University as a Land Property Developer: Concept Development and Its Prospects in Korea

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Abstract

With the ever-growing globalization, local governments are becoming more involved in increasing competition in the international market. Their strategies for territorial development go hand in hand with the universities which have long been the land developer in many countries. Recently, local communities have shared the ways of development with the universities, and this kind of partnership between the two is drawing more attention due to the process of globalization. This study examines three aspects of the university’s role as a land developer. First, the study deals with the historical origin and legal tradition of the university-land relationship. This includes the analysis of the autonomous status of the university. Second, the current trends of territorial development in the global economic shift are summarized with particular emphasis put on the university-local government partnership. Lastly, the impacts of the new trends of the university as a land developer upon the university’s finance and governance are examined. The concept of the university as a land developer has not been so far accepted enough to lead a new policy or a new institutional management practice. However, it now deserves expanded attention.

Key words: land property developer, territorial development, university-local government partnership, land grant universities

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I. Introduction

Globalization, while blurring national borders and regional economic blocks, creates a new sphere for cities and universities in many parts of the world. The new opportunity that opened up for local communities in the globalized world is often called *gloc-alization*. This comes to local communities and in turn to the universities as well. In recent years, universities have been aggressively requested to respond to rapidly changing global environments and seek routes that lead to a global competitiveness and institutional prosperity in the globalized world (Berdahl, Altbach, & Gumport, 2005; Brooks & Normore, 2010; OECD, 2007, 2010).

Given the ongoing, ever-deepening globalization (Kim, 2008; Brooks & Normore, 2010), it may be worth developing new concepts and approaches articulated to target the new challenges for universities in the globalized era. Arguably, those who study or practice higher education lack such concepts by which they may describe the emerging roles of universities as land developers. They still appear to look at the new world through old windows. A case in point is the issue of the commercialization of higher education in which universities tend to play a defensive position failing to explore new opportunities (Jeong, 2006). Some scholars and university leaders argue that the commercialization of higher education would jeopardize and spoil academic values and spirits (Bok, 2003). They maintain that further efforts should be made to enhance students’ learning and development. Reminded of this point, Shapiro (2005), in his book *A Larger Sense of Purpose: Higher Education and Society*, emphasizes the forgotten but cherished moral mission of universities
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in the globalized world. Nevertheless, it is also argued that such a
noble goal, although being still unquestionably valid and
encouraging, may not meet the strategic concerns of universities
standing on the crossroads of globalization.

In an attempt to explore the new challenges and responses for
universities in a globalized world, this study aims to develop the
concept of university as a land property developer. A number of
universities, throughout their long history, have evolved as land
developers (Jeong, 2006). Given the extreme diversity of higher
education institutions, one cannot generalize the concept of land
developer to all universities and colleges. However, it is also hardly
deniable that the land has always been the institutional core of
higher education institutions and that this statement will be far more
valid and significant in the future world (Kerr, 1968; Geiger, 2005).

The purpose of this study is to develop the concept of university
as a land property developer and examine its prospects in Korea.
First, the current research examines the relation between the land
and universities reviewing the history of higher education. Efforts
are made to discover the importance and meaning of the land as an
institutional base of universities. Second, the study investigates the
role and state of university property development in regional
development. Attention is given to the relationship between the
currently emerging Regional Innovation System (RIS) and
university property development. Third, the study examines the
impact of market expansion on universities and land use
regulations imposed by the government. In this section, the nature
of the challenges in the process of university’s land development is
exposed and summarized. The threats against universities as well
as the opportunities for them are explained. Finally, the study
intends to identify problems that universities face when they
attempt to develop their land property. This then leads to finding solutions to resolving those problems.

II. Methods

Given the nature of exploratory study, this research employs the method of historical research. Historical research has been used for a broad range of studies, and includes two ways of dealing with history – one is to chronologically compile the events related to the topic of research and the other is to analyze and interpret those events (Leedy & Ormrod, 2001). In order to conceptualize the university as a land property developer in a new environment, the study tries to collect and interpret historical information that may hold clues to the university-land relation. In particular, attention is given to find the meaning and importance of the land in establishing and developing universities in many countries.

In developing the concept of the university as a land property developer, an extensive integrative review analysis of the related literature is conducted. To synthesize relevant research concepts, a systematic integration of the relevant concepts is employed (Jackson, 1980; Torraco, 2005).

III. University-Land Relations

1. Land grants and the foundation of universities: Historical reviews
Historically, the provision of lands has been the core process of establishing higher education institutions in many countries (Geiger, 2005; Kerr, 1968). Particularly in the U. S., many public universities and colleges have secured the opportunity for long-lasting development of institutions by receiving federally-controlled lands under the Morrill Acts of 1862 (Altbach, 2005). Likewise, most private universities in Korea began their institutional life with land endowment during the last 20th century. In this sense, the land has long been considered an essential and probably the most important part of the university. Then, a question arises: What does the land in fact mean to universities as an independent, self-regulated, and institutional entity?

For a better understanding of the value of the land to universities as social institutions, a comparison between commercial enterprise and universities may be of great help. In general, the modern company law that defines commercial enterprise as the pure subject of commercial activities does not essentially oblige the stock company to stand on or own a piece of land. Instead, it certainly requires the existence of authorized capital (Hannigan, 2009). According to the company law, the authorized capital is not real capital but just a commitment of investment – i.e. paper companies may appear in this condition.

The university, however, fundamentally differs from the modern enterprise in the form of the stock company in that it should stand on and identify itself with the land. For instance, according to the Higher Education Act in Korea, those who attempt to establish a university should submit documents or proofs that show their ownership of the land (Pyo, 2008). In addition, in the common regulatory system of higher education, it is hard to dispose of their lands which constitute the physical and more importantly
institutional platform of their existence.

It was reported that most average companies do not last beyond 30 years (SERI, 1997), while universities are remarkably sustainable (Kerr, 1982; Berdahl, Altbach, & Gumport, 2005). There exist a great number of universities that last hundreds of years. The above mentioned distinction between the university and the commercial enterprise may provide one possible reason as to why the life span of the latter is in general shorter than that of the former. Figuratively speaking, while companies just float on the surface of the vast expanse of the ocean, universities anchor themselves with the seabed. Given the permanency as an important nature of the land, it may be reasonable to speculate that the university can ensure a minimum level of sustainability.

In most statutory regulation systems including that of Korea, the endowed lands are usually categorized as *permanent property* which forms the substance of the establishment and can be disposed of only with the government’s permission – e.g., the Higher Education Act of Korea makes clear that universities are not able to dispose of the land unless permission is granted by the government authority (Pyo, 2008). In contrast, commercial enterprises in the form of stock companies do not have such an arrangement.

2. ‘Auto-Nomos’ of the university: Concept development

When a university becomes chartered or incorporated by the nation state, the practice of chartering or incorporation inevitably includes endowment of the land or at least identification of the university’s ownership over the land – e.g. the Morrill Land Grant
Act in the US and the Higher Education Act in Korea (Kerr, 1968, 1982; Geiger, 2005; Pyo, 2008). That is, securing the land is a prerequisite to the establishment of a new university (Kaplin & Lee, 2007).

It, however, is important to understand the difference between the proprietary ownership of a land and the power of the university’s authority over its endowed land. The former is usually derived from the civil law which may not successfully explain various aspects of institutional powers that the university wields over their lands. In this sense, the charter of a new university by the government may be viewed as the provision of institutional empowerment. It may be somewhat different from a simple transfer of ownership of the land.

Both theoretically and practically, autonomy and academic freedom were considered as a vital feature of universities as social institutions (Schmidtlein & Berdahl, 2005). Namely, universities, from the early stage of their history, have evolved as autonomous entities (Geiger, 2005; Shapiro, 2005). In this paper, we argue that such autonomy is inherently associated with the land which, on the other hand, proves the existence of universities as independent political and social entities. The linkage between the acquisition and use of the land and the creation of a new order – the autonomous power of universities – may well be explained by the concept of Nomos.

It was the well-known German jurist and political theorist Carl Schmitt who used the Greek word Nomos to imply a spatial order – i.e., a complex of the land and dominium over the land and the resident of the land (Choi, 1995). According to Schmitt, the initial acquisition of lands and territories coupled with the establishment of a line of demarcation constitutes the base of an order upon the land. The history of higher education shows that universities come
to have such demarcation lines from the beginning (Jeong, 2006). Given the university’ ownership of lands entangled with the institutional power over the lands, the university may be viewed an *Auto-Nomos*. More importantly, the power in this case is not a succession of any existing power, but always a newly created one.

Of importance is the fact that universities have their own institutional borderlines within which each university exercises the authority and power (Berdahl, Altbach, & Gumport, 2005). This borderline in turn has formed the spatial limit of basic activities of the university. For example, the Korean government authority regulates universities so that they should not run out-reach degree programs outside the university borders (Pyo, 2008).

In the meantime, universities have their own population and accommodation facilities (Jeong, 2006). For instance, the university registration system both for student and the faculty members contributes to the formulation of the citizenship of the university. Based on this system, they have become the most important residents of the university land site. In recent years, contemporary universities have come to accommodate far more diverse populations including researchers, technologists, service-persons, and an increasing floating population.

In accommodating the population within the campus site, universities have developed their own orders and norms of space possession (Kerr, 1982). The tenant of a particular space in university buildings and facilities usually insists on their right to possession and the property authority of the university rarely ignores their insistence. Then, a question arises: Where does the right comes from? It is certain that it is not based on the civil law. As the state creates the property law which defines the ownership of a land, the university has certain kinds of internal authority on
which particular possessions get legitimation. Based on the theory of *Nomos* by Schmitt (Choi, 1995), we argue that the spatial order in the university site has its own internal source of justification within the university. The ultimate power of the spatial regulation comes from the initial acquisition of the endowed university lands.

Nonetheless, it is ambiguous whether all of the orders and authorities of the university such as the university code of conducts and a variety of rules originate only from the initial acquisition of the endowed land. It is probable that they have different origins and sources. However, at least no one can deny the fact that the whole university orders stand on and are applied to the land. For instance, in the case of the state-run universities, state rules and decrees stipulate a majority of the universities' institutional components, but even in such a case the universities have their own spatial order – an *Auto Nomos*.

3. Universities and cities in the urbanizing society: Town and Gown

Urbanization has been one the most eminent features of the changing world during the 20th century. Most of the industrialized countries’ composition consists of over 80% of urban population (United Nations [UN], 2007). The UN (2007) reported that the world’s urban population would exceed the rural population, presumably in 2007. One of the influential aspects of this urbanization for universities may be land price hikes. Although universities and cities, as mentioned above, have evolved along the same trajectories, the recently rapid urbanization and following land price hikes exert a strong influence on universities.
In Korea, the land owned by universities has functioned as an insurance against financial difficulties during the decades of their developmental years. Unexpected financial pitfalls could be overcome in many cases just by liquidating a part of the land. On the other hand, the increasing land prices have allowed private universities financial room for capital investment necessary for their site expansion. In this regard, Korea’s universities that are usually located in the downtown area have benefited from the rapid growth of cities (Sung, 2008).

The universities and the cities, contrary to commercial companies, share many aspects in the history of their development, while sometimes struggling with each other within overlapping territorial boundaries (Jeong, 2006). They are both incorporated as autonomous legal entities commonly having charters and their own territories. In their basic nature, municipal charters are little different from university charters in that both allow autonomous status to cities and universities, respectively. In both cities and universities, the land and residents upon the land are the intrinsic motif of chartering.

Meanwhile, there has always been tension between cities and universities. Conflicts and competition have traditionally existed particularly when they have overlapping territories. For instance, history shows that university students have often been peace breakers and the source of social unrest in local communities. The problems of universities in local communities still remain the same in many other directions. Mayfield (2001, p. 235) describes such conflict-based relationship between the two in the US as follows:

Growing universities needed more physical space and a built-up environment already surrounded urban institutions. The community saw the university taking more land and believed that real estate,
and the protection of real estate, was the urban university's only interest in the community. These administrative decisions are made by the corporate hierarchy of the institution.

Contrary to the traditional tension between cities and universities, however, a new partnership is evolving with the growing globalization (OECD, 2007, 2010). Most large cities recently began to define themselves as a global city which has its proper identity in the midst of the world. Likewise, universities make it their institutional visions to be a global university. Pursuing their visions respectively, they are more likely to be partners. In addition, the idea of urban university envisioned by Kerr (1968) became an important objective of the federal university grant program in the US. In this and that way, it is now widely accepted that universities and cities came into their closest partnerships in the era of globalization (OECD, 2007).

**IV. Territorial Development and University Property Development**

With the increasingly popular privatization of higher education (Bok, 2003; Slaughter & Rhoades, 2005), many contemporary universities are keen to put university property development on the list of their institutional development objectives. An example is *the 2007 Strategic Plan of the Trinity Western University* in Canada (Trinity Western University, 2007). The list of their development objectives includes: a) significantly increase the number of people and the financial commitments to the legacy estate program, b) provide opportunity for significant investment as part of the
development strategy for revenue generating facilities, such as campus housing, and c) create opportunities for constituents to enhance University landscape and facilities through provision of art elements.

Another example may be found from the Aristotle University of Greece. The university established a special purpose company, the Aristotle University Property Development and Management Company, for the development and use of the university land in 1994. The aim of the company includes: a) the development and management of the property of Aristotle University and b) the promotion of the proper management of the University’s property in order to fully develop its potential (see the Website of Aristotle University for more information). According to Aristotle University, the Company carries out the following activities:

Management and development of canteens, restaurants and support of their cleaning services;

Production and reproduction of scientific publications of Aristotle University and management of the intellectual property rights of these publications; and

Aristotle University telecommunications and information network management.

In the case of Korea, one emerging trend is the cooperation between cities and universities in real estate development planning. Many cooperative estate development projects have taken place based on the collaboration between cities and universities – e.g. Dongmyung University and Busan city, Inha University and Incheon city (see OECD, 2007 for more information on the cases in Korea). In those projects, the project financing
A newly established national university, the *Ulsan Institute of Technology*, gives another example of city-university cooperation. The whole campus site along with the surrounding town area were endowed by the city and constructed using the BTL (Built-Transfer-Lease) format financial arrangement — i.e. the project company under the private investment *builds* the campus site, *transfers* it to the university, and manages the site under the *lease* arrangement. In this paper, three points are developed for further analysis in relation to the trends in university land development in Korea: a) the background of university property development, b) its impacts on universities, and c) the conflicts in the property development schemes under the city-university cooperation.

1. **Background of university property development: Regional Innovation System**

   With the ever-deepening structural shift into the knowledge-based economy, a newly emerging concept of the territorial development initiative grounds itself on the idea of *Regional Innovation System* (RIS). Regional innovation may be defined as a process of socio-economic change by which a local economy reshuffles itself into an upgraded knowledge-based economy (Cooke, 2004). In achieving the RIS-based territorial development, universities play a critical role in the creation and diffusion of knowledge and skills. OECD (2010) makes this idea clear pointing out: “There are tangible advantages for HEIs (Higher Education Institutions) and their local and regional communities through
stronger interaction and engagement (p.6)" There are an increasing number of cities worldwide where the city went hand in hand with universities (see OECD, 2007 for more information on this issue).

In the case of Korea, regional innovation has been a keyword for territorial development strategies during the last ten years (Lim, 2006). In the surge of the movement of RIS, many cities came to pursue a partnership with universities particularly in terms of the new growth sites’ development (OECD, 2007).

2. Impact of market expansion across the university border: invasion or out-reach?

Collaboration movements between cities and universities for mutual growth as mentioned above take place around the world (OECD, 2007, 2010). In such movements, university academics commonly face an invasion of market forces within the university institution and become worried about the unregulated market-competition (Bok, 2003; Newman et al., 2004; Slaughter & Rhoades; 2005). While some, accepting the new trends, emphasize the gate-keeping role of the university trustees against the market-force (Bok, 2003), others put more stress upon the role of ‘Market Smart and Mission Centered’ universities (Zemsky, Wagner, & Massy, 2005a, p. 5). Pointing out “markets have, in fact, been part of the academic scene since the beginning,” Zemsky, Wagner and Massy (2005b) claim that “the key to making the academy more publicly relevant and mission centered lies in making it, ironically, even more market sensitive” (p. 4).

However, it is also notable that there have always been markets within the university – i.e. the *internal market* of the university.
The institutional feature of the university is in fact far from bureaucracy, while the university authorities tend to become more bureaucratized (Clark, 1979; O'Neil, 2005). On the university site, many self-regulating free actors have always existed under the rule of university authorities. While teaching and learning activities frequently depend upon the choice and competition among professors and program units, they also rely upon students' choice. This is the very feature of the internal market which is driven by the choices and interactions of suppliers and demanders.

Universities have long provided freedom to their citizens and their constituent sub-units (O'Neil, 2005). These players have usually formed various sorts of markets within the border of the university site. They may be considered as internal markets of universities. When one uses the term outreach which denotes the university program delivery beyond the university border into surrounding communities, it means an expansion of internal market activities across the university borderline. In the case of Korea, it is now increasingly notable that university-based enterprises, particularly in private universities, become of importance in the budget life of the institutions.

University property development projects that employ private financing arrangements inevitably incur the presence of outer market players within the internal market of universities. Special purpose corporations (SPCs), for example, would run the university facilities in the case of BTL-based facilities. Besides BTL facilities, there have already been many service facilities within the university campus including fast-food stores, copying centers, etc. As the university property development activities prevail across the world, one would increasingly see the market expansion across the university border lines. However, it may be conceived neither
narrowly as invasion by markets nor simply as outreach by universities. Zemsky, Wagner and Massy (2005a) seems insightful when they emphasize the ‘market smart and mission centered’ universities.

3. Land-use regulations by government on university sites

Universities have often been in conflict with the urban planning authority in relation to the use of the university land. Once universities are involved in partnership with cities for university property development, major difficulties are more likely to originate from the land use regulations based on the old urban planning concepts. In the existing frame of statutory zoning and defined urban infrastructures, one usually finds no room for the new university property development. It seems that the recent trends of territorial development directed for regional innovation are still unfamiliar to the urban planners (Jeong, 2005). In addition, the existing government regulations concerning the use of the university land also form the heavy obstruction against the university property development. Considering the various constraints against the university property development, universities may have to wait for special legislative initiatives.

IV. Conclusion and Suggestions

The purpose of this study was to develop the concept of university as a land property developer. Reviewing the historical development of higher education, the land was found to be an
essential part of the university and enabled the university to become sustainable. As regional development becomes one of the top priorities in many countries, the institutional leadership and entrepreneurialism of universities become more important (Cooke, 2008; OECD, 2007, 2010). In particular, the recently popular RIS-based city development approaches have made university land property development an integral part of territorial development of cities. In this context, territorial development goes hand in hand with the universities in many parts of the world. With an increasingly globalized knowledge economy, cities and universities become the key players for growth and development. As researchers (Clark, 1968; OECD, 2007, 2010) claimed, the university property development in territorial development is gaining greater popularity among the public and policy makers.

Nonetheless, the existing university systems and government regulations framed by the long cherished missions of teaching, research, and service still remain as an obstacle to the concept of university as a land property developer. Difficulties come from various sources that prevent universities from implementing the idea of university as a property developer. First, the increased private investment in property development activities of universities may result in conflicts between the existing university authorities and the market players that newly entered into the university sites. Those conflicts may relate not only to traditional and formal regulations on the university land but also to institutionally different characteristics between the two institutions – in this context, universities as social institutions versus the market-based ideologies. Given the nature of the academic enterprise ‘focusing on stability rather than on growth (Berdahl, Altbach, & Gumport, 2005, p. 5)’, tremendous efforts should be made
to marry market-oriented approaches to the university community.

Second, while many Western countries have developed the practice of administration by contract, and effectively used the practice in the city-university partnership building, other countries are still experiencing difficulties in finding legitimate devices for the city-university collaboration. In this sense, special attention should be paid to capacity building that enables local universities to be actively involved in the regional development process. Successful cases such as South Korea and China should be further studied in order to disseminate lessons as well as know-hows on the university-city partnership.

Lastly, the growing activities across the university border inevitably incur conflict of law between the civil and commercial law versus the rule and norms of universities. That is, the question of what rules the enterprises entering into the university site should follow first – civil laws or university rules? To answer that, more efforts should be made to clarify the relationship between the civil society and the university. In addition, further studies on various cases are recommended.

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