Pre-Feasibility Study
Iloilo Downtown CBD Revitalization Project

October 2008
Executive Brief

Prepared by CONCEP Consulting for Comprehensive Environmental Planning INC.
1. The Iloilo CBD is the economic center of the City that is the traditional high-urban destination for the towns of the Metro Iloilo-Guimaras region. Conceptually, the CBD’s revitalization aims to transform the Iloilo downtown into a competitive, interesting and dynamic place that attracts businesses and where the existing community therein can grow in a sound, convenient and healthy place.

2. The strategy for development is centered on two themes:
   2.1. Improvement of both public infrastructure, public utility and private establishments in a manner that will make the area interesting and convenient for urban consumer markets in general; and
   2.2. Preservation of City Heritage through the conservation of heritage buildings; this heritage feature shall be made integral to the redevelopment effort to attract tourists in particular and to foster pride of place in the community.

A. The Pilot Projects

3. The large setting for the pilot projects under the PFS is the City’s Iloilo Heritage Zone. This Zone is the acknowledged inner core of the CBD whose development example in its entirety (in the medium term) is meant to typify what the entire City CBD can become. This Zone also strategically contains the critical mass of Iloilo’s heritage commercial structures. The Pilot Projects are located along the spine of this core and are identified as follows:
   3.1. The Calle Real Pedestrian Boulevard (between Ledesma/Arroyo and Aldeguer Street);
   3.2. The Aldeguer Street Market (between Iznart Street and Calle Real) ; and
   3.3. The Iloilo Central Market (a 1.37 hectare compound along Iznart Street)

4. Calle Real is currently a busy main street whose once charming pedestrian arcade system is currently congested with sidewalk vendors. The traffic (vehicular and pedestrian) in this stretch of road bespeaks of the sustained popularity to the public of selected merchandise that is available there today. The pedestrianization of the street is thus but creating order and opportunities so that there is a better and wider environment for commerce. Together with the improvement of the utilities, the parallel restoration of the private sector’s heritage commercial buildings along the street will be the strategic input that will make the area unique and distinct from other commercial areas.

5. Aldeguer Street links the busy Calle Real to another main street of the City – Iznart Street. The intention for this street is to designate it as a Street Market facility that will be closed to vehicular traffic on given days or evening hours. This project is event organization-oriented (with nominal physical development requirement) and could be the test case for the pedestrianization effort of the City.

6. The Iloilo Central Market is a proposed building construction project with a heritage restoration feature for its front façade. Located in the center of the City, the Central Market site is prime that it is but logical to try and optimize the land use of the site. The development plan for the market thus calls for the creation of a comparatively vast urban mix of demanded facilities and services that will give the complex an edge over other places. Once completed, the project’s leasable spaces are expected to attract a critical mass of commercial locators who will impress corresponding urban mass markets around.

B. Financial Considerations

7. The total investments for the three pilot projects will range from PhP 750 million. The pedestrianization projects (Calle Real and Aldeguer Street) will require a new treatment for
their road right-of-way and which can either be initiated by the City (being the owner of the ROW) or subjected to a PPP (public-private participation) approach. The development approach options cited in the report vary depending on the magnitude, legal constraints and underlying intricacies of the project. In the case of the Central Market project, this will require the most investment.

8. Considering the specialized nature of this real estate development project, privatization of the Central Market project under specific lease terms by the City is a likely option. Another option is to enter into a joint-venture arrangement with private investors. The latter, however, provides for further investments from the development corporation to construct/implement the Calle Real and Aldeguer Street sub-projects. Table A below summarizes the projected profit and loss for the entire project, for either financial arrangement option the City would like to enter into.

Table A: Summary of the Profit and Loss Statement

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT in PhP</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Option 1 (Bid out)</td>
<td>Option 2 (JV Corporation)</td>
</tr>
<tr>
<td>Total</td>
<td>P1,011,809,500</td>
<td>P1,011,809,500</td>
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<tr>
<td>Less deductions</td>
<td>239,154,973</td>
<td>239,154,973</td>
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<tr>
<td>Net Sales</td>
<td>910,628,550</td>
<td>910,628,550</td>
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<tr>
<td>B. Less: Construction Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Market Project</td>
<td>713,728,800</td>
<td>713,728,800</td>
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<tr>
<td>Pedestrianization projects</td>
<td>0</td>
<td>36,275,000</td>
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<tr>
<td>Total Construction Cost</td>
<td>713,728,800</td>
<td>P 750,003,500</td>
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<tr>
<td>C. Net amount before land lease payments</td>
<td>196,900,050</td>
<td>160,425,050</td>
</tr>
<tr>
<td>D. Less: Other obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land lease payments</td>
<td>71,236,787</td>
<td>0</td>
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<tr>
<td>Interest</td>
<td>87,450,741</td>
<td>59,640,791</td>
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<tr>
<td>Income tax</td>
<td>13,374,383</td>
<td>35,344,491</td>
</tr>
<tr>
<td>D. Net Profit</td>
<td>24,838,139</td>
<td>65,639,769</td>
</tr>
<tr>
<td>E. Relevant PPP financial details</td>
<td></td>
<td></td>
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<tr>
<td>Equity</td>
<td></td>
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<tr>
<td>Private sector</td>
<td>130,000,000</td>
<td>85,000,000</td>
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<tr>
<td>Iloilo City</td>
<td>0</td>
<td>71,236,787</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector partner</td>
<td>24,838,139</td>
<td>35,711,054</td>
</tr>
<tr>
<td>Iloilo City</td>
<td>0</td>
<td>29,928,715</td>
</tr>
</tbody>
</table>
C. Institutional Proposal

9. In general, a DC (Development Corporation) shall be formed. This corporation shall be an investment of the City that it will initiate together with Private Sector investors. The DC shall be a non-stock corporation along the same lines as the MACEA of Makati and the OCAI of Ortigas Center. Its main task is to implement the projects under agreed terms of joint venture to be set by the City. As its contribution to the DC, the City can deliver the value of its strategic land resources akin to the projects. As the policies for strategic City socio-economic and environmental development are integrated into the DC, the opportunities for the DC to tap into development funds from Multilateral Financial Institutions also arise.

10. The DC shall officially be a private corporation subject to Philippine laws albeit with public partners. The DC shall be designed so that its officers are those capable to address not only the financial, but the technical requirement of the project implementation. Once formed, the DC may then undertake the projects themselves, or bid them out further to the Private Sector. The diagram below shows Central Market implementation framework that illustrates the Public-Private institutional set up proposed for work. The latter diagram, on the other hand, shows the proposed CBD institutional framework which illustrates the organizational arrangement for the heritage zone. See Figures A and B.

**Figure A:** Central Market Project – Implementation Framework
D. Social and Environmental Considerations

11. Hawkers. The project emphasizes the importance of creating a program that takes into consideration the welfare of the hawkers, providing alternative opportunities for their displacement when the downtown revitalization pushes through. In this effort, the study looks at training and organization programs with the help of NGOs and including provision of micro-finance facilities that will lead towards formalizing this informal economy.

12. Environment. The most cited environmental problem in the CBD is solid waste and wastewater management. In addition, parts of the CBD are also prone to flooding and contain air pollution (due to vehicle emissions) that appears as serious. Moreover, parts of the CBD lack greeneries and park-like settings that not only mitigate noise but also provide a pleasant environment for the business and residential community there. As the redevelopment plan of the city is implemented, the design of the projects positively impacts on infrastructure and facility shortfalls. As a project, Pedestrianization for one is a solution for a quieter and safer neighborhood that not only improves the quality of life of people but also their economy.

E. Recommendations

13. To start the project, the following activities by the City are crucial:

13.1. Formalization of the projects by the City. This shall include resolution by the City Council; integration into the CLUP; acknowledgement in the City
Incentive Act; and other necessary measures to institutionalize the project work.

13.2. Marketing & search for prospective private sector partners and consultants. Civic groups (ILED, ICHCC, IBC; etc.); investors (building owners, developers, etc.); NGOs; other stakeholders among others.

13.3. Preparation of project details. Mobilization of City divisions, concerned national agencies, together with professional consultants (Project Study and Corporate Planning work) to firm up data, bring the project to the next level of detail and start the organization of the DC.

13.4. Coordinate for Multilateral Finance support. Establish terms of likely loan options with Funding agencies so that projects are directed accordingly and will become reality. This can also be applied to private sector financial institutions as an alternative.

13.5. Initiate Area Micro-management activities. Rationalize and organize relevant City service and construction divisions leading to the development of the project areas as per plan. Begin IEC campaign in the sites and enjoin private sector initiative to happen as well.
Pre-Feasibility Study
Guimaras-Iloilo Ferry Terminals System Project

October 2008
Executive Brief

Prepared by CONCEP Consulting for Comprehensive Environmental Planning INC.
1. With its proximity to Iloilo City, its beaches and idyllic farms and rural places, activities in Guimaras are expected to grow. If this growth is to be nurtured, the gateways to the island province - the ferry stations - need to be more than just mere utilitarian piers for loading and unloading. Hence, the development vision is one that sees the pier sites as modern ferry stations complete with public parking, dedicated drop-off points, comfortable terminal lobby and ticketing space, shaded and safe loading arcades, and support conveniences such as decent dining places, attractive souvenir shops, and clean public toilets.

2. Focus of this study is the individual commuting via outrigger pump-boats from points in Guimaras Province to Iloilo City and vice-versa. The number of daily commuters moving into Iloilo is reported at 5,870 from Jordan and 4,800 from Buenavista. Commuters between Iloilo and Guimaras are estimated to be over 4.2 million passengers annually. Apart from it natural population growth, the ferry ridership is expected to expand further with the contribution of an emerging tourism market. Guimaras Provincial Tourism Office has logged about 150,000 tourists annually.

3. The Project aims to improve and modernize the Parola, Buenavista, and Jordan landings to cater to the needs of an expanding number of daily commuters between Guimaras and Iloilo, and to enhance the tourism industry which is a vital element of the Metro Iloilo-Guimaras (MIG) region’s economy.

A. The Pilot Projects

Iloilo City’s Parola landing (at the mouth of the Iloilo River); and

The active Jordan and Buenavista in Guimaras Province across the Strait.

4. Parola landing utilizes the headwall along the river but is part of a larger almost wholly open area which used to be the Rotary Park. Another landing along the Iloilo City shoreline, Ortiz faces directly to Jordan. Here, only the headwall remains open while the entire land side is occupied by mostly private owned structures. The improvement of the area would be expensive. There would also be uncertainty in clearing appropriate areas for the terminals and waiting sheds. The study does not consider Ortiz for development but will allow continued operation.

5. The Guimaras commuter ports share the municipal wharf facilities originally designed to service cargo vessels. According to the Tax Declarations provided, the land of these port areas and facilities are owned by these municipalities.

6. Integrated System - Basically, the income source is terminal fees from the riding public. Since public considerations tend to make the fee rates of utilities inelastic, it is important to supplement this income to make the project viable. The proposed strategy is to capitalize on the commercial potentials of the terminals. Hence, commercial facilities that could be privatized to provide continuing revenue to support project operations are adopted as strategic design components for the project.

B. Financial Findings

7. Cash flow projection shows that the interest and depreciation expenses are more than sufficient to cover the loan amortization total. The same is true on an annual basis which means that the cash flow for the project shall be positive. There is the distinct possibility that the financial returns may be sufficient to pursue the venture. See Table A.
The following were the relevant assumptions to the projections.

8.1. Commuter and tourist ridership numbers were adjusted downwards in consideration of the continued operation of the Ortiz Port. For purposes of the study, this port will operate indefinitely. It is assumed that one-half of current riders will opt to continue use of Ortiz.

8.1.1. Starting base for ridership for the commuter passengers is 4.2 million projected to increase to 7.5 million by the 20th year.

8.1.2. The Parola facility shall be used for both Buenavista and Jordan commuter points.

8.1.3. The tourist ridership is 150,000 annually. Improved facilities for movement and the development of higher quality beach resorts on Guimaras, tourism is expected to increase dramatically by 20-25% yearly over the next 5 years.

8.1.4. The improved facilities require a terminal fee above the fare rate. Terminal Fees start at P8.00 per person per trip in 2009.

8.1.5. Boat fares accrue entirely to the boat operators. Terminal fees are the revenue for the operations, maintenance and debt service of the project.

8.2. Terminal Fees will be tiered, higher for luxurious boats and lower for the traditional outriggers.

Table A: Financial Highlight

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>AMOUNT in PPh</th>
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<tbody>
<tr>
<td></td>
<td>Option 1: Creation of a New Pier</td>
</tr>
<tr>
<td>Gross Sales</td>
<td>1,153,310,633</td>
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<tr>
<td>Expanded Value Added Taxes</td>
<td>138,397,276</td>
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<tr>
<td>Net Sales</td>
<td>1,014,913,857</td>
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<tr>
<td>Construction Cost</td>
<td>405,912,500</td>
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<tr>
<td>Operating Expenses (Including Depreciation &amp; Interest)</td>
<td>780,217,463</td>
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<tr>
<td>Gross Operating Profit</td>
<td>234,695,895</td>
</tr>
<tr>
<td>Interest</td>
<td>321,602,431</td>
</tr>
<tr>
<td>Principal Repayment (end of 3rd year)</td>
<td>247,912,500</td>
</tr>
</tbody>
</table>
C. Institutional Proposal

9. Given the project debt estimates, there is no way to proceed with the Ferry Terminal System through municipal budget sources or debt instruments. Two proponents simply have no capacity to tackle the loans required to set their components in place. Debt instruments are tied to internal revenue allotments and the LGU under-utilizes assets within its jurisdiction, control or ownership.

10. It is proposed that the LGU’s convert these assets into equity in a corporation for the ferry terminal system. The mechanics are as follows:

   10.1. Iloilo City shall contribute the right to use its vested rights over Parola.

   10.2. Jordan and Buenavista shall in turn contribute the use of portions of their ports together with the current improvements found there.

   10.3. Guimaras Province shall contribute cash for one-half the relocation of the coast guard building at Parola and an amount to secure its equity holding in the corporation.

11. Sharing may be on equal or not equal basis for all four LGUs depending on the results of appraisal of the land and improvements to be contributed. To achieve an equal sharing, the differences will have to be contributed in the form of cash to the corporation. Each LGU will have to determine the acceptable level of ownership in the corporation. Should they be content with the asset contribution and the resulting uneven ownership structure, additional cash contribution will not be necessary.

12. Should it not be possible to convert these assets into equity or should the lending institution require titles to effect the lending, the incorporators may assign other titled properties in favour of the corporation to the extent of the equity each LGU intends to take up. Corresponding local government council resolutions allowing the participation of each LGU shall have to be enacted.

13. To effect the privatization of the corporation, private sector investors can be then be invited to bid for 51% of the equity. In turn the winning bidder shall have the right to operation and manage the system. The bid may consist of the following items for consideration:

   13.1. Lowest terminal fees to be charged to the commuting public and tourists over the plan period.

   13.2. Minimum compliance to the design parameters set forth in the final feasibility study.

   13.3. The highest value proposal for the equivalent to 51% of total equity against the LGU contribution which will be valued at 49%.

   13.4. The best financial proposal where debt to equity ratio is closest to 1:1.

   13.5. Bring to the table a firm offer to finance from a reputable bank or financial institution.

14. The winning bidder will contribute cash for the 51% of the stock. The private investor then becomes majority owner. The government corporation then becomes private giving it
more flexibility in its operations. The private investor may be a single corporation or a consortium. They may even have the participation of the boat owners and operators association. The stability of the system, its operating outside of the purview of political change, the possibility of a highly professional management led by private enterprise is a goal which can be achieved. Examples of these are the Fort Bonifacio Development Corporation and Camp John Hay Development Corporation.

15. The possible corporate setup for implementing the projects is shown in Figure A.

Figure A: Corporate Setup

D. Social and Environmental Considerations

16. Social Considerations - There are about thirty (30) informal settler families found in Parola site. In preparation for the ferry terminal project, the Iloilo City Urban Poor Affairs Office has started preparing a relocation site for the informal settlers. Vendors also occupy the easement facing the street. The proposed project integrates them in a flea market type facility in the Station complex. The vendors can be allotted spaces to service the jeepney drivers who patronize these makeshift eateries. The same policy shall be implemented for the informal settlers and vendors on the Guimaras side.

17. The Environment Issues - A risk to health is the manner of access from the dock to the boat and vice versa. If indeed the outrigger boats cannot be replaced with safer boats soon enough, a dock facility will be necessary to address this problem. At the least, a stable ramp with handrails that can span the dock and the boat rim is suggested. With the relocation of the informal settlers, the organization of the vendors, and provision of safe access (to boats) under the development plan, the environmental problems in the area will be better addressed.
E. Recommendations

18. Consensus building among the Local Government Unit officials and potential private investors.

19. Formation of the corporation as soon as feasible.

20. Information and marketing plan for commuters and boat association.

21. Should the participating LGUs decide to push through with the project, it will have to prepare and provide the following prerequisites to move forward and qualify for funding:

   21.1. Preparation of Environmental Compliance Certificate (ECC) for project implementation.

   21.2. Land titles of the respective ports.

   21.3. NEDA Investment Coordination Committee (ICC Checklist).

   21.4. Requirements of lending institutions.

   21.5. Social and Environmental safeguards.

   21.6. A feasibility study for this project will be expected to detail these requirements.