**Negotiating a Real Estate Megaproject in Asia**

**TEACHER’S PACKAGE**

*\* Only read if managing the roleplay simulation or after having already completed the roleplay as a student*

**TEACHING NOTES**

This negotiation roleplay is meant to accompany the MIT Forest City Case study and provide readers a chance to further engage with the materials while practicing key negotiation skills. It is also included as part of the EdX course SRRDx2: Creating Shared Benefits in Real Estate Development. The negotiation should only be completed after completing the entire Forest City case study, which provides key background information.

This is a five or three-party, multi-issue negotiation (depending on the number of available participants) between economic, environmental, social, government, and political interests around the future of the Forest City real estate project in Johor, Malaysia. It illustrates the need to consider and balance competing interests, benefits, and costs around large-scale real estate developments and other large projects.

**Prerequisites**

* MIT Forest City Case Study: <http://case-study.mit.edu/malaysia-1.php>

**Recommended**

* EdX SRRDx2: Creating Shared Benefits in Real Estate Development
* EdX SRRDx1: The Role of Impact Assessments in Real Estate Development

**Scenario**

Forest City is a large proposed land reclamation project on the southern tip of Malaysia. Aimed at Chinese clientele. The developer, a large Chinese firm named Country Garden, was forced to halt construction work and complete a Detailed Environmental Impact Analysis (DEIA), partly because of pressure from neighboring Singapore. After a year of work by a Malaysian consultant, the DEIA is now complete. The DOE says the project’s design will need some changes if it is to be approved.

Country Garden is also under pressure from some members of the local community, who recently took advantage of a public meeting set up by Country Garden to express their anger at the way in which the development has proceeded so far.

The DOE has set up a meeting with Country Garden and the other key stakeholders to talk through the five key issues relating to the project’s approval - the form and size of the Forest City project, Country Garden’s hiring practices, the location of the golf course, ongoing monitoring of environmental quality, and a reclamation tax levied on Country Garden to fund regional infrastructure. A key criterion in determining the merit of a particular set of options is how rigorously the group works together to identify mutual gain solutions that advance multiple stakeholders’ interests.

**Logistics**

This game requires either five (recommended) or three players. There are two versions of the game depending on the number of available participants. Both versions illustrate the major themes and lessons, but the five-player version allows players to explore a larger number of competing interests and more strongly emphasizes social, environmental, and regulatory considerations.

Students should prepare for the negotiation in advance by reading both the general instructions and the confidential instructions (for their role only) and thinking through their strategy. We estimate that this should take **1-1.5 hours.** This does not include the time required to go through the complete case study.

Participants should be given 1-1.5 hours to play the game. If desired, 30 minutes can be reserved at the end for debriefing the students.

While all parties are seeking unanimous agreement, an agreement reached by the majority of the stakeholders may be sufficient.

* In the three-player version, the Forest City Project Manager and the Minister of the Environment can make an agreement without the Community Liaison.
* In the five-player version, either the Community Liaison or the NGO President can potentially be excluded from the final agreement (but not both).

.

The game manager should also let the players know that it is legitimate for them to invent, within reason, additional options (but only for the five existing issues) if the options provided do not allow for agreement. This is the benefit of an unscored game: creative alternatives can be designed to meet the needs of the parties. For example, if an option is presented as unacceptable to a stakeholder, s/he cannot agree to it unless the group substantially modifies the option or greatly advances their interests in another area.

***Special Notes for Online Play in EdX SRRDx2***

This game can be played online by EdX students enrolled in EdX SRRDx2: Creating Shared Benefits in Real Estate Development. The course TA should assign students to the roles at least one-week in advance of the simulation. The TA can schedule online negotiations among course students in MIT’s Unhangout platform. This time should also be arranged well in advance of the roleplay. In addition, a specific virtual room within the unHangout platform will need to be created and scheduled in advance. The link to this room should be sent out to students.

In order to participate in UnHangout, students will need to have:

* An UnHangout account. Please go to <https://unhangout.media.mit.edu/> and set up an account.
* A functioning webcam and headset (or built-in microphone).
* UnHangout breakout rooms do not work on Safari, Internet Explorer/Edge, or on mobile devices. Make sure students use Chrome or Firefox

Each UnHangout will open approximately 15 minutes before its scheduled start time. If students arrive before then, they will see a static event page. When the UnHangout opens (if they are logged in), students will automatically be redirected to the event.

Students may also choose to negotiate offline if desired.

Students who do the simulation OFFLINE will be responsible for finding partners and conducting the role play on their own. They need to coordinate all the logistics of getting the simulation done (finding partners, coordinating a time to meet, etc.).

They will need to identify people with whom they can play this simulation. This could include friends, colleagues, a spouse, or students they’ve met in this online program. They can schedule the simulation when it is most convenient for their schedule as long as it fits within the timeline of the course.

Since they will be doing the simulation OFFLINE, they will conduct the role play face-to-face, by phone, or by video conference such as Skype, Google Hangouts, WebEx, etc. They do not need to record the simulation.

**Debrief**

If desired, the game manager can ask the group questions following the roleplay, such as the following to spark discussion on dynamics within the game and lessons to take away. Allow around 30 minutes to debrief and feel free to add your own questions.

**Discussion Questions**:

1. If the group reached an agreement, what were the keys to that success? If not, what issues or group dynamics prevented agreement.

2. What tradeoffs were negotiated in order to reach an agreement?

3. Were participants able to identify options that satisfied multiple interests? And if so, how?

4. Did your group manage to identify and create mutual gains that benefited all parties as compared to the status quo?

**POTENTIAL STAKEHOLDER AGREEMENTS: THREE-PARTY GAME**

Issue 1: Project size

* 1a: Continue as proposed.
* 1b: Break up into 4 islands, reduce size by 10%, 500m buffer zone
* 1c: Break up into 4 islands and reduce size by 20%, 1 km buffer zone
* 1d: Break into 6 islands and reduce size by 50%, 1.5 km buffer zone
* 1e: Cancel project

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Issue 1** | **a** | **b** | **c** | **d** | **e** |
| Country Garden | 1 (but realize it’s unrealistic) | 2 | 3 |  |  |
| Govt. (DOE) |  | 2 | 1 | 3 |  |
| Community rep. |  | 3 | 2 | 1 | 4 |

Issue 2: Hiring rules

* 2a: Maintain current staffing structure
* 2b: Commit to hiring 25% Malaysians for service-oriented staff only
* 2c: Commit to hire 50% Malaysians (half Johorian) for service-oriented staff
* 2d: Commit to hire 75% Malaysians (half Johorian) for service-oriented staff and 10% Malaysians for construction staff
* 2e: Commit to hire 100% Malaysians (half Johorian) for service staff and 50% Malaysians for construction staff

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Issue 2** | **a** | **b** | **c** | **d** | **e** |
| Country Garden |  | 1 | 2 | 3 |  |
| Govt. (DOE) |  | 4 | 2 | 1 | 3 |
| Community rep. |  |  | 3 (last resort) | 2 | 1 |

Issue 3: Golf course

* 3a: Yes
* 3b: Yes, somewhere else.
* 3c: No

|  |  |  |  |
| --- | --- | --- | --- |
| **Issue 3** | **a** | **b** | **c** |
| Country Garden | 1 | 2 | 3 (last resort) |
| Govt. (DOE) |  | 1 | 2 |
| Community rep. |  | 1 | 2 |

Issue 4: Ongoing monitoring of environmental quality

* 4a: Two-time monitoring of the current baseline and at project completion
* 4b: Annual monitoring of key environmental indicators with third party verification
* 4c: Bi-annual monitoring of key environmental indicators with third party verification
* 4d: Monthly monitoring with third party verification

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issue 4** | **a** | **b** | **c** | **d** |
| Country Garden | 2 | 1 | 3 |  |
| Govt. (DOE) |  | 2 | 1 | 3 |
| Community rep. |  | 3 | 2 | 1 |

Issue 5: Reclamation Tax to fund regional infrastructure

* 5a: No additional tax and duty-free zone for reclaimed land area
* 5b: $10 million upfront fee and tax of .4% of project value and duty-free zone
* 5c: $40 million upfront payment, no project value tax, but no duty-free zone
* 5d: $175 million upfront fee and duty-free zone

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issue 5** | **a** | **b** | **c** | **d** |
| Country Garden | 1 | 2 | 3 (last resort) |  |
| Govt. (DOE) |  | 1 | 1 | 2 |
| Community rep. |  | 3 | 2 | 1 |

**Issue importance (1 = most important)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Party** | **Issue** | | | | |
| **1: Project size** | **2: Hiring rules** | **3: Golf course** | **4: Env. monitoring** | **5: Reclamation tax** |
| **C.G.** | **1** | **2** | **2** | **3** | **2** |
| **DOE** | **2** | **2** | **2** | **2** | **1** |
| **Comm. Rep.** | **1** | **1** | **2** | **2** | **3** |

**POTENTIAL STAKEHOLDER AGREEMENTS: FIVE-PLAYER GAME**

Issue 1: Project size

* 1a: Continue as proposed.
* 1b: Break up into 4 islands, reduce size by 10%, 500m buffer zone
* 1c: Break up into 4 islands and reduce size by 20%, 1 km buffer zone
* 1d: Break into 6 islands and reduce size by 50%, 1.5 km buffer zone
* 1e: Cancel project

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Issue 1** | **a** | **b** | **c** | **d** | **e** |
| Country Garden | Unrealistic | 1 | 2 |  |  |
| Govt. (DOE) |  | 2 | 1 | 3 |  |
| IRDA |  | 3 | 2 | 1 |  |
| Environment |  |  | 3 | 2 | 1 |
| Community |  | 2 | 1 | 3 |  |

Issue 2: Economic/financial impacts

* 2a: Maintain current staffing structure
* 2b: Commit to hiring 25% national for service-oriented staff only
* 2c: Commit to hire 50% national (half Johorian) for service-oriented staff
* 2d: Commit to hire 75% national (half Johorian) for service-oriented staff and 10% national for construction staff
* 2e: Commit to 100% national hires (half local) for service staff and 50% national for construction staff

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Issue 2** | **a** | **b** | **c** | **d** | **e** |
| Country Garden |  | 1 | 2 | 3 |  |
| Govt. (DOE) |  | 4 | 2 | 1 | 3 |
| IRDA |  | - | - | - | - |
| Environment | Last choice | - | - | - | - |
| Community |  |  | 3 | 2 | 1 |

Issue 3: Golf course?

* 3a: Yes
* 3b: Yes, somewhere else.
* 3c: No

|  |  |  |  |
| --- | --- | --- | --- |
| **Issue 3** | **a** | **b** | **c** |
| Country Garden | 1 | 2 | 3 |
| Govt. (DOE) |  | 1 | 2 |
| IRDA |  | 1 | 2 |
| Environment |  | 2 | 1 |
| Community | 2 | 1 |  |

Issue 4: Ongoing monitoring of environmental quality

* 4a: Two-time monitoring of the current baseline and at project completion
* 4b: Annual monitoring of key environmental indicators with third party verification
* 4c: Bi-annual monitoring of key environmental indicators with third party verification
* 4d: Monthly monitoring with third party verification

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issue 4** | **a** | **b** | **c** | **d** |
| Country Garden (3) | 2 | 1 | 3 |  |
| Govt. (DOE) |  | 2 | 1 | 3 |
| IRDA | - | - | - | - |
| Environment |  | 3 | 2 | 1 |
| Community | 2 | 1 | 3 | 4 |

Issue 5: Reclamation Tax to fund regional infrastructure

* 5a: No additional tax and duty-free zone for reclaimed land area
* 5b: $10 million upfront fee and tax of .4% of project value and duty-free zone
* 5c: $40 million upfront payment, no project value tax, but no duty-free zone
* 5d: $175 million upfront fee and duty-free zone

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issue 5** | **a** | **b** | **c** | **d** |
| Country Garden (2) | 2 | 1 | 3 |  |
| Govt. (DOE) |  | - | - |  |
| IRDA |  | 1 | 3 | 2 |
| Environment | - | - | - | - |
| Community |  | 3 | 2 | 1 |

**Issue importance (1 = most important)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Party** | **Issue** | | | | |
| **1: Project size** | **2: Hiring rules** | **3: Golf course** | **4: Env. monitoring** | **5: Reclamation tax** |
| **C.G.** | **1** | **2** | **2** |  | **2** |
| **DOE** | **2** | **2** | **2** | **2** | **1** |
| **IRDA** | **2** |  |  |  | **1** |
| **Env. NGO** | **1** |  | **2** | **2** |  |
| **Comm. Rep.** | **2** | **1** | **2** |  | **2** |