 14% of the total floor space</th>
<th>Scenario-2 (according to a market study conducted by real estate experts): Green field site, 10 ha; Permitted land uses are production &amp; warehouses; offices; retail &amp; retail-related warehouses (such as a show room, discount retail store, furniture store or home improvement center)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Floor area:</strong></td>
<td><strong>Floor area:</strong></td>
</tr>
<tr>
<td>Production &amp; warehouse: 60,000 m²</td>
<td>Production &amp; warehouse: 40,000 m²</td>
</tr>
<tr>
<td>Office: 10,000 m²</td>
<td>Office: 10,000 m²</td>
</tr>
<tr>
<td>Retail &amp; related warehouse:</td>
<td>Retail &amp; related warehouse: 20,000 m²</td>
</tr>
<tr>
<td>Total: 70,000 m²</td>
<td>Total: 70,000 m²</td>
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<th>Prices expected at auction:</th>
<th>Prices expected at auction:</th>
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<tr>
<td>EURO 14.5/m², on average (or 1,448,272 Euro for the entire site)</td>
<td>Euro 15/m² (office/warehouse), on average Euro 37/m² (retail/warehouse), on average (or 2,164,077 Euro or for the entire site)</td>
</tr>
</tbody>
</table>

Parameters of land use. Similar to land uses themselves, the parameters of land use, especially the density parameters (i.e. the Flow to Area Ratio, land occupancy rate, maximum permitted height, horizontal regulation) are often arbitrarily limited, without any real need for this. This, in turn, reduces potential productivity of land for developers and thus reduces their interest in buying the land.

Another common problem is that parameters in a detailed land use plan can be redundant and conflict one with another. For example, the requirements for the distances from a building on the plot to plot’s boundaries may reduce a factual achievable occupation index well below of what is permitted by the same plan.

In general, increasing the economic density of land uses in urban areas is beneficial for the local economy, assuming that the related costs (such as the additional capacity of engineering infrastructure, parking, etc.) are properly paid for by the beneficiaries of these higher densities (buyers of land on auctions, in particular).

It can be useful to recognize that excessive land uses requirements represent a very real threat to competitiveness and long-term future of your city or town, given how competitive the contemporary world is. The problem is magnified by the fact that people at urban planning institutions who establish these economically damaging limitations on land uses are not liable or accountable for them. Officials at your local government and local politicians should focus on these issues and make efforts to have the land use documents developed in a way that increases land attractiveness and productivity.

The overall recommendation is to make sure that in land use plans (Master Plans, etc.) restrictive and prescriptive types of land zones are replaced by more inclusive categories. For example, instead of “industrial zone” it can be “employment zone” which would allow any type of non-residential land uses except incompatible ones.⁴

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⁴ This would be consistent with the international trend that removes the distinction between the commercial and industrial uses. In particular, some cities, such as Toronto, Canada, are using “employment” categories instead of trying to distinguish between commercial and industrial categories.
Reduce government-related risks and costs for investors. There are three main types of risks: legal, financial, and timing (delays).

Legal risk. It exists if the local government does not have "clean" rights to the site offered on the auction, and there are current or potential restitution or other claims by former owners. Therefore, verifying and stating with confidence that a given property is not subject to such claims has very practical value: this reduces the risk and uncertainty for prospective bidders, and thus may translate into a higher level of interest in the auction, more competition, and higher sales prices. Box 2 presents the experience of the City of Nis, Serbia, with this kind of verification.

The document regarding local government rights included in the "package" should be very explicit and either state that there are no known existing or potential claims or disclose them. Such a disclosure will demonstrate that the city is an honest seller and will increase its attractiveness for buyers in a longer term. However, in general, if the claim exists regarding a particular site, it is advisable to remove the site from the auction.

Financial risks. These are risks of incurring unknown costs imposed by the local government or its enterprises in connection to land site’s acquisition and development. If potential buyers do not know all the costs in advance, before the auction, they will hedge against this risk by reducing the price they are willing to pay on the auction. For avoiding this, the seller (local government) needs to provide all the information needed for potential buyers to estimate the total cost associated with the land acquisition. The biggest components of this cost, beyond the purchase price itself, can be (i) municipal fees associated with infrastructure development and (ii) fees charged, in addition to the municipal fees, by local utility companies for infrastructure hook-ups.

For reducing the uncertainties associated with these costs, the local government needs, as already indicated in the list of "packaging information", to include the rates for all municipal fees into the package available to potential buyers, so that each of them can calculate what he / she would pay for a particular property he / she has in mind to build. Second, it would be useful to provide at least some information on the costs of utilities hook-ups. In many countries, these costs are not known in advance and are subject of further negotiations with the utility providers. However, the local governments that will be able to eliminate this uncertainty (for example, by negotiating these fees in advance, at least with their own companies, such as water / sewerage companies) can get some competitive advantage over other local governments.

Box 2. Verification of Titles of Auction Sites in the City of Nis, Serbia

Employees of the Property Department, which is in charge of land management, reviewed, prior to advertisement publication, requests of former owners related to termination of usage rights, de-expropriation and denationalization of vacant construction land and took steps to reconcile the conflicting records in "land books" and in the cadaster office. They also produced evidence of municipal ownership of land in question from the National Geodetic Authority and the Land Book Department of the Municipal Court.
In the case of brownfield sites, another potentially large cost for buyers is the environmental assessment and cleaning costs. Local governments can improve their chances to sell such sites by conducting the contamination assessment and including this information in the “package.”

Delays from the governmental side. Often, local governments offer sites with some infrastructure elements still missing. Moreover, a common attitude in such cases is that municipal departments or enterprises which control infrastructure provision do not take any binding responsibility to specify when exactly these missing elements would be provided. While municipalities in some countries reduced infrastructure-related fees in such cases, this may be not sufficient for keeping potential buyers interested. Indeed, such time uncertainty contains the risk that investment in purchasing land and building real estate will be stalled by the lacking infrastructure and extra costs of “greasing the wheels” or paying for these missing elements. Again, the analogy with buying a car or an apartment works here: If a seller wants you to pay up-front but does not guarantees the delivery of your car or apartment on time, are you really going to deal with him or will you rather walk away, to a more reliable seller?

Even if some potential buyers do not go away from the auction, they will hedge against the risks of uncertainties regarding the costs and delays by reducing the price they would offer on the auction.

Therefore, the overall recommendation to local governments who (i) want attract land buyers and (ii) want get advantage over other localities, is to get creative in motivating their utility companies and departments to eliminate the above uncertainties for investors. In particular:

- The utility companies should be required to provide binding schedules of how much it would cost to obtain hook-ups to the site,
- A standard contract between the local government or its department or enterprise in charge for infrastructure provision and the investor regarding the infrastructure-related fee should stipulate mutual responsibilities in detail sufficient for eliminating uncertainties for the investor.

Further, there is the cost of time spent by land buyers after the auction, for dealing with multiple permits, which usually are processed and issued by different entities and at different locations. The best solution here is to (1) establish a “one stop shop” system and (2) minimize the time needed for these permits.

One typical common source of delays is the process of consolidating several cadastre parcels purchased on an auction into one construction parcel. Local government must either accelerate this process as a part of its after-auction support to investors or make this consolidation itself, as a part of “packaging” and preparing sites for auction.

The best way to reduce / control after-auction delays is to make the schedules and fees for obtaining permits broadly known and strictly followed by governmental entities involved. Note that investors and developers do not care that different fees go to different recipients, but

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5 Selling brownfield sites might require prior governmental investment in a clean-up or providing the funding after the sale. In some - if not most – cases, the whole process may require engaging in a public-private partnership rather than a simple auction. Therefore details of such cases are not considered in this guidance, and readers can consult with the special guidebook “The Management of Brownfields Redevelopment”, A Guidance Note, The World Bank 2010. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/06/14/000333037_20100614004032/Rendered/PDF/550090WP0P118011PUBLIC10brownfields.pdf
would appreciate a friendly one-stop-shop interface. If a one-stop-shop is not possible, the municipality should provide investors with easily available and reliable information where and how all permits can be obtained and paid for, and how long each should take. This investor-friendly approach overlaps with the “packaging” outlined above.

An important benchmark indicator of the indirect costs, broadly used internationally, is the time (in days) needed for ordinary investors / buyers to obtain all needed documents and permits, from a day of an auction (or a private-to-private purchase) until a day when construction can start.

A municipality should estimate this indicator as in real life, i.e. assuming a real sequencing of steps. Moreover, when this indicator is reliably and honestly assessed, the municipality should review the entire process and decide which steps can and should be shortened, in order to shorten the overall time.

3. Price it right

*Market value* of land, by definition, is the most probable price, which the land should bring in a fair transaction, after it is put on a competitive and open market for a reasonable time, with the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

What should be the relation between the market value and the starting price for the auction? In normal market circumstances, nobody would buy land above its market value, therefore it is important not to overprice the land for the auction. In other words, the starting price should not exceed the estimated market value in any circumstances. Moreover, it would be useful to set up the starting price reasonably below the estimated market value. Indeed, even professional and good-quality appraisal is just an estimate, and in volatile markets that many countries have, this estimate normally differs from a real transaction price. Furthermore, a well-organized competitive auction is the best way to find out what the market value is. Notice that in countries where the law requires disposing land at the market value, setting the starting price below it should be combined with the mandatory requirement that a land site can be sold only if at least two bidders competed for the site (in this case, their competitive bidding brings the price up to the market value). However, if demand for land is weak, it might be beneficial to sell to a single bidder at the starting price. In the case, for compliance with the law, the starting price should be set up equal to the estimated market value.

In sum, local governments can use one of two possible approaches to setting the starting price and auctioning:

**Option 1**: The starting price is set up below the estimated market value, using the empirical rule shown below, but in this case a plot can be sold only if more than one bidder participates:

\[(\text{Starting price}) = (\text{Coefficient}) \times (\text{Estimated Market Value}),\]

*with the Coefficient being in the interval 0.8 – 0.9.*

In other words, under this option, the starting price is set up as 80% - 90% of the estimated market value, and a competitive bidding at the auction will bring the price up, to the market value.

**Option 2**: The starting price is set up equal to the estimated market value, and a site can be sold to a single bidder.
It can be useful to have both options available, by stipulating them both in the ordinance on land disposition. In this case, the ordinance should authorize the land disposition commission to decide, for each plot, which of the options will be used and require that this is announced in the public announcement of sale / lease.

In either case, the pricing issue is the issue of estimating the market value of land. How to do this? For large municipalities and complex sites, it is recommended to hire professional appraisers who are capable of valuation according to standard, internationally recognized valuation methods. For smaller municipalities and simple sites, the land managers need to develop basic in-house expertise for estimating land values, in particular, based on comparable sales in the private sector.

Besides, there is the other method – the residual land value method – which is important to understand, because it follows the logic of developers and investors when they think about how much they could pay for land. Specifically, they consider how their profit is defined (in the simplest version thinking of building real estate for sale to final users):

\[
(\text{Expected profit from selling the final real estate product}) = \\
(\text{Revenues from sale}) - (\text{All costs}) = \\
(\text{Revenues from sale}) - (\text{Price of land}) - (\text{Other government costs}) - (\text{Construction cost})
\]

Further, developers and investors would not enter into a deal if the expected profit is below a certain level, which justifies all the risks. Therefore, based on the above equation and knowing which profit they require, developers / investors estimate how much they can pay for the land:

\[
(\text{Price of land}) = \\
(\text{Revenues from sale}) - (\text{Other government costs}) - (\text{Construction cost}) - (\text{Expected profit})
\]

The method of estimating land value using this equation is the residual land value method.

It can be useful for your government to start using a simple version of this method for making some rough estimates of prices that can be expected on auctions, depending on land use conditions and parameters imposed to land sites. An instrument for such estimates can be a special spreadsheet model called sometimes “Bertaud Model” (see box).

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6 Please notice that this equation illustrates very clearly that land buyers have one pocket: the higher “other governmental costs” are (e.g. the infrastructure-related fee), the lower is the price for land that buyers are ready to pay.
Box 3. Using the Bertaud Model for Examining How Land Uses Influence on Land Market Value

The Bertaud Model is a spreadsheet model that connects parameters of land uses on a specific land site, all costs of real estate development, and expected revenues from the final real estate product. In particular, it allows, using prices typical for the local real estate market, construction / development costs, and assumptions about expected profit of a developer, to calculate land use parameters (such as maximum land coverage, number of floors, etc.) that would make market-oriented real estate development attractive for private investors and suggest starting land prices for municipal land auctions.

The model has been widely used internationally by the World Bank and adopted by governments and private consultants for their own use. The Urban Institute has applied this model for proposed residential, commercial, and mixed-use development projects in Russia (St. Petersburg, Novgorod, Nizhni Novgorod, Tver, and Kazan), and it was very useful in preparing land sites for auctions in all these cities.

4. Recognize where the real estate market is along its cycle

Real estate markets are usually cyclical, and the current international financial and real estate crises illustrated this forcefully, reducing effective demand for land. Therefore, before placing the land on auctions, it is important to understand whether the market is active (measured, for example, by the number of transactions in the private sector and the level of prices). If the market is down, it may be wise to hold back until it is energized again.

5. Market it right

Formal marketing begins from making the first formal announcement about a forthcoming auction. The purpose of the marketing is to give the land sites enough exposure on the market and to reach out to all potential buyers. Two main factors play the key role here:

1) A sufficiently long marketing period. For simple and relatively small sites, the time between the announcement and auction should normally be at least 60 days, and for larger or strategic sites or when demand is weak, at least 90 – 120 days (see also Annex 4.)

2) High quality and proper targeting of the marketing campaign. The best solution is to hire a professional real estate company or individual real estate agent with a good brokerage record, to be your marketing / sale agent. They can distribute the information on your sites through their databases of clients and organize the targeted and professionally designed marketing to potential buyers. Selection of such a marketing agent should be

Box 4. Use of Professional Real Estate Broker for Marketing Land in the City of Nis, Serbia

The success of land auctions in Nis in March 2010, when all 5 sites were sold, despite the market being near a bottom, can be attributed, to a large extent, to the fact that the professional company spent several months marketing the sites. This was the first-in-the-country experience of this kind, and recommendations of that company (Colliers International) based on this experiment are provided in Annex 7, including the lessons that can be learned.
conducted through procurement.

In case if your local government decides to conduct the marketing without the private real estate broker being involved, at least consult informally with local real estate agents and follow the recommendations from Annex 4. In any event, publishing an ad in a local newspaper is absolutely not enough, and the marketing campaign must have other elements (billboard with sites & auction information, brochures, on-line postings, information provided to all local real estate companies / agents, Chamber of Commerce, etc.).

The key obligatory elements of the marketing should be defined in the ordinance on land allocation (see Annex 2). For example, it is recommended that the formal public announcement should contain the following information:

1) Basic data about construction land subject to sale or long-term or short-term lease, "lot" (its location, size, etc.),
2) Information on which rights – lease or ownership – are offered.
3) Summary data on permitted land uses with land use parameters and potential restrictions applicable on parcels and structures permitted to be built on them,
4) Data on the extent to which the land is equipped with utility infrastructure, and in case of undeveloped land (with no utility infrastructure), the extent and type of infrastructure that will be required from a person who buys / leases the land,
5) Starting price and payment schedule required from winning bidder,
6) How a winner will be defined – the highest price offered,
7) Lease term (in case if construction land is leased),
8) Place and time for holding public competition,
9) Requirements for participation in bidding, including the procedures for application, deadline for application, mandatory contents of the bid (in the case of sealed-bid competition),
10) Amount and procedures for payment of bidders’ deposit during the procedure for submission of bids and the deadline and method of return of deposit to unsuccessful bidders
11) Informing the successful bidder that the deposit shall not be returned in case of giving up the bid,
12) Information on the place and method of obtaining additional information / “package” of documents related to the offered land,
13) Other relevant information (e.g. who will be paying the agricultural-to-construction-land conversion fee).

6. Disclose and publicize results

The results of the auction should be formally announced and published, including the information on all auctioned sites: how many bidders competed for each site, who won, and at what price.

Besides, land managers should save and analyze the results of each auction, in particular, for using the results in estimating market value of other sires or re-evaluating the sites that didn’t sell.

7. Learn from results

“Lessons learning” sessions of all people involved in auction preparation should be held at least twice. The first time, soon after the auction, in order to analyze what went well and what can and should be improved for next auctions. The second time, the meeting should take
place to analyze a progress of a buyer about two months after the sale / lease contract is signed. The purpose is to evaluate what can be done better on the governmental side, for accelerating the process of granting needed documents and permits to the buyer. If the progress is not satisfactory, corrective actions should be taken, with a progress reported at the next meeting.

V. Some Technical Issues of Auctions

A process of auctioning should be defined in the ordinance in sufficient detail (see Annex 2). However, there are some technical and execution details that should be left to practice.

1. **Which form is better: sealed bids or verbal auctions?** There is no “right” answer, but some anecdotal evidence from the Eastern and Central Europe and the former Soviet Union indicates that verbal auctions are better protected from infiltration by corruption. Therefore, we recommend conducting live verbal auctions.

2. **A size of a step at the verbal auctions.** The step may depend on how the starting price was set up (see item IV.3 above). If the starting price was set up below the estimated market value (and the auction will be valid only if at least two bidders participate), the step should be set up the range of 2-7% of the starting price. If the starting price was established equal to the estimated market value, a recommended step is 1% of the starting price (though in this case, if there is only one bidder, a site can be sold at the starting price).

3. **Quality of auctioneer’s performance.** Practices of auctioning municipal land have demonstrated that the quality of how the auctioneer conducts the process of the auction has a substantial impact on outcomes. As a very least, he or she must:

   o Be present at the auction location well before an auction start and lead on participants welcoming and registration
   o Be respectful to participants and observers and patient during the process;
   o Have a clear voice and diction, and speak clearly, loudly, and without rush;
   o Clearly explain, in detail, the whole procedure in the beginning of the auction;
   o Have good visual materials for presenting each lot before starting bidding on it;
   o Be well familiar with all the data and materials related to each lot, in order to be able to answer questions.

VI. Policy Issues

As indicated in Introduction, this Guidebook leaves aside a policy and land management background that should underlie auctioning of land. There are many issues related to disposition of municipal land, which should be addressed, preferably not case-by-case, but in a systemic way, through explicit land policy adopted by Local Council (i.e. local elected legislative body) as a guidance document or even an ordinance. The list of such issues includes:

   o Which rights – ownership or long term lease – are auctioned and in which cases?
   o Do you have inventory of all your vacant municipal land and a long-term plan of what your auction now, what later, and what not auction at all?

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7 Detailed discussion of land policy issues can be found in the GUIDEBOOK ON REAL PROPERTY ASSET MANAGEMENT FOR LOCAL GOVERNMENTS
- Are you planning to allocate some vacant land below market value? If so, why and where are these sites?
- Do you use revenues from the auctions for capital investment or “eating” them for patching gaps in the operating budget?
Annex 1. Checklist for Auction Preparation

_____Person in charge for preparation of sites for auctions is appointed

_____Contact person for potential buyers (from announcement to signing a contract) is appointed

_____A contact person for after-auction support to buyers (parcel consolidation, permits) is appointed

_____Ordinance on Land Disposition is adopted by local council

_____Ordinance on Infrastructure-Related Fees is adopted (if needed)

_____The Auction Commission is appointed by local council

_____A land disposition program is approved by the local council, including the sites slotted for the auction

_____An Action Plan for preparing the auction is developed, discussed and agreed upon with participating agencies

_____A decision is made on whether to procure a service of a real estate agent

______If “yes”:

  o Request for Proposals (RFP) is prepared and agreed upon
  o RFP is issued
  o proposals are evaluated and a winner chosen
  o winner’s tasks are negotiated and a contract with the winner is signed
  o the marketing campaign offered by the winner is okayed

______If “no”: the marketing campaign is designed and budgeted

_______Evaluation of the market value of sites is ordered and obtained

_______Starting prices are set up

_______For each site to be auctioned, the “package” (folder) is assembled, including (see details in the main text):

  a) A copy of the urban planning document
  b) Basic information about the site / parcel
  c) size, geographical location (address or geodetic data)
  d) information about location with all building parameters
  e) Aerial photo (orthophoto image) if available and 3D image of the site (optional)
  f) Cadastral and land register data for a particular site / parcel
  g) Right that is transferred (ownership or lease right (duration/number of years))
  h) Initial price / lease fee
  i) Model contract on sale / lease of construction land
  j) Contacts of a person (name, position, body / departments, phone no., email address) appointed as responsible for overall coordination of the auction preparation and assistance to potential investors
k) Contacts of all persons (name, position, body / departments, phone no., email address) from bodies and departments of the city administration responsible for various stages / steps

l) Steps in the process of registration of rights to the subject construction land after its acquisition

m) Information on obtaining permits for construction/guide

n) List and characteristics of existing infrastructure

o) List of missing infrastructure and position of the closest (primary) infrastructure

p) The schedules of the land development fee at this location

q) The amount of fee for connecting to the utility infrastructure (and the connections provided by the republic and municipal public enterprises)

______ Folders are finalized and prepared for copying and dissemination upon request of from potential buyers

______ All marketing materials are prepared and ready to launch / distribution

______ Announcement prepared

______ Announcement published

______ Other elements of the marketing campaign are launched as planned

______ Auctioneer is appointed / hired

______ Auction Commission is trained / familiarized with the auction process

______ An auction venue and materials are prepared

______ Registration of participants is prepared

______ Auction is conducted

______ Post-auction activities are conducted

______ Results are analyzed and lessons learned
Annex 2. Model Ordinance on Procedures for Sale / Lease of Land for Construction Owned by the City / Municipality

I BASIC PROVISIONS

Article 1.

The present Ordinance provides the conditions, procedures and manner for sale / lease of vacant land owned by the city/municipality to private tenants.

Definitions of "construction land", "city construction land", "land in public ownership", "vacant construction land", "developed construction land", "the area of public use" used in this Ordinance are according to the Law <…>.

Article 2.

Vacant construction land in public ownership shall be sold and leased for construction/placement of structures, in accordance with the purpose specified in the planning document, and in a way that ensures its rational use.

Sale or lease of construction land specified in paragraph 1 shall be carried out through public competition / auction and in accordance with law and this Ordinance.

Article 3.

Long-term lease shall be the lease period lasting up to 99 years.

<Note: While having this 99-yr provision in the ordinance, municipalities can introduce the practice of shorter leases (for example, up to 50 years), while for longer uses, selling land in ownership.>

Long-term lease shall include the period in which the entity to which the land is leased has to put the construction land to its designated use:

Deadline for putting the long-term leased construction land to its designated use cannot be shorter than 1 year or longer than 5 years.

Deadline for putting long-term leased land to its designated use within 5 years shall be determined in the case of large complex of land where it is planned, or is possible to build in phases.

Vacant construction land shall be sold / leased for long-term for the construction of permanent structures.

Article 4.

Vacant construction land can be leased out for a short-term (for up to 5 years) for construction / placement of structures which are not of permanent character, in compliance with law.

Article 5.

Professional, administrative and technical tasks related to the procedure regulated by this Ordinance shall be performed or organized by the municipal staff designated for this task (hereinafter: the administration).

The administration may engage, as needed, private sector experts (real estate brokers, appraisers, auctioneer, etc.) through a standard procedure of procuring private services.

II SUBJECT OF SALE AND LEASE

Article 6.

Vacant construction land, for which the planning document was adopted, based on which the construction permit may be issued, and which is equipped with utility infrastructure
in accordance with that planning document, can be sold or leased in accordance with law and this Ordinance.

As an exception, the subject of sale can be vacant construction land that is not equipped with utility infrastructure, provided that the participant in public competition/auction or public call for submission of bids accepts the requirements for financing the construction of utility infrastructure specified in the published public call for submission of bids.

Upon the completion of the procedure for lease / sale of land in a particular case specified in the previous paragraph, the relations between the city / municipality and the buyer of vacant construction land in public ownership, in terms of financing the construction of utility infrastructure, shall be regulated in accordance with <....>.

**Article 7.**

The area designated in planning document for the development or construction of public buildings or public areas, for which the existing or planned public interest is determined in accordance with the special law (hereinafter referred to as the area of public use), cannot be alienated from public ownership.

Planned but undeveloped areas for public use can be given in short-term lease until it is put in its designated use, under the conditions specified in this Ordinance.

**Article 8.**

Vacant construction land in public ownership may be given for a short-term lease, up to 5 years, for building the temporary structures.

**III THE PROCEDURE FOR SALE / LEASE OF CONSTRUCTION LAND**

1. **The Program for Sale / Lease of Construction Land**

**Article 9.**

City / local council shall, upon the proposal of the mayor, pass a Program of Sale and Lease of Vacant Construction Land, within 6 months after this Ordinance comes to force.

City / local council can amend or expand the adopted Program as needed, but not less often than once a year.

The Program referred to in paragraph 1 of this article contains a list of construction / cadastral parcels and a suggested manner of allocation (sale, long-term or short-term lease)

No parcel can be sold or leased without being pre-approved in the Program.

All parcels from the Program shall be sold or leased out at market price / market lease rate, unless the parcel is pre-approved for allocation at below-market price / lease rate according to the procedure defined in section 5 of this Ordinance.

The Program should be made available to the public.

2. **Methods of sale and lease of construction land**

**Article 10.**

Vacant construction land shall be sold / leased through public competition (auction) to the bidder who offers the highest price for buying, or the highest fee for leasing, in accordance with law, except if (i) land is sold or leased, according to special procedure with multiple criteria of winner selection, at a price or fee which is lower than the market price or fee, or (ii) direct negotiations.

All procedures from paragraph 1 of this article shall be conducted in accordance with law and this Ordinance:

Procedure for selling / leasing land at the price or fee which is lower than the market price or fee is defined in section 5 of this Ordinance and in a special Ordinance;
Procedure for selling or leasing land through direct negotiation is defined in section 6 of this ordinance.

3. The body in charge of implementing the procedure for sale / lease of construction land

Article 11.

The procedure for public competition (auction) or public call for submission of sealed bids for the purpose of selling or leasing vacant construction land in public ownership shall be implemented by the commission for implementing the procedure for sale / lease of construction land (hereinafter: commission), in accordance with law and present Ordinance. Responsibilities of the commission, its composition and decision making procedure shall be regulated by present Ordinance.

Article 12.

The commission referred to in article 11 of this Ordinance shall be composed of: chairman, deputy chairman and 3-5 members. Members of the commission shall be appointed by the local council and include representatives of the local council, administration, and non-government organizations. Commission shall meet on as needed basis, and the decisions shall be made by majority of votes. Technical and administrative operations for the commission shall be executed by the administration.

4. Auctions

Preparation and holding of auctions

Article 13.

Auction shall be held on the specified location and at the specified time, after it prior public announcement. Auctions may be attended by all interested persons of age.

Article 14.

Announcement of auctions for sale / lease of construction land shall be published in media, on the announcement boards of bodies and services of the city / municipality, the announcement board of the city / municipal administration, and official Web site of the city / municipality and other electronic media. The time between the first public announcement and the deadline for accepting applications from potential bidders shall be not less than 45 days for sales and long-term leases and 30 days for short-term leases.

Article 15.

Announcement about auctions shall contain:

1. Basic data about construction land subject to sale or long term or short term lease - lot (its location, size, etc.)
2. Information on which rights – lease or ownership – are offered.
3. Data on permitted land use with land use parameters and restrictions, if any, applicable to parcels and structures permitted to be built on them,
4. Data on the extent to which the land is equipped with utility infrastructure, and in case of undeveloped land (with no utility infrastructure), the extent and type of infrastructure that will be required from a person who buys / leases the land,
5. Staring price or starting lease fee (with a clear indication per year or per month), required increments for subsequent bids (the step of the auction), and payment schedule required of winning participant.
6. Lease duration (in case if construction land is leased),
7. Place and time for holding the auction,
8. Requirements for participating in the auction, including procedures for application and a deadline for application for participating in the auction,
9. Amount and procedures for payment of a deposit for participation in the auction and the deadline and method of return of deposit to unsuccessful participants;
10. How a winner is identifies (i.e. the highest price / lease fee)
11. Informing the participant who wins at public competition, but fails to sign a land sale / lease contract within the deadline set forth in this Ordinance, that the deposit shall not be returned,
12. Information on the place and time where information packages on lots can be obtained.

Article 16.
If multiple lots are to be leased / sold, each must be identified separately and information required by items 1-7 must be provided separately for each lot in the announcement for public competition.

Article 17.
Application for participation in the auction shall be submitted to the commission by the time and at the location set in the announcement.

Article 18.
Application submitted by a natural person shall contain the following:
1. Reference to the land lot for which the applicant plans to bid;
2. Name and family name;
3. Address, unique resident’s number and signature;
4. Statement of acceptance of all requirements stated in the announcement (including a statement of acceptance of conditions for utility infrastructure / development of land contained in the public call, which applies to vacant land without utility infrastructure);
5. Proof of paid deposit;
6. Account number for return of deposit.

Article 19.
Application submitted by a legal entity shall contain the following:
1. Reference of the land lot for which the applicant plans to bid;
2. Company name, registration number and tax payer’s reference number;
3. Name and family name of the company director / person designated for representation and his/her signature;
4. Certified excerpt from the Business Registers Agency or another relevant registry;
5. Certified authorization to a designated representative to participate in the auction on behalf of the company;
6. Certified statement of the representative on accepting all requirements stated in the announcement (including a statement of acceptance of conditions for utility infrastructure / development of land specified in the public call, which applies to vacant land without utility infrastructure);
7. Proof of paid deposit;
8. Account number for return of deposit.

Article 20.
The deposit for the participation in the auction shall be 10% of the starting price or starting lease fee. In the case of participating in the auction for multiple lots, the deposit can be for the sum of the individual deposits.

Article 21.
The deposits shall be refunded to unsuccessful participants of the auction. Administration shall refund the amount of deposit from paragraph 1 of present article to the bank account of the participant, within 8 work days after the auction. Interest shall not be paid to the depositor.

Article 22.
The deposit will not be returned under the following circumstances:
(a) if the depositor is the winner, but then fails to sign the sale or lease contract within the deadline set forth in this Ordinance.

Article 23.
Upon the receipt of an application for the participation in the auction, the administration shall verify it and record the accepted application in a special book.
A lone reason for rejecting an application is if it is incomplete against requirements of Article 18 or Article 19.

Article 24.
Administration shall produce a list of qualified participants, assign a bidder number to each qualified bidder and prepare cards with bid numbers in large print, on one side, and an identification of qualified bidder, on the other side.
Qualified bidder shall be any natural person or legal entity that submitted the application in accordance with Article 18 or Article 19.

Article 25.
Conditions for the auction to take place shall be met if the chairman or deputy chairman of the commission is present, qualified majority of commission members, and 2 qualified participants for announced cadastral/construction land parcel.

Article 26.
An auctioneer of public competition is a person appointed by the Chairman of the commission.

Article 27.
The chairman of the commission shall open the place of the auction for a registration period at least one hour before the auction is scheduled to begin.

Article 28.
During the registration period, qualified participants shall register on forms to be provided by the chairman of the commission or auctioneer. Upon registration each qualified participant shall be given his / her assigned bidding card.

Article 29.
In the event when only one qualified participant interested in the offered lot is present, the chairman of the commission shall announce the end of the auction for that particular lot. Further actions with this lot should be defined by the administration and commission.
If it is decided to repeated the auction for this lot, it cannot be help earlier than in 45 days.
Announcement shall be organized for the repeated auction.

**Article 30.**
Repeated auctions for cases referred to in Article 29 shall be valid if one or more bidders attend it.

**Article 31.**
If no bidders attend the first auction or repeated auction of the particular construction land, the commission shall declare it void.

**Article 32.**
If all preconditions have been met, the auctioneer shall open the public competition at the scheduled time, date and place with appropriate opening remarks.
In his/her opening remarks the auctioneer shall:
1. Read out loud the number of the lot, cadastral municipality, location and purpose of land use for the lot, its size, and the starting sale price per m² or starting lease fee per m² (and whether it is per month or per year)
2. The starting sale price for the entire lot or starting lease fee for the entire lot (clearly indicating per month or per year), which will be the subject of bid;
3. The required minimal increment for subsequent bids (for the entire lot);
4. Explain the public competition procedure;
After this, the auctioneer declares the competition opened.
If the subject to public competition includes several lots, the auctioneer is obliged to follow the procedure as referred to in paragraphs 2 and 3 of this article for each lot.

**Article 33.**
Bids (price for the entire lot or lease fee for the entire lot) are offered by qualified bidders by raising their cards and stating out their offer loudly.
After each subsequent bid has been pronounced the auctioneer shall repeat loudly and slowly the current best bid and asks for more bids.

**Article 34.**
Bidding procedure continues until qualified participants are willing to offer new bids.
If after two auctioneer’s calls there are no new bids the auctioneer calls for bids for the third and last time.
If after the third call for bids no new bid is offered the auctioneer declares the end of competition, announces the amount of the winning bid and the number of the bidder who won.
This amount and the number of the highest bidder should be recorded in the minutes, along with the previous highest bid and the number of bidder who offered it.

**Article 35.**
If the auction is held for several lots, after the competition is finished for a particular lot, the auctioneer shall declare the end of auction for this lot.

**Article 36**
Auctioneer and chairman of the commission are obliged to provide equal treatment to all qualified bidders and shall keep order according to the rules of the public competition procedure defined by this Ordinance and law in effect.
Auctioneer shall be responsible for keeping order during the auction process.

*Minutes, report, protocol, and videotaping of the auction*
Article 37.
Minutes shall be kept about the course of the auction from the beginning to its end. Minutes shall be made in 3 identical copies which shall be signed by a minutekeeper, all present members of the commission, and winners for all lots and bidders who suggested the 2d best bid for each lot.
Minutes shall include the information about each land lot, information about the best bidder and the amount of the best bid, and similar information for the second best bid.
As a voluntary measure, the commission may decide to videotape the auction proceedings.
The chairman of the commission is responsible for proper security of the minutes and videotape (if it was produced).

Article 38.
Minutes kept during a public competition shall include:
1. List of registered bids,
2. Names of the chairman of the commission and all present members of the commission, auctioneer or a professional auctioneer (if there is one) and a person who keeps the minutes,
3. Date and time of beginning and ending of a public competition,
4. List of lots, which are the subject of auction, with basic information, initial sale / lease price per m² and for the entire lot for each lot separately, and the minimal step of the subsequent bids,
5. Amount of the highest / best bid and identity of the bidder who offered the highest/best bid for each parcel separately,
6. Amount of the second best bid and identity of the bidder who offered it for each parcel separately,
7. Measures given to those who interrupted auctioning,
8. Complaints to given measures,
9. Other information about the procedure.

Article 39.
In addition to minutes, a protocol should be signed (in 3 identical copies) for each lot separately, by a minute keeper, all present members of the commission, and the winner of a particular lot.
It should contain:
1. Names of the chairman of the commission and all present members of the commission,
2. Date of the auction,
3. Information about the lot (identification, location, size, initial sale / lease price per m² and for the entire lot)
4. Which rights were auctioned – ownership or lease (and its duration)
4. Identity of the bidder who won the lot
5. Amount of his / her bid, for the entire lot.
One copy of the signed protocol should be given to the winner.

Article 40.
Within the next 3 workdays after the auction, the commission is obliged to submit the report about the auction to the mayor.

Article 41.
The report referred to in the previous article shall include:
1. Copy of the announcement about the public competition
2. Minutes kept during the public competition,
3. Protocols signed with each winner,
3. Recommendation of the commission to sign a sale / lease contract with the best bidder.

**Signing sale / lease contract**

**Article 42.**
Mayor / president of municipality shall issue a resolution to award a sale / lease contract to the best bidder, within 7 work days after receiving from the commission a report on the auction and after determining that the procedure was conducted in line with this Ordinance.

If the mayor / president of municipality finds in the commission’s report some errors and unclear issues, he / she shall order the commission to remove them from the report, within 3 days.

If the mayor / president of municipality find that the procedure was substantially violated during the auctioning of a particular lot, he / she can annul the result.

**Article 43.**
Winners of the auction should be informed in writing about mayor / president of municipality decision, with a signed receipt about delivery of the note, and invited for contract signing.

A copy of the note should be provided to the municipal public attorney’s office.

**Article 44.**
Contract on sale / lease of vacant construction land shall be concluded between the person who is buying / leasing the land and the mayor / president of municipality or a person authorized by him / her, within 30 days from the day when written notification from Article 43.

Should a person to whom land is sold or leased fails to conclude the contract within this 30-day time period, it shall be considered that he / she gave up the deal, in which case the particular land can be sold or leased to the second best bidder.

In case the participant or bidder with the second best bid withdraws from concluding the contract referred to in Paragraph 1 of this Article, the land should be placed on a new auction at later date.

The contract should be properly certified according to law, and the rights of the buyer / lessee registered according to laws and regulations.

The buyer / lessee is responsible for paying fees and charges related to the registration.

**5. Procedure for sale / lease of vacant construction land at a price or fee which is lower than the market price or fee**

**Article 45.**
City / local council or mayor / president of municipality may initiate the procedure for sale / lease of particular parcels or group of parcels from the Program defined in Article 9 at a price or fee which is lower than the market price or fee or without compensation. A decision to initiate this procedure should specify whether that particular land will be sold or leased through public call for submission of bids or through direct negotiation.

A responsible service of the municipality / city shall, in line with the decision in paragraph 1 of this article, prepare a justification for sale / lease of particular parcels at a price or fee lower than the market price or fee (hereinafter: the justification).
Article 46.
For enacting the option described in this section 5, the local council shall adopt a special Ordinance on sales or lease of municipal land through multi-criteria procedure, at a price or fee which is lower than the market price or fee, through public call for submission of bids.

Article 47
For the land envisioned for sale or lease through public call for submission of bids, the justification from paragraph 2 of Article 45 shall contain the following:
1) Identification, location, and size of cadastral parcels which are proposed to be sold / leased at a price or fee which is lower than the market price or fee-of-charge;
2) Planning document based on which the location and building permits can be obtained, with particular land use and technical parameters, with graphic drawing of the land;
3) Market value of land or market lease fee, estimated according to Article 59 and 60 of this Ordinance;
4) Explanation of the project purpose and entities who may participate in public competition procedure;
5) Suggested sale price or lease fee;
6) Explanation and assessment of those public benefits that are expected from the below-market land allocation and cannot be obtained if the land is auctioned, including quantitative cost-benefit analysis if feasible;
7) The suggested criteria, method, and parameters of bids evaluation;
8) Other information relevant for justification of sale / lease of land at a price or fee which is lower than the market price or fee.

Article 48.
City / municipal council shall consider the justification prepared according to Article 47 and if it finds it acceptable, it makes the justification available to the public, for at least 20 days.
City / municipal council shall advertise and conduct public hearing on the subject and invite written and verbal public comments, with a clearly identified deadline for submitting comments.
After the public hearing and consideration of written comments, the city council may adopt the revised justification and issue a decision to proceed with sale / lease of this land according to the special Ordinance required by Article 46.
The decision referred in the previous paragraph should be by the 2/3 majority of the local council, in order to be valid.

6. Direct negotiation

Article 49.
Vacant construction land may be sold or leased out through direct negotiation in the cases:
1. Stipulated by law or
2. If such a decision is made by the 2/3 majority of the local council, according to the procedure described in Articles 50-54.
Sale price or lease rate should be at the market value, except cases directly defined by law or approved by the local council.

Article 50.
In exceptional cases that are expected to provide unique and rare benefits to the municipality, city / local council or mayor / president of municipality may initiate the procedure for sale / lease of particular parcels or group of parcels from the Program defined in Article 9 through direct negotiations.

Based on the results of preliminarily direct negotiation, the mayor / president of municipality and responsible service of the municipality / city shall, in line with the decision in paragraph 1 of this article, prepare a justification for sale / lease of particular parcels (hereinafter: the justification), through direct negotiations.

**Article 51.**

The justification shall contain the following:
1) Identification, location, and size of cadastral parcels which are proposed for such allocation;
2) Planning document based on which the location and building permits can be obtained, with particular land use and technical parameters, with graphic drawing of the land;
3) Market value of land or market lease fee, estimated according to Article 59 and 60 of this Ordinance;
4) Explanation of the project purpose and the entity which is a potential buyer / lessee;
5) Suggested sale price or lease fee;
6) Explanation and assessment of those public benefits that are expected from this deal that cannot be obtained if the land is auctioned or sold/leased through calls for bids, including quantitative cost-benefit analysis if feasible;
8) Other information relevant for justification of sale / lease of land at a price or fee which is lower than the market price or fee.

**Article 52.**

Responsible service of the city / municipality, together with the municipal public attorney prepares a draft sale / lease contract for the suggested deal.

**Article 53.**

City / municipal council shall consider the justification and draft contract prepared according to Article 51 and 52, and if it finds them acceptable, it makes them available to the public, for at least 20 days.

City / municipal council shall advertise and conduct public hearing on the subject and invite written and verbal public comments, with a clearly identified deadline for submitting comments.

After the public hearing and consideration of written comments, the city council may issue a decision to proceed with sale / lease of this land, with adjustments to the deal if needed.

The decision referred in the previous paragraph should be by the 2/3 majority of the local council, in order to be valid.

**Article 54.**

Based on the local council decision issued according to Article 53, mayor / president of municipality concludes the negotiations and finalizes the deal. Contract on sale / lease of vacant construction land shall be concluded between a person who is buying or leasing that land through direct negotiation and the mayor / president of municipality or person authorized by him/her.

If a person from paragraph 1 of this article does not sign the contract within the 6 months after the decision of the local council, it shall be considered that he / she has given up the purchase / lease of that construction land.
IV SALE / LEASE CONTRACT

Article 55.

Responsible service of the city / municipality, together with the municipal public attorney shall develop standardized contracts for land sale, long-term land lease (with the right of capital construction), and short-term lease (without the right of light, temporary structures only).

Article 56.

The contract of long-term lease of construction land should cover, at least, the following issues:

- Data on the cadastral parcel(s) subject to the transaction
- The start and end dates of the lease
- Permitted land uses of the land
- Amount of lease fee
- Schedule and method of the lease fee
- The method of inflation adjustment of the lease fee over the time on the lease
- Rights and obligations of the lessor and lessee
- Provisions about paying other related fees (such as infrastructure fee, utility fees, etc.)
- Special requirements for provision of off-site utility infrastructure if undeveloped land is leased
- Deadline within which the lessee shall put the land to its designated use, rights and obligations in the case that this obligation is not fulfilled
- Conditions for mortgaging the lease
- Conditions for transferring the lease rights to a third party
- The fate of capital improvements paid by the lessee upon expiration of the contract
- Conditions of the contract termination
- Method of dispute resolution
- The procedure and conditions for modifying the contract.

Article 57.

The contract of on sale of construction land should cover, at least, the following issues:

- Data on the cadastral parcel(s) subject to the transaction
- Sale price
- Schedule and method of payment
- Rights and obligations of the municipality / city and the buyer
- Special requirements for provision of utility infrastructure if undeveloped land is sold
- Rights and obligations in the case that this obligation is not fulfilled
- Conditions of the contract termination
- Method of dispute resolution.

Article 58.

The contract of short-term lease of construction land should cover, at least, the following issues:

- Data on the cadastral parcel(s) subject to the transaction
- The start and end dates of the lease
- Permitted land uses of the land
- Amount of lease fee
- Schedule and method of the lease fee
Rights and obligations of the lessor and lessee, including the issue of whether the contract can be extended and at which conditions
- Provisions about paying other related fees (such as utilities fees)
- Deadline within which the lessee shall put the land to its designated use, rights and obligations in the case that this obligation is not fulfilled
- Whether subleasing and transferring the lease rights to a third party are permitted
- The fate of the light construction installed by the lessee upon expiration of the contract
- Conditions of the contract termination
- Method of dispute resolution
- The procedure and conditions for modifying the contract.

V PRICE FOR SALE AND LEASE FEE

Article 59.

A price for sale of vacant construction land shall be determined on the auction according to the procedure defined in this Ordinance. The auction determined price cannot be subsequently reduced.

The starting price for sale of construction land shall be 90% of the estimated market value of that construction land, estimated by qualified real estate appraisers using standard methods of real estate appraisal.

Vacant construction land can be sold at a price which is lower than the market price, or without compensation only according to procedures defined in this Ordinance.

Article 60.

Lease fee shall be charged for lease of vacant construction land. The amount of lease fee shall be determined on the auction according to the procedure defined in this Ordinance. The auction determined price cannot be subsequently reduced.

Starting lease fee per year for long-term leases shall be determined as 1.5% of the starting sale price estimated according to paragraph 2, article 59 of this Ordinance.

Starting lease fee for short term leases should be set up based on market data for similar leases on the local private rental market.

Vacant construction land can be leased out at a lease fee which is lower than the market fee, or without compensation only according to procedures defined in this Ordinance.

Article 61.

Person who bought or leased vacant construction land shall be obliged to pay the price or lease fee in a manner and within the time period defined by the sale / lease contract according to payment schedule announced in the procurement advertisement.

Article 62.

To secure the payment of the lease fee by a lessee, the City / Municipality may request that the tenant who is a physical person provides a guaranteed bill signed and sealed by two guarantors and the tenant that is a legal entity provides a bank guarantee.

VI TERMINATION OF LAND LEASE CONTRACT

Article 63

The right to lease construction land ends upon the expiration of the contracted lease period.
**Article 64.**

The right to lease vacant construction land is terminated before the lease expiration, if the lessee:

1. Fails to pay the lease fee or other payments according to the contract,
2. Uses the land differently than defined in the contract,
3. Fails to put land to its designated use within the deadline defined by the contract,

In cases referred to in Items 1, 2, 3, of this article, the administration is obliged to warn a lessee in writing about the perceived violation of contractual obligation and give lessee a period of 30 days to meet his / her contractual obligations under Items 1 and 2, and up to 6 months to meet the obligations under Item 3.

When these periods of time expire, the administration shall inform the lessee that the contract termination starts.

Lease contract can be canceled based on mutual agreement, and in case of disputes the court.

**VII MODIFICATION OF LEASE CONTRACT**

**Article 65**

If the owner of the structure legally built on construction land that is used on the basis of a long-term lease contract changes, the new owner of the structure shall request from the city / municipality to modify the lease contract.

The request for modification of the lease contract shall be submitted along with the contract on purchasing the structure or the structure under construction, or another legal basis by which rights of ownership are gained on the structure or the structure under construction.

The new contract on lease of construction land concluded between the city / municipality and the new owner of the structure shall grant the new owner of the structure the lease rights equivalent to those that remained for the previous lessee.

**VIII DISCLOSURE OF INFORMATION ON LAND DISPOSAL**

**Article 66**

The department of the local administration in charge of ownership and legal affaires shall publish quarterly reports on all concluded contracts on land sales and leases. The information shall contain: size and location of the parcel, information on rights transferred (sale or lease), length of lease period, name of buyer/lessee, price of land/lease fee, as well as other information that can be of public interest.
Annex 3. The Model Contract on Sale of Vacant Publicly Owned Construction Land for the Construction Purpose

Signed on __________between:

1. The City/Municipality of _______ represented by the Mayor, as the Seller on one side (hereinafter: “Seller”), and
2. Natural entity: Name and family name, Unique Citizen’s No, ID no., address; Legal entity: Name, Seat, Business Registration No., Tax Payer No., name and family name of its proxy, proxy’s Unique Citizen’s No., proxy’s ID no., as the Buyer on the other side (hereinafter: “Buyer”), under the following terms:

I - SUBJECT OF SALE AND SALE & PURCHASE PRICE

Article 1
By virtue of the Resolution of the Mayor of the Municipality, No. _________of _________, adopted on the basis of previously implemented auction, the City/Municipality transfers the ownership right to the Buyer ____________________ publically owned vacant construction land.

Subject of this Contract is transfer of ownership right to the cadastre parcel(s) no. _________, total area ________m², type ________, location__________, registered in __________<requisites of the registration…..>

Article 2
Construction land referred to in Article 1 of this Contract shall be sold to the Buyer for the price of ________<currency unit> / m2. The sale and purchase price for total of ______m2 amounts to ________<currency unit> __________.

Article 3
The Contracting Parties agree that the total sale and purchase price is reduced by the amount of ________which was paid by the Buyer as a deposit for participation in the auction. The Buyer agrees that the sale and purchase price agreed to in Article 2 this Contract, which upon being reduced in the manner specified in Paragraph 1 this Article is <currency unit> __________, shall be paid in one installment within 15 days from the signature and notarization of this Contract, on the Seller's account no: _________________.

Article 4
By virtue of its signature, the Seller guarantees to the Buyer that subject construction land is not a subject to lien or restrictions that may prevent construction of structures on the subject land. In case if any lien/claim is filed by a third entity for the subject construction land, the Seller agrees to remove such lien claims at his own expense.

Article 5
The Buyer shall receive into possession the construction land defined in Article 1 of this Contract immediately after signing the contract, void of any lien, material and legal deficiencies, and free of occupants, and in case of their occurrence after the signature of this Contract, provisions of Articles 8-11 of this Contract, shall apply.
II – RIGHTS AND OBLIGATIONS OF THE CONTRACTING PARTIES

Article 6
Buyer’s obligations shall be:
1. to pay the sale & purchase price for the subject construction land, in a way and by the deadlines set in present Contract,
2. to maintain subject construction land and structures on the land in good shape in line with the applicable regulations and safety standards.

Article 7
Seller’s obligations shall be:
1. Liability for material deficiencies
2. Liability for legal deficiencies.

Article 8
The Seller shall remove the material deficiencies on a subject construction land hindering partial or full utilization of land regardless of whether these deficiencies were known or not when present Contract was signed.

The Buyer shall notify the Seller on material deficiencies within 8 days upon becoming aware of their existence but not later than 6 months after handing the subject land to the Buyer.

It shall be considered that the Seller has met its obligation if it has undertaken respective measures at its own cost within 30 (thirty) days as of the day it has received the written notification from the Buyer, and if it undertakes the actions to remove the deficiencies by the deadline subsequently agreed upon with the Buyer.

Article 9
Seller shall remedy potential legal claims of third entities to sold land or certain part of it in the appropriate timeframe agreed upon with the Buyer, immediately after being notified thereof by the Buyer in writing.

Buyer shall notify in writing on legal deficiencies immediately, and not later than one year after learning about legal deficiencies.

The Seller shall not be responsible for identified legal deficiencies, if the Buyer fails to notify the Seller, upon the expiration of the deadline from Paragraph 2 of this Article.

Article 10
If the Buyer has met its obligations regarding the notification of the Seller regarding the material deficiencies, it shall be entitled to choose to:
1. remedy the deficiencies identified on its own and receive from the Seller the compensation for the costs of remediation of subject deficiencies;
2. terminate the Contract if the deficiency cannot be remedied with prior notification of the Seller thereof;
3. receive reduction of the sale price or to receive proportional refund of the paid sale price.

Anyhow, the Buyer shall be entitled to indemnification.

Buyer shall notify the Seller in writing on its intent to terminate the contract not later then 90 (ninety) days before bringing a law suit.

Article 11
Regarding the legal deficiencies of the subject construction land, if the Seller has not remedied the legal deficiencies in the appropriate timeframe agreed upon with the Buyer:
Buyer may choose to either terminate the Contract or receive the reduction of the sale price or to receive proportional refund of the paid sale price if the third entity holds certain right that limits the rights of the Buyer.

In case when the sales contract shall remain in force, contracting entities shall sign an Annex, as an integral part of present contract, which shall set the reduction percentage or refund of the part of paid sale price.

In case of contract termination, the Buyer shall be entitled to indemnification.

**Article 12**

Seller and Buyer shall not be responsible for failure to meet obligations arising from present Contract due to circumstances beyond their control (force majeure).

Contracting entity that is not in position to meet its obligations due to force majeure shall notify other contracting entity thereof immediately.

In that case, deadlines set in present Contract shall be extended by agreement of both contracting entities.

**Article 13**

Seller shall agree that the Buyer can register its ownership right to subject construction land in the public real-estate registries without special consent or presence of the Seller.

### III – INFRASTRUCTURE, SERVITUDES, LEASE OF STRUCTURES

**Article 14**

*Option 1. – land with utility infrastructure*

Seller shall provide infrastructure up to the boundaries of the subject construction land (off-site infrastructure) in accordance with a separate contract on infrastructure delivery and charge for it signed by the Buyer and Seller’s subsidiary organization in charge of the off-site infrastructure.

*Option 2. – land without utility infrastructure*

The Buyer shall borne all expenses related to development of the off-site infrastructure for the subject land.

**Article 15**

The Buyer shall borne all expenses related to construction of utility infrastructure and connections within the lot and to the boundaries of cadastral lot which is subject to sale (on-site infrastructure).

**Article 16**

Buyer shall be entitled to autonomous relations with third entities, owners of adjacent land lots, and to request constitution of the servitude of passage required for construction and operation of structures subject of present Contract, and to act as the party before the court, i.e. the contracting entity in all contracts constituting this servitude.

### IV CONTRACT TERMINATION

**Article 17**

Present contract may cease to exist by mutual consent of both contracting entities or contract termination due to contract breach by one contracting entity.

**Article 18**

Buyer shall be entitled to contract termination:
1. if he has notified the Seller in orderly and timely fashion on material deficiencies, and the Seller has not remedied those deficiencies within 90 days, or other appropriate deadline agreed upon with the Buyer or did not reach an agreement with the Buyer regarding the compensating him for Buyer’s own expenses to remedify the deficiencies,
2. if he has notified the Seller in orderly and timely fashion on legal deficiencies, and the Seller has not remedied those deficiencies within the reasonable deadline agreed upon with the Buyer.
3. if the Seller has not transferred the possession of the subject real-estate to the Buyer in a reasonable time, provided that the Buyer has given the Seller a subsequent appropriate deadline to meet the contracted obligations.
   Right to termination in the cases set in Item 1 shall cease to exist after 1 year as of the day the Seller has been notified about the identified deficiencies.
   Right to termination of the Contract in the cases set in Item 2 shall cease to exist after 1 year as of the day the Buyer has learned about the deficiencies, in the case if it failed to notify the Seller on time.

**Article 19**

Seller shall be entitled to contract termination:
1. if the Buyer fails to pay sale & purchase price in a manner and within the deadline set forth in this Contract
2. If the Buyer has rejected to take possession of the subject real-estate without a justified reason,

**Article 20**

In case of contract termination due to reasons set in Articles ___ and ___, contracting entity that made no fault, shall be entitled to indemnification in compliance with general rules on indemnification caused by contract violation.

**V – FINAL PROVISIONS**

**Article 21**

Contracting entities shall settle all disputes in amicable fashion. Otherwise, the line court shall be the Court in ______.

**Article 22**

All notifications related to execution of present Contract should be sent by certified mail to the following addresses:
(a) To the Buyer:__________________________________________________________;
(b) To the Seller:__________________________________________________________

Both contracting entities shall notify other contracting entity on the change of address within 10 (ten) days as of the day of change.

**Article 23**

All amendments to present Contract shall be made in writing in the same manner the basic contract has been signed.

**Article 24**

Integral part of present Contract shall be:
1. Decree of the Mayor/Municipality no.________________

**Article 25**
Contracting entities shall agree that the cost of transfer tax originating from present Contract, as well as present Contract certification costs, shall be born by the Buyer.

**Article 26**
Present Contract shall be produced in 8 (eight) identical copies, out of which each contracting entity shall keep 2 (two) copies, and the rest shall be kept by the certifying court.

**Contracting entities:**

<table>
<thead>
<tr>
<th>SELLER</th>
<th>BUYER</th>
</tr>
</thead>
<tbody>
<tr>
<td>City/Municipality</td>
<td></td>
</tr>
</tbody>
</table>

Mayor/President of Municipality

no.________________

Reg.

Court in ______ hereby confirms that the Mayor/President of Municipality, represented under the proxy by________________________ and ______________________, have recognized that signatures on present document are their signatures, on ________.
Identity of the mentioned persons has been established by an insight in their ID cards.
Court certification fee in the amount of ____________________<currency unit> has been paid by bank deposit.

**Certification Officer:**

________________________

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**Annex 4. Colliers International Experience with Marketing Municipal Land in the City of Nis, Serbia**

By Maja Šahbaz and Goran Mraović

**Introduction**

*Colliers International* is a global partnership operating 294 offices in 61 countries, with a strategy of combining local depth with global breadth. The shareholder base is divided into

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8 Maja Sahbaz is General Manager at Colliers International, Serbia, and Goran Mraovic is Manager of Colliers' Nis Office.
global regions, with the highest concentration found in North America. Below are a few Colliers International highlights:

- 18 years in Southeast Europe;
- In Central, East and Southeast Europe, Colliers covers Albania, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Montenegro, Poland, Romania, Russia, Serbia, Slovakia and Ukraine;
- Offices in most major European cities;
- 12,749 professionals worldwide;
- 44,405 sales and lease transactions with a value of $48,1 billion;
- 1.1 billion sq. meters under management.

Colliers has been present in Serbia since the early beginnings of developments of a contemporary real estate market in 2001.

**Marketing for Nis**

Tapping into our vast experience in dealing with all kind of complex real estate issues, we were certain that our company can offer customized approach to real estate needs of a demanding client such as governmental entity – the City of Nis.

During the marketing period (Fall 2009 – Spring 2010), Serbia converged with the surrounding counties in SEE region in the decreased pace of foreign direct investment inflows, comparing with investment in previous years. In the new conditions, the investors exercised more caution in capital investments in real estate, resulting in decreased interest in land and other real estate. For comparison, amount of FDI in 2009 decreased by almost 20% compared to 2008, and little to no demand existed when land sales were concerned. Only quality properties with the right mixture of features and pricing could attract potential buyers, and even that required more intense marketing activities than during the period before the crisis.

The following was Colliers’ main strategy for consultancy and marketing services to the City of Nis:

**Electronic media** – we emphasize this approach since contemporary business requires readily available and easily accessible information which can be distributed in an easy and timely manner.

- **Presentation** - Colliers created a professionally designed presentation for all land lots, which contained information regarding Nis and the area, development opportunities, highlights and auction information as well as contact details.
- **Website** - Links to the presentation were located on both global and regional Colliers’ web pages as well as Colliers Serbia page.
- **HTML teaser e-mails** – using its carefully built database of potential investors as well as other clients who may be interested in this type of real estate, Colliers sent over 880 e-mails to respective contacts containing a designed teaser for the auction and a link to detailed information. Thanks to state of the art mailing agents, Colliers could track whether the e-mail was accessed and opened thus enabling our follow up calls to be more focused.
- **Colliers Network** – links to the presentation and general information were sent to all Colliers offices in the region as well as globally.
Materials – this approach is important for direct contact with clients and potential investors; the existence of palpable data means a lot on real estate expos and other events where it is important to be able to start presenting the opportunity immediately.

- **Brochures** – Colliers designed a folded brochure which material mirrored the one used in presentations. The brochure was displayed in all Colliers offices in Serbia and used as collateral for client visits and presentations. The same material was part of Colliers Serbia presentations on real estate expos in Serbia as well as Europe.

Contact with media – this presents a great opportunity to market the property both directly (ads) and indirectly (by mentioning it during interviews and other types of media exposure)

- **Ads in newspapers** – targeting potential investors in Serbia and the region, Colliers created an ad which contained detailed technical data on the land lots and the auction, according to the Serbian legislation.
- **Interviews** – using its presence in the media and opportunities to mention positive actions done by the local government, Colliers accented the experience with the City of Nis and the auction as one of examples of transparent and proactive way of doing business and attracting investors.

Contact with investors:

- Besides the abovementioned, Colliers used its presence on all major real estate events in the region as well as globally to present the opportunity offered by the City of Nis and to emphasize the features and benefits of each of the land lots. Notable presentations were done on Expo Real in Munich, Real Vienna, and local real estate fairs in Nis and Novi Sad.
- **Direct contact** (phone calls, e-mails, client meetings).

Using this multi-dimensional strategy while staying in constant close touch with the City officials, Colliers was able to use this 360’ communication to customize its services on-the-go and to respond properly to all the City’s suggestions as well as clients’ requirements. Thanks to this partnership between an internationally recognized real estate company and proactive and future-oriented city officials, the auction process was wrapped up as a complete success.

**Lessons Learned**

Timely communication of all options/information – it is very important that Colliers, as the representative, is timely acquainted with all possible alternatives of property usage. Additionally, it is important that the municipality which is hiring the consultant has all the data gathered and is able to present it upon request.

Data accessibility/due diligence – all preparatory work regarding solving possible legal/ownership issues regarding offered properties should be done prior to announcing the auction process. The process has to be transparent and understandable to all parties involved.

Point of contact – municipality should appoint one person who will act as a liaison between Colliers and the municipality. This enables Colliers to get all the information from one point. At the same time, this municipal contact person should have access to all important data and be able to acquire consent from an authorized representative of the municipality at all times if changes should be made to any portion of the auction process and structure.

Advisory – it is our opinion that the consultant should be given the freedom to lead on the marketing, presenting the property and approaching the clients in accordance with its experience and within boundaries set by the law. In particular, the consultant should be
allowed and encouraged to make proposals regarding proper marketing approach, and consultant’s advice should not be unreasonably rejected. We find it important to emphasize this issue since one of main points where Colliers can add value to the process is its vast experience in different aspects of marketing a property.

**Timelines** – since the law does not define the deadlines regarding the timing of the auction, we think that these should be determined in a way which allows the consultant to properly structure and implement the marketing and the consultancy process. According to our experience, this should be not less than 90 days upon publishing the first ad and/or making media/client contact regarding the property. Certainly, this deadline can be determined on case-by-case basis, but expert opinion should have precedence when discussing this issue with the local government.