



## **RENTAL OF STATE PROPERTIES AT RIDOUT ROAD BY MINISTER K SHANMUGAM AND MINISTER VIVIAN BALAKRISHNAN**

1. Arising from questions raised by the public and allegations made against Minister K Shanmugam and Minister Vivian Balakrishnan regarding their rental of State Properties at Ridout Road, Prime Minister Lee Hsien Loong directed the Corrupt Practices Investigation Bureau (CPIB) on 17 May 2023 to investigate the matter, as the CPIB reports directly to the Prime Minister and has the necessary powers to ascertain if there was any corruption or criminal wrongdoing.
2. Subsequently on 22 May 2023, PM Lee instructed Senior Minister Teo Chee Hean to conduct a separate review in order to address wider potential process or policy issues, which go beyond the scope of CPIB's investigation.
3. Both CPIB and SM Teo have completed their reviews and submitted their reports to PM Lee.
4. SM Teo's Report concludes that both the Ministers and the public officers, as well as private sector intermediaries involved, conducted themselves properly in the two rental transactions. There was no abuse of power or conflict of interest resulting in the Ministers gaining any unfair advantage or privileges. Furthermore, the process of renting out the two properties did not deviate from the prevailing SLA guidelines and approaches in renting out Black and White bungalows for residential purposes.

5. The CPIB Report found no evidence of corruption or criminal wrongdoing by Ministers Shanmugam and Balakrishnan. CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.

6. However, CPIB discovered that there was a lack of precision in SLA's use of the term "Guide Rent" with respect to No. 26 Ridout Road State property. As a result, the earlier SLA statement dated 12 May 2023 that the offer by Minister Shanmugam was above the Guide Rent was incorrect. In fact, the rental Minister Shanmugam paid was equal to the correct Guide Rent on the property. CPIB confirmed that this issue did not result from any ill intent on the part of any SLA officers involved. It found no evidence of any mala fide abuse of position in the valuation.

7. The Attorney-General's Chambers ("AGC") has agreed with CPIB's findings and recommendations. AGC has directed that no further action to be taken as the facts do not disclose any offence.

8. The Prime Minister accepts the two reports and has ordered that the two reports be published and tabled in Parliament as a Miscellaneous Paper.

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**PRIME MINISTER'S OFFICE**  
**28 JUNE 2023**

**REPORT  
BY  
THE CORRUPT PRACTICES INVESTIGATION BUREAU  
(CPIB)**

23 June 2023

Mr Lee Hsien Loong  
Prime Minister

Dear Prime Minister,

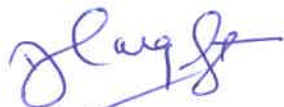
### **RENTALS OF TWO RIDOUT ROAD STATE PROPERTIES**

On 17 May 2023, you have tasked the Corrupt Practices Investigation Bureau (“CPIB”) to investigate and determine if there was any corruption or criminal wrongdoing on the two rental transactions of the Ridout Road State properties by Ministers Kasiviswanathan Shanmugam and Vivian Balakrishnan.

The CPIB has concluded its investigations and found no evidence of corruption or criminal wrongdoing by Ministers Shanmugam and Balakrishnan. CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.

The Attorney-General’s Chambers (“AGC”) has agreed with CPIB’s findings and recommendations. AGC has directed that no further action to be taken as the facts do not disclose any offence. The details of our findings are enclosed in the attached report. The investigation into this matter is closed.

Yours sincerely,



**Denis Tang**

**Director, Corrupt Practices Investigation Bureau**

## RENTALS OF TWO RIDOUT ROAD STATE PROPERTIES

### INTRODUCTION

1. The Corrupt Practices Investigation Bureau (“CPIB”) was tasked by Prime Minister Lee Hsien Loong on 17 May 2023 to investigate and determine if there was any corruption or criminal wrongdoing on the two rental transactions of the Ridout Road State properties by Ministers Kasiviswanathan Shanmugam (“Minister Shanmugam”) and Vivian Balakrishnan (“Minister Balakrishnan”).
2. The CPIB is an independent Anti-Corruption Agency under the Prime Minister’s Office. The CPIB is responsible for the investigation of corruption offences in Singapore. The CPIB carries out its statutory duties under the ambit of the Prevention of Corruption Act and Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act. The agency also has the mandate to investigate into other crimes uncovered during a corruption investigation.
3. The Singapore Land Authority (“SLA”) is an autonomous statutory board under the Ministry of Law (“MinLaw”). It oversees the optimisation of land resources in Singapore. The SLA is responsible for managing State land through land sales, leases, acquisition, and allocations. The SLA also develops and markets State properties to optimise their use and economic returns to the Government.
4. There were allegations made by some individuals against Ministers Shanmugam and Balakrishnan for possibly receiving preferential treatment and having access to privileged information in the tenancies of the two State properties, No. 26 Ridout Road and No. 31 Ridout Road respectively.

## **APPROACH**

5. The CPIB conducted interviews with the two Ministers and their spouses, former and current officers from MinLaw, SLA and NParks, property and managing agents, and other individuals who had knowledge on the rental transactions of the two State properties in question. The CPIB also obtained evidence from documents and other information related to the rental transactions and parties involved.

## **FINDINGS**

6. At the material time in 2018/2019, the lease availability of No. 26 and No. 31 Ridout Road State properties were made known to the general public. Both had advertisement signs displayed prominently at the gates of these properties, and in addition No. 31 was listed on the State Property Information Online website.
7. The State properties can be leased out through "Open Bidding" or "Direct Tenancy". State properties with low demand, like No. 26 and No. 31 Ridout Road in 2018/2019, were leased out via "Direct Tenancy", i.e. the prospective tenant would be considered if the submitted bid was not below the Guide Rent and the prospective tenant met the stipulated financial and letting criteria.
8. In a rental transaction of the State property, the prospective tenant can liaise directly with the SLA or the SLA's appointed Managing Agent ("MA"). The prospective tenant can also appoint a property agent to represent him.
9. At the material time, access to Guide Rent information was limited to the Leasing Department in SLA. The MinLaw officers, Chief Executive of SLA ("CE/SLA") and other SLA officers can request for the information for official purpose. Members of public can ask SLA or MA for an indicative rent or asking rent for the properties they are interested. The final rent amount arrived at is a matter of mutual agreement with or without negotiation by the interested party and SLA.

## **No. 26 Ridout Road State Property**

10. The No. 26 Ridout Road State property of land size 9,350 sqm had been vacant since December 2013. In January 2017, Minister Shanmugam asked the then Deputy Secretary of Ministry of Law (“DS/MinLaw”) for a list of a few properties available to the public to rent. Minister Shanmugam visited some of these properties including No. 26 Ridout Road, and all of them had a “For Lease” sign displayed prominently at the gates. A year later, in January 2018, Minister Shanmugam appointed a property agent to represent him for the rental transaction of the No. 26 Ridout Road State property. By then, the property had been vacant without attracting any bids for more than four years.
11. During a site visit, Minister Shanmugam noticed thick and overgrown vegetation on an empty slope of land adjacent to the property. Minister Shanmugam expressed his concern to SLA that the overgrown vegetation might pose public health and safety risks from snakes, mosquitoes, fallen trees, etc.
12. Through his property agent, Minister Shanmugam negotiated with SLA on clearing of the adjacent land before leasing the property. He was not confident that the adjacent land would be maintained in a way that would keep the place free of health and safety issues. He offered to maintain the adjacent land at his own cost. Minister Shanmugam stated in his interview with CPIB that he had not wanted to lease the additional adjacent land as there would be legal obligations attached to leasing it.
13. SLA’s view was that the tenant’s responsibility would not extend to maintain the area beyond the tenant’s property boundary. If Minister Shanmugam was to maintain the adjacent land at his own cost, the adjacent land had to be included into the tenancy of the No. 26 Ridout Road State property. SLA then did the fencing of the adjacent land within the property boundary. As a result, the land size was increased from 9,350 sqm to 23,164 sqm.

14. The cost of site clearance, replanting of greenery and fencing was \$172,000 which was initially borne by SLA and subsequently to be recovered from the tenant's rent. The cost of maintaining this additional land, approximately \$25,000 per year, was incurred by Minister Shanmugam which would otherwise be borne by SLA.
15. Minister Shanmugam and his agent were not aware of the Guide Rent. His agent studied the rental of comparable neighbouring properties, and independently determined and valued the rent. Minister Shanmugam instructed his property agent that he should not be paying less than his neighbours. A neighbouring unit was tenanted at \$26,000. The final negotiated rent amount was \$26,500, which met the minimum rental to be achieved by SLA.
16. As the property had not been in use since 2013, substantial repairs were needed. The total cost of essential repair works borne by SLA to restore No. 26 Ridout Road State property was \$515,400. The landlord, i.e. SLA, has the responsibility to undertake essential repair works to ensure that the condition of the property is habitable. Minister Shanmugam paid \$61,400 to build the car porch. In addition, he stated in his interview with CPIB that he paid over \$400,000 for additional improvement works to the State property not covered by SLA's restoration works.
17. SLA policy is that upon expiry of the lease, the tenant is responsible for repairing any damage to the property, where appropriate. The property with any improvements approved by SLA will be surrendered to SLA as is, without any right of claims or recovery of costs by the tenant.
18. Mrs. Shanmugam signed the Tenancy Agreement of 3+3+3 years in June 2018. After the first 3-year term, the tenancy was renewed in June 2021 for a second 3-year term. The rental for the second term was maintained at \$26,500 per month, as determined by SLA, considering the then prevailing market conditions.



19. Minister Shanmugam had informed the then DS/MinLaw that he would recuse himself on any discussion related to the rental of the property. Minister Shanmugam also instructed him to approach the then Senior Minister of State in MinLaw, Ms Indranee Rajah (“SMS Indranee”) in the event any matter had to be referred to the Minister. Minister Shanmugam had also informed Senior Minister Teo Chee Hean (“SM Teo”) if the matter had to go beyond SMS Indranee, she would approach SM Teo. There was no matter raised by SLA to MinLaw during the entire rental process.
20. CPIB noted that due diligence checks were also done before the signing of the Tenancy Agreement for the No. 26 Ridout Road State property. The then CE/SLA made a declaration dated 29 March 2018 to the then Permanent Secretary of MinLaw (“PS/MinLaw”) and reported that the processing of the rental transaction was properly done with no conflict of interest. In response to the PS/MinLaw’s queries, the CE/SLA assured him that the proposed rental was according to market rate with assessment by SLA valuers independently of the SLA leasing officers. He also confirmed that the tenancy agreement was a standard form for all other residential tenancies.
21. However, CPIB discovered that there was a lack of precision in SLA’s use of the term “Guide Rent”. As a result of this lack of precision, the earlier SLA statement dated 12 May 2023 that the offer by the tenant (\$26,500) was above the Guide Rent was incorrect. In fact, the \$26,500 rental Minister Shanmugam paid was equal to the correct Guide Rent on the property.
22. The Guide Rent is intended to be the minimum rental to be achieved. With the additional cleared land at No. 26 Ridout Road, SLA valued the minimum rental of the property at \$26,500. SLA should therefore have assessed the Guide Rent to be equal to this minimum rental, i.e. \$26,500.
23. Instead, SLA assessed the Guide Rent to be \$24,500. SLA’s rationale was that on top of the \$24,500, it intended to charge the tenant another \$2,000 to recover the amortised cost of works to clear and incorporate the additional land. This would bring the total minimum rental to the correct value of \$26,500.

24. This lack of precision over the Guide Rent carried over into the second valuation for the renewal of the lease. It was discovered when CPIB investigated the matter and informed SLA.
25. Despite this issue with the Guide Rent, SLA did ensure that Minister Shanmugam paid not less than \$26,500, the minimum rental to be achieved.
26. CPIB has confirmed that this lack of precision in the process of deriving the Guide Rent did not result from any ill intent on the part of any SLA officers involved. It found no evidence of any mala fide abuse of position in the valuation.

### **No. 31 Ridout Road State Property**

27. The No. 31 Ridout Road State property of land size 9,157.36 sqm had been vacant since July 2013. It was listed on the State Property Information Online website. The property had been vacant for 5 years before two unsuccessful bids were made below the prevailing Guide Rent, i.e., \$12,000 in July 2018 and \$5,000 in August 2018.
28. Mrs Balakrishnan came across a "For Lease" sign at the No. 31 Ridout Road State property. She contacted the SLA's appointed MA on 11 September 2018 and they negotiated on the rental price. The MA named an asking rent of \$19,000. Mrs. Balakrishnan offered \$19,000 with the inclusion of essential repair works and upgrading of the toilet. The MA rejected the toilet upgrading as it was considered to be improvement works, and Mrs. Balakrishnan subsequently agreed to bear the costs of the toilet upgrading. The asking rent for the No. 31 Ridout Road State property was independently determined and valued by the MA. Neither Minister Balakrishnan nor Mrs. Balakrishnan were aware of the Guide Rent. The SLA Leasing Department subsequently accepted the lease proposal, because the final secured rent of \$19,000 was not below the prevailing Guide Rent, which was \$18,800.

29. There was no preferential treatment given in the process of the rental transaction. CPIB found that in response to the MA's query on policy for VVIPs, the SLA Leasing Manager had emphasised in her email reply that there was no policy for VVIPs, and all prospects and tenants were to be treated equally.
30. The total cost of essential repair works borne by SLA to restore the No. 31 Ridout Road State property was \$570,500. Minister Balakrishnan stated in his interview with CPIB that he paid more than \$200,000 on additional improvement works to the State property.
31. The tenancy agreement for 3+2+2 years was signed by Mrs. Balakrishnan in October 2019. After the first 3-year term, Mrs. Balakrishnan requested and was granted a renewal of another 3+2-year term instead of 2+2-year term (that was earlier granted). The rental for the second term was increased from \$19,000 to \$20,000 per month, taking into consideration the then prevailing market conditions in 2022.

## **CONCLUSION**

32. CPIB has found no evidence of corruption or criminal wrongdoing in the two rental transactions of the Ridout Road State properties by Ministers Shanmugam and Balakrishnan.
33. In CPIB's view, the Direct Tenancy rules were applied fairly for both rental transactions. The investigation did not reveal any corrupt intent on the part of any person, or any inducement given to any individual involved in the processing of the rentals.
34. CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.

35. The CPIB has submitted its Investigation Papers (“IP”) to the Attorney-General's Chambers (“AGC”). The AGC has reviewed the IP and agreed with CPIB’s findings and recommendations. AGC has directed that no further action to be taken as the facts do not disclose any offence. The investigation into this matter is closed.

Prepared by: Corrupt Practices Investigation Bureau

23 June 2023

**REPORT  
BY  
SENIOR MINISTER TEO CHEE HEAN**



SENIOR MINISTER  
COORDINATING MINISTER  
FOR NATIONAL SECURITY  
SINGAPORE

26 June 2023

Prime Minister

## **REPORT ON THE REVIEW OF THE RENTALS OF STATE PROPERTIES AT NO. 26 AND NO. 31 RIDOUT ROAD**

On 22 May 23, PM had asked that I conduct a Review into the renting out of State properties at No. 26 and No. 31 Ridout Road by the Singapore Land Authority (SLA) to the Minister for Law and Home Affairs Mr Kasiviswanathan Shanmugam (“Minister Shanmugam”) and the Minister for Foreign Affairs Mr Vivian Balakrishnan (“Minister Balakrishnan”) respectively.

2. This Review has three objectives:
  - a. To establish the facts surrounding the renting out of the two properties at No. 26 and No. 31 Ridout Road.
  - b. To establish if there was any wrongdoing, including any abuse of power or conflict of interest, resulting in the Ministers gaining an unfair advantage or privileges.
  - c. To establish whether the policies and processes governing the renting out of Black and White bungalows were followed in the process of renting out the two properties, and if there were any process gaps or lapses.
3. With PM’s concurrence, this Review had relied on CPIB’s investigation, which PM had earlier directed, to establish the facts of the case surrounding the renting out of these two specific properties. In addition, for this Review, MinLaw was asked to provide a detailed briefing on the policies and processes pertaining to the renting out of Black and White bungalows for residential purposes.
4. In summary, the Review has reached the following conclusions:
5. CPIB has reported directly to PM that it found no evidence of corruption or criminal wrongdoing in the two rental transactions of the Ridout Road State properties by Ministers Shanmugam and Balakrishnan. The AGC has reviewed the Investigation Papers and agreed with CPIB’s findings and recommendations.
6. Both the Ministers and the public officers, as well as private sector intermediaries involved, conducted themselves properly in the two rental transactions. They were aware of their duty to declare and avoid any conflict of interest and took appropriate steps to prevent any potential or actual conflict of interest from arising.

a. There was no conflict of interest on the part of Minister Balakrishnan for the rental of No. 31 Ridout Road. The Managing Agent managing the renting out of No. 31 Ridout Road was explicitly told by SLA that there was no policy for VVIPs, and all prospects and tenants were to be treated equally.

b. For the rental of No. 26 Ridout Road, Minister Shanmugam removed himself from the chain of command and decision-making process. Minister Shanmugam informed the then DS/MinLaw that he would recuse himself on any discussion related to the rental of the property. Minister Shanmugam also instructed him to approach the then Senior Minister of State in MinLaw, Ms Indranee Rajah, in the event any matter had to be referred to the Minister.

c. Minister Shanmugam had also informed me that if the matter had to go beyond SMS Indranee, she would approach me. There was no matter raised by SLA to MinLaw or any of the Ministers during the entire rental process.

7. The process of renting out the two properties did not deviate from the prevailing SLA guidelines and approaches in renting out Black and White bungalows for residential purposes.

a. The Guide Rents for both properties were valued by the SLA's Valuation team based on well-established valuation principles. The rental paid by the tenants for the properties were not below the respective Guide Rents. For No. 31 Ridout Road, Minister Balakrishnan paid more than the Guide Rent. For No. 26 Ridout Road, despite the Guide Rent being imprecisely stated by SLA, SLA had ensured that the rental that Minister Shanmugam paid was not less than what the Guide Rent should have been and met the minimum rental to be achieved.

b. The extent of works done before handover was comparable to other similar properties. The adjoining land to No. 26 Ridout Road was cleared to address the disamenities and public health concerns.

c. The tenancy periods granted were in line with the tenancy policy for Black and White properties, which was to allow a longer period of tenancy where the tenant had invested substantially in improvement works to enhance the properties. The tenancy periods granted to both properties kept within the maximum 3+3+3 tenancy period at any one time.

8. The full report of the Review is attached for PM's consideration please.



TEO CHEE HEAN

**REPORT ON  
THE REVIEW OF THE RENTALS  
OF STATE PROPERTIES  
AT 26 AND 31 RIDOUT ROAD**



## **Aim**

This report presents the findings of an independent review into the renting out of colonial Black and White bungalows at No. 26 and No. 31 Ridout Road by the Singapore Land Authority (SLA) to the Minister for Law and Home Affairs Mr. Kasiviswanathan Shanmugam (“Minister Shanmugam”) and the Minister for Foreign Affairs Mr. Vivian Balakrishnan (“Minister Balakrishnan”) respectively.

## **Background**

2. On 12 May 23, in response to media queries on several online articles, the SLA issued a statement to confirm that the two Black and White bungalows at No. 26 and No. 31 Ridout Road under SLA’s management, were rented out to Minister Shanmugam and Minister Balakrishnan respectively. Several Members of Parliament posed Parliamentary Questions on the matter, seeking more information on the circumstances under which the properties were rented out to the two Ministers. There were allegations made by some individuals against Ministers Shanmugam and Balakrishnan for possibly receiving preferential treatment and having access to privileged information in the tenancies of the two State properties.

3. Ministers Shanmugam and Balakrishnan spoke to Prime Minister Lee Hsien Loong to request for a review that is independent of the ministries and agencies that they supervise. On 22 May 23, Prime Minister Lee tasked Senior Minister and Coordinating Minister for National Security Teo Chee Hean, to review the matter, and establish whether proper processes had been followed, and if there had been any wrongdoing, and issued a statement to that effect on 23 May 23. Before that, on 17 May 2023, the Corrupt Practices Investigation Bureau (CPIB) had been tasked by Prime Minister Lee to investigate and determine if there was any corruption or criminal wrongdoing in the two rental transactions of the Ridout Road State properties by the two Ministers.

## **Terms of Reference**

4. This Review was carried out to:
- a. Establish the facts surrounding the renting out of the two properties at No. 26 and No. 31 Ridout Road.
  - b. Establish if there was any wrongdoing, including any abuse of power or conflict of interest, resulting in the Ministers gaining an unfair advantage or privileges.
  - c. Establish whether the policies and processes governing the renting out of Black and White bungalows were followed in renting out the two properties, and if there were any process gaps or lapses.

## **Approach to the Review**

5. As CPIB had already been directed to investigate the renting out of the Black and White bungalows at No. 26 and No. 31 Ridout Road for corruption or criminal wrongdoing, it was decided, in consultation with Prime Minister Lee, that this Review would rely on CPIB's investigation to establish the facts of the case surrounding the renting out of these two specific properties. Investigations by CPIB are carried out by professional investigators, and empowered by the Prevention of Corruption Act, under which persons required by CPIB to provide information are legally bound to provide accurate information. Hence, CPIB's investigation findings would be independent, thorough, and authoritative. It would neither be necessary nor helpful to launch a separate process of fact finding and questioning of officials involved in the renting out of the two Black and White Bungalows, as this could overlap with CPIB's investigation and delay both that investigation and this Review.

6. For this Review, MinLaw was asked to provide a detailed briefing on relevant issues not covered by the CPIB investigation. This includes the policies and processes governing the management of State properties, and in particular the management of State properties which are Black and White colonial bungalows. The established policies and processes pertaining to the management of State properties provided the basis to assess whether due processes had been followed in renting out the properties at No. 26 and No. 31 Ridout Road.

7. This Review examined material aspects of the renting arrangements for No. 26 and No. 31 Ridout Road, including: (i) the decision to rent and the setting of rental rates, (ii) the extent of works done for these properties before hand over, and (iii) the setting of tenancy periods. It compared these against MinLaw's policies and processes, to determine if there were any substantive policy or process deviations involved in the renting out of the two properties.

8. CPIB submitted its report directly to Prime Minister Lee, who has directed CPIB to release its report. Prime Minister Lee also made CPIB's findings and report available for this Review. The Review therefore referenced CPIB's in-depth investigation into whether there were any corrupt practices or criminal wrongdoing in the process of renting out No. 26 and No. 31 Ridout Road in June 2018 and October 2019 respectively.

9. *The CPIB conducted interviews with the two Ministers and their spouses, former and current officers from MinLaw, SLA and NParks, property and managing agents, and other individuals who had knowledge on the rental transactions of the two State properties in question. The CPIB also obtained evidence from documents and other information related to the rental transactions and parties involved.*<sup>1</sup>

10. This Review then considered CPIB's investigation findings together with the process review of the renting out of the two properties, to address the key questions and concerns over the case.

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<sup>1</sup> Text in italics is quoted verbatim from CPIB Report "Rentals of Two Ridout Road State Properties", 23 June 23, para 5.

## **Policies and Processes in Managing Black and White Bungalows**

11. The SLA is responsible for managing about 2,600 State properties. This includes about 600 Black and White bungalows, other landed and non-landed residential properties (e.g. semi-detached houses, terraces, and apartment blocks), former schools, former army camp sites, and shophouses.

12. Black and White bungalows built in the early 1900s are located across Singapore. They can be found in central areas like Scotts Road, Goodwood Hill, Malcolm Park, and Bukit Timah, as well as rustic areas like Alexandra Park, Sembawang, Changi, and Seletar. Given their heritage value, about 15% of these Black and White bungalows have been designated as conservation properties and another 67% are safeguarded for conservation study. These properties are subject to conservation requirements of the Urban Redevelopment Authority (URA).

13. Black and White bungalows were built for residential use and that continues to be their predominant use. To increase take-up, SLA with URA's approval also rents out selected Black and White bungalows for non-residential use, such as family offices.

14. Most Black and White bungalows lack modern amenities (see **Annex A** for photographs of some of these properties).<sup>2</sup> Properties that have been vacant for an extended period tend to be in poorer condition (see **Annex B**) due to Singapore's weather conditions. While SLA carries out general building maintenance and inspection works, and spruces up the properties before rental, prospective tenants often have to put in considerable additional work to install modern amenities, such as air-conditioning, water heaters, and cooking hobs, to make the property more liveable. These factors limit the pool of potential tenants, especially for larger bungalows.

### **Renting of State Properties for Residential Use**

15. SLA approaches the management of State properties just like any other landlord. It seeks to maximise occupancy at the market rate. The occupancy rates of residential Black and White bungalows in recent years are listed at **Annex C**.

16. SLA manages State properties in two ways. One mode is through professional third-party Managing Agents (MAs) such as Cushman & Wakefield and Knight Frank. The second mode is direct management by SLA. For the former, the MAs will handle marketing, including negotiations with prospective tenants, renting, and maintenance works expected of a landlord before and during the tenancy. SLA will pay for major renovation works e.g. asbestos removal and demolition.

17. The predominant mode of management of Black and White residential bungalows is through MAs.<sup>3</sup> About 87% of SLA's Black and White residential

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<sup>2</sup> There was a case of a Ridley Park property where the tenant had committed to sinking in approximately \$1 million of improvements into the property.

<sup>3</sup> Before the former Land Office took on the management of residential State properties in 1987, MOF had an agreement with the Urban Development and Management Company (UDMC) to manage these properties. In 2016 SLA decided to directly manage some landed residential properties, instead of relying solely on MAs, to gain experience in leasing.

bungalows are managed by MAs. SLA will bundle multiple properties and call a Price Quality tender to select a MA. MAs for residential properties are paid a Management Fee which includes a share of the gross rent. Roughly 13% of Black and White residential bungalows are directly managed by SLA.

18. Residential State properties that are available for rent are marketed via various channels, including SLA's State Property Information Online (SPIO). SLA's MAs will market the properties through mass media and social media, online portals (e.g., PropertyGuru and SLA's SPIO), their own channels, and/or with a display of "For Lease" signs at the property.

## **Allocation Systems**

19. The properties are rented out to tenants through two main modalities: <sup>4</sup>

a. Open Bidding. The property will be listed on SPIO for at least 14 days ("notice period") followed by a 5-day bidding window. Typically, during the notice period, SLA or the MA will organise an open house for interested parties to view the property. After the close of the bidding window, the tenancy will be awarded to the highest bidder, subject to due diligence checks and meeting the Guide Rent. The highest bid rent in the tender, as well as the tender results, are subsequently published on SPIO for 6 months.

b. Direct Tenancy. Under Direct Tenancy, SLA or the MA will accept offers submitted directly to SLA or the MA for a specific property, subject to the offer meeting the Guide Rent. Such offers (without a tender called) are not published.<sup>5</sup>

20. The modality adopted depends on the prevailing market dynamics. When property market conditions are good and demand exceeds supply, almost all vacant properties will be posted on public platforms (SPIO in the case of State properties) as strong interest and take-up is likely. However, when market conditions are poor and supply exceeds demand, or the occupancy rate for specific estates is low, such as in 2018 and 2019, publishing complete listings of all vacant properties online would result in these properties visibly competing for the limited demand (i.e. product cannibalisation), and thus may not help the landlord to maximise the outcomes of occupancy and rental rates.

21. At the material time (i.e. 2018 and 2019), it was not a requirement to list all residential properties available for rent on SPIO. SLA and its MAs had the discretion on whether to list the properties they managed on SPIO. Since Aug 2022, as the market rebounded, all residential Black and White bungalows available for rent have been listed on SPIO for at least 14 days, regardless whether they are under SLA's direct management or managed by an MA.

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<sup>4</sup> A small minority of Black and White bungalows, for which the potential uses also include non-residential use (e.g. family office), are managed through a separate process for commercial properties.

<sup>5</sup> For example, a Ridout Road property (GFA of approximately 800 sqm) was directly tenanted from Jun 2018 at approximately \$26,000/month, and another Ridout Road property (GFA of approximately 300 sqm) was directly tenanted from Sep 2018 at approximately \$9,000/month.

22. SLA applies a standard set of screening criteria to prospective tenants that submit bids, regardless whether they come through the tender process or direct offers. The specific criteria are: (i) immigration status (e.g. Singapore citizen/PR or foreigner with a valid work permit), (ii) legal status allowing them to enter into a contract with the Government (e.g. above the age of 21 and not insolvent), and (iii) financial standing (i.e. assessed ability to pay the monthly rent).

### **Maintenance of Black and White Bungalows**

23. On an ongoing basis, SLA carries out general building maintenance and inspection works to ensure that the properties remain tenable in the longer term (e.g. the next 10-15 years). Examples include asbestos removal works and roofing works to repair leaks.

24. For directly managed properties, SLA will spruce up the property generally to get it ready for handover. The MAs will do the same for the MA-managed properties. Site clearance prior to tenancing is required in some instances and managed on a case-by-case basis.

25. In line with industry practice, during the tenancy term, tenants are responsible for general day-to-day maintenance of the building and facilities, and for all land within the tenancy boundary. The exact scope of works is often subject to negotiation between landlord and tenants. SLA's standard tenancy agreement states that, amongst other things, tenants must: (i) maintain the garden area of the property, the interior of buildings, gates, boundary walls, and driveways; and (ii) replace fixtures and fittings that become beyond repair. The scope of work specified by SLA for its MAs also includes maintenance works like the pruning of trees, the removal of dead or unhealthy trees, and repairs to doors and windows. In cases where SLA rents out a property directly, i.e. there is no MA, the scope of work normally specified for the MA will be performed by SLA. Where additional works beyond those specified need to be done, there may be negotiations between the tenant, and the landlord (MA and/or SLA) as to which party should carry out the works, depending on the situation (e.g. if the cause of the issue already existed before the handover to the tenant, SLA or the MA may carry out the works).

### **Valuation of Guide Rent**

26. The Valuation team within SLA comprises professional valuers. The team operates separately and independently from the divisions involved in renting out State land and properties. The function of the Valuation team is to advise on the rental valuation for all types of State properties and State land that are rented out by SLA for interim use.

27. The Guide Rent is the key mechanism through which SLA ensures that State properties are rented out at fair market rate. The Guide Rent is intended to be the minimum rental to be achieved and all offers (whether bids or direct offers) are measured against it. In the case of residential properties listed for open bidding, the highest bid which comes in equal to or above the Guide Rent will be awarded the tenancy. For Direct Tenancy, when demand in the market or a specific estate is low,

any offer received that is equal to or above the Guide Rent can be accepted by SLA or the MA.

28. A Guide Rent must be calculated for all State properties available for rent. The Guide Rent is assessed by professional valuers, and takes into account factors such as location, use, floor area, physical condition of the property and prevailing market conditions. In general, reference is made to rentals of comparable properties. Valuers adhere to established principles and methods for valuation.

29. For properties under SLA's direct management, the Guide Rents are determined by SLA's Valuation team. For properties under MAs' management, the Guide Rents can be determined by the MAs' appointed valuers. SLA requires the MAs to submit their monthly Guide Rent figures for random checks and audits by SLA. However, for properties under MA's management, SLA Leasing Division can seek a second valuation from SLA's Valuation team if there is an appeal, or negotiation with the prospective tenant.

30. In determining the Guide Rent for Black and White bungalows, it is the norm to refer to recent rental transactions for other Black and White bungalows. If there are insufficient rental transactions for Black and White bungalows, listings of comparable landed residential properties (including Good Class Bungalows) will be used, but adjusted to take into account factors such as the age and condition of the property.

31. Notwithstanding this comparison with comparable landed residential properties, the rental for a Black and White bungalow is usually less than for a typical Good Class Bungalow in the same location or of the same size. Many Good Class Bungalows are modern buildings, already fully renovated and with high-quality fittings. In contrast, Black and White bungalows lack modern amenities and are not easy to retrofit. Incoming tenants often have to undertake capital expenditure to upgrade the unit to raise it to modern standards. In addition, the tenant does not own the development rights to the land. Instead, he has to incur maintenance costs to upkeep the land on which the property is located. Hence, the SLA Valuation team's professional view is that Gross Floor Area (GFA), which represents the available live-in-space for the tenant, is a more important factor than land area in determining the Guide Rent for Black and White bungalows. The rental rates for Black and White bungalows will have to take into account these factors, i.e. the condition of the unit, the need for capital expenditure by the tenant, and the lack of redevelopment potential open to the tenant.

### **Tenancy terms**

32. Tenancies are granted on 2-year or 3-year terms, up to a maximum of 3+3+3 years in the first instance. In deciding how long a tenancy to grant, SLA takes into account various factors including the likely capital expenditure that the tenant would incur to live in the property. This is because under the terms of the tenancy agreement, upon return of the property, all approved improvements undertaken by the tenant that remain usable will become the property of the landlord and revert to State ownership. Tenants who incur substantial capital expenditure for improvement works, such as those needed to upgrade a Black and White bungalow, will be granted a longer tenure, to enable them to amortise the expenses over a longer period.

33. SLA would generally allow tenants to renew their tenancies upon expiry, unless: (i) the Government has other plans for the site, or (ii) the tenant has a poor track record (e.g. the tenant is in rental arrears or breaches tenancy rules). The rent at the time of renewal is subject to review by professional valuers, based on the prevailing market rate. The aggregate tenure may exceed 9 years if repeated renewals are granted.

### **Renting Out of Properties at No. 26 and No. 31 Ridout Road**

34. The Ridout Road estate comprises 14 Black and White bungalows which were under the management of professional third-party MAs. Various MAs were appointed to manage the Ridout Road estate over the years. These included DTZ Facilities & Engineering (S) Limited and Colliers International Consultancy & Valuation (Singapore) Pte Ltd.<sup>6</sup>

35. CPIB carried out a detailed investigation into the sequence of events pertaining to the renting of No. 26 and No. 31 Ridout Road. The following is what CPIB has established as the facts of the case.

36. *At the material time in 2018/2019, the lease availability of No. 26 and No. 31 Ridout Road State properties were made known to the general public. Both had advertisement signs displayed prominently at the gates of these properties, and in addition No. 31 was listed on the State Property Information Online website.*

37. *The State properties can be leased out through “Open Bidding” or “Direct Tenancy”. State properties with low demand, like No. 26 and No. 31 Ridout Road in 2018/2019, were leased out via “Direct Tenancy”, i.e. the prospective tenant would be considered if the submitted bid was not below the Guide Rent and the prospective tenant met the stipulated financial and letting criteria.*

38. *In a rental transaction of the State property, the prospective tenant can liaise directly with the SLA or the SLA’s appointed Managing Agent (“MA”). The prospective tenant can also appoint a property agent to represent him.*

39. *At the material time, access to Guide Rent information was limited to the Leasing Department in SLA. The MinLaw officers, Chief Executive of SLA (“CE/SLA”) and other SLA officers can request for the information for official purpose. Members of public can ask SLA or MA for an indicative rent or asking rent for the properties they are interested. The final rent amount arrived at is a matter of mutual agreement with or without negotiation by the interested party and SLA.<sup>7</sup>*

### **No. 26 Ridout Road**

40. *The No. 26 Ridout Road State property of land size 9,350 sqm had been vacant since December 2013. In January 2017, Minister Shanmugam asked the then Deputy Secretary of Ministry of Law (“DS/MinLaw”) for a list of a few properties available to the public to rent. Minister Shanmugam visited some of these properties including No.*

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<sup>6</sup> DTZ Facilities & Engineering (S) Limited is now known as C&W Services (S) Pte Ltd.

<sup>7</sup> CPIB Report, paras 6-9.

26 Ridout Road, and all of them had a "For Lease" sign displayed prominently at the gates. A year later, in January 2018, Minister Shanmugam appointed a property agent to represent him for the rental transaction of the No. 26 Ridout Road State property. By then, the property had been vacant without attracting any bids for more than four years.

41. During a site visit, Minister Shanmugam noticed thick and overgrown vegetation on an empty slope of land adjacent to the property. Minister Shanmugam expressed his concern to SLA that the overgrown vegetation might pose public health and safety risks from snakes, mosquitoes, fallen trees, etc.

42. Through his property agent, Minister Shanmugam negotiated with SLA on clearing of the adjacent land before leasing the property. He was not confident that the adjacent land would be maintained in a way that would keep the place free of health and safety issues. He offered to maintain the adjacent land at his own cost. Minister Shanmugam stated in his interview with CPIB that he had not wanted to lease the additional adjacent land as there would be legal obligations attached to leasing it.

43. SLA's view was that the tenant's responsibility would not extend to maintain the area beyond the tenant's property boundary. If Minister Shanmugam was to maintain the adjacent land at his own cost, the adjacent land had to be included into the tenancy of the No. 26 Ridout Road State property. SLA then did the fencing of the adjacent land within the property boundary. As a result, the land size was increased from 9,350 sqm to 23,164 sqm.

44. The cost of site clearance, replanting of greenery and fencing was \$172,000 which was initially borne by SLA and subsequently to be recovered from the tenant's rent. The cost of maintaining this additional land, approximately \$25,000 per year, was incurred by Minister Shanmugam which would otherwise be borne by SLA.

45. Minister Shanmugam and his agent were not aware of the Guide Rent. His agent studied the rental of comparable neighbouring properties, and independently determined and valued the rent. Minister Shanmugam instructed his property agent that he should not be paying less than his neighbours. A neighbouring unit was tenanted at \$26,000. The final negotiated rent amount was \$26,500, which met the minimum rental to be achieved by SLA.

46. As the property had not been in use since 2013, substantial repairs were needed. The total cost of essential repair works borne by SLA to restore No. 26 Ridout Road State property was \$515,400. The landlord, i.e. SLA, has the responsibility to undertake essential repair works to ensure that the condition of the property is habitable. Minister Shanmugam paid \$61,400 to build the car porch. In addition, he stated in his interview with CPIB that he paid over \$400,000 for additional improvement works to the State property not covered by SLA's restoration works.

47. SLA policy is that upon expiry of the lease, the tenant is responsible for repairing any damage to the property, where appropriate. The property with any improvements



*approved by SLA will be surrendered to SLA as is, without any right of claims or recovery of costs by the tenant.*

48. *Mrs. Shanmugam signed the Tenancy Agreement of 3+3+3 years in June 2018. After the first 3-year term, the tenancy was renewed in June 2021 for a second 3-year term. The rental for the second term was maintained at \$26,500 per month, as determined by SLA, considering the then prevailing market conditions.*

49. *Minister Shanmugam had informed the then DS/MinLaw that he would recuse himself on any discussion related to the rental of the property. Minister Shanmugam also instructed him to approach the then Senior Minister of State in MinLaw, Ms Indranee Rajah (“SMS Indranee”) in the event any matter had to be referred to the Minister. Minister Shanmugam had also informed Senior Minister Teo Chee Hean (“SM Teo”) if the matter had to go beyond SMS Indranee, she would approach SM Teo. There was no matter raised by SLA to MinLaw during the entire rental process.*

50. *CPIB noted that due diligence checks were also done before the signing of the Tenancy Agreement for the No. 26 Ridout Road State property. The then CE/SLA made a declaration dated 29 March 2018 to the then Permanent Secretary of MinLaw (“PS/MinLaw”) and reported that the processing of the rental transaction was properly done with no conflict of interest. In response to the PS/MinLaw’s queries, the CE/SLA assured him that the proposed rental was according to market rate with assessment by SLA valuers independently of the SLA leasing officers. He also confirmed that the tenancy agreement was a standard form for all other residential tenancies.*

51. *However, CPIB discovered that there was a lack of precision in SLA’s use of the term “Guide Rent”. As a result of this lack of precision, the earlier SLA statement dated 12 May 2023 that the offer by the tenant (\$26,500) was above the Guide Rent was incorrect. In fact, the \$26,500 rental Minister Shanmugam paid was equal to the correct Guide Rent on the property.*

52. *The Guide Rent is intended to be the minimum rental to be achieved. With the additional cleared land at No. 26 Ridout Road, SLA valued the minimum rental of the property at \$26,500. SLA should therefore have assessed the Guide Rent to be equal to this minimum rental, i.e. \$26,500.*

53. *Instead, SLA assessed the Guide Rent to be \$24,500. SLA’s rationale was that on top of the \$24,500, it intended to charge the tenant another \$2,000 to recover the amortised cost of works to clear and incorporate the additional land. This would bring the total minimum rental to the correct value of \$26,500.*

54. *This lack of precision over the Guide Rent carried over into the second valuation for the renewal of the lease. It was discovered when CPIB investigated the matter and informed SLA.*

55. *Despite this issue with the Guide Rent, SLA did ensure that Minister Shanmugam paid not less than \$26,500, the minimum rental to be achieved.*

56. CPIB has confirmed that this lack of precision in the process of deriving the Guide Rent did not result from any ill intent on the part of any SLA officers involved. It found no evidence of any male fide abuse of position in the valuation.<sup>8</sup>

### **No. 31 Ridout Road**

57. The No. 31 Ridout Road State property of land size 9,157.36 sqm had been vacant since July 2013. It was listed on the State Property Information Online website. The property had been vacant for 5 years before two unsuccessful bids were made below the prevailing Guide Rent, i.e., \$12,000 in July 2018 and \$5,000 in August 2018.

58. Mrs. Balakrishnan came across a “For Lease” sign at the No. 31 Ridout Road State property. She contacted the SLA’s appointed MA on 11 September 2018 and they negotiated on the rental price. The MA named an asking rent of \$19,000. Mrs. Balakrishnan offered \$19,000 with the inclusion of essential repair works and upgrading of the toilet. The MA rejected the toilet upgrading as it was considered to be improvement works, and Mrs. Balakrishnan subsequently agreed to bear the costs of the toilet upgrading. The asking rent for the No. 31 Ridout Road State property was independently determined and valued by the MA. Neither Minister Balakrishnan nor Mrs. Balakrishnan were aware of the Guide Rent. The SLA Leasing Department subsequently accepted the lease proposal, because the final secured rent of \$19,000 was not below the prevailing Guide Rent, which was \$18,800.

59. There was no preferential treatment given in the process of the rental transaction. CPIB found that in response to the MA’s query on policy for VVIPs, the SLA Leasing Manager had emphasised in her email reply that there was no policy for VVIPs, and all prospects and tenants were to be treated equally.

60. The total cost of essential repair works borne by SLA to restore the No. 31 Ridout Road State property was \$570,500. Minister Balakrishnan stated in his interview with CPIB that he paid more than \$200,000 on additional improvement works to the State property.

61. The tenancy agreement for 3+2+2 years was signed by Mrs. Balakrishnan in October 2019. After the first 3-year term, Mrs. Balakrishnan requested and was granted a renewal of another 3+2-year term instead of 2+2-year term (that was earlier granted). The rental for the second term was increased from \$19,000 to \$20,000 per month, taking into consideration the then prevailing market conditions in 2022.<sup>9</sup>

### **Specific Concerns Surrounding the Renting of Black and White Bungalows at No. 26 and No. 31 Ridout Road**

62. This section of the Review report addresses the key concerns specific to the renting out of the two properties concerned.

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<sup>8</sup> CPIB Report, paras 10-26.

<sup>9</sup> CPIB Report, paras 27-31.

***Was there any corruption on the part of the Ministers, and/or the officials involved in renting out the properties?***

63. *CPIB has found no evidence of corruption or criminal wrongdoing in the two rental transactions of the Ridout Road State properties by Ministers Shanmugam and Balakrishnan.*

64. *In CPIB's view, the Direct Tenancy rules were applied fairly for both rental transactions. The investigation did not reveal any corrupt intent on the part of any person, or any inducement given to any individual involved in the processing of the rentals.*

65. *CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.*

66. *The CPIB has submitted its Investigation Papers ("IP") to the Attorney-General's Chambers ("AGC"). The AGC has reviewed the IP and agreed with CPIB's findings and recommendations. AGC has directed that no further action to be taken as the facts do not disclose any offence. The investigation into this matter is closed.<sup>10</sup>*

**Did the Ministers have any conflicts of interest?**

67. Every Political Office Holder is expected, at all times, to act according to the highest standards of probity, accountability, honesty and integrity in the exercise of his public duties. A Code of Conduct for Ministers has been in place since 1954 and was last updated in 2005. Ministers and other Political Office Holders are notified of this Code at the start of each term of office and whenever a new Political Office Holder is appointed. The Prime Minister also issues Rules of Prudence after every election to all Members of Parliament of the People's Action Party. These Rules are released to the media, with the latest version released in August 2020.

68. The Code clearly states that a Minister must not direct or request a civil servant to do anything or perform any function that may conflict with the Civil Service's core values of incorruptibility, impartiality, integrity, and honesty. The Code sets out guidelines on what constitutes private interest, requires Ministers to disclose these private interests, and prohibits them from influencing or supporting issues in which they have a private interest. Ministers are expected to be scrupulously above board and ensure that there is no real or perceived conflict between their official duties and private interests.

69. The Code of Conduct and the Rules of Prudence give examples to illustrate the application of the guidelines, such as rules governing the acceptance of gifts, relations with civil servants and declaration of private interests and directorships. These examples are not exhaustive, as it is not possible to lay out specific rules governing behaviour for every single situation. Therefore, the Code and Rules set out the

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<sup>10</sup> CPIB Report, paras 32-35.

principles to be applied, even though not every specific instance can be listed in the Code or Rules.

70. For the Public Service, the Code of Conduct is set out in the Instruction Manual. All public officers must take an annual Code of Conduct quiz and make the necessary declarations such as being free of financial embarrassment, investments in non-owner-occupied properties, and investments in private firms. They are also required to make ad hoc declarations of purchases of private residential properties, commercial properties, and land. Beyond these specific items for declaration, public officers are exhorted to exemplify the values of Service, Integrity, and Excellence, and required to declare any potential conflicts of interest.

71. The principles laid out in the Code of Conduct adequately cover any potential conflict of interest that could have arisen in this case.

72. In the case of No. 26 Ridout Road, as Minister Shanmugam is the Minister for Law and MinLaw oversees SLA, a conflict of interest could have arisen if Minister Shanmugam had remained in the chain of command exercising authority over the renting out of this property. And had Minister Shanmugam made decisions that affected his rental of No. 26 Ridout Road, that would have been an actual conflict of interest.

73. However, Minister Shanmugam had removed himself from the chain of command and decision-making process. *Minister Shanmugam had informed the then DS/MinLaw that he would recuse himself on any discussion related to the rental of the property. Minister Shanmugam also instructed him to approach the then Senior Minister of State in MinLaw, Ms Indranee Rajah (“SMS Indranee”) in the event any matter had to be referred to the Minister. Minister Shanmugam had also informed Senior Minister Teo Chee Hean (“SM Teo”) if the matter had to go beyond SMS Indranee, she would approach SM Teo. There was no matter raised by SLA to MinLaw during the entire rental process.*<sup>11</sup>

74. Minister Shanmugam had thus recognised the potential conflict of interest, duly declared it to Senior Minister Teo, and taken effective steps to eliminate this potential conflict and to prevent any actual conflict from arising.

75. *CPIB noted that due diligence checks were also done before the signing of the Tenancy Agreement for the No. 26 Ridout Road State property. The then CE/SLA made a declaration dated 29 March 2018 to the then Permanent Secretary of MinLaw (“PS/MinLaw”) and reported that the processing of the rental transaction was properly done with no conflict of interest. In response to the PS/MinLaw’s queries, the CE/SLA assured him that the proposed rental was according to market rate with assessment by SLA valuers independently of the SLA leasing officers. He also confirmed that the tenancy agreement was a standard form for all other residential tenancies.*<sup>12</sup>

76. In the case of No. 31 Ridout Road, no issue of conflict of interest arose because Minister Balakrishnan’s official responsibilities did not include SLA. CPIB also noted that *there was no preferential treatment given in the process of the rental transaction.*

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<sup>11</sup> CPIB Report, para 19.

<sup>12</sup> CPIB Report, para 20.

*CPIB found that in response to the MA's query on policy for VVIPs, the SLA Leasing Manager had emphasised in her email reply that there was no policy for VVIPs, and all prospects and tenants were to be treated equally.*<sup>13</sup>

77. Thus in the rental of these two properties, both the Ministers and the public officers involved duly declared any potential conflict of interest and followed the proper processes to prevent any conflict of interest from arising.

78. The principles in the Codes of Conduct and Rules are clearly stated and apply in all instances. These rules are reviewed from time to time, and if there is a need to add further elaborations or useful examples to illustrate the principles, this will be done. This case may become one such example. Nevertheless, the current efforts to ensure that Ministers and public officers continue to understand and abide by the Codes of Conduct should continue.

### ***Did the Ministers benefit from any privileged information?***

79. *CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.*<sup>14</sup>

80. There were also questions over the level of transparency in the marketing of these properties. For instance, whether the general public had access to information on the availability of these properties for rent, the bidding process, and why SLA and its MA did not adopt an open bidding process for these properties.

81. The Ridout Road estate was under the management of professional third-party MAs. These included DTZ Facilities & Engineering (S) Limited and Colliers International Consultancy & Valuation (Singapore) Pte Ltd. The professional MA would determine how to market the properties in the Ridout Road estate, based on prevailing market conditions.

82. *As per CPIB's findings, at the material time in 2018/2019, the lease availability of No. 26 and No. 31 Ridout Road State properties were made known to the general public. Both had advertisement signs displayed prominently at the gates of these properties, and in addition No. 31 was listed on the State Property Information Online website.*

83. *The State properties can be leased out through "Open Bidding" or "Direct Tenancy". State properties with low demand, like No. 26 and No. 31 Ridout Road in 2018/2019, were leased out via "Direct Tenancy", i.e. the prospective tenant would be considered if the submitted bid was not below the Guide Rent and the prospective tenant met the stipulated financial and letting criteria.*

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<sup>13</sup> CPIB Report, para 29.

<sup>14</sup> CPIB Report, para 34.

84. *In a rental transaction of the State property, the prospective tenant can liaise directly with the SLA or the SLA's appointed Managing Agent ("MA"). The prospective tenant can also appoint a property agent to represent him.*<sup>15</sup>

***Did the Ministers benefit unfairly from favourable rental rates?***

85. The Review established that the rental rates paid by both Ministers were at fair market value and not below market valuation. There was no evidence that the Ministers were given favourable rental rates due to their positions. The rental paid by the tenants for the properties were not below the respective Guide Rents. For No. 31 Ridout Road Minister Balakrishnan paid more than the Guide Rent. For No. 26 Ridout Road, despite the Guide Rent being imprecisely stated by SLA, Minister Shanmugam paid a rental that was equal to what the Guide Rent should have been and met the minimum rental to be achieved.

86. The Review further compared the rentals paid for No. 26 Ridout Road and No. 31 Ridout Road with other properties in the area at the material time of 2018/2019 and confirmed that the rentals paid were in line with these other properties. **Annex D** shows that the average rental rate of the Black and White bungalows in the Ridout Road estate over the years is generally comparable to that of other similar estates. **Annexes E1** and **E2** show the rental rates for transactions around the material time in 2018/2019, for Black and White bungalows within the Ridout Road Estate and for private bungalows in the vicinity of Ridout Road. **Annex E1** shows that in 2018, the rental per unit floor area for the Black and White bungalow at No. 26 Ridout Road was \$30.94 per sqm per month. This was comparable to that for the other Ridout Road estate properties, which ranged from \$26.00 per sqm per month to \$33.33 per sqm per month. The rental per unit floor area for No. 31 Ridout Road at \$23.05 per sqm per month was slightly lower than the range of \$25.00 to \$33.33 per sqm per month for other Ridout Road estate properties in 2019. However, this was due to the condition of the property. This rental rate of \$23.05 per sqm per month was comparable to other properties of "Average" condition at that time.

87. At the renewal of the tenancies of both properties after the initial 3 years, a revaluation was done to peg the rentals to the prevailing market rate, i.e. to mark them to market. This valuation was also based on market comparables. The property at No. 26 Ridout was renewed in Jun 2021 for 3 years with the rent maintained at \$26,500 per month. The property at No. 31 Ridout was renewed in Oct 2022 for 3 years with the rent increased to \$20,000 per month, from \$19,000 per month.<sup>16</sup>

***Did the two Ministers get unusually long tenancies at No. 26 Ridout Road and No. 31 Ridout Road?***

88. The review established that the tenancy terms and renewal of both properties were in accordance with the general policies guiding tenancy, and renewal of tenancies for residential properties managed by SLA.

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<sup>15</sup> CPIB Report, paras 6-8.

<sup>16</sup> There was an initial reduction of the rent to \$19,000 from 29 Oct 2022 to 31 Dec 2022 due to noise.

89. Tenancies are granted on 2-year or 3-year terms, and up to a maximum of 3+3+3 years at any one time in the first instance when entering into a tenancy agreement. SLA would generally allow tenants to renew their tenancies upon expiry, unless (a) the Government has other plans for the site, or (b) the tenant has a poor track record (e.g. the tenant was in rental arrears or breached tenancy rules). In deciding whether to grant a longer tenancy, SLA will take into account various factors, including the likely capital expenditure that the tenant will incur to live in the property. Under the terms of the tenancy agreement, all approved improvements undertaken by the tenant that remain usable, will subsequently become the property of the landlord and revert to State ownership upon return of the property. As such, tenants that incur substantial capital expenditure for improvement works will be granted longer tenure, to allow for the amortisation of the expenses over a longer period.

90. Both the tenancy periods of No. 26 and No. 31 Ridout Road were within the maximum allowable tenancy of 3+3+3 years for residential properties rented out by SLA or SLA's MAs at any one time.

91. In the case of No. 26 Ridout Road, SLA granted a tenancy of 3+3+3 years because Mrs. Shanmugam had committed to undertake improvement works at a cost in excess of \$400,000. In the case of No. 31 Ridout Road, SLA had granted a tenancy of 3+2+2 upfront as Mrs. Balakrishnan had committed to undertake improvement works totalling over \$200,000. At the first renewal, Mrs. Balakrishnan requested for, and SLA agreed, to an extension of 3+2 years. This was also within the cap of 3+3+3 years tenancy that SLA can grant, at any one time.

***Were the works SLA undertook for No. 26 and No. 31 Ridout Road beyond the usual practice for other State properties?***

92. The Review examined whether SLA had undertaken works for the properties at No. 26 and No. 31 Ridout Road beyond what SLA would normally do as the landlord, for the benefit of the two Ministers.

93. Having examined the policies and practices in SLA's management of residential properties, the Review concludes that the works done for the properties at No. 26 and No. 31 Ridout Road were in keeping with SLA's general practices. As the landlord, it is the role of the SLA to ensure that the properties rented out are in a reasonably good condition so that tenants are able to reside in these properties safely. For properties that SLA directly manages, SLA will spruce up the property generally to get it ready for handover. The MAs will do the same for the MA-managed properties. Site clearance prior to the tenant moving in is required in some instances.

94. In the case of the property at No. 26 Ridout Road, SLA acceded to the request to clear the adjacent land plot because of the significant disamenities arising from the vegetation, which could affect the safety of tenants at No. 26 Ridout Road. Mr Shanmugam also offered to maintain the land at his own cost. SLA would otherwise have had to incur the maintenance costs to keep the plot free of disamenities. The other works done by SLA were not unusual, compared to the works done for other State properties prior to the tenant moving in. An example is a Black and White

Bungalow in Dalvey Estate where partial site clearance was carried out even after the tenancy started, due to feedback from the surrounding neighbours and the tenant on mosquito breeding.<sup>17</sup>

95. While SLA agreed to clear the land and spruce up the property for renting, the tenant in No. 26 Ridout Road also committed to significant improvement works to enhance the State property. Under the tenancy agreement, all improvements undertaken by the tenant will become the property of the landlord (assuming they remain usable) and revert to State ownership when the property is returned to SLA. The Review established that these additional improvement works beyond what SLA normally carries out in preparation for rental, were borne by Minister Shanmugam. Minister Shanmugam also paid for the maintenance cost of the additional plot of land after it was handed over, which would otherwise be borne by SLA.

96. For the property at No. 31 Ridout Road, the preparatory works that SLA agreed to undertake were not excessive. They comprised works relating to roof repair, plumbing and electrical checks, amongst other essential repairs, to ensure the property would be in a functional state for the tenant to move in. Mrs. Balakrishnan also committed to undertake significant works to improve the State property.

97. In the course of the Review, it was noted that even though SLA had appointed an MA to market the site, SLA had directly engaged with Mrs. Shanmugam in negotiating on matters relating to the property at No. 26 Ridout Road. SLA explained that it is not uncommon for SLA to take over the management of a property which is within the purview of an MA, where a prospective or existing tenant raises certain requests which the MA is not well-equipped to deal with or may not have the authority to accede to, such as extensive works needed to bring the property to a tenantable condition. There were previous instances where SLA was involved in dealing with special requests or matters requiring an evaluation by SLA, for the renting of properties managed by its MAs.<sup>18</sup> In the case of No. 26 Ridout Road, the issue of land clearance to address the disamenities arising from the adjacent land justified SLA's direct involvement to negotiate with the prospective tenant.

### ***Did the improvement works obtain the requisite approvals from authorities?***

98. URA grants conservation permission for works carried out to gazetted conserved buildings. Conservation permission is required for works to a conserved bungalow or new building structures. Permission is not required for minor works that are external to and do not affect conserved bungalows.

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<sup>17</sup> The Dalvey Estate property had a significant amount of forested land within the tenancy boundary. In Jun 2018, one of the neighbours living in a nearby landed property at Margoliouth Road raised the issue of mosquitoes originating from the forested land at this Dalvey Estate property. Based on SLA's checks with NEA, the forested land was indeed the cause of the mosquitoes. The feedback on mosquitoes from the tenant and other owners of private property in the area persisted despite fogging of the forested land. In Apr 2019, as a longer-term solution, SLA carried out partial site clearance of the forested area. The edge of the forested land was moved back about 2m from the original location to introduce a buffer between the nearby properties. The trees in the area were pruned, and general clearance of excess vegetation and bamboo plants (more prone to mosquito breeding) was done.

<sup>18</sup> For example, while an apartment block at Monk's Hill Road was undergoing lift replacement works, tenants had to use the stairs to get to their apartments. As there was an appeal for a higher rental reduction during the period, the SLA Valuation team was involved to assess the MA-appointed valuer's proposal for the reduction. In another example, a tenant at a Jalan Binjai property appealed against the rent increase after SLA carried out restoration works for the property. SLA stepped in to liaise with the family of the tenant.



99. Both No. 26 and No. 31 Ridout Road were gazetted in 1991 for conservation and are subject to conservation guidelines. URA had earlier advised SLA that no approval was required for the installation of a swimming pool at No. 26 Ridout Road. This is because planning application to URA is not required for “minor works” that are external to and do not affect the conserved bungalow.

100. No. 26 and No. 31 Ridout Road are part of the Tree Conservation Area, which means that NParks’ approval is required for felling trees with girth greater than 1m. SLA had obtained the relevant approvals from NParks for the felling of trees and has kept a record of NPark’s approvals.

### **Summary of Findings**

101. In summary, the Review concludes that:

a. *CPIB has found no evidence of corruption or criminal wrongdoing in the two rental transactions of the Ridout Road State properties by Ministers Shanmugam and Balakrishnan. In CPIB’s view, the Direct Tenancy rules were applied fairly for both rental transactions. The investigation did not reveal any corrupt intent on the part of any person, or any inducement given to any individual involved in the processing of the rentals. CPIB found no preferential treatment given to the Ministers and their spouses, and no disclosure of privileged information in the process of the rental transactions. There was no evidence to suggest any abuse of position by the Ministers for personal gain.*<sup>19</sup>

b. *The AGC has reviewed the Investigation Papers (IP) and agreed with CPIB’s findings and recommendations. AGC has directed that no further action to be taken as the facts do not disclose any offence. The investigation into this matter is closed.*<sup>20</sup>

c. Both the Ministers and the public officers, as well as private sector intermediaries involved, conducted themselves properly in the two rental transactions. They were aware of their duty to declare and avoid any conflict of interest and took appropriate steps to prevent any potential or actual conflict of interest from arising.

d. The rental of the properties at No. 26 and No. 31 Ridout Road by the Singapore Land Authority (SLA) to Minister Shanmugam and Minister Balakrishnan did not deviate from the prevailing SLA guidelines and approaches in renting out Black and White bungalows for residential purposes.

i. The Guide Rents for both properties were valued by professional valuers based on well-established valuation principles. The rental paid by the tenants for the properties were not below the respective Guide Rents. For No. 31 Ridout Road, Minister Balakrishnan paid more than the Guide Rent. For No. 26 Ridout Road, despite the Guide Rent being imprecisely stated by SLA, SLA ensured that the rental that Minister

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<sup>19</sup> CPIB Report, paras 32-34.

<sup>20</sup> CPIB Report, para 35.

Shanmugam paid was not less than what the Guide Rent should have been and met the minimum rental to be achieved.

ii. The extent of works done before handover was comparable to that done for other similar properties. For No. 26 Ridout Road, additional land clearance works were done to the adjacent land to address the disamenities (i.e. snakes and mosquitoes), and the cost incurred was recovered by amortising it through the rental collected over the period of the tenancy. The tenant would also incur costs every month to maintain the land, which SLA would otherwise have to bear. Both Ministers also incurred substantial costs to improve the State properties at No.26 and No. 31 Ridout Road, which will become part of the properties when they revert to the State at the end of the tenancies.

iii. The tenancy periods granted were in line with the tenancy policy for Black and White bungalows, which was to allow a longer period of tenancy where the tenant had invested substantively in improvement works to enhance the properties. The tenancy periods granted to both properties kept within the maximum 3+3+3 tenancy period at any one time.

102. This episode highlights the paramount importance of Political Office Holders and Public Service officers understanding and upholding the key principles of acting with integrity at all times, to abide by the spirit and not just the letter of the rules. Maintaining high standards of integrity and accountability both in the government and nationally demands constant effort. It requires education, prevention, transparency, and when needed thorough investigation and rigorous enforcement. It also depends on a citizenry which upholds incorruptibility as a core value, and social norms which do not tolerate lower standards.

103. Ultimately, the integrity and quality of Singapore's system of government depends on our collective efforts, generation after generation, to instil strong values in our people, especially the men and women in politics and public service, to continue serving with Integrity and Excellence, even when no one is looking.

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**Photographs of Black and White Bungalows Shortly Before Handover to Tenant**





**Photographs of Vacant Black and White Bungalows**



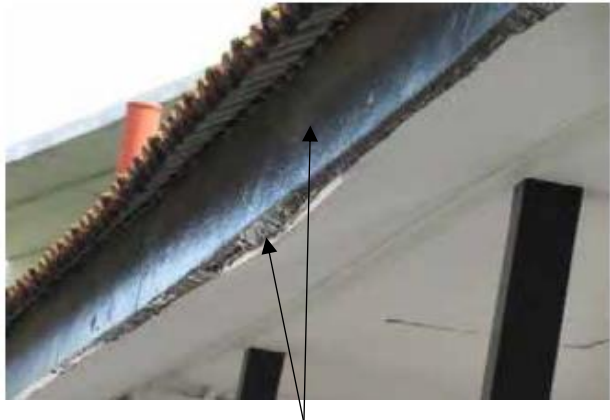
Structural issues



Poor roof condition



Wet rot on wooden window



Damaged ceiling board and peeling paint on fascia board



Deteriorating condition

### Occupancy Rates in Recent Years

Month	Residential Black and White Bungalows			
	All <sup>21</sup>	Ridout Road	Tanglin	Bukit Timah
Jan 2017	73%	86%	65%	73%
Jul 2017	75%	79%	65%	78%
Jan 2018	77%	71%	70%	83%
Jul 2018	81%	79%	73%	77%
Jan 2019	83%	93%	81%	84%
Jul 2019	81%	64% <sup>22</sup>	84%	81%
Jan 2020	85%	100%	76%	86%
Jul 2020	86%	100%	84%	86%
Jan 2021	84%	93%	81%	77%
Jul 2021	89%	93%	86%	80%
Jan 2022	90%	100%	89%	87%
Jul 2022	88%	100%	92%	85%
Jan 2023	89%	100%	90%	87%

<sup>21</sup> Figure collated based on the summation of individual estates' numbers. These add up to ~420 Black and White bungalows that are put to residential use over the period shown.

<sup>22</sup> The drop in Jul 2019 was because 4 tenants pre-terminated their tenancy agreement between Jan 2019 and Jul 2019.

**Rental Rates of Black and White Bungalows Across Singapore**

**Note: for each estate, the figures are derived from the rental rates of all tenancies in effect for that year for the estate.**

Estate	2017			2018			2019			2020			2021			2022		
	Min (\$)	Max (\$)	Average (\$)	Min (\$)	Max (\$)	Average (\$)	Min (\$)	Max (\$)	Average (\$)	Min (\$)	Max (\$)	Average (\$)	Min (\$)	Max (\$)	Average (\$)	Min (\$)	Max (\$)	Average (\$)
Alexandra Park	6,000	20,000	11,655	6,000	20,000	11,627	6,000	21,000	11,860	6,000	21,000	11,950	6,000	22,888	12,062	6,300	22,888	12,377
Bukit Timah	5,500	30,000	10,781	5,500	30,000	10,521	5,500	30,000	10,443	5,500	30,000	10,538	5,500	30,000	10,590	5,500	31,010	11,092
Coronation	7,000	9,000	7,948	7,000	9,000	8,048	7,400	9,000	8,075	7,500	9,008	8,119	7,500	9,500	8,297	7,750	9,500	8,359
Eng Neo	7,800	10,350	8,631	7,800	9,255	8,649	8,500	9,628	8,819	8,500	9,628	8,838	8,500	9,628	8,901	8,600	14,608	9,337
Goodwood Hill	9,000	21,700	15,991	9,000	21,700	15,938	10,000	21,800	15,652	10,000	21,800	15,640	10,000	21,800	15,721	10,000	21,800	15,745
Lornie	5,000	7,650	5,286	5,000	6,500	5,180	5,000	6,500	5,235	5,000	6,500	5,329	5,100	6,500	5,386	5,100	6,500	5,446
Malcolm	7,200	23,000	13,031	7,200	20,000	12,663	7,200	22,000	12,819	7,200	22,000	13,016	7,200	22,500	13,301	7,750	30,000	14,066
Medway Park	8,000	11,625	9,044	8,000	10,500	8,822	8,000	10,500	8,862	8,000	11,333	8,900	8,000	11,437	9,002	8,000	16,901	9,514
Mount Faber	6,200	18,500	9,218	6,200	18,500	9,270	6,400	18,500	9,787	6,500	18,500	10,259	6,500	18,550	10,176	4,000	19,000	10,310
Nassim <sup>23</sup>	-	-	-	14,000	23,000	16,856	14,000	40,800	18,326	14,300	40,800	19,373	14,400	40,800	19,769	15,200	41,500	20,842
Newton	3,100	19,000	11,312	3,100	19,000	11,354	3,100	19,000	11,333	3,100	19,000	11,372	3,100	19,000	11,645	3,125	28,999	12,373
Ridout	7,500	22,000	10,338	7,500	26,500	11,845	7,500	26,500	12,209	7,500	26,500	12,701	7,500	26,500	12,850	7,500	26,500	12,972
Seletar	4,200	6,100	5,642	4,500	6,100	5,566	4,500	6,200	5,414	4,500	6,450	5,521	4,600	7,099	5,650	4,650	7,099	5,760
Sembawang	2,200	9,700	6,492	2,200	9,500	6,214	2,200	9,500	5,977	2,200	9,100	5,935	2,200	9,200	6,480	2,250	9,200	6,830
Stevens	8,800	16,500	12,764	9,250	16,500	12,390	9,250	16,500	12,572	9,250	16,500	13,042	9,250	16,700	13,530	9,350	16,700	13,762
Tanglin	9,529	20,000	14,651	10,000	26,800	14,717	10,000	26,800	15,339	10,000	26,800	15,700	10,000	26,800	15,978	10,100	26,800	16,531
Woodleigh	4,400	10,500	6,298	4,400	10,500	6,337	4,400	10,500	6,173	4,400	10,500	6,178	4,400	10,500	6,311	4,500	10,500	6,261

<sup>23</sup> Data not available for 2017.



**Black and White Bungalow Rental Transactions in Ridout Road Estate****2018 – Black and White bungalows<sup>24</sup>**

Property Address	Floor area (sqm; nearest 100)	Tenancy start date	Rent (per month; nearest 1,000)	Rent per unit floor area (per sqm per month)
Property A	400	Jan 2018	\$11,000	\$27.50
Property B	300	Jan 2018	\$10,000	\$33.33
Property C	300	Jun 2018	\$9,000	\$30.00
Property D	300	Jun 2018	\$9,000	\$30.00
26 Ridout Road	856.50	Jun 2018	\$26,500	\$30.94
Property E	800	Jun 2018	\$26,000	\$32.50
Property F	500	Jun 2018	\$13,000	\$26.00
Property G	400	Aug 2018	\$11,000	\$27.50
Property H	300	Sep 2018	\$9,000	\$30.00
Property I	300	Nov 2018	\$9,000	\$30.00
<b>Average</b>				<b>\$29.78</b>

<sup>24</sup> Except for No.26 Ridout Road, property data has been anonymised.

**2019 – Black and White bungalows<sup>25</sup>**

<b>Property Address</b>	<b>Floor area (sqm; nearest 100)</b>	<b>Tenancy start date</b>	<b>Rent (per month; nearest 1,000)</b>	<b>Rent per unit floor area (per sqm per month)</b>
Property J	300	Apr 2019	\$8,000	\$26.67
Property B	300	Aug 2019	\$10,000	\$33.33
Property K	300	Aug 2019	\$10,000	\$33.33
Property E	800	Sep 2019	\$26,000	\$32.50
Property L	300	Sep 2019	\$10,000	\$33.33
Property M	400	Oct 2019	\$10,000	\$25.00
<b>31 Ridout Road</b>	<b>824.30</b>	<b>Oct 2019</b>	<b>\$19,000</b>	<b>\$23.05</b>
<b>Average</b>				<b>\$29.60</b>

<sup>25</sup> Except for No.31 Ridout Road, property data has been anonymised.

**Private Bungalow Rental Transactions in the Vicinity of Ridout Road**  
**(covers Swettenham Road, Swettenham Green, Ridout Road, and Peel Road)**

**2018 – Private bungalows in the vicinity of Ridout Road Estate<sup>26</sup>**

Property Address	Floor area (sqm; nearest 100)	Tenancy start date	Rent (per month; nearest 1,000)	Rent per unit floor area (per sqm per month)
Property 1	500	Jan 2018	\$20,000	\$40.00
Property 2	600	Feb 2018	\$24,000	\$40.00
Property 3	600	Feb 2018	\$24,000	\$40.00
Property 4	200	Mar 2018	\$13,000	\$65.00
Property 5	600	Mar 2018	\$20,000	\$33.33
Property 6	800	Apr 2018	\$30,000	\$37.50
Property 7	700	May 2018	\$30,000	\$42.86
Property 8	1100	May 2018	\$26,000	\$23.64
Property 9	800	Jul 2018	\$24,000	\$30.00
Property 10	800	Jul 2018	\$24,000	\$30.00
Property 11	600	Jul 2018	\$22,000	\$36.67
Property 12	600	Jul 2018	\$25,000	\$41.67
Property 13	800	Jul 2018	\$33,000	\$41.25
Property 14	600	Jul 2018	\$28,000	\$46.67
Property 15	700	Aug 2018	\$32,000	\$45.71
Property 16	1700	Sep 2018	\$46,000	\$27.06
<b>Average</b>				<b>\$38.83</b>

<sup>26</sup> Property data has been anonymised.

**2019 – Private bungalows in the vicinity of Ridout Road Estate<sup>27</sup>**

<b>Property Address</b>	<b>Floor area (sqm; nearest 100)</b>	<b>Tenancy start date</b>	<b>Rent (per month; nearest 1,000)</b>	<b>Rent per unit floor area (per sqm per month)</b>
Property 17	700	Jan 2019	\$25,000	\$35.71
Property 18	900	Mar 2019	\$19,000	\$21.11
Property 19	800	Mar 2019	\$24,000	\$30.00
Property 20	1100	May 2019	\$26,000	\$23.64
Property 20	1100	Jul 2019	\$27,000	\$24.55
			<b>Average</b>	<b>\$27.00</b>

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<sup>27</sup> Property data has been anonymised.