





**TOURISM  
INFRASTRUCTURE AND  
ENTERPRISE  
ZONE  
AUTHORITY**

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	<b>SERIAL No.</b>	

**FROM/SUBJECT:** Complete Staff Work for the approval of the masterplan of Balacad Integrated Tourism Complex and options for its implementation.

DATE	FROM	TO	REMARKS / ACTIONS
05/10/2021	Ma. Zenaida R. Quinahan/ BRDD	Ma. Evelyn A. Francisco/ BUDD	<p>Mam Bing,</p> <p>Submitting herewith the Complete Staff Work (CSW) for the approval of the Masterplan of Balacad Integrated Tourism Complex addressed to the Board of Directors of TIEZA.</p> <p>The CSW has been verified and validated thus initialed by the undersigned.</p> <p>For your endorsement to the Assistant Chief Operating Officer of Assets Management Sector for his endorsement to the Chief Operating Officer.</p> <p>Thank you, Maam.</p> <p> Ms. Zeny Q.</p> <p><i>BUDD</i>      <i>AMS ACCO JFL</i></p> <p><i>Sir, CSW has been reviewed after evaluation, verification, and validation has been made by BRDD. Requesting for your endorsement to the COO.</i> </p>

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ASSETS MANAGEMENT SECTOR

RECEIVED BY : Ella Caimel  
DATE : 05/24/2021  
TIME : 02:03 PM

Tourism Infrastructure Enterprise Zone Authority  
Business Development Department  
**RECEIVED**  
MAY 10 2021  
By:  Time: \_\_\_\_\_



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**MEMORANDUM**

**FOR : The TIEZA BOARD OF DIRECTORS**

**THRU : The Office of the Corporate Secretary**

**SUBJECT : REQUEST FOR APPROVAL OF THE MASTER PLAN OF AN INTEGRATED TOURISM COMPLEX IN BARRIO BALACAD, LAOAG, ILOCOS NORTE**

**DATE : 28 April 2020**

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**This is a request for the approval of the Master Plan of an Integrated Tourism Complex in TIEZA's Property in Barrio Balacad, Laoag, Ilocos Norte ("Property").**

**A. BACKGROUND**

**Acquisition of the Property**

Republic Act. No. 5631 dated 21 June 1969 declared Paoay Lake in the Province of Ilocos Norte a National Park while Proclamation No. 1653 dated 13 July 1977 declared the whole province of Ilocos Norte a tourism zone under the administration and control of Philippine Tourism Authority (PTA).

Letter of Instruction No. 584 dated 15 August 1977 authorized the PTA General Manager to negotiate with land owners around Paoay Lake for the purpose of acquiring such lands as they may be required or necessary in the implementation of Paoay Lake's full development as a public park and tourist destination.

Another Letter of Instruction dated 3 October 1977 authorized the PTA General Manager to construct a Sports and Recreation Complex, including the Paoay Golf Course in the general vicinity of Paoay Lake and specifically on parcels of land sitting astride the boundary of the Municipality of Paoay and the City of Laoag.

Pursuant to the foregoing and by virtue of Presidential Decree (PD) No. 1704 dated 30 July 1980, the Balacad Property containing an area of 165,307.40 square meters was acquired by PTA.



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This area was reduced to approximately 123,386 square meters during the administration of Governor Ferdinand “Bongbong” E. Marcos, Jr., wherein portion of the acquired property equivalent to approximately 41,921.40 square meters was **donated to the Provincial Government of Ilocos Norte** (PGIN) in November 2006. It is on this portion that the Plaza del Norte Hotel and Convention Center was built. This is still operational and is managed by the private sector for the PGIN.

Through the assistance of the PGIN and the efforts of the dissolved Corporate Investments Department of the Operations Sector, the title of the property was transferred in 2009 to PTA under Transfer Certificate of Title (TCT) No. 40066 for Lot No. 827 covering an area of 103,467 square meters and TCT No. 40068 for Lot No. 1564 with an area of 19,920 square meters.

### **Procurement of Consultancy Services for Master Planning of the Property**

In a business study conducted by the Business Development Department, the Property was identified for tourism development because of strong tourism potential due to its proximity to well-known tourist destinations such as the Paoay Lake, the sand dunes, Malacañang Ti Amianan and the Paoay Church. Paoay Golf Course which is administered by TIEZA is right across the Property. Equally important, it has clear proof of ownership and has no legal disputes or claimants. There is also an opportunity to develop the first integrated tourism complex in the Ilocos Norte that can create a positive impact on the expansion of tourism infrastructure, which at the time of the study and according to the local government, has been very minimal.

With its high revenue potential and significant impact on tourism, procurement was subsequently made in 2017 for consultancy service for the Master Plan and Design of an Integrated Tourism Complex in the Balacad Property. Berkman International Incorporated commenced its services on the same year and delivered the Final Master Development Plan in February 2020. This was accepted by the Assets Management Sector after validation of data and costs and updating of other information.

### **Recommendations in the Master Plan**

The recommended Components of the Master Plan (“Components”) for an Integrated Tourism Complex (“Project”) include:

- Retail /Mixed Use
- Activity Center
- School/ Tourism Institute
- Hotel
- Museum
- Restaurants.





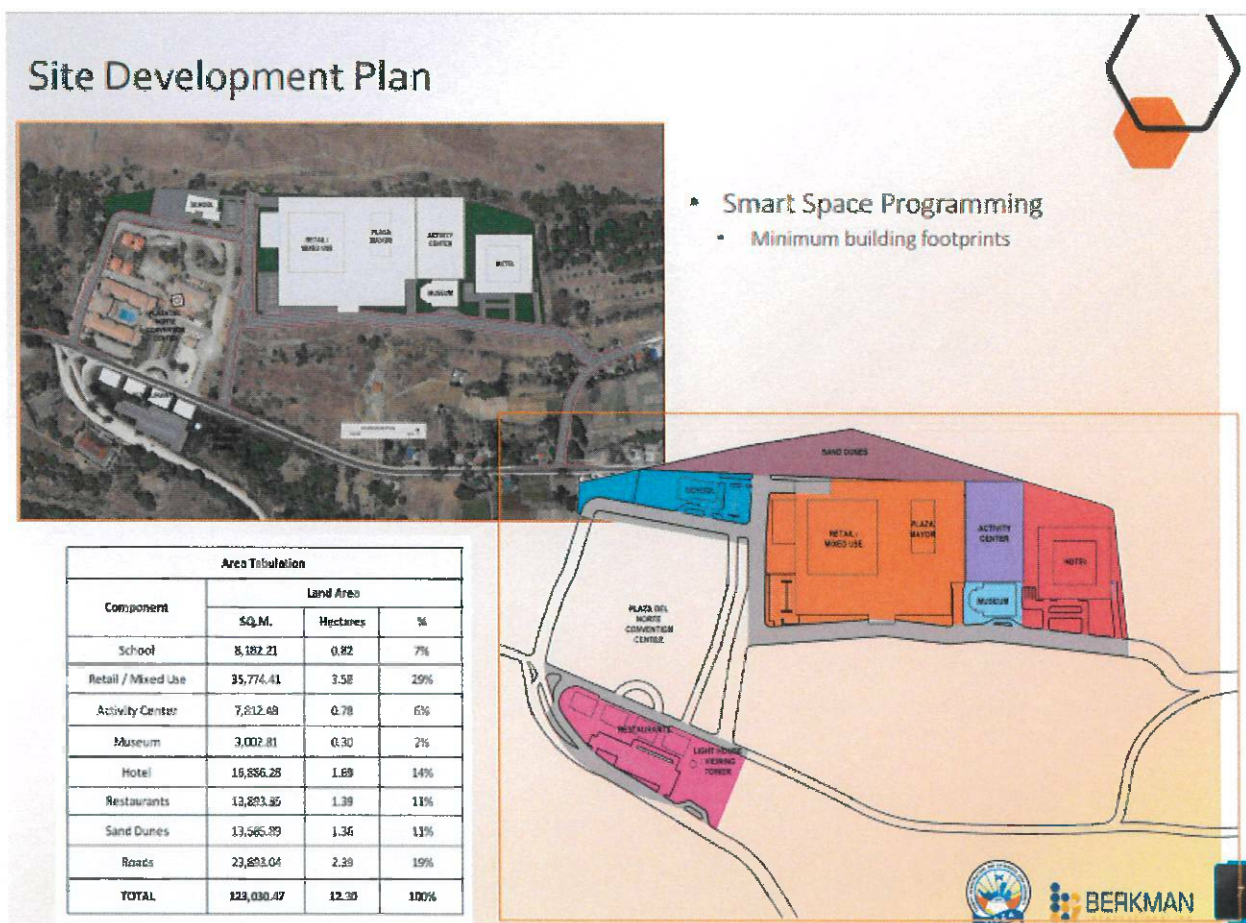
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**B. JUSTIFICATION**

**Revenue-generation potential of an implemented Master Plan**

The reorganization of the PTA into the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) continues to pursue the direction towards an increased involvement of the private sector. The Tourism Act of 2009 or RA 9593, encourages the privatization of TIEZA assets, in accordance with the national policy of revitalizing privatization in all government agencies. Public-private cooperation continues to be a strategy for government to deliver services efficiently and to earn revenues by tapping the capital and expertise of the private sector. TIEZA has explored the realm of privatization to spur tourism development, whether through joint venture, lease or management contract. The Master Plan can be a tool to transform the Balacad Property into both a revenue generating asset for TIEZA and a catalyst for enhanced tourism growth in Paoay, Laoag and nearby towns and cities.

The Master Plan has determined that seventy percent (70%) of the total area can be subject of an agreement for development with the private sector to generate revenue.





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Considering various factors such as availability of funds and management direction, the Terms of Reference requested the Consultant to provide options that would provide flexibility in TIEZA's decision-making on the development track for the Property:

**Option 1:**

- TIEZA builds Infrastructure Support
- TIEZA leases out entire Facilities Area to interested parties (one package)

**Option 2:**

- TIEZA builds Infrastructure Support
- TIEZA also builds Facilities
- TIEZA leases out built Facilities to interested parties (one or more parties)

In **Option 1**, TIEZA funds and constructs the following infrastructure support to the Property:

Component	Estimated Cost (PhP)
Access Roads	89.36 M
Drainage Systems	3.35 M
Sewerage Systems	1.25 M
Landscape	13.36 M
Park/Open Space	1.21 M
Water Supply System	1.97 M
<b>TOTAL</b>	<b>P 110.50 M</b>

The components of the Project shall be offered for funding, construction and operation by the private sector.

Based on the project duration term, TIEZA is projected to earn from the lease<sup>1</sup> of the entire property to the private sector as follows:

<sup>1</sup> The term "lease" will be used in this document to mean "as any arrangement wherein the Private Sector shall utilize the Property in exchange for payment of fees to TIEZA whether through straight lease or through joint venture"



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	Annual Lease 6% Rate of Return (Php)	Annual Lease 10% Rate of Return (PhP)
15 years	27.70 M	45.40 M
20 years	25.95 M	43.85 M
25 years	24.96 M	43.05 M

In **Option 2**, TIEZA can fund both the infrastructure support and the Components of the Project, and lease the facilities to one or more private sectors. The total estimated cost for this option would be the sum of the estimated cost for the infrastructure support above and the estimated cost for the components below.

Component	Estimated Cost (PhP)
Retail / Mixed Use	651.05 M
Activity Center	
School	51.90 M
Hotel	839.57 M
Museum	70.59 M
Restaurants	18.05 M
Infra Support	110.50 M
<b>TOTAL</b>	<b>₱ 1,741.67 M</b>

The indicative financial benefits for option 2 is projected to be higher than option 1.

	Annual Lease 6% Rate of Return	Annual Lease 10% Rate of Return (PhP)
15 years	195.65 M	259.86 M
20 years	168.16 M	235.45 M





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25 years	152.56 M	222.75 M
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While Options 1 and 2 recommend that TIEZA funds and constructs the Infrastructure Support for the Project, both Options can yield revenues for TIEZA.

**Decision-making instrument for the private sector**

The Master Plan indicates options for development for both TIEZA and investors, providing information on products available for investment, areas, indicative cost per product and indicative revenue, among others. It is a decision-making instrument for investors to familiarize themselves with the product, to determine their market and to consider resource allocation. Master Plan is an investment promotion tool as it gives a preview on the outcome of the Property once developed.

From an idle property for almost three decades to the proposed revenue generating tourism facility, TIEZA can offer rewarding options to the private sector within the framework of its approved Joint Venture Guidelines.

**Creation of economic value for the community**

The approval and eventual implementation of the Master Plan can create economic value for the community and the local governments in Ilocos Norte such as generation of jobs, creation of high value recreation activities across all lifecycle groups, provision of additional accommodation and recreation facilities and the establishment of a learning institution that can sustain frontliner skills upgrade and product innovations.

**C. LEGAL BASIS**

TIEZA's mandate under Republic Act 9593 includes exercising functions previously exercised by TIEZA's predecessor, the Philippine Tourism Authority (PTA) under Presidential Decree No. 564, unless otherwise inconsistent with the other provisions of said Republic Act.

Included in the powers and functions of PTA is the Reservation of Power Necessary to Carry Out the Authority's Purposes, Functions and Objectives or "To do any and all acts and things necessary, convenient and expedient to be done to carry out the purposes for which the Authority is created and organized and not repugnant to law, it being hereby expressly provided that the enumeration herein of specific purposes, objects, business, powers, rights, and privileges shall not be construed as limiting or restricting in any way the general purposes, powers, rights, and privileges to be possessed and exercised by the Authority."



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Presidential Decree No. 564 also allowed PTA "To contract, supervise and pay for infrastructure works and civil works in tourist zones owned and operated by the Authority."

**D. CONSIDERATIONS**

1. Coordination with our Architecture and Engineering Services Sector has commenced to validate the costs for the Infrastructure Support for the Project.
2. Several coordination meeting has been set with the stakeholders during the Focal Group Discussion, and with the local government units during and after the formulation of the Master Plan.
3. In the most recent inspections made, there were few settlers and minor activities in some portions of TIEZA's properties. TIEZA Activity in the area can discourage further encroachment. Time is of the essence in having TIEZA's ownership safeguarded.
4. As owners, TIEZA is responsible for the use of the land. It is its responsibility to ensure utilization of its assets whether by itself or through a third party. The Master Plan is a preliminary step on the development of the property. The goal is to maximize utilization of the Property and to create a revenue generating asset.
5. The proposed development can complement the existing Ilocos Norte Convention Center owned by the PGIN and the Paoay Golf Course administered by TIEZA.
6. The stakeholders and the different local government units in the Province of Ilocos Norte are anticipating the development of the Property, hoping to benefit from jobs generation, taxes paid, enhancement of tourism infrastructure and creation of more tourism activities, and other non-monetary benefits.
7. With the forecasted recovery of the tourism industry not earlier than 2023, the approval of the Master Plan grants an opportunity to TIEZA to look beyond the current challenges brought about by the pandemic, and prepare for the eventual





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increase in demand for tourist activities and services. The Master Plan's implementation is a commitment to its continued support to destinations through enhanced tourism infrastructure.

#### **E. POTENTIAL PROBLEMS**

Although no disadvantages to TIEZA can be anticipated at this point in pursuing the development of the Property, there are certain challenges that can affect the outcome of the Project.

The options for funding the Project will most likely be affected by two factors: limited fiscal space of TIEZA and market conditions. These may necessitate adjustments in the land use scenario such as:

- Scenario 1 – Integrated Master Plan (One Investor for the whole site)
- Scenario 2 – Lot to be subdivided according to different major structures so that it can be offered to different investors
- Scenario 3 - Different major structures can have joint venture agreements with investors/locators

Another challenge to be considered at this point, is the presence of the shooting range located within TIEZA premises, utilized by private individuals. This was previously discussed with the staff of the Provincial Governor but has continued to be unresolved. With the upcoming elections and in spite of the local government's support for the TIEZA Project, the local government might be more cautious in extending assistance to TIEZA in enforcing our rights to the property.

#### **F. FUND AVAILABILITY**

Subject to availability of TIEZA Funds.

#### **G. DESIRED ACTIONS**

We respectfully request the following actions by the TIEZA Board:

- 1. Approval of the Master Plan for the Balacad Integrated Tourism Complex,**



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- 2. Approval of Option 1 wherein TIEZA funds and constructs the Infrastructure Support for the Project with an Estimated Cost of One Hundred Ten Million Pesos (PhP110,000,000), subject to availability of funds, while the private sector funds the Components of the Project,***
- 3. Alternatively, approval of another option wherein the private sector funds and constructs both the Infrastructure Support and the Components of the Project, subject to market conditions,***
- 4. Approval of the three land use scenarios in order to lend flexibility to TIEZA in securing investors, and***
- 5. Approval to allow TIEZA to proceed with the available selection process under the Joint Venture Guidelines for private sector partner/s to fund, develop, operate and manage the Balacad Integrated Tourism Complex.***

The Assets Management Sector has verified and declared that the content of this Complete Staff Work is true and correct to the best of its knowledge and belief.

**For the TIEZA Board's consideration.**

**Thank you.**

**MARK T. LAPID**  
**Chief Operating Officer**