Management of Urban Development Processes in the Netherlands
Governance, Design, Feasibility

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Preface

Urban interventions are vital to the city. These may involve renewal of inner city areas, transformation of port and industrial areas, industrial renewal, development of new residential areas, the rehabilitation of the historic centre of a town or the development of leisure areas in a city, just to list a few. These various interventions are also given different names, such as urban re-development, urban renewal, urban revitalisation and urban regeneration. In this book we summarise these different interventions under the term 'urban area development'.

Whether it's a minor surgery or major intervention with either modest ambitions or big ones, these interventions have something in common and it is that they should be managed from conception to realisation. As the title of this book suggests *Management of Urban Development Processes in the Netherlands* is about the entire process of managing urban development and covers the full life-cycle of urban areas. Secondarily, the book elaborates on the Dutch approach. The focus is not on comparing Dutch urban area development with the practice in other countries. Nor is it our aim to position Dutch urban area development in an international framework. What the book does aim to do is provide an understanding of current practice and an overview of acquired knowledge and instruments developed in the Netherlands. This is illustrated by (mainly) Dutch examples.

A definition of 'urban area development'

The main theme of this book is what is known in Dutch as '*gebiedsontwikkeling*', which we translate into English as 'urban area development'.

'*Gebiedsontwikkeling'* is part of a broad range of activities involving government intervention at various levels, from local (municipal), regional or provincial to national or even international level, and in interaction with the activities of private organisations such as property developers (which these days are also often international players). The government intervention varies from the development of visions and planning to the regulation of the activities of private parties and, increasingly since the 1980s, also active cooperation with private parties.

'*Gebied*' can be translated into English in a wide variety of ways, including territory, domain, area, region, district or zone. Accordingly, the development of a '*gebied*' can be understood to occur at different scales. 'Urban planning', of course, refers to planning the development of larger or smaller areas of towns or cities. Urban planning, as we refer to it in this book, falls primarily under the discipline of urban planners (also called urban designers), while 'urban area development,' in our

view, has a different premise. It is not linked to a specific discipline, but involves a multitude of public *and* private activities and disciplines needed for the planning and development of an area. 'Spatial planning' is a more general term corresponding to what is still called 'town and country planning' in some countries.

In this book, as indicated above, we are concerned with the development of a specific area within a town or city or the expansion of a town or city, which generally has an identity of its own, though some of the cases considered are of a larger (regional) size. This is the scale at which contracts between local authorities and property developers are made. For this type of development, we use the term 'urban area development' and sometimes 'integrated area development'. The latter term refers to the aspect of 'governance' in integrating the different disciplines to achieve success in urban area development.

To avoid confusion of terminology, we note that in the United Kingdom the notion of 'integrated area development' has an entirely different meaning to its Dutch counterpart. In the United Kingdom the integrated approach was a normative response to the depressing social and environmental results produced by a market-led urban planning regime in the 1980s. This approach is meant particularly for urban areas ignored by private developers and investors, such as deprived housing districts and neighbourhoods. Integrated area development (in the UK sense) thus promotes social communication and interaction, and does so in order to empower groups that have previously been ignored and excluded from the planning process. Our use of the term is less socially loaded as we mean to discuss integrating disciplines and interests in the spatial planning process.

The perspective of governance as guiding principle

The potential misunderstandings regarding the terminology make clear that there is a more fundamental issue behind the subject matter. This issue is that 'urban area development' is not a well-delineated area of expertise, neither nationally nor internationally. There is no shared knowledge or objective standard about urban area development. Furthermore, this relatively new discipline is as complex as society itself. It is an endeavour that relies on different disciplines and on their capacity to interact with each other. As far as knowledge development is concerned, the discipline of urban area development is a laboratory, equal to understanding and governing the complex realities of society in all its dimensions.

The fact that so many disciplines and fields of knowledge are involved in urban area development – each having their own, relatively independent scientific debates – makes it impossible to have one theoretical point of departure. A single theoretical framework which might position all the variant topics neatly within the chapters of this book is utterly inconceivable. However, given the management task regarding urban area development, we have explicitly chosen the perspective of *governance* as a guiding principle.

It should be noted that while governance will always involve a governing authority at some level, it does not strictly mean that the government is the party that manages or administers the governance. Governments, citizens and development

parties are witnessing an increasing array of problems and questions regarding urban area development – issues that are deemed to be the responsibility of the government. Yet these issues need to be addressed in terms of governance since there can be no single party who can operate all the instruments, drive a unilateral vision or offer an all-encompassing solution. The expertise, means and instruments of all the parties concerned (with their diverse interests, values, visions and specialist knowledge) should be employed in combination (for a certain duration) in order to reach a common goal. We argue in this book that the majority of the problems encountered in the complex task of urban area development are governance issues. We see governance as a framework for steering networks. The premise of governance is that all actors involved take initiative and are themselves responsible for the implementation. This takes place in a setting of equality: relations are horizontal and there is not a hierarchy with a (local) authority directing activities and content. It is the interactions between networks that determine policies and implementation throughout the run of the process. In governance, the traditional hierarchical role of government is replaced by a role of equal partner in a network. A government can no longer prescribe and control the tasks required of other parties. The framework of governance provides for flexibility and leaves room for inventiveness and knowledge contributions. Governance is the capacity to bring together and bind all actors and the capacity to create meaningful connections between their divergent perspectives. As such, the core business of the various disciplines involved in urban area developments (and as represented throughout the chapters in this book) is that of contributing to the governance of the whole.

The operational side of governance is the various management approaches. *Management of Urban Development Processes in the Netherlands* uses the perspective of governance as a guideline in how to deal with the disciplines relevant to sustainable urban area development. While each discipline stands on its own and has its own internal debates, in the actual practice of urban development they will interact with each other – which necessitates managing cooperation between the various disciplines. Take for example the urban designer and the economist who, each from their own perspective and jargon, have to resolve issues regarding urban quality (density, spatial quality, accessibility, etc.) and financial feasibility (costs, revenues, parameters, etc.).

Governance in all its different forms (planning, management, coordination and organisation) is central to this book. The instruments of, the preconditions for and the potential of governance in this context are the primary themes. Questions that are dealt with come from different disciplines (urban sociology, urban economics, management, urban planning, law, market studies, etc.). For example: where can governance most effectively be applied within a context of increasing globalisation and current social tendencies? How is governance practiced at the local level? Which legislation is of importance for planning? How is the process organised? How can spatial quality be managed? What are the steering possibilities given the market context? How can finance be managed? Which models can be used to govern the process? Which factors can be influenced and which cannot?

The Intended Audience

Management of Urban Development Processes in the Netherlands gives an overview of the disciplines involved in Dutch urban area development. We note that each of the disciplines discussed needs elaboration within their own field. The character of the book is thus one of an introduction. Selective reference is therefore made to existing literature and each of the themes is treated in an introductory manner. This makes the texts suitable for educational purposes. It is indeed primarily course material.

In accordance with this, specific themes are not dealt with, however relevant to urban area development in themselves. The choice of themes is in keeping with the tradition of the department of Real Estate & Housing at Delft University of Technology in the Netherlands where 'management' is the common perspective.

This book is primarily intended for Dutch students. Secondary audiences might include Dutch practitioners who want to have a topical overview of the state of affairs and the instruments currently used or researchers and students from other countries. Indeed, foreign researchers and students are often interested in Dutch urban area development since Dutch practice has gained an international reputation for booking quality results. This book will give them a broad introduction to Dutch urban area development in the English language.

Management of Urban Development Processes in the Netherlands will provide the reader with basic theoretical information and insight into the instruments and skills needed to successfully navigate the complicated process of development.

The book seeks to provide the reader with a management view on urban area development. However, it should not be seen as the one and only recipe for managing every urban area development since every project is different and unique. Hence for every political and market situation the solution has to be tailor-made.

Organisation and structure

Governance of urban area development is, in the first place, connected with the current social context. In the present situation, this can be characterised as a 'Network Society'. In the network society, cities have to position themselves and have to assess which projects are desirable and feasible. Logically, these topics are covered in the first three chapters.

Chapter 1 introduces the general setting of, ingredients for and actors involved in urban area development. Each actor has particular interests in urban area development and operates (or steers) based on those interests. The task of managing these various interests is discussed in this chapter, and is further examined in a municipal context in Chapter 3 and in a broader urban context in Chapters 6 and 7.

Chapter 2 deals with the characteristics of a network society and the associated tension that every urban area development project must resolve. The work of several authors (Castells, Harvey, Sassen) provide the framework for our discussion. They stand in a certain tradition and have developed concepts for analysing globalisation and network societies. Their work has contributed knowledge

and insight into the impact of global economic changes at the local level: namely, that these changes have limited the potential to govern processes at a local level. The chapter concludes with an exploration of the issue of governance relating to urban area development.

Chapter 3 deals with the question of how to achieve sufficient 'Organising Capacity' in order to implement an integrated urban development vision. This chapter mainly explains the governance model of Organising Capacity, as developed by the urban management school of Erasmus University Rotterdam, the Netherlands. This governance model, developed for an urban scale, may serve to generate support among actors for a shared development vision of a city. The development vision serves as a means to get urban development projects off the ground. The chapter illustrates the use of this governance model on the basis of a comparative analysis of two strategic projects. Both projects are considered to be of national importance and are central to the urban policies of both Amsterdam and Rotterdam.

The limitations of this urban governance model will also be examined: the concept relies too heavily on the assumption that total consensus among all interested parties is necessary. It presupposes that the contradictory expectations by participating parties can always be resolved. However Chapter 6 will explain, through analysis of the literature on process management (such as De Bruijn and Teisman), that diverging, contradictory and conflicting interests are inextricably part of the interactive process.

Chapter 4 explicitly shifts the focus towards a larger scale. Based on insights from the previous chapters, this chapter starts by outlining that good infrastructure is crucial to the potential of urban area development. The chapter then explicitly elaborates on the "core business" of urban area development. It focuses on all the complex characteristics and how the various aspects should be brought into alignment with each other. The development task therefore recognises and tunes the market opportunities (ambition, program, etc.) and merges this with the highest possible spatial quality of an area (built environment, public space, accessibility, etc.). This must be done in a way that make both market quality and spatial quality feasible from the viewpoint of finance and other circumstances (such as land ownership, regulations, etc.).

The chapter closes with an elaboration on the phases that can *ideally* be segmented in urban area development. These are the initiation, planning, realisation and maintenance phases. In terms of governance these four phases can be seen as separate management tasks to be undertaken during the process. Each of these management tasks has its own characteristics. The descriptions of the respective phases reveal which coordination tasks are involved regarding disciplinary knowledge and input, sectoral aspects, tension resolution, maintenance, etc. This phasing of urban area development is used in the entire book, by each contributing author, as a structure to the content.

The discussion in Chapter 5 on the legal framework is also broken down by phase. Many aspects of urban area development are regulated by legislation. This

may be European legislation as well as national (Dutch) legislation. The chapter shows how urban area development is regulated by environmental law, planning law and private construction law. Examples of legal topics include zoning due to noise hindrance, permits and public-private partnership contracts.

Chapter 6 deals with the principles of process management and the role they play in achieving quality results. Process management is a form of governance that specifically addresses how to connect the different levels of decision making involved in urban area development. Process management is necessary to unite actors/parties, to link all the divergent (disciplinary) content, and to steer decision making to a purposeful end. This type of management can be used to fine-tune or steer the three aspects of spatial quality, market and resources covered in Chapter 4. In the three chapters that follow, these aspects are individually elaborated.

Chapter 7 deals with the question how to manage and implement spatial quality. The structure of this chapter follows the scientific approach set out in a very thorough recent study, one we feel is an innovative contribution to, especially, the urban design literature where governance and management have not been given due consideration in a structured way. How spatial quality can be managed in a verifiable way, from the planning phase up to and including realisation, is discussed according to four idealised methods. Furthermore, the discussion reveals the static and dynamic definitions of spatial quality, and how both are relevant. This chapter is a practical guide for designers who are being asked to deliver spatial quality.

Chapter 8 deals with the question of feasibility from the perspective of the market. The importance of market research will be examined, first, in terms of its role in urban area developments and its relationship with the marketing of urban areas. Secondly, the role and the added value of market research in achieving the objectives of value creation and risk management will be examined for each phase of the urban area development process.

Chapter 9 concentrates on financial feasibility. The perspective of a business case forms the framework for assessing whether an area development project is feasible, and whether the risks are sufficiently covered. This focuses not only on the financial and commercial feasibility, but also on a sound development strategy (uniqueness, formation of a concept, phasing) and how the parties involved should work together.

Chapter 10 introduces some specific quantitative instruments for urban area development. Quantitative management instruments use the technology, the power to calculate and the visualisation possibilities of computers. Two instruments are introduced: the Urban Decision Room and the RICARDO-Model. The Urban Decision Room is a simulation model that provides a ‘common solution space’ based on the input of all the parties involved in an urban design problem. RICARDO provides an integrated picture of the financial consequences of different urban planning concepts in urban area development. Both instruments have been developed by members of the Department of Real Estate & Housing at Delft University of Technology. They are also used for educational purposes.

Chapter 11 is a logical conclusion examining the success factors in urban area development. While success is the ultimate objective, it is in fact a *variable*, measured differently by different parties. Success is a crucial variable from the viewpoint that we have chosen for this book, the perspective of governance. This chapter first discusses the question: when is an urban area development *project* a success? And when can we say the *development* itself is a success. This chapter subsequently asks: which factors have determined successful urban area development? To answer this question, it is necessary to delineate three types of factors (or 'levels of success factors') that may or may not be influenced by the actors involved: context variables, veto criteria and critical success factors. These three types of factors help us to understand the choices, directions and approaches outlined in all the foregoing chapters.

Acknowledgements

This book is the result of our research and experience in teaching at Delft University of Technology in the field of urban area development as well as our involvement as partner in the two year educational program Master City Developer since 2002. A number of experts from other universities and organisations have also contributed to this work. We would like to thank the authors who kindly agreed to contribute to this project. They were willing to share their knowledge, understanding and experiences in urban area development. We feel these contributions are of great value to the reader.

Management of Urban Development Processes in the Netherlands is the product of various authors representing different disciplines. It is completely logical therefore that not one, but various different scientific viewpoints are expressed in this book. We do not see this as a problem. The diversity of scientific views suits the field of urban area development which in itself can be characterised as the 'art of combining'.

The overall coordination was provided by the Urban Area Development Group of Delft University of Technology.

Delft, June 2011

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1 Introduction

Jan van 't Verlaat and Gerard Wigmans

1.1 Introduction

Cities are in constant transformation. Urban transformations arise from social developments that cannot be directly influenced by the cities themselves. However, there are certain forms of urban transformations that can indeed be influenced by active intervention. Certain changes are, for instance, opposed, amended or encouraged. Without this intervention, the transformations would never even have occurred. Cities must continuously adapt to new social demands and needs. This adaptation is not an automated process. If cities wish to continue functioning successfully in the future, an active attitude which anticipates needs is required. A purely reactive approach to managing the urban environment is inadequate. Stagnation often means (relative) decline. A pro-active, stimulating and development-oriented attitude can lead to positive results. Increasing urban dynamics, the impact of globalisation and the effects of European Union legislation and policies necessitate a new approach to urban policy. This new policy must be aimed at improving the living environment: social equilibrium, durable economic growth, environmental quality and so forth are important issues. Yet such policies can no longer be imposed unilaterally by the government. They result from an interactive process between various (market) parties and the urban community. The objective is to adopt an integrated and durable approach to issues of function, space and society.

Urban Development and Urban Area Development

The above description of urban management reveals that urban management necessarily operates on a range of scales and engages various aspects of the development process. When applied at city or regional scale, it sets the framework for urban development. This entails outlining the main features of the desired future development and how the development can be implemented. Urban management, and the vital part played by an integrated development vision, is discussed further in Chapter 3.

Urban development manifests itself through spatial changes in various areas, which act in mutual correlation to form the urban region and shape its functioning. *Urban area development* is aimed at developing these particular areas. This

development process involves a specific type of management. These area developments are usually very influential and can determine the nature of urban development in general. Sound area development management is, therefore, essential for the future of cities.

Urban area development also involves active intervention by local authorities and other organisations. The process is not only concerned with spatial development; it must take into account economic, social and various other developments. For instance, the economic development of an area can be a springboard to solutions for social issues in these areas. The increasing dynamics in urban life have consequences for the complexity of urban area developments.

Active intervention usually results in a change to the existing situation in an area; in this respect, we could also call the process area *r*edevelopment. However, for the sake of consistency, we classify this as urban area development.

Ingredients of Urban Area Development

The context of an area very much determines the intervention method necessary for urban area development. Without a clear understanding of context, urban area development leads to a less than optimum result or is even doomed to fail. A context of social change will have a direct effect on spatial developments, as well as have an impact on the urban management process. Economic and social developments are especially influential in urban area development and demand special attention (section 1.2). In addition, the policy context and the judicial context of an area will have their effect on urban area development. Finally, the processes involved in urban area development are also influenced by a multiplicity of actors, with all their individual interests and responsibilities. The manner in which these parties participate in the process is crucial to achieving the desired results (section 1.4).

The content of urban area development is about creating spatial compositions wherein various uses (residential, business, etc.) can co-exist in harmony. These compositions must be cohesive and integrated units. The context, as outlined above, has a very strong influence on the content of urban area development. Social issues have a particularly strong impact on development projects, not least in their claims on space. Yet close attention must also be paid to political, economic, ecological, and socio-cultural aspects. All these factors must be combined in such way that the result has sufficient spatial quality and market quality.

Without a coherent direction for allocating resources such as money and land, urban area development cannot lead to the desired result. It is not merely financial means, available land and land policy that are the instruments of redevelopment. Knowledge and skills are also needed, and these are used to formulate a direction. They allow insight into the spatial and social consequences brought about by interventions.

All of these elements are the ingredients that feed the process of urban area development. The process itself can be broken down into several phases: from initiation and planning towards realisation, followed by a maintenance phase, and again (sometimes decades later, sometimes markedly earlier) followed by

redevelopment, in which the process repeats itself. It is of the utmost importance during these phases that spatial quality, market quality and the allocation of means is optimised in relation to each other. Also paramount is the effective collaboration of diverse parties (both public and private), the presence of organisational talent (an *essential* condition for achieving objectives), and a communication strategy to generate support for the project.

All of these ingredients, given the right recipe, will make for successful urban area development. The recipe is a transparent management structure wherein the architecture of the process, the managerial approach and a cooperative spirit shared by all are essential to success. The management process can be summarised by the following diagram:

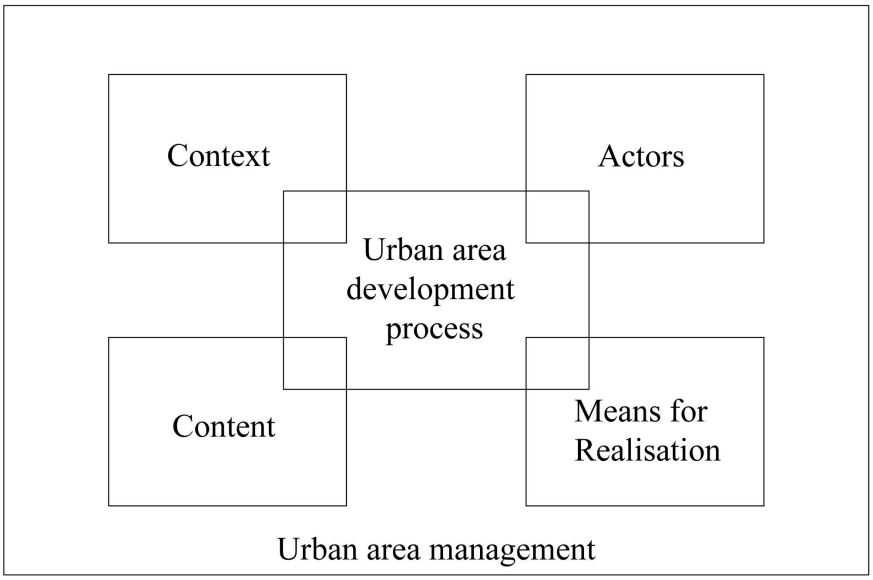

Figure 1.1 Schematic overview urban area development (Source: Van 't Verlaat, 2008)

In general, urban area development has become increasingly complex in recent times. This is not only because of the number of actors involved and the complexity of social developments, it is also because the implications of urban area development often reach far beyond its physical boundaries. The scope of those implications subsequently mean an increasing number of procedures (bureaucratic or otherwise). Furthermore, we must point to the important fact that urban area development is increasingly about the redevelopment of existing urban areas, which is far more complex than more traditional developments where agrarian areas were

transformed into urban areas. This means that higher demands are placed on managing the process of urban area development.

The content of urban area development is primarily determined by the context, as discussed in the next sections. The shape of the content is then influenced by the actors involved and the management methods, as discussed in subsequent sections. How the various actors deal with or respond to the process management also influences the outcome. They each have very diverse interests and roles and this adds significantly to the complexity of urban area development.

1.2 Social Context

Social Developments

Economic, social, geographical and other community-related developments have a far-reaching influence on cities. This manifests itself through a range of spatial dynamics. Change is typical of cities; it has always been so. However, the developments in many cities over the last three decades have occurred at a faster pace than ever before. Furthermore, recent developments seem to be of a different character as a result of the IT revolution.

We noted at the beginning of this chapter that urban management must anticipate development and change. In order to anticipate this we must have a good understanding of these potential developments. This will aid or even determine their translation into urban area developments. How social developments translate specifically into spatial dynamics is a rewarding subject for economists, sociologists, geographers, and other specialists. Economists (such as Porter, Krugman, Williamson), sociologists (such as Giddens, Sassen, Castells), geographers (such as Harvey, Scott and Storper, Cloke), and planners (such as Healey) have all considered and explained the most recent spatial changes, each according to their particular academic perspective.[1] We can add many names to this list. They have all clarified particular parts of the historical jigsaw puzzle of the phenomenon of cities.[2] Some commentators have expressed serious criticism on interventions in the natural functioning of a city (such as Jane Jacobs[3] and Hans Paul Bahrdt).

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[1] In this respect, we can also refer to the earlier fathers of spatial-economic thinking (such as Von Thünen, Alfred Weber and Christaller), economic thinking (such as Smith, Marshall, Ricardo, Myrdal and later also the economic-geographers, such as Pred) and sociological thinking (such as Max Weber, Durkheim, Tönnies, Simmel and Merton). They offer an instructive array of insights, which partly still apply to modern circumstances.

[2] A good overview can be found in: "Wetenschappelijke Raad voor het Regeringsbeleid", *Stad en Land in een Nieuwe Geografie*. The Hague: Sdu Uitgevers, 2002. Further, an interesting spatial-economic overview can be found in: J.G. Lambooy, E. Wever and O.A.L.C. Atzema, *Ruimtelijk Economische Dynamiek.* Bussum: Coutinho, 1997.

[3] An almost legendary book is: Jane Jacobs, *The Death and Life of Great American Cities*. London: Pelican Books,1965.

Network Society

The speed of change has increased, and the nature of the change is fundamentally different due to the emergence of information technology (IT). This has happened in conjunction with an equally speedy process of globalisation. These factors have significant consequences for the functioning of societies and the cities they inhabit. In metaphorical terms, one often speaks of the 'Network Society'.

Network Society refers to the phenomena of changes worldwide caused by technological networks, impacting everything from economic processes, financial services and logistics management to decision making and cultural activities. Essentially, it is a society organised mainly around streams of goods, people, money and information. The scope of these networks has become so vast because of the potential offered by information technology: distance has become almost irrelevant. Networks of various forms overlap, are subject to constant change, and sometimes converge to form a high concentration of networks (for example at a regional level).

The impact of a network society can be considered in terms of any academic discipline. Economists for example, will especially point out the fundamental changes in the manufacturing processes, which are increasingly characterised by networks between and within companies. These networks are now worldwide, a fundamental departure from earlier practice. Regional concentrations or network clusters are a logical consequence from this perspective. Sociologists will mainly highlight changes in the scope of social and socio-cultural structures, wherein multiple networks of actors evolve, each network having different objectives. Public administration professionals now see networks forming in their own field; for instance, in the format of ever-changing, strategic alliances between various parties.

How a network society translates spatially still remains somewhat obscure. If, from a spatial planning point of view, the choice is made for network concepts, a spatial concept that is a direct response to economic or other networks, such an approach can elicit plenty of criticism. Economic, social or other networks cannot be literally translated (made physically manifest) in spatial networks. In the field of spatial policy, there has not yet been a comprehensive response to the development of the network society.

It is clear, however, that from a spatial point of view, places in the traditional sense of more or less enclosed functional units are mostly a thing of the past. This is true at least in modern, highly developed societies, insofar as these places have embodied networking. Our concept of territory has changed as a result. Manuel Castells, in particular, sketches a clear picture of how a new spatial logic has emerged because of the development of IT, wherein networks play a central role and the importance of a "space of places" seems to have become subordinate to the importance of a "space of flows" (Castells 1996, 2009). As a result urban area development evolves in the friction between 'flows' and 'places'. That is because the primary focus of urban area development is still place. However, within place, one must anticipate new developments concerning flows (covered in more detail in Chapter 2).

Saskia Sassen has analysed this from a theoretical perspective and points out that economic globalisation coincides with a concentration of particular activities in key cities (called Global Cities).[4] This process leads towards a new hierarchy of cities, in which some cities gain in importance in the worldwide network, but other cities loose touch. The interesting point is that her analysis makes clear the connection between local socio-economic changes in cities and worldwide economic developments. She looks at aspects such as gentrification and social polarisation within cities.

Other Social Dimensions

It is important to consider urban area development from a socio-economic point of view as well. Economic revitalisation of urban areas includes the potential to introduce and stimulate new growth sectors, something that must evolve continuously. Stimulating regional clusters of economic activities that are linked by mutually relevant knowledge is an important aspect to consider (Van den Berg, Braun and Van Winden, 2001). This is especially so for these sectors or clusters that could be a boost to employment in certain districts.

Yet a purely economic point of view alone would be insufficient since durable development of urban areas means also paying proper attention to social aspects, safety, quality of the living environment, etc. The social and socio-economic nature of cities is an equally important context for urban area development (Jobse and Musterd, 1994: 125f). Although employment issues can be of great relevance in understanding the occurrence or absence of social problems, the social structure of cities is surely not determined by economic development alone. In its turn, this social structure influences the economic development of cities. Social topics in this light often concentrate on the occurrence of social polarisation and the spatial expression of this in terms of urban segregation (Fainstein, Gordon and Harloe, 1992). An unstable social structure in urban districts can be a limiting factor for urban area development. This is certainly so in cases of extreme decline, where addiction problems and criminality, compounded by high unemployment, place a serious strain on districts. The social issue is in many cities made even more complex by the concentration of these problems within immigrant families. The presence of immigrants is for that matter sometimes considered a problem on its own. We must point out the positive aspects, such as the economic importance of immigrant entrepreneurship.

This discussion should make it clear that economic, social, and spatial developments cannot be understood independent of each other. This is also true for the socio-cultural dimension, in which interest has grown considerably over the last two decades. Broadly supported cultural patterns (commonly accepted standards, values, and expectations) within a region cannot only be determining factors for the

[4] Her groundbreaking work was: S. Sassen, *The Global City*. New York, London, Tokyo. Princeton: University Press, 1991. The author followed this up with a great number of other publications, where she further elaborates on her basic premise.

social functioning of regions, but they can also play a role in the economic functioning of these regions.[5] One of the many questions that arises from this is, what is the significance of the occurrence of various cultures (such as in the case of immigrant groups) within a district for urban area development? Another aspect is safety (and the feeling of safety) in an area. Physical developments can contribute to socio-cultural cohesion and to (the feeling of) safety. Finally, there is a completely different aspect that is relevant to the understanding of the correlation between socio-cultural and economic tendencies: the emergence of socially responsible entrepreneurship. This aspect can be important to urban area development in that, for instance, it can be a source of support and means for development projects.

The perception of the area that people inhabit is also highly socio-culturally determined. The perception can significantly differ from the actual situation. In this context, Hajer and Reijndorp (2001) highlight a symbolic space. A tendency seems to exist whereby people increasingly feel the need to identify themselves with a place (area, town, district, etc.). This can be due to the increasing homogenisation brought about by, amongst other things, the influence of IT developments: areas increasingly look alike (Van der Loo and Van Reijen, 1997). In architecture, we can also see a development that anticipates this by creating striking landmarks to give an identity to areas, although the choice to do so can also have other reasons. Anyway, this socio-cultural dimension must also be recognised as a context in which urban area development must operate. Researching the perception or understanding the identity must therefore be considered part of the assignment.

The issue of identity also relates to city marketing, which aims to promote a positive image of the city, and in a broader sense, to increase the use of the city by certain target groups (companies, inhabitants, visitors). This is deployed with varying degrees of success (Van 't Verlaat, 2000). City marketing originated because cities increasingly needed to compete with each other because of the greater mobility and the freedom of choice among city users. Cities and regions have become direct competitors. City marketing is closely related to city management and is one of its instruments.

This leads us back again to urban management, with which we began. The management of an urban area development within the context of a city must not only take into account and anticipate the effects of social developments and translate them into tasks, but it must also be acknowledged that the management approach itself will be influenced by the same social developments. The emergence of the network society places different demands on urban management; different from anything that has gone before. This new managerial approach is expressed, for instance, in an orientation towards networks and processes.

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[5] A well known example is Silicon Valley in California, where cultural aspects in networks between various actors in that region (including a mutually beneficial open attitude to exchanging knowledge and innovations) have contributed to the economic success of that region. See E.H. Lorenz “Trust, Community, and Cooperation. Toward a theory of industrial districts” *Pathways to Industrialization and Regional Development*. Eds. M. Storper and A.J. Scott. London / New York: Routledge, 1992.

1.3 Policy Context

When undertaking urban area development, it is of the utmost importance to recognise the policy context set out at the administrative levels. This is because the urban area does not operate in a vacuum, but is connected to various levels of policy authorities. While the policy at municipal level is, for instance, specifically directed to area developments, the policies at higher levels, including regional or provincial levels, the national level, increasingly the European level, and the global and abstract level, are all equally pertinent.

Policy at the municipal level is the principal point of departure for urban area development in a specific area. Ideally, the municipality would create an 'integrated development vision' for the future of the city, wherein clear priorities are set out concerning the actions to be taken and the areas to be developed within the city. This type of integrated development vision is far more comprehensive than anything produced under town and country planning regulations, such as a so-called *Structuur Visie* (Structure Vision which stipulates zoning priorities, a requirement of Dutch Spatial Planning Law), because an integrated vision takes into account other policy fields and not just the spatial facet. Such a document will often be of an inspiring character and sometimes has a strong governmental orientation. The important thing is not to lose sight of how the intended urban area development can contribute to achieving the objectives set at city level.

Preference must usually be given to shaping such integrated development visions on a regional scale. The large economic and spatial inter-dependency within regions usually makes municipal boundaries irrelevant. This does not mean that, in view of the conditions of the network society, this should be done by regional governmental organisations with a specifically delineated administrative territory. The nature of present-day city dynamics requires far more flexibility in terms of possible forms of cooperation. An approach is needed wherein cities, reasoning from their own defined areas of interest (and/or integrated development vision), enter into ever changing alliances with other public organisations (such as other municipalities) to reach certain objectives. It is important that cities do not limit their vision for the future to the area within their own municipal boundaries; they need to explicitly integrate their vision into a regional (and even supra-regional) context.

European policy plays an increasingly important role (covered in more detail in Chapter 5). An example of this is the zoning policy regarding routes through which hazardous materials are transported or the noise zoning near infrastructure. It is not permissible to construct buildings within certain buffer zones, and this can of course place a significant limitation on actual urban area development projects. A completely different example is the planning of high-speed railway infrastructure: the presence/absence of and functioning of junctions and other stations can have a decisive influence on the development of urban projects and on urban area development especially.

The various policy levels are intrinsically linked. They are no longer branches of a single governmental hierarchy but act relatively independently yet also necessarily

interact. Policy at higher levels can be amended by experience that is, for instance, gained during actual urban area development. This is the positive approach. There is, however, also an intrinsic tension in this new approach. Policy directives that are imposed from above are not always accepted unquestioningly at lower levels. The reason for this is, of course, the different interests of the parties involved. Furthermore, there may be, and frequently is, a far better developed practical knowledge at the local level. The processes involved in urban area development can, in the worst case scenario, also become hopelessly entangled in clashes of interests that deteriorate into governmental disputes or stalemates.

In addition, changes in how a city is managed influence the relations between the organisations that are responsible for policy-making at various levels. Increasingly, this relationship is embedded within a network of governmental and policy actors that negotiate based upon the interests of their own particular organisations. Cities, for example, negotiate with the central government about the realisation of extensive urban area development projects. This relationship between cities and the central government is far more complex than a situation where the central government acts unilaterally and stipulates policies that must be implemented by municipalities.

Peripheral Conditions

Finally, there are some peripheral conditions that are worth mentioning as part of the policy context of urban area development.

Judicial conditions are especially important in that both public law and private law (civil law) have legislation regarding, respectively, spatial planning and land policy. These conditions concern a multitude of rules (Spatial Planning Laws, Environmental Impact Statement, habitat protection, municipal by-laws and referenda, etc.; see Chapter 5). The public sector is of course responsible for maintaining public law, and thus also for its implications on urban area development. Private law can be applied to both private and public organisations (private or public land development). A general understanding of the broader judicial framework is necessary to be able to finalise urban area development effectively. Within this broader judicial context, more specific instruments for land policy are applied to urban area development (as discussed in Chapter 9).

Furthermore, administrative, technical and financial conditions are relevant to urban area development. Administrative conditions relate, among other things, to the political legitimacy of processes of urban area development, but also to the presence of political support for the urban area development in question. Technical and financial aspects can impose limits to urban area development because the possibilities offered by both are certainly not limitless. They are also correlated because a technical *tour de force*, for instance with multiple use of space, is often more expensive. Further aspects, including environment and safety, can also be seen as peripheral conditions for urban area development.

1.4 Actors

The context as discussed above is further shaped by the actors involved. A distinction can be made between actors in the public and private sectors. Additionally, local citizens and other parties involved in an area, need to be taken into account in urban area development.

The Public Sector

First of all, there are the municipal players who make decisions regarding the territory on which a specific urban area development takes place. The municipality plays a role in public law (creating land-use plans, granting building permits, etc.), but it can also make use of private law by pursuing its own land development (also called active land policy). In Dutch practice, it is fairly common for municipalities to develop land or set up development companies. A municipality can also participate as partner in a development (when significant municipal interests are involved). Apart from this, the role of director to urban area development can lie with the municipality as well; in other words, the process management of the urban area development.

Within the municipality itself, we can identify various professional departments such as the spatial planning department, the municipal real estate department, the department for economic affairs, the traffic and transport department, the department of public works, etc. The titles differ per municipality, but the disciplines exist everywhere. Large municipalities have the expertise in-house and organise the services themselves; smaller municipalities often lease these services. In the latter case, this means there are external consultants involved in the process. This can, however, also be the case with large municipalities. For instance, when a second opinion (e.g. on regulatory decisions or issues of private law) is necessary or when the expertise of a specialised field is needed (not every municipality will have the know-how to construct an underground metro, for example).

All of these disciplines stand for their own interests within the municipality and must be given a place in the process of urban area development. The greater number of municipal actors involved, the greater the diversity of interests. Furthermore, the opinions of the elected administration (councillors/aldermen) may not always coincide with that of internal departments, although of course the administration holds the last word within the community. Administrative and bureaucratic support is, in other words, very important for urban area development.

Quite often, multiple municipalities are involved in urban area development. This happens when the area extends beyond the boundaries of the municipality. It can also occur when a municipality asks another (for instance, neighbouring) municipality to participate as risk-bearer in an urban area development within its territory.

Higher authorities can also be involved in urban area development. In the case of larger area developments with a supra-local interest, these higher levels can establish policy principles that deeply affect the urban area development concerned.

Higher authorities, such as the central government, can moreover be financially involved in actual area developments. This may occur because subsidies are granted (such as the substantial Dutch government subsidies for the so-called key projects). In this case, they are important actors in the urban area development. If multiple ministries are involved in this (as can often be the case with key city centre projects) then there is an extra burden of cooperation.

A special category of governmental bodies is the real estate office, or independently operating units that deal with government-owned properties. In the Netherlands there are for example the State Property Department (*Dienst Domeinen*) and the Directorate-General for Public Works and Water Management (*Rijkswaterstaat*). They can be fearsome players, and sometimes inflexible, in the arena of urban area development. The Dutch Government Buildings Agency *(Rijksgebouwendienst)*, on the other hand, is an example of a governmental body that often plays an important and stimulating role in getting urban area development into its stride. For example, it may invest in a new building as the first investor of a new area. Former governmental organisations that have been privatised sometimes also play an important part in urban area development. Examples are the national railway companies, of which some were split into a number of independent organisations (such as a real estate and a transport company) upon privatisation. They can be essential players in urban area development, especially where city-centre railway station locations are involved. On regional and local levels, we sometimes find other privatised entities as well, such as power companies and public transport companies that often emerge as difficult actors in urban city development because their direct interests lie elsewhere. This leads us to the private sector.

The Private Sector

In the private sector there are many actors who participate in urban area development.

Private project developers play a significant role in some processes of urban area development. At their own expense and risk, they undertake projects within the context of the current market. Their investment is mostly in buildings, thus taking relatively short-term financial risks. Within the world of developers, we can identify many types, including a range of combinations with investors, builders, banks, and sometimes also architects. The developers also tend to specialise in a certain sector, such as housing or retail. Developers are increasingly playing an important part in urban area development, and not just limiting their involvement to buildings. In such cases long-term (several years) financial risks are at work. Furthermore, with greater frequency, companies that were originally builders now play an active part in more integrated area development.

Investors are another indispensable party. These are financial institutions that invest money on a long-term basis as a necessary part of their primary task, the management of pension or insurance funds. When investing, the realisation of a real estate project is not their prime concern. Their investment in real estate is only one

element within the overall framework of their core business. Their aim is to gain a sound return on the long-term investment. Within the category of investors, there are also various types: institutional investors (e.g. pension funds), investment companies, investment funds, etc.

Builders also play a part by erecting actual buildings and public works (such as roads, viaducts, etc.). They usually operate by order of private parties or, in the case of government buildings or infrastructure, on government contract.

In addition there are the urban designers and architects. Although they, formally, act by order of a party wanting to build, their influence extends much further: their design has a lasting impact on the totality of the area development.

Then there are the owners of land and buildings in the area. These can be the same as the users or the citizens in the area, but often this is not the case. Owners can reside outside the municipality or even far outside the area.

Estate agents also play a part in urban area development, namely in the realisation phase as an intermediary for selling buildings, but also in the property management phase. Estate agents can participate in the initial stages of urban area developments: when determining the market potential of an area, for example. The reason for this is that they have a great deal of market knowledge, even though this is seldom long-term oriented.

In the Netherlands, housing associations play an important role in urban area development. In recent years, the role of the corporations has drastically changed because of a shift in national strategy (from government directed towards market-oriented house building) and as a result of particular social changes (increasing prosperity has given rise to building more expensive houses). As corporations must now “paddle their own financial canoe,” they have in reality become private parties in urban area development and increasingly focus on more integrated area development.

Finally, there are the end-users, such as entrepreneurs and residents who will use the area after the development has come to a close. These are the actors of ultimate importance in urban area development, as they play a central part in achieving the market quality so desired from urban area development (covered in more detail in Chapters 4 and 8).

Also during the property management phase, the present users (entrepreneurs, residents, visitors) within the area are, of course, important actors whose interests and demands must be taken seriously. This leads us to the next category.

Citizens and Interest Groups (Civic Societies)

An important category of actors is the citizens and other (current) users or representatives of the area where urban area development takes place. The interests of these users often differ significantly. For instance, shop owners might desire car accessibility in an entirely different way to residents. In the case of redevelopment, an important disparity can occur between the interests of current users of the area and future users. Furthermore, the interests of owners and users may differ significantly.

We can also count organised civic societies (or voluntary interest groups) among the parties involved. These types of organisations can also operate at national level (e.g. pressure groups). Environmental organisations have had a particular presence lately in urban area developments and can cause long delays to projects. In other situations, nature preservation organisations are included in processes of urban area development.

This list of the large variety of actors involved in urban area development is not conclusive. One of the major challenges of urban area development is to involve as many of the actors as possible, yet also to make decisions. This matter will be covered in more detail in Chapters 4 and 6.

1.5 Management

It has already been noted that urban area development processes have recently become ever more complex. The preceding discussions clearly show that this is a complex affair, which means that managing it is a serious challenge. To clarify the challenge, we can make a distinction between *urban management* and *process management*.

In general terms urban management (covered in more detail in Chapter 3) anticipates the impact of the network society. The management of networks and an orientation towards processes are central to this approach. This is linked to a kind of directional control that is not directed from one organisation but is managed via cooperation among various actors. These actors do not all strive for the same objective, but their individual interests are combined in such a way that these combinations lead to positive results for all involved. This implies that an approach from the public sector is needed that does not attempt to fully control the overall process, does not start from a pre-determined policy to be imposed on others, and does not assume the notion that *a priori* knowledge should define the plan's results. The government is, in this approach, not a "Managing Director" that is hierarchically superior to other parties in society, but rather a member of that society and, in order for it to function with efficiency and legitimacy, is strongly dependent on the support of other actors.

In general terms process management (covered in more detail in Chapter 6) is very closely linked to the way in which decision making takes place. In this, it is important to recognise various characteristics involved in decision making. How decisions are made can sometimes be a restraining factor on urban area development, which becomes even more significant when the area developments are about increasing the integration of uses and therefore interests (Teisman et al., 2001).

How the roles are played by the public and the private sectors is a determining factor in the urban area development process, and thus for its process management. When it is a matter of full public land development, after which the various building developments are realised by private actors, it is possible (though not necessarily easy) to make an assessment on the total result. It is fairly similar for

full private land and building development. However, it becomes most complex in the case of public-private cooperation, where the division of roles is different in each and every situation. These types of partnerships are an increasing occurrence, making the practice interesting from a process management point of view. If sufficient knowledge and skill on the topic becomes available, it must be feasible to manage the process of urban area development in all other situations.

Each particular situation within urban area development requires a tailor-made approach. No standard formula exists for public-private cooperation, because the intrinsic interests of actors differ in each case.

Management Approach

Traditional project management no longer guarantees the successful completion of urban area development. However, this does not mean that project management no longer has a role to play. After all, it is necessary to finalise and realise actual works. So project management must take its place as part of a broader spectrum of process management in urban area development, where the management focuses on integrating the divergent interests. The process manager recognises that the different actors are not dependent on each other, but that they must be directed to the point where they start co-operating or where they, at least, do not present obstacles to the project. During this process, actors can actually formulate new objectives that they did not consider in the first instance.

This places high expectations on the process manager (see further Chapter 6), who becomes a central figure within the decision-making process, though this does not necessarily mean that all lines must pass through the process manager. The participating parties all have their own formal and informal relationships. The process manager must, however, have sufficient empathy towards what is happening and must keep his or her grip on the urban area development process. Furthermore, the process manager must possess sufficient creativity to think up new solutions or re-launch a process that has crashed due to conflicting interests, cultural differences or mutual distrust. This requires excellent social and communicative skills.

The Urban Design Plan

An area development process comprises various plans that each has a different status and role in the process. At an administrative level, there are policy visions and documents that aim to provide a coherent picture of sustainable spatial planning for the city. At area level, there are land-use (or zoning) plans, master plans, design quality criteria, and design plans for public space. At the level of plots and parcels, there are building plans. Furthermore, there are civil engineering plans for sewerage systems and electricity grids, among other things.

The role these plans fulfil in a process cannot to be reduced to a single, clearly defined function. Plans are not a mere instrument of implementation. Their effectiveness may become apparent at other levels as well. Plans appear increasingly to function in what Castells (1998) calls an interactive arena. Planning literature also variously refers to communicative planning, interactive planning and

consensus planning (Healey 1993, 2001; Albrechts and Denayer, 2001; Wigmans, 2001). The urban design plans of an urban planner can be understood from this perspective (Wigmans, 2004: 411-418).

The instruments of the urban planner / urban designer play a dominant role in reaching a consensus among the actors involved in an urban area development process. The urban design plan and particularly the master plan comprise spatial and functional elements, providing an indication of what the site may look like in the future. The master plan usually includes a representation that serves as a benchmark for all parties: each party recognises its own interests translated in the plan while the plan also harmonises all of those urban demands. The urban plan on paper is an instrument that makes the divergent demands compatible; it is the visual representation of consensus, with diagrams at various scales (Castells, 1975). Discussions on quality are an exceptionally suitable vehicle for developing a shared understanding and common language, without it becoming clear to everyone what is meant in concrete terms (see Chapter 7).

Urban plans, and the master plan particularly, can have many functions. Plans can document decisions taken at meetings or incorporate market demands. At the same time, a plan creation can be an instrument used to explore spatial possibilities, to communicate themes in the project, or represent cultural diversity. More and more plans have become an instrument to match public and private interests.

1.6 Urban Area Development

Urban area development occurs in a complex context and is a long-term process that may take anywhere from five to twenty years or even longer. As indicated in this chapter, considerable interests are often at stake in such projects. These may vary from the interests of the users or residents of the area in question to socio-economic and political interests, and last but not least major financial interests.

The development process is likely to bring about extensive changes in the area, such as the demolition of old buildings and the construction of many new ones, or the rerouting of roads and the rezoning of land-use. These physical measures will alter the structure of the area, be it a neighbourhood, an urban district or even an entire region. This new spatial structure and the new buildings that are erected will influence the use to which the area can be put, the way it is perceived by residents and others and its economic potential for decades.

Urban area development may be described as the sum of a large number of complex processes performed by many individual actors and organisations with their own interests and claims, and involving international competition between cities while being subject to the influence of events from far beyond the region itself.

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2 City and Social Context

Gerard Wigmans

2.1 Introduction

The social conditions under which area development takes place have changed drastically over the past decades. Making an assessment of the changes and their consequences requires an analysis of the so-called tendential changes of society and the city. Tendential changes are a set of changes with a structuralising impact on reality. New definitions and concepts have been generated to gain an understanding of this pattern of changes: space of flows, space of places, governance, urban field, network city, flexible accumulation, contingent steering, fragmentation, etc. These changes have together formed a new reality and are not easy to grasp in the empirical sense. In other words, the new reality is difficult to relate to our empirical experience of reality and therefore difficult to discuss in concrete terms. How tendential changes relate to urban transformations in a city is relevant to our present analysis since the impact can seem abstract and ambiguous. It requires interpretation. In the process of transformation, socio-cultural, economic and financial aspects come into play and disciplines such as urban planning, public administration, management and so forth must adapt to new circumstances and develop new methodologies for dealing with such complex issues.

The theoretical basis for this chapter is the work of Manuel Castells, the well-known (city) sociologist, and in particular his work on the “stress ratio” between space of flows and space of places. His theories will be explained and we will elaborate on the character of the new network society and its consequences for a city. Within the context of present-day network dynamics, the importance of place and identity is discussed as well as the city as an important hub. Network dynamics as a phenomenon are one of the themes that urban politics are taking notice of and adopting an entrepreneurial attitude to. The concept of governance enters into the picture as a new way of guiding processes under these altered conditions. Finally, we make this more specific with respect to the urban area development process and indicate what stress ratios each area development process in a city can be confronted with.

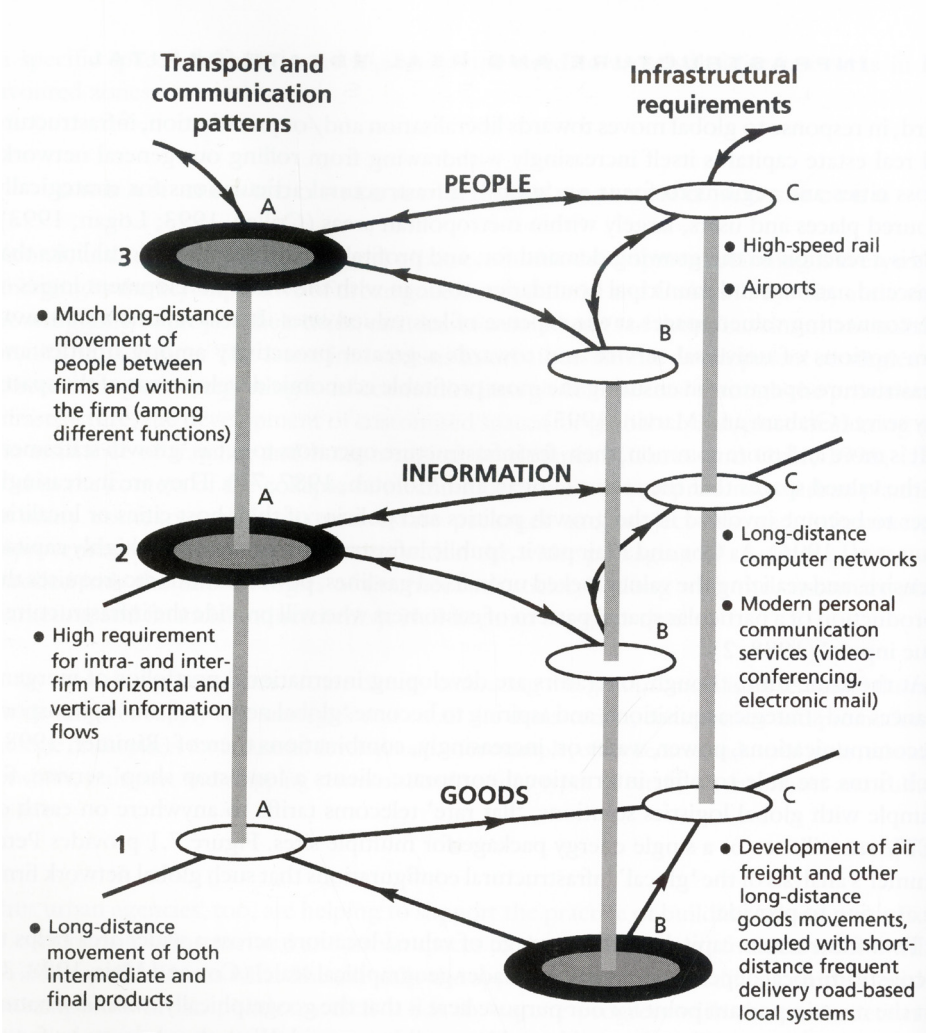

Figure 2.1 Local infrastructure requirements at global network firms (Source: Graham and Marvin 2001: 312)

2.2 Society and the Urban Challenge

A technological revolution, focusing on information technologies, re-creates at an increasing rate the material basis of our existence, states Castells in his three-volume magnum opus titled *Information Age, Economy, Society and Culture* (1996-1997). This highly regarded work plays a key part in the development of theories on

society and cities.[6] It therefore forms an appropriate starting point for an analysis of the urban development process. Other authoritative authors, such as Saskia Sassen (1998, 2000, 2001), David Harvey (1989; 1990) and Peter Hall (1992; 1998), further complement the debate and add to our discussion on theories relating to urban transformation and its management. In Castells' work about the network society, which was elaborated and updated in 2009 in his study *Communication Power*, he explains that the IT revolution has resulted in a worldwide network of inter-connecting decision and knowledge centres, work areas, financial service providers and leisure, entertainment and cultural areas. In effect, this creates a new realm of reality: a sort of new world with its own laws, no longer having anything to do with our old and safe world of places and geography (the space of places). This new world is mainly organised around flows (of goods, people and money) and information.

Flows and Places

Due to these flows, spaces arise that are not so much physical places as spaces defined by their position and function in unlimited networks. This is what Castells calls the space of flows: a worldwide space of networks, characterised by immediacy, informality, limitlessness, openness, anonymity, market-orientation and uncontrollability. The space of flows tends to either dominate or supersede the space of places. The space of places relates to the spatial organisation of our common experience; it refers to the characteristics of a place, such as local culture, local historical shapes and qualities such as urbanity, durability and identity. "The space of flows supersedes the meaning of the space of places," is how Castells expressed this tendential change in the current society. He is referring to the tendency that the dynamics of a specific area now largely depend on decisions made elsewhere, with no involvement by the local authorities, and which are sometimes hard to reconcile with local problems. Alongside the space of flows, as Castells points out, a space of places also develops, where local identities are re-valued.

This results in a stress ratio. This stress ratio between space of flows and space of places is what drives current tendential changes in our societies. It is impossible for cities to avoid this. Each urban development process is confronted with it. Each modern city has to take advantage of and anticipate the potential opportunities brought about by the network economy, thereby increasing its attractiveness to an open market. Improving accessibility by linking up with networks (physical, business

[6] Anthony Giddens, Professor of Sociology, Cambridge University, says in this context: "This is a very major work of social and economic theory – perhaps the most significant attempt that anyone has yet written to come to terms with the extraordinary transformations now going on in the social world." Castells' work (1996-1997; 1999; 2009) can justly be considered a general analysis of modern society. It is based on extensive empirical research; abundantly illustrated with data and statistics and is fully alive to the existing context. To say the least, the analysis of analyses is convincing, despite the criticism and comments from others.

Figure 2.2 Flows and places: old houses make way for new skyscrapers in Shanghai (Source: Reuters)

and virtual) is another important step. Partly for these reasons, infrastructure is improved, an attractive living environment is developed and business locations are given competitive features.

Cities are faced with the difficult task of shaping new identities for strategic areas in the city, while also doing so in a sustainable way and enriching the experience of urban life in a new way. The urban area development process works on different levels of scale simultaneously: the management must be aware of opportunities outside the municipality and additionally be able to guarantee local integration and durability. This can only be achieved by striving towards a new kind of equilibrium.

2.3 Network Society

A network society is a society whose social structure is built around networks activated by microelectronics, digitally processed information and communication technologies. Castells (2009: 24) understands social structures to be the organisational arrangements of humans in relationships of production, consumption, reproduction, experience, and power, and supported by meaningful communication coded by culture. Digital networks are global, as they have the capacity to

reconfigure themselves across time and space through telecommunicated computer networks. So, a social structure whose infrastructure is based on digital networks has the potential capacity to be global. In other words, the rise of information and communication technologies form the new basis for organising current society (Castells, 1996-1997, 2009; Scientific Council for Government Policy, Netherlands, 1998, 2002). This relates to a structural transformation that has also occurred in real time since economies all over the world function as a unit on a global scale and 24-7.

All this has led to a drastic restructuring of production processes, now characterised by greater flexibility in forms of management, decentralisation and networks between and within companies. The globalisation process has generated a complex system of international interdependencies that is furthermore shedding the shackles of time and space. It is possible to link up anywhere. In this context, a city's traditional business locations are losing their significance. Different factors are determining new business locations: factors such as the city's connection to physical networks (traffic and transport infrastructure) and non-physical networks (communication and information networks). But also factors such as the allure and charisma of a city and its cultural supply are becoming more important. This is because these are features that can be favourable to business relations, are attractive to prospective employees, or reflect well on company image.

Familiar social and spatial frameworks are having to open up to change. New relations and connections are arising, which are active on a larger scale. The whole world, as it were, has come within our reach, although we are increasingly in danger of losing ourselves in it. In the world of global flows, global power and global images, the search for identity has perhaps become the most important focal point of socio-cultural significance. This identity is, however, an increasingly plural identity, as individuals take on an increasing number of varying roles, depending on the networks within which they are functioning at any given moment.

Economies all over the world have become dependent on each other and consequently have introduced a new scale in the relationship between economy, state and society (Sassen, 2000). Scientists refer to this new relationship as a network society. In a network society, physical proximity loses its significance: the term refers to a new situation where social, economic, as well as cultural relations are bound yet without physical ties. A network society is a society where social, economic and cultural structures are no longer determined by the shared use of a certain space, but by the connections an individual actor (company, person or organisation) has with persons and activities elsewhere. This has sweeping consequences for the conceptual basis of local urban planning policy. Familiar classifications such as land or territory are losing their significance and 'place concepts' are emerging where one used to speak in more general terms of spatial allocations or land-use (Harvey, 1990). Many cities are searching for a new role for themselves and precisely because traditional local restrictions and circumstances have lost their significance, cities have ended up in a situation where they can compete with each other to attract non-location-bound activities and so-called

footloose industries (Wigmans, 2008b, c). This new freedom allows a city to reinvent their image by developing activities that are sometimes altogether new, says Hall (1992: 11). While this may result in a different competitive position, it is not altogether clear where exactly a city's opportunities or dangers lie.

Such uncertainty, superficiality and impalpability evokes a response, says Harvey, that can be characterised as a search to construct an identity and emphasise the unique qualities of one's own place, location, or city (Harvey, 1990). The new pliable economy is hardly concerned with limits, which begs the question of how to guarantee a responsible identity of place within the context of this limitless world. It creates new challenges for area development processes in addition to the marketing issue of creating an identity and positive image (Chen and Wigmans, 2006a, b).

2.4 The City

It is difficult to conceptualise a new type of city as a clearly defined, physical-spatial unit under these altered conditions. Attempts to redefine the current city illustrate the problem. Definitions such as urban field, edge city, and network city refer to a new reality, and it seems difficult to really get to the bottom of this new reality. Relations and activities between cities are becoming increasingly important. Activities surpass the limits of fixed forms. The city is, as it were, turning inside out. This means that not only is the definition of what constitutes a city at issue, but the dilemma also touches on municipal politics, for those are based on a clearly defined territory or a limited spatial area over which a municipality exerts its authority. The problematic nature of the city (the municipality) as a coherent administrative and legally defined territory is an issue that Harvey has pointed out too. An unambiguous friction between the city as a legal, administrative and physical unit and the fragmentation of urban politics having to work at new and different scales has become manifest. Urban politics are having to focus on decision making at a regional and national scale and on external markets and groups that need not necessarily be historically linked to the city. Harvey also points out that, in connection with the social dynamics to which cities have been exposed over the past years, every definition of the city as a distinguishable spatial area has become problematic. "On the one hand we witness the greater fragmentation of the urban social space into neighbourhoods, communities, and a multitude of street corner societies, while on the other telecommuting and rapid transport make nonsense of some concepts of the city as a tightly-walled physical or even coherently organized administrative domain." (Harvey, 1989: 6).

Meanwhile, the concept of urban field has taken root. It is one of the familiar new terms in spatial planning. The undertones in the descriptions of this concept differ. In essence, the term means that conurbation and urban agglomeration as core concepts from planning have had their day and that the city centre and periphery have lost their traditional meanings. The concept of urban field does not actually explain anything. It merely describes a new situation in which there is an amorphous

form of urbanisation, less concentrated, less planned. It refers to the city becoming more diffused, the city centre being merely one centre among many, giving rise to a much more strongly dispersed environment, traversed by multiple mobility options.

Urban dynamics increasingly take place at the edges of cities or in areas that have become attractive and easily accessible (due to infrastructure) for new businesses. The ensuing physical transformations, however, merely constitute the visible part of the current urban condition. For the network city does not unequivocally coincide with the built environment (or historic growth of the city); to a large extent, it is an invisible city. The network city is also a web of invisible functional and social relations. Today, an individual lifestyle, a social community or a company is hardly bound by the specifics of territory or a certain space. The use of networks makes for an urban lifestyle that is no longer limited to the material environment of the city and, as people are no longer bound to a certain area, locations (space of places) are indeed again gaining in significance as a means to designing one's lifestyle or identity.

The city as a clearly defined entity no longer exists. The urbanity[7] normally associated with a city, as a spatial manifestation, will be subject to reanalysis that will necessarily focus on the social, economic and cultural components. For if 'city' merely stands for building density, 'urbanism' stands for density of social-cultural relations, inter-human relations and the ensuing insecurity. The question that therefore arises is whether urbanism can still be concomitant with the city. To what extent are the traditional instruments of policy makers and urban planners sufficient in this context?

2.5 Place and Identity

In certain respects, the worldwide dissemination of knowledge and technology has led to unification and homogenisation. However, in a world that is increasingly alike, it has also become more important to emphasise differences. Issues of differentiation, of ascertaining what is specific, unique and special to a place, have become important (Van der Loo and Van Reijen, 1997: 50). If time and space become more relative due to developments in the field of information technology, distribution and organisation, the importance of place will increase. As a counterweight to globalisation and uniformity on a worldwide scale, there has been a revival of regional and local urban awareness. Also in architecture, local and classical forms are being revived in contrast to the technically sophisticated and functional models of the past. This is as an attempt to bring about another positive link between architecture and local life. On the other hand, famous foreign architects, often with a trademark style or image, have increasingly been involved in

[7] Urbanity refers to the condition of urbanism as a way of life, as described in the discipline of urban sociology (e.g. Chicago School), which in contemporary society is not limited to its association with physical urbanism.

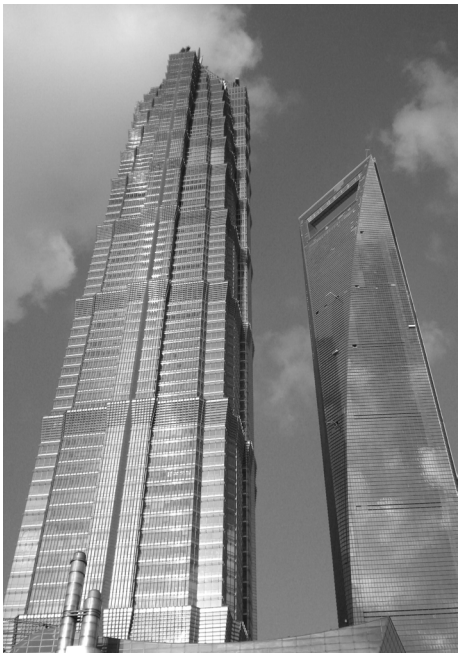

Figure 2.3 (left) Jinmao Tower, Shanghai (Source: Chen, 2005); Figure 2.4 (right) Design Gazprom Tower, St Petersburg (Source: RMJM Architects, 2010)

Dutch projects. This may, however, also be considered an attempt to inject a project with a unique quality and identity (e.g. imparted by a landmark building). We can discern a growing need for designing a familiar living environment to counteract the large-scale uniformity and dullness of this global media culture (Van der Loo and Van Reijen, 1997: 51). "The shrinkage of space that brings diverse communities across the globe into competition with each other implies localized competitive strategies and a heightened sense of awareness of what makes a place special and gives it a competitive advantage," as Harvey (1990: 271) states.

The consequences of this trend are localised competitive strategies and an increased awareness of what it is that makes a place so special and gives it its competitive advantage. In this context, the 'identity of place' of the various locations throughout the city become much more important. The unique qualities of the city are emphasised in an increasingly homogeneous yet increasingly fragmented world. Although, on the one hand, places are subordinated to the supra-local dynamics of the market economy and the historical character of the place is under pressure, on the other, places with new images and identities are continuously being created (Wigmans, 2008a).

Figure 2.5 High Speed train lines Europe (Source: Alsace, 2010)

2.6 Cities as Hubs

Major infrastructural works undertaken over the past several years have been primarily motivated by the international economy. The objective of the compact city with its traditional planning focus on the city centre has been undermined by new infrastructural works. In the Netherlands this can be illustrated by a number of infrastructural networks such as Randstad Rail, Rail 21, Amsterdam's North-South metro line, the Betuwe line, the High Speed Railway (HSL), etc. The increase in new, separate centres with footloose companies are no longer linked to existing cities, but to transport infrastructures. Economic activity therefore mainly takes place between cities and, more specifically, on the peripheries of these cities. As a consequence, cities are becoming more like hubs or transfer centres. In building infrastructure, attention has shifted to "a tangential connection system that, with no involvement of the city centres, directly connects hubs and concentrations of building areas in the city regions and within the various parts of the country. In this context, mainly airports, distribution centres and concentrations of offices or facilities located outside of the urban centres are concerned" (Kreukels, 1997:14). Infrastructure is becoming the carrier of the network city. The essential component in this context is not infrastructure as a physical-spatial concept, but mobility as a

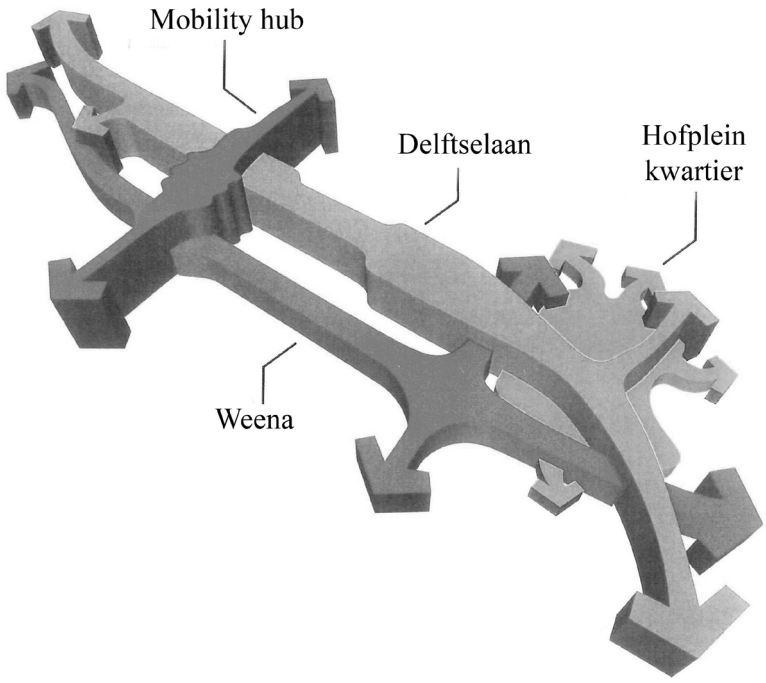

Figure 2.6 Transfer Flows of people Central Station (Source: Alsop Architects with Combined Design Team, Rotterdam-London 2001)

cultural concept constituting the link between time and space, between the use of the city and its shape (Reijndorp and Nio, 1997).

Railways are a feature that bridge time and space between places, particularly high speed train lines. Development initiatives near railway stations change the spatial constellation of the Netherlands and change the competitive positions of cities. Strategic motives drive these decisions that require massive investments. Strategic initiatives are not limited to these areas, but spatial policy has to anticipate, foremost, these new forms of infrastructure (Kooijman and Wigmans, 2003). In order to earn back the investment, another type of railway station needs to be developed. Railway station areas, or mobility environments, as Luca Bertolini and Martin Dijst call them in a broader theoretical context, are therefore becoming increasingly important.

Transportation hubs constitute the link between transport and communication networks and are the environment within which interactions take place. In our open, urbanised society, hubs take up a very special position. This is because these are the areas where the potential for physical, human interaction is at its highest.

Although social and economic interactions can increasingly be conducted at a distance, it turns out that – despite all the excitement about dematerialisation resulting from the above description – physical, face-to-face communication remains of irreplaceable value for many human activities. While certain components of urbanity increasingly separate themselves from physical space, a persistent core of urban activities indeed thrives in temporary proximity. Bertolini and Dijst (2000) call areas or situations of temporary proximity "mobility environments". These are areas/hubs with strong transport-technical features (which determines their network value), spatial-functional features (location value) as well as user features (meeting value). These may become important building stones for steering spatial developments within a network society. Simultaneously, they can act as starting points for shaping property potential and a new urbanism. The meeting value and intensive use of the public space will define this new urbanism. This is also in line with the intentions that many cities have expressed of becoming an attractive meeting centre where business meetings can be conducted in redeveloped railway station areas. It is clear that the railway station is a gateway to both the networks and the city and that the area has great potential (see section 4.2). But it is also a location with various tensions: between public and private, between property and transport, and between transport and stay.

2.7 Entrepreneurial Urban Politics and Fragmentation in Urban Policy

Running a city entails more than sound management and administration. Ideally a municipality seeks out and takes advantage of opportunities that allow the city to benefit from new economic markets. Increasingly, this is being viewed from the perspective of sustainability, as sustainability has become an economic factor.

New economic opportunities for cities have to be examined within a framework of a competitive market. According to Harvey (1990) urban politics have changed since the early 1970s from management to entrepreneurship. Entrepreneurship in this context means developing innovative ideas and formulating and working towards objectives for a spatial-economic policy per location that accommodates certain market segments to stay ahead of the competition (see further Chapter 3). The change in urban politics is manifested in diverse ways. G.J. Ashworth and H. Voogd (1992) describe a conversion of public-oriented urban politics into market-oriented urban politics. Harvey (1989) characterises the conversion as a transition from the managerial city into the entrepreneurial city.

This re-orientation towards an entrepreneurial attitude has several characteristics. Firstly, it is accompanied by an increased focus in urban politics on the economic sector. In addition, the cultural dimension is engaged more and more. Museums, festivals and cultural events are features that create an attractive climate for establishing a business. The change is further expressed by a policy change that emphasises the planning and spatial needs and desires of potential future users over regulating space for local interests. This change from a public orientation to a

market orientation is further characterised by a shift in emphasis on the supply side to the demand side. The urban development process then focuses predominantly on target groups which, from a historical or cultural viewpoint need not have a direct link to the city. The specific advantages of a city are compared with those of other cities and can influence or even determine the choices made in terms of the urban development process and the marketing concept. Development planning and changes to the city increasingly follow the desires of selected target groups (sub-markets) for which the city has something to offer (discussed in Chapter 8). Finally, another aspect of this substantial re-orientation is having to deal with a multiform population and the different residential preferences, lifestyles, sub-cultures and so forth which should be taken into account as a fundamental, primary feature of urban politics.

The issues relating to an entrepreneurial orientation towards a partially anonymous market environment must also be explicitly managed. The traditional planning approach by local government, characterised by a singular unit at the top of a hierarchy that steers the decision-making chain, no longer suffices when the orientation is on a typically fragmented market environment (Frissen 1992, 1996; Bekkers, 1999). The insufficiency of the approach of regulating the space of a city or extended city (region) from the centre has to do with the following factors. The spatial frameworks within which both residents and companies function, have significantly expanded. The greatly increased mobility and external orientation of interests remove the link residents and companies traditionally have with the city itself. These aspects have brought to a close the notion that the traditional compact residential city, with its limited (local) mobility and location-dependent services (all relatively easy to quantify and plan), is the answer. Urban functions must now each be individually assessed on their economic development potential (Harvey, 1989; Wigmans, 1998). This results in a project-oriented urban development. The economic value of spatial allocation decisions is becoming increasingly important. This supersedes the spatial coherence between urban functions within a defined territory. Attention shifts from the city as relatively closed spatial entity to the city as the sum of projects at specific locations in the city. In this context, the public area and the areas in the town are primarily assessed and categorised on the basis of their specific qualities, whether they add up to a suitable environment for various markets and target groups wanting to initiate activities.

This leads to separate treatment for separate areas. The city is treated selectively by local government. The focus is on creating attractive locations (the sum of projects) in anticipation of a profitable spin-off. Urban renewal focuses on developments which have the potential to become high-quality environments that are appealing as business locations and appealing to higher-income groups. This policy has a high priority in the municipality's investment strategy, which culminates in public-private collaboration. This is similar to speculative development projects which are generally expected to add economic value to the city (like the strategic projects Kop van Zuid in Rotterdam and IJ-oevers in Amsterdam), though have a

Figure 2.7 Gated community Haverley, 's-Hertogenbosch (Source: Municipality 's-Hertogenbosch, 2010)

high degree of unpredictability in terms of results (see Chapter 3). The counterpart of a concentration on such projects is the neglect of other areas in the city where no investments are being made.

Policies that prioritise investment lead to a relative division and fragmentation of urban policy for cities, now divided into areas each with a dossier of different contents and coordination demands (Wigmans 1998, 2001). The basis of this fragmented treatment of the city is the tangential convergence of economic politics and social politics within an urban framework. Economic politics are dominated by a sectoral approach and an external focus on interests on a national scale. Transformations are spurred by developments outside the limited boundaries of the municipality. Social politics are local. They are about current and immediate interests, such as facilities at local level, relevant to the current inhabitants. Social politics operate on a small spatial scale and are oriented towards problem-solving in sub-areas of the city. These politics are in line with local needs and requirements, district population and district amenities, safety and crime fighting. The agenda is increasingly dominated by social management problems. To put it briefly, urban politics are confronted with the complex challenge of trying to reconcile the stress

ratio between economic politics which are oriented outwards and social objectives which focus on the existing city framework.

Castells (1992: 17-18) aptly describes this problematic challenge for the period to come: “The most important challenge to be met in European cities, as well as in major cities throughout the world, is the articulation of the globally-oriented economic functions of the city with the locally rooted society and culture. The separation between these two levels of our new reality leads to structural urban schizophrenia that threatens our social equilibrium and our quality of life.”

2.8 Governance

Under the conditions of flows and places, new forms of control and management have evolved which are a total departure from traditional forms wherein control is unambiguously held by a central actor, namely the government. Governments used to be the most important player in managing strategic processes in the city. However, the consequences of the network society have made it necessary for cities to rise up to the challenge and reinvent themselves as high-quality mobility hubs that can compete in an open marketplace and leave room for new market developments. Government has had to make way for governance. Governance is not limited to one actor (such as a public administration body). It mainly refers to the way in which the organisation and decision making regarding area development have been regulated. All the different visions, interests and opinions that come into play during the trajectory are streamlined into a collaborative whole – this is governance.

In this trajectory, the municipality increasingly depends on private parties, other government bodies and decision making that takes place outside the realm of the municipal territory. Governance acknowledges the existence of hybrid networks (local, regional and national) regarding policy. It also accepts the increasing role of private parties in public policy processes, both in setting the agenda and in implementing policies. Urban authorities have been forced to both cooperate and compete with various actors, networks and organisations, all of which strive for power and influence (Teisman, 1992; Teisman et al., 2001). This form of governance provides opportunities not only for public participation and for urban regeneration objectives, but also for networks that are not politically accountable, serving private interests since governance also means that formulating urban policy will partially be a task undertaken by non-elected actors. Over the past few years, urban objectives, traditionally grounded in principles of durability, equality and prosperity, have made way for objectives related to market efficiencies and yield requirements (Rorty, 1989; Frissen, 1996). Recently, we have seen a shift towards a more sustainable approach, also induced by the market since sustainability has become an economic factor.

Governance can be found in various forms: urban management, process management and public-private collaboration. Process management and public-

private collaboration involve mutually coordinated objectives: those of the private parties and stakeholders (even before they are known factors), and those of the municipality (often of a socially durable nature). Partnership between public and private organisations is much advocated and often touted for its efficient and effective decision making (see further in Chapter 6). In actual practice, however, partnership is not so easy to achieve. Collaboration is only possible if it results in added value for all partners involved. This observation is not new, but it remains relevant. Despite the attention lavished on public-private collaboration and the increasing number of projects experimenting with it, it is anything but trouble-free. The trust between public and private parties is vulnerable and temporary. Tactics by one party may easily lead to withdrawal manoeuvres by another. It is therefore crucial to manage in a way that could be characterised as the management of trust.

Nobody has the monopoly over area development anymore. The government has had to give up its monopoly and enter into all kinds of co-productions. Objectives for an area can no longer be unilaterally and comprehensively prescribed; they can no longer be imposed in advance on other participants. Instead the outcome is the result of a process in which every party contributes its knowledge and expertise. The outcome becomes clearer during the process of negotiations. The process of exchanging knowledge and information and of assessing each other's objectives has to be organised. This involves new expertise, such as process management and urban management. The co-production between government and market entails a precarious balance of interests. The final combination is unpredictable, i.e. it cannot be defined or imposed in advance. In fact, in the current climate it is even impossible to do so, as area development is increasingly dependent on market input—from knowledge and expertise to funding and programme components. At the same time, it has been observed that the boundaries of what constitutes public and private are becoming blurred (Frissen, 1999).

2.9 Implications for Urban Area Development

All of the above has consequences for how to manage urban area development.

The first prerequisite for managing an urban area development process (whether it's a public-private joint venture or on the basis of consecutive new agreements between parties), is an understanding of the nature and dynamics of the process in its full complexity. The complex interaction between parties makes urban area development an exercise in relations management. Good relations have to be maintained with practically all parties. Relationships have to be customised to specific and altering environments and with respect for the dualities and tensions in those environments (Rorty, 1989; Wigmans, 2001). Dealing authoritatively with those dualities and tensions means balancing between various interests in a way that is considered convincing, just and legitimate, even if not everybody can have his or her way.

In light of the impact of the network society, the development implications for the city and its locations are variable and unpredictable (Wigmans, 1998). Since realisation depends on market development, the most important general requirement is programme flexibility in the urban plan. As urban demand is shaped by new developments and requirements (in residential or office markets), the spatial planning concept has to be able to cushion a conversion of uses. This sets out a complicated range of conditions for the (urban) structural design to meet. Several points should be taken into consideration when shaping the plan *and* the process:

- Does the planning concept take into account the time necessary for acquisitions?
- Does the planning concept take into account potential future conversions in land use?
- To which extent does the plan's land parcellation and traffic solutions / accessibility make allowances for future adjustments?
- How are potential changes in a building project's programme facilitated?
- How are location developments that are (turning out to be) uncertain dealt with to the very end?

The term 'integrated area development' (sometimes called 'integral area development' in the Netherlands) has become more common in the past few decades. Instead of a purely incremental approach, it has become essential to integrate the various disciplines and interests given the complex nature of area development in an existing urban area. The complexity there is determined by the nature and intensity of the physical change, the tension between established and future interests in the area and the fact that the existing area will still have to fulfil several functions during the transformation process (Louw and Van der Toorn Vrijthoff, 2002). The new approach must incorporate various fields of expertise, insights and skills. The approach integrates and sees the coherence between physical-spatial, economic and socio-cultural aspects, and keeps an eye on the impact in an urban perspective. Key in this context is the ability to integrate diverse knowledge and skills and to act strategically within a process, both on an urban level (see Chapter 3) and on an area level (see Chapter 6).

The involvement of a multitude of parties (as outlined in Chapter 1) further complicates urban area development. The primary focus in incorporating all these stakeholders is realising a sustainable, high-quality built environment. Large-scale restructuring projects take a long time to complete and usually involve large risks. In addition, urban land development will usually have a financial deficit at the beginning. This requires special attention in terms of the collaboration between the municipality and market parties: the interests of both parties must be safeguarded. But perhaps more importantly, any kind of collaboration should have added value, compared to an active land policy where the municipality unilaterally controls the process (a form of traditional government). Additionally, the collaboration should have a positive impact on the risk profile of the municipality. Finally, the outcome of

the collaboration has to meet municipal conditions and budgets (see further Chapter 9).

We also see more and more that urban area development can be realised by private parties. In this variant, private proprietors remain the owner of the lands and/or the municipality accommodates the land it has acquired with said proprietors. The responsibility and risks for the land development are borne by the executive party.

2.10 Urban Network Dynamics

All cities participate in a competitive market environment within a dynamic urban network. Obviously, the range of market participation will differ per city, depending on the regional, national or European hierarchy. Nevertheless, every modern city is trying, in its own way, to align its qualities and potential with newly emerging markets. Sometimes they succeed, but other times they are forced to find alternatives and adjust strategies. The basic conditions are always similar. The fact that many cities are currently rethinking or restructuring their railway station areas and infrastructure, follows on from the new requirements of urban network dynamics.

The global restructuring of the economy that has affected cities can be traced back to the first oil crisis in 1973 (Harvey, 1990). During the 1980s, the city was not doing well from an economic perspective. But from the 1990s onwards, opportunities and developments have increasingly been taking shape outside the municipal sphere. A city's strengths and weaknesses must compete, and therefore be mapped out and assessed, in a regional market environment. The city is developing an entrepreneurial attitude, taking on challenges and trying to take advantage of global modernisation. Introducing high-quality, service sector facilities acts as a kind of compensation for the loss of traditional industry.

Consequently, a stress ratio comes into play: large-scale integration operations to accommodate attractive business services in the city have to be in the right proportion to the historic building structure of the city centre. Simultaneously, a modern outlook must be embraced and a new identity sought. Yet the question is, how will this align with traditional urban life. In short: there is a stress ratio between the existing and the new, with all its associated uncertainties. The development process is confronted with many challenges and it must find a balance: large-scale versus small-scale; a modern versus historic quality; new urban dweller versus current urban dweller; traditional one-party control (municipality) versus an approach that incorporates many (as yet unknown) market participants; the public cause versus private interests; property versus transport; etc. In this context, urban management and process management will become necessary in organising a new kind of equilibrium and in order to keep the dialogue going.

On a theoretical level this can be described as the stress ratio between a space of flows and a space of places. The design and development process of urban area development projects has to be understood within this framework of tension.

How do cities – in urban network dynamics – deal with the various stress ratios, confrontations and dilemmas to transform the existing situation into a new strategic area for the city? Which forms and steering instruments are used and which adjustments are made in this context (process management, urban planning, public-private collaboration, land-use plan and so forth)? What is the impact on the professional specialisations (urban planning, land development, law and the environment, etc.)? What are the scope and efficacy of these instruments, measured against the objectives set by cities. And, to conclude, how should interim results be assessed?

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3 Management of Urban Development

Marco van Hoek and Gerard Wigmans

3.1 Introduction

The more traditional approach of developing cities through government-led town planning has gradually been shifting to the more entrepreneurial approach of strategic management of both public and private initiatives in the urban environment. This approach combines aspects of governance, urban planning, economic development, financial management, social planning and marketing, and leads to a more integrated strategic decision-making process in which both public and private sectors participate.

During the second half of the 1970s in the United States and during the beginning of the 1980s in the United Kingdom, an understanding emerged that cities would profit from an entrepreneurial attitude towards economic development (Harvey, 1990: 4). During that time local authorities were increasingly engaged in stimulating the growth of business and employment. The shift from governing urban issues to being entrepreneurial in approach became an enduring concept. During the 1980s in the Netherlands a policy shift in favour of the big cities took hold (Lambooy and Manshanden, 1992), and towards the end of the decade this was strongly stimulated by the central government. The belief emerged that well-functioning cities are of the utmost importance for the national economy. Urban economics became a central theme in urban politics, giving birth to the concept of an entrepreneurial municipal authority. As such, municipalities started looking for ways and means to benefit economically from global dynamics.

Since the 1990s social and cultural aspects of city development have become increasingly important and the recent climate and financial crises have given rise to sustainability and financial engineering as additional aspects of city development, making urban management increasingly complex.

These developments necessitate urban management. In the Netherlands, the Erasmus School of Economics of the Erasmus University in Rotterdam (EUR) has played a significant role in developing theories of urban management (in particular Leo van den Berg and his team). Their ‘Organising Capacity’ model is an effective instrument in guiding urban management and is used in this chapter as a guideline. At the end of the chapter we will indicate some of the restrictions of their theory. Two

examples of Dutch urban management practice are included to illustrate the application of their model.

3.2 Urban Management

Urban management consists of two words. The 'management' part should be seen to describe strategic decision making and refers to actively pursuing ways to improve a situation. The 'urban' part refers to the needs of cities and their regions. Combining the two implies that urban management refers to the strategic decision-making process for the development and improvement of urban regions. This strategic decision-making process for cities is by definition multidimensional and consists of several stages: analysis, vision, strategy and planning, implementation and evaluation. The stakeholders involved are from the public and private sectors. The public actors can be found at the local government level but also in the national government, regional government as well as multi-national organisations (e.g. European Union, World Bank and the United Nations). On the private side there are for example multinationals, chambers of commerce, project developers, community organisations and banks.

Urban management can be applied to different scales or levels:

- Strategic Management level – the functional urban region or metropolitan scale
- Policy level – development of certain sectors
- District or Neighbourhood level – urban area development
- Project level – real estate development

The functional urban region or metropolitan scale
The development of a functional urban region is not confined to the administrative boundaries of a municipality, but depends on the functional relationships between the city, suburbs and rural areas in the surrounding region. At the strategic management level it is necessary to look at, for example, the economic relationships in the region, in terms of employment, business locations and housing. Investments in infrastructure might be strategically beneficial, with the aim of improving or increasing connections.

Development of certain sectors
When it comes to developing certain sectors in relation to specific types of city areas, certain general policies or guidelines can be set up. Organisations within certain sectors also develop their own policies. Examples are specific development visions for inner-city, waterfront or brownfield areas, or guidelines for housing, environment and investment. A specific area of interest can be greenfield development where rural land is transformed into the urban land for housing or business locations.

Urban area development

The most practical level is where city development strategies and sectoral policies are put into action. Urban area development concerns defining, building and implementing a development vision or strategy for a certain district or neighbourhood. The development process must be managed in order to ensure the optimum involvement of private and public stakeholders, and to embed the process in a democratic way within civil society. As explained in Chapter 1, the goal of area based development is to organise efficiently and effectively the interests of the different actors involved in the different stages of the process in such a way that it addresses the needs of the local area in conjunction with development requirements from a city-wide or metropolitan perspective.

Project development

Finally urban area development is the sum of different real estate projects, sometimes in combination with infrastructure. Each of these projects require sufficient knowledge of architecture, construction, planning, finance, marketing and communication in order to be successful as individual projects as well as being successful contributions to the district or neighbourhood as a whole.

In practice strategic decision making takes place at each level by all the different actors, whether their interests are for the benefit of the city as a whole, their sector or their particular project. Ideally these levels would be linked in such a way that strategies, development visions and policies complement and reinforce each other. The fact that these strategies are developed by different stakeholders from the public and private sectors emphasises the need to organise decision making well. Key to managing the decision-making process are a comprehensive approach and integrated participation.

Traditional ‘top-down’ or ‘command and control’ models of urban governance are no longer adequate. A. Kearns and R. Paddison (2000) argue that to a large extent, urban governments have lost control over urban economies and societies because of economic globalisation and the mobile capital investments that are associated with it. The old top-down model does not fit well in a world of urban competition, which has become more intense and universal than ever. Cities and regions compete for inward investment, visitors, real estate developments and inhabitants. The logic of competition demands a more entrepreneurial form of urban governance as already discussed in Chapter 2. Furthermore, the traditional model is insufficient at dealing with changes of all sorts. The hierarchical decision-making structure is inherently time-consuming: it takes very long before decisions are made and translated into policy measures, and new ideas and initiatives hardly ever get a chance. It is clear that the increased pace of change in economics, technology and consumer preferences necessitates a different type of urban management, one that is better able to signal new developments and to translate them into adequate policies.

This new type of urban governance reflects the belief that not everything can be managed top-down. As Kearns and Paddison (2000: 847) put it, “urban governance is not an attempt to regain control so much as an attempt to manage and regulate difference and to be creative in urban arenas which are themselves experiencing considerable change.” Gerry Stoker argues that governance is about the capacity to get things done in the face of complexity, conflict and social change (Stoker, 2006). Metropolitan governments need to empower themselves by using resources and skills from other organisations. In other words, urban governance can provide new ways to achieve strength, creativity and results.

In order to arrive at methods to better position a city in a competitive market, it is important to recognise the underlying problems and challenges. One way of ascertaining potential and weaknesses has been formulated by Ilaria Bramezza (1996: 12) (from EUR) who states that: "The existing situation (the state of the system) should be confronted with the ideal situation (the reference scenario). When urban malaise prevails, the diagnosis will reveal a gap between the ideal and actual state of the system. This process seems necessary to understand weaknesses and potential for future development and identify ways to solve urban problems."

According to this theory, the extent to which the problems and challenges can be understood and solved depends on the quality of urban management. Superior urban management is seen as an absolute condition for sustainable urban development. Bramezza further defines urban management as “the coordinated development and execution of comprehensive strategies with the participation and involvement of all relevant urban actors, in order to identify, create and exploit potentials for sustainable development of the city.”

It is the task of urban management to improve the attractiveness of the city and its relative competitive position by developing and implementing an integrated strategy. The integrated strategy must encompass objectives that strengthen the economic, social and cultural situation of the urban region. This urban management approach is principally grounded in the idea that we must start by looking at the city from a different perspective. Instead of looking at only the physical space (how buildings, public space and infrastructure interact), this approach starts with analysing the functional quality of the city. In other words, what is the role of a city? A city serves several functions and the users of these functions, and their individual decision making shapes the development of cities.

For example, a city is used by its inhabitants as a place to live, work and meet. Their preferences regarding their living environment, job opportunities and social networks determine their choice of residence. Both public and private sectors respond to these preferences by providing living areas, business districts and facilities. In an increasingly competitive environment where inhabitants and companies are more flexible and mobile, individual preferences are changing the physical appearance of the city more so than urban planners. So in addition to the challenge of developing, managing and maintaining competitive cities, there is the challenge of designing and planning for its complementary functions as well.

Figure 3.1 Relation between functions, organisation and result (Source: R.M. van Hoek)

3.3 An Integrated Development Vision

If top-down urban planning is replaced by an urban management approach that builds on individual preferences, social trends and economic developments, how can cities be developed? Sustainable urban development cannot exist without an integrated development vision, i.e. a coordinated and cohesive vision on the future urban development of a city, district or project, seen within an international context. Urban planning is still a very important tool to design and define the use of space, but should be preceded by formulating a more overall view on the development of the city based on long-term trends and preferences in society. Very briefly summarised, such a development vision is constructed through an interactive and bottom-up process that can be described in a few steps:

1. Ascertain relevant developments for the region (for example, economic market and environmental developments);
2. Assess the regional Strengths, Weaknesses, Opportunities and Threats (see further on SWOTs in section 3.5);
3. Define which aspects need to be resolved most urgently. During this exercise, political and social criteria are being applied;
4. Formulate a number of main policy objectives with priorities, directed towards the regional or urban development. This results in more concrete areas of attention in the different policy areas, and subsequently even more concrete points of action. These actions can be related to specific districts or urban areas, as well as specific projects;
5. Finally, indicate strategic networks (inside or outside the municipality) which will be responsible for the realisation of area developments and projects, as well as the ways to organise financing (see Chapter 6).

It is not only the content of the vision that is important, but also its ability to generate public support within the regional or urban society. The content of the vision forms the platform for discussion and debate, a process involving a number of actors, particularly business, trade and industry leaders as well as other stakeholders. Subsequent practical tasks are carried out (or delegated) by municipal and non-municipal bodies. Fundamental to this course of action is that it happens in such a way that participants will be able to view this vision as their own vision, thereby committing themselves to its realisation. This approach is to some extent similar to the way in which Borja and Castells describe the function and the significance of a strategic plan. They define it as follows: “A strategic plan is the setting out of a city project which unifies diagnoses, specifies public and private measures and establishes a coherent framework of mobilisation of and cooperation between the urban social agents.” Borja and Castells (1997: 94-117) also consider such a plan as a means of communication and a guideline for the development of a marketing plan.

3.4 Organising Capacity as Conceptual Model for Management

The ability to develop and implement an integrated urban development vision largely depends on achieving sufficient organisational capacity. This refers to the organisational capabilities of an urban region to develop and implement an integrated strategy. The ability to take advantage of existing competencies and expertise found at the different levels of parties involved, is increasingly important. It is, in fact, an essential factor in the sustainable development of the city.

Van den Berg (1996) and his team define ‘Organising Capacity’ as “the ability to enlist all actors involved, and with their help generate new ideas and develop and implement a policy designed to respond to fundamental developments and create conditions for sustainable economic growth.” The organisational capacity of an urban region is thus a primary condition for developing and implementing an integrated strategy. All of the disciplines involved must be able to organise themselves, or be directed, to contribute in a specific way relevant to the project. Organising Capacity operates at an optimal level when:

- all stakeholders participate;
- new ideas are generated;
- adequate policy is developed.

According to the research team the positions of metropolitan regions in Europe are changing drastically (Van den Berg, Braun and Van der Meer, 1997). Increasingly, metropolitan regions need to organise themselves better to improve their competitive position. Indeed, the (future) prosperity of a metropolitan region depends to a high degree on its organisational capacity. The principal aspect of that power is to be able to anticipate, respond to and cope with changing metropolitan relations due to internal and external processes of change. That these challenges for metropolitan regions and cities are a worldwide phenomenon was acknowledged in 2011 by Cities Alliance:

> Cities around the world are growing like never before....This rapid urbanisation has brought with it both extraordinary challenges and tremendous opportunities for cities. In order to thrive, cities must find ways to adapt to emerging challenges and leverage their strengths.....A city development strategy [CDS] is defined as an action-oriented process, developed and sustained through participation, to promote equitable growth in cities and their surrounding regions to improve the quality of life for all citizens. A CDS helps cities integrate a strategic development approach and a long-term perspective into their urban planning. ..... The idea behind a CDS is that well-positioned, well-timed public, private and civil society strategic interventions can significantly change a city's development path and improve its performance.[8]

Figure 3.3 illustrates the theoretical framework of Organising Capacity. The hypothesis is that performance is the result of the interaction of all elements in the scheme. Together they make up a dynamic system. As a consequence, the cohesion among them is especially important. When this is lacking, the performance of a project can be disappointing, despite a positive evaluation of most of the separate elements.

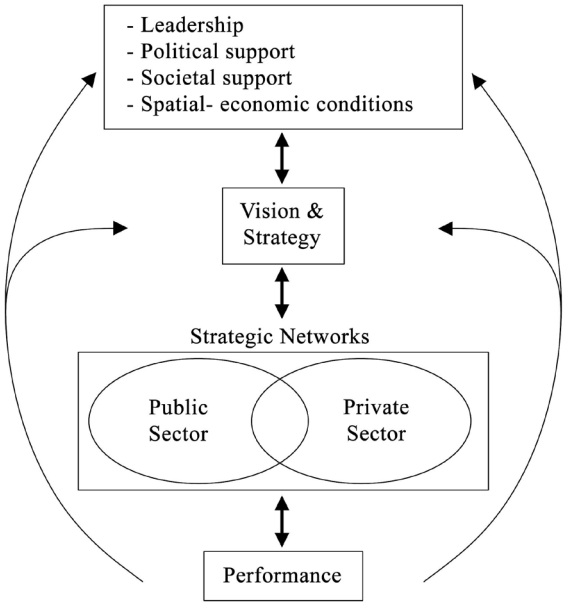

Figure 3.2 Organising Capacity Framework (Source: Metropolitan Organising Capacity, Van den Berg et al., 1997)

[8] http://www.citiesalliance.org

Vision: A sound vision of the development of an urban region as well as plans to solve urban problems should be convincing enough to gain broad support. To that end, such a vision will have to be sufficiently realistic and focus on the opportunities and problems of the urban region. Also, it must do justice to the interests and goals of all stakeholders in a balanced way. A sound vision forms the basis for formulating objectives and strategies. It can help to prevent inconsistencies in the implementation of the development, for each project, policy and action can or should be tested against the agreed vision. Therefore, the vision can, once accepted as the common framework for decision making, help to guide the relevant actors in their behaviour.

Strategic networks: Strategic networks can be conceived of as patterns of interaction between mutually dependent actors that evolve in response to policy problems or projects. A network consists of all the relationships linking parties (public and private) and are marked by two-way traffic (Van den Berg et al., 1997: 11). The aim is to find out who cooperates with whom (within and between parties) in the development and implementation of urban policies, and how, and to what extent, this cooperation takes place.

Leadership: Every party, programme and project needs a leading actor to initiate, continue and complete it. The assumption is that the leadership of key actors contributes substantially to the successful design, development and implementation of projects. Leadership is a necessity, be it by way of specific competencies (the position in the administrative hierarchy, financial capabilities, specific know-how or other powers) or the charisma of public or private individuals who successfully drive the project forward (Van den Berg et al., 1997: 12).

Political support: Political support is a prerequisite for Organising Capacity, since political relations and financial pre-conditions are decisive for the initiation and implementation of new policies (Van den Berg et al., 1997).

Social support: No matter how valuable a project might be for sustainable metropolitan development, lack of support from those directly affected (the clients, as it were: local population, business society, interest groups) may limit the chances of successful implementation (Van den Berg et al., 1997: 13). For example, social support for security measures depends on the active involvement of citizens groups.

Communication: With the help of good communication between all relevant actors a broadly supported vision to tackle the perceived urban problems can be developed. Furthermore, communication is needed to bring the message of the vision and related policies to the networks involved, the (potential) leaders, the politicians and society, including the very important target groups. Much of the communication will proceed through the regular media channels (newspapers, regional/local radio/TV

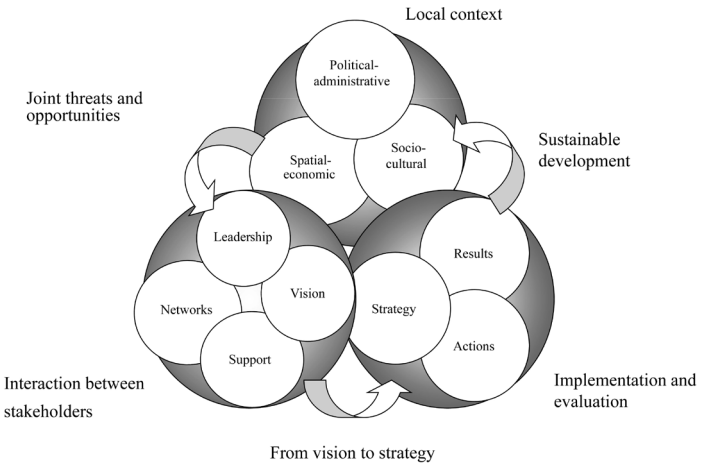

Figure 3.3 Organising Capacity as Development Strategy (Source: R.M. van Hoek)

and the internet). Communication is also needed to link all the other factors together, symbolised by the links in Figure 3.3.

In Figure 3.4 the elements of Organising Capacity are described in the city development process as a development tool. From the local context, threats and opportunities can be defined. This leads to the need to interact between stakeholders, which should lead to a joint vision and strategy. Through successful implementation and evaluation this could create sustainable economic growth and an improved local context. This process will continue again with new threats and opportunities to start the development process.

3.5 City Marketing

An important aspect of modern urban management is city marketing (Braun, 2008). City marketing focuses on promoting the city's services and attractions (or in spatial planning terms, its 'uses') to diverse groups of users, and concentrates on the target groups potentially interested in these uses. These groups can be defined in general terms, such as high-income groups or day-users of recreational facilities, but by no means do they have to constitute a homogeneous group in terms of social interests. In urban management, on the contrary, stakeholders have a key position on the basis of their specific, local interests. Stakeholders can certainly be very diverse, but

contrary to the target groups, they can be directly approached most of the time on account of their direct relationship with the location: real estate owners, shopkeepers, project developers, etc.

While city marketing and urban management have slightly different objectives, they can both be seen as the “invisible hand” of market coordination versus the “visible hand” of government regulation. In urban management coordination and regulation are considered decentralised tasks. In city marketing competition is very important: direct competition between urban functions and competition with other cities and regions. In a marketing approach, priority is given to stimulation (selling) rather than to regulation. Although in theory frictions can occur if city marketing and urban management are pursued at the same time, in practice initiatives that apply both approaches simultaneously at urban level have been successful. The lesson to be learned from this is that city marketing (and its instruments) can be a tool of urban management.

City marketing has been widely employed in the Netherlands. In practice, it has proven difficult to present a municipality as a total product, surely when it concerns a large city. In such cases one is dealing with a large number of target groups (e.g. entrepreneurs, visitors, residents, sub-groups of these, etc.) that make use of the city in different ways. One person may regard the city an interesting place to shop, another as a promising place to do business, and yet another simply finds it a nice place to live. It is precisely when marketing is seen as more than just promotion (which is desirable in itself), that the notion of applying marketing instruments (beyond mere promotion) at the level of a whole city becomes more complex. This is why the application of specific marketing instruments to urban management must be geared to specific target groups.

In marketing a great variety of instruments can be applied. On the one hand there are client-based instruments: promotion, selection and maintenance. On the other hand there are product-based instruments: marketing-led product development, renovation and pricing. Before these marketing instruments can be applied, some groundwork has to be done. To begin with this consists of market research, which leads to the establishment of a market policy. Then the ways and means of how to reach the policy objectives should be indicated, specifying marketing instruments by target populations.

Marketing has to be based on knowledge of the market—this is true for any product. So market research is indispensable. Market research in the service of urban management should include research into:

- the requirements as indicated by future users, including those expressed by businesses considering industrial locations
- the way municipal authorities are being perceived in the market
- the strengths and weaknesses of different locations in the municipality
- plans for promotion and branding of the business locations
- the comparative competitive position of the location, municipality or urban region

In order to find out what the relevant motives, aspirations and views of the future users are, researchers should identify themselves as much as possible with the target population. Only this type of intimate information provides a good basis for marketing. This type of market research can also play a useful role when drawing up an integrated regional or urban development vision.

A particularly useful model for market research is the so-called SWOT analysis. A SWOT analysis is aimed at identifying the internal Strengths and Weaknesses of the municipality or region as compared to other municipalities or regions, as well as external Opportunities and Threats. The elements of a SWOT analysis may include a great variety of aspects: infrastructure, economic variables, social facilities, labour market, levels of costs and prices, local culture (business approach, international orientation) and so forth. When carrying out SWOT analyses (just like other types of market research) one should always distinguish carefully between image and facts. The image of a municipality or of a particular product, such as an industrial location, is what people imagine it is, but reality may be completely different. An example: an investigation among foreign entrepreneurs showed that they assume that Rotterdam has insufficient communication facilities, yet as a matter of fact, the reality is that the situation is better than in other European cities. In such a case where facts are better than assumptions, it would be wise to invest in promotion and public relations. When the situation is the opposite (image is better than facts) one may be tempted to keep quiet. However, this cannot be sustained for long; it is necessary to improve the actual situation in order to prevent that positive image from deteriorating.

In marketing policy it should always be made very clear who the target population is. These groups should not be too large: some sort of selection is needed to narrow the focus and work within ones means – financial or otherwise. It is therefore of the utmost importance to set priorities. When marketing policy has been clearly defined, the next step is to establish the different marketing instruments to be used for the different target populations. Marketing strategy indicates how the different objectives from marketing policy should be realised. Strategy will differ per target group, that is to say that the instruments will be applied with different intensity relative to target groups (see further Chapter 8).

3.6 Examples of Managing Urban Area Development

Kop van Zuid in Rotterdam versus IJ-oevers Development in Amsterdam

In the Netherlands several development strategies have been successfully implemented to redevelop urban areas. As discussed before the ability to be successful in the transformation process depends heavily on the available organisational capacity. In this section two Dutch case examples of redevelopment are discussed: Kop van Zuid and IJ-oevers. These cases are well-known in the Netherlands. Both cases are however different in their approach to redevelopment, as will be explained. The theoretical framework of Organising Capacity is used to compare both cases in general terms.

Table 3.1 Facts & figures, Kop van Zuid Master Plan; Zuidelijke IJ oevers Master Plan

Rotterdam – Kop van Zuid	
Total area	125 ha
5300	houses
400,000 m^2	office space
35,000 m^2	business accommodation
30,000 m^2	education facilities
105,000 m^2	leisure and other facilities
New infrastructure	Erasmus bridge, metro station, Tram-Plus, train

Amsterdam - Zuidelijke IJ-oever	
Total area:	140 ha
2500	houses
330,000 m^2	office space
130,000 m^2	hospitality business
105,000 m^2	leisure and other facilities
New infrastructure	7 bridges, new inner ring, train/subway station

Rotterdam: Kop van Zuid

The first example is the Kop van Zuid project in Rotterdam, a waterfront project on the left bank of the Maas river. This project transformed a former port area into a new urban area comprising a mixture of high-grade offices, shops and houses.

The area of the Kop van Zuid is situated opposite the city centre on the south bank of the river, which cuts through the city from east to west. Moving the port from the centre of the city to the west has left desolated areas alongside the river. The 125 hectares of the Kop van Zuid were initially destined for social housing schemes, but this plan failed due to the unbalanced composition of social housing (only low-rent was envisaged), as well as the lack of good infrastructure and (job) opportunities for the local population.

Eager to provide the city with a broader and a more varied supply of housing and office space and in view of the central location of Kop van Zuid, the municipality recognised the great potential of the area: it was an ideal location for large-scale development based on the concept of waterfront development as realised in London (the Docklands), Baltimore (Harbor Place), and other cities. A mixture of up-scale offices, houses and shops was envisaged. However, the idea met with widespread scepticism and limited interest by the private sector. It was projected in a part of town that was generally considered unattractive, with its deserted harbour grounds, social problems and awkward access due to the River Maas, a significant natural barrier. In the neighbourhood itself people were also doubtful how feasible such a large-scale project would be at that location (Van den Berg et al., 1997).

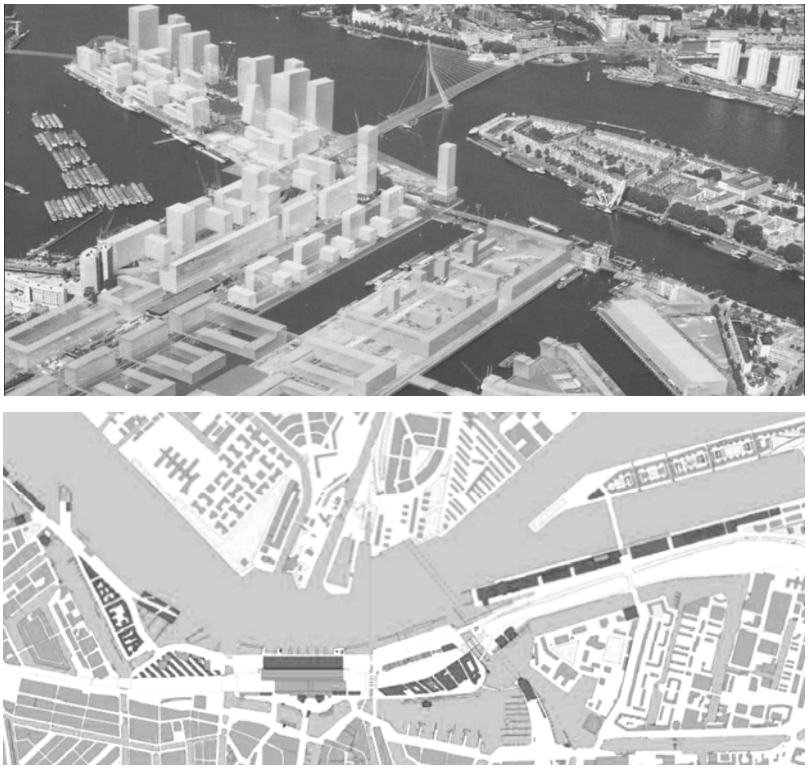

Figure 3.4 (above) Kop van Zuid Master Plan (Source: Kop van Zuid Infocentre, "City of Tomorrow," 2010);

Figure 3.5 (below) Zuidelijke IJ-oevers Master Plan (Source: Projectbureau Zuidelijke IJ-oever, "In Afronding 2009," 2009)

Amsterdam: Zuidelijke IJ-oever

The second example is taken from the city of Amsterdam. The Zuidelijke IJ-oever project consisted of the transformation of the former port areas and the Central Station area into a mixed office and residential area divided over several islands situated on the south banks of the IJ river in the centre of Amsterdam. Earlier plans by the municipality to develop this area as the new international business district were rejected by the private sector that preferred such a development in the Zuid-as district with its easier access to Schiphol Airport and the ring road of Amsterdam. After the initial investments on infrastructure and specific locations by the municipality itself, the private sector housing market took off, and this started the real transformation of the area. This was followed by office development, facilities and a revamped station area. The developments of the south bank subsequently stimulated development of the north bank.

Vision

In Rotterdam the shift from the Kop van Zuid area as a cheap location for low-cost housing to the idea of the location as an extension of the city centre with mixed use facilities created new opportunities to revitalise the area. In the low-cost housing scenario, the necessary upgrades in infrastructure and public facilities were not feasible, but combining the area with bigger economic opportunities generated financing for new infrastructure and generated more commercial interest in the project. One could even argue that the neighbouring low-rent housing projects that were classified as failures have been revitalised on account of the more balanced development of the site.

In Amsterdam the initial ideas for large-scale transformation of the Zuidelijke IJ-oever into a new central business district were rejected by the private sector. Amsterdam then changed the plans and focused on redevelopment of specific locations within the area as so-called Anchor Projects. These projects, such as the Nemo Museum for Science and Technology, the Amsterdam Passenger Terminal for luxury cruise ships and events, and the new library would stimulate the development of the surrounding areas, meant to be initiated by the private sector. Instead of a ready-made plan for the whole area, the development vision allowed for the private sector to initiate their own ideas and use existing (port) buildings temporarily.

Leadership

The Rotterdam case showed strong leadership by the public sector. When the private sector would not take the risk, the public authorities made sure that public investments were used to start the development. Investment in infrastructure as well as the relocation of municipal offices into the area started the development of the area and improved the location quality in such a way that the area became interesting for private developers. The critical issue is whether the project relied perhaps too much on the financial resources and risk-taking of the municipality. The municipality's role did not remain only that of instigator, but it became a major developer and risk taker. Private developers and investors were only getting involved in projects that had predictable returns or specific users (some of which were, again, public actors/tenants) and although it can be said that the design and quality of the project was the shared responsibility of both public and private actors, the risk of the whole development was primarily the responsibility of the municipality.

The municipality of Amsterdam decided not to take the risk, and they followed the market. The new Zuid-as Financial/Business District was developed in response to demand, while the municipality pursued small-scale initiatives with targeted investments in the Zuidelijke IJ-oever. The advantage of this approach was that risk in public investments was limited and could be spread over several years. When the real estate market in Amsterdam started to boom, the development took off through private sector development and new public investments could supplement the market. The disadvantage of this approach is that it is more difficult for a government to connect the different private initiatives and synchronize relationships

between the different areas. Also without a strong overall vision it is more difficult to bring the area to the attention of the general public.

Strategic Networks

Although the initiative (and most of the risk) for the development of Kop van Zuid was taken by the municipality, this did not mean that the private sector was not taking an active part in the development. The involvement of the private sector in the design and development of different projects in Kop van Zuid meant their knowledge of the market (through for example market consultation) was incorporated. This is evident also from the structure of the project organisation, which combined public and private actors in relationships regarding investment, expertise and community. Other positive aspects were the use of the project office as an information and communication centre and the formation a "Quality Team," a panel of external experts advising on the architectural quality.

All of this together required a flexible, cooperative approach to the development. Instead of a predetermined, strictly delineated Master Plan, the Kop van Zuid project was flexible enough to change its original plans from predominantly office space to more (luxury) housing projects along with some culture and leisure amenities. The positive developments of the housing market ensured that housing projects were successful, which in turn pushed the development of some of the commercial projects in the area: the nice living and leisure conditions sparked renewed interest in the area as a commercial location. The boundaries of the project also became flexible. With increased investor interest, the project was extended to the south and more infrastructure was either improved or created. Spatial links to the surrounding neighbourhoods as well increased the opportunities and effectiveness of the new investment. The new educational facilities, public space and infrastructure became assets for the surrounding neighbourhoods too, stimulated by the public interest to have an impact beyond the Kop van Zuid area.

Amsterdam created strategic networks for specific development areas. This allowed for tailor-made cooperation for each development. As in Rotterdam, different market trends were catered for, made possible by the project-based approach. Infrastructure was developed according to the needs of the programmes: everything from luxury housing and leisure, to family housing, office buildings and creative hot-spots mixed with public facilities. The biggest challenge for Amsterdam was to look beyond the borders of each project and connect them to the historic city centre as well as the adjacent north banks.

Support

The public leadership in Rotterdam focused a lot of their attention on ensuring political and social support. A leading role could only be supported with the necessary funds from governmental budgets. By highlighting the national importance of the project even national budgets were made available. In Amsterdam support was first garnered from specific target groups in the cultural and tourism sector. This was a smart choice since both sectors have a strong position in the city.

Figure 3.6 Erasmus Bridge Rotterdam (Source: Municipality of Rotterdam, 2010)

By linking these sectors to the development of the Anchor Projects, the first public investments were made possible through their budgets.

The difference between the two area developments is that in the case of Rotterdam the ambition was widely communicated and debated and therefore received a lot of attention, while in Amsterdam the discussion was more at the level of urban professionals and targeted users of the area. As a result the Kop van Zuid project was largely viewed as the bigger project, more as a key development for the city, than the Zuidelijke IJ-oever project, even though the size of both developments is comparable and the impact of both were large-scale.

Performance

The Kop van Zuid project spent a lot of time on the design of the urban plan, the buildings, public space and infrastructure. An interesting observation here is that the Erasmus Bridge received more attention for its design than its infrastructural benefits. The choice to create a landmark, as symbol of the unification of two sides of the city centre rather than just a physical link, has been one of the key elements to the success of the project as a whole. It is a good example of the strength and organisational capacities of the initiators, for they managed to gain social, political as well as financial support for the whole project. Through the creation of strategic networks and the development of a clear vision and strategy both at city and project

Figure 3.7 Wilhelminapier/Kop van Zuid (Source: Municipality of Rotterdam, 2010)

level, citizens and users were made aware of the ambition and critical opinions voiced and dealt with at an early stage.

The Zuidelijke IJ-oever project successfully commenced a reunification of Amsterdam's inner city with the IJ waterfront. The areas have been transformed into modern housing and business districts as well as leisure areas for both tourists and local citizens. It is especially the public facilities that add to the attraction of the area for users. The combination of new buildings with the re-use of historic buildings along the waterfront of the River IJ has created an appealing new environment that complements the historic city centre. The next challenge is to ensure that the Zuidelijke IJ-oever becomes intricately linked to the inner city and becomes a stepping stone to the development of Amsterdam Noord, on the north side of the river.

Spatial Economic Conditions

Some lessons can be learned from these projects in terms of defining what elements make for success in waterfront redevelopments. However, each context is determined by its own spatial economic conditions, which call for their own individual approach. While Rotterdam opted not to form a public-private partnership (a PPP-consortium), in which risks, finances and responsibilities were shared, this was appropriate for Amsterdam because of its better real estate market conditions

(making it attractive to the private sector). Although the initiative to create a formal PPP-consortium didn't last long, the actual development was a shared initiative with a spread in investments and risks taken by both public and private sectors. Another of the conditions determining Amsterdam's success was the city's position in the tourist market. An attractive waterfront is an added asset to a city that already has a great tourist pull rather than to Rotterdam. Local climate and culture are also variables that influence the potential use and development of public space.

Finally, it is important to note the element of time. In both cases it will be at least 25 years before we can see and assess the full impact of the transformation. A sound vision for the area, constructed in relation to the city as a whole, should be a solid foundation within constantly changing market conditions. Leadership, political and private commitment, and a sound development strategy is needed to back up this vision and keep the project going. Though the methods in Amsterdam and Rotterdam are different, both allowed for flexibility in changing circumstances, while ensuring that public investments were used to stimulate development during periods of recession.

3.7 Reflections on the Theory of Urban Management

The model of Organising Capacity plays a central role in the Van den Berg team's theory of urban management. It can serve as a tool for setting up and managing area development projects. The previous section illustrated how the model fared in practice.

However, if we wish to evaluate urban management in more general, theoretical terms and to summarise its essence, then a number of more fundamental questions arise (Wigmans, 2003). It is clear than an integrated approach is paramount, but how to ensure willing participation in integration and mutual understanding of the benefits for all, is the heart of the challenge. This concluding section expands on some critical questions.

An Integrated Approach

The search for an integrated approach is a common phenomenon in contemporary urban management. This is very clearly demonstrated by the empirical research into urban projects in eight European cities (Van den Berg et al., 1996; 1997). A unified, all-encompassing vision that can be translated into a comprehensive strategy is also a crucial factor in managing urban projects, in terms of both development and implementation.

Any organisation responsible for urban management can use the expertise found in the various disciplines that study the urban environment in all its forms. All factors that affect the functioning of an urban environment are in some way part of all the disciplines involved in urban management. Despite the apparent complexity of actors and interests linked to each discipline, they are the key components to finding a way forward and creating mutual understanding.

From the urban management perspective described here, it is the *search process* for an integrated vision and strategy that is vital to ensuring that projects are developed in a sustainable manner. It is quite difficult, however, to streamline the conflicting interests of the many participants and to avert problems that form obstacles to successful integration and ultimately to a comprehensive vision.

Cooperation

An integral part of the Organising Capacity model, as described above, is cooperation between the actors involved. The model presupposes that cooperation between the actors in the strategic networks will come about naturally, as a result of the opportunities that the urban environment presents. The underlying rationale for cooperation between the participating actors is the recognition of their mutual dependence. The intensity of cooperation within the strategic network is therefore determined by the actors' recognition that they both need each other to achieve their own individual objectives (objective A can only be reached if objective B is reached, and vice versa), and so eventually they will tow the same line. The model assumes, however, that cooperation will develop and grow organically. Yet in reality, even though actors may realise that cooperation in light of such opportunities and threats is a prerequisite for favourable urban development and economic growth, this is no guarantee that such cooperation will actually take place nor that the form of cooperation will always be clear-cut.

In addition to the realisation that their mutual interdependence makes cooperation and coordination necessary, the actors will also need to be made aware that there are differences in their visions and objectives that will not facilitate fluent cooperation. Ensuring such awareness may also hamper the process of cooperation.

Systems Thinking

The Organising Capacity model consists of dynamic interaction between all elements and provides a framework for understanding how different factors influence each other within a whole, or in another words: a framework of 'systems thinking'. An urban management theory based on a form of systems thinking makes frequent use of notions such as commonality and integration. The theory assumes that all the parties involved will interact straightforwardly concerning the nature of the project. Contradictory interests will emerge, but a consensus can be achieved through the interaction of all the actors involved. A common vision will be pursued, which – through the application of a consistent strategy – should lead to a shared objective for the project. Cooperation between the parties involved will come about on the basis of these shared objectives. Efforts will be directed towards formulating an integrated plan within which various disciplines can cooperate. This urban management theory does not take potential conflicts into consideration. One of its weaknesses is that it approaches cooperation on the basis of mutually shared goals and presupposes that interaction is an uncomplicated process within this

cooperation. Such a theory does not provide for methods to finding solutions when problems arise. The model fails to address the potential for conflict specifically.

A number of questions can be posed about the Organising Capacity model:

- Are the expectations of the Organising Capacity model as an all-powerful instrument in solving urban management problems realistic?
- Is an unconditional commitment to integrating *all* the divergent interests/objectives (or a commitment to consensus on content) really necessary and desirable for the development of the project?
- Is it possible to ever bridge the gap between current situation and ideal situation (as Bramezza describes in section 3.2) or will the future situation simply be *different* to the current?
- Is it realistic to search for consensus and common ground?
- Finally, we may wonder whether a level of quality in urban management can be identified at which such problems can be resolved without taking into account the social context of the participating players.

It seems that, because complex urban projects involve many actors and are subject to the outcome of political and public debates, integration is not always given the priority it deserves. An integrated vision results from a single, shared perspective among the various actors about the direction in which the urban area or project should develop. Nevertheless, the absolute necessity of a comprehensive project vision are subject to criticism. Luuk Boelens (2009) questions whether the diversity of actors and their agendas may not undermine the desire for integration.

Boelens and several other authors[9] replace systems thinking with a process-based theory. In this process theory, teamwork is seen as a process of interaction through which the different points of view, interests and interpretations of individual parties are maintained, while pros and cons are weighed up against each other. There then follows a process of negotiation, and opinions are exchanged about what is realistically possible and desirable. In summary, cooperation takes place in a context that invites stakeholders to address their differences in a functional and constructive manner. This is different to the type of cooperation suggested by the Organising Capacity model, where the ambition is to develop shared visions and strategies that will lead to shared objectives. Pursuing a shared and common vision therefore differs significantly from an approach that allows and includes different points of view in the cooperation process where a negotiation process is needed concerning the way in which all parties can contribute to the realisation of divergent objectives. With regard to this process theory, it can be said that actors decide to cooperate because they lack resources which other actors have, and vice versa.

[9] For instance in Van Dongen et al. (1996), De Bruijn and Ten Heuvelhof (2008), De Bruijn et al. (2003).

This gives rise to interdependence, which will only be recognised once negotiations concerning the potential benefits of cooperation are underway.

The Organising Capacity model assumes that differences of opinions and differing interests can be resolved rationally, and that eventually some common ground will be found (Van den Berg et al., 1996). However, this neglects the common experience that divergent interests will generally give rise to conflicts of interest. In fact, these differences (whether they are social differences or of some other nature) must be allowed to become part of the process of interaction. De Bruijn et al. (2003), Ten Heuvelhof (2008) and Van Dongen et al. (1996) use the term "social interdependence" to describe a mutual dependence that recognises that stakeholders' interests do not always correspond with each other, and that divergent interests should actually be welcomed.

The Organising Capacity model shies away from this conflict because of its assumption that rational thinking and acting will lead automatically to a single position. The perspective is that conflicts are the opposite of cooperation – a sign of the absence or even the failure of cooperation. However, as we have discussed, different points of view and interests can conflict with one another as a natural part of the process itself. Conflicts are part and parcel of the process, and the principles of conflict management should therefore be applied (Minnery, 1985; Tjosvold, 1991).

A Different Theoretical Perspective

Following the above reflection and in light of questions raised by urban management as a practice, three propositions can be formulated which can provide another theoretical perspective on urban management:

1. The proposition of cooperation on the basis of diverging objectives.
2. The proposition that takes diverging contexts into account.
3. The proposition of urban conflict management.

1. The proposition of cooperation on the basis of diverging objectives allows the possibility of developing and carrying out a joint project without formulating mutual interests or sharing resources. This means accepting different points of view and interests while trying to give shape to a project. The parties need not necessarily strive for the same goals in order to jointly develop and realise an urban project. They cooperate on the basis that everybody profits from each other's resources and capacities. The foundation of such an approach is that parties understand that cooperation can be mutually beneficial (selective urban goals can be reached), without ever having to work towards common interests or shared goals. Consequently, the communication and interaction processes are decisive in organising such cooperation.

2. The proposition that takes diverging contexts into account means that when organising cooperation it is very important to be aware of and address the underlying communication and interaction process. A conscious context-dependent interaction will take place: that is to say, all parties involved can take the points of

view, interests, and procedures of the other actors into account. In this perspective, full agreement can never be reached because of the fact that taking the different contexts into account is no more than an appreciative gesture. Differences will still have to be made explicit and be confronted. This involves continuous negotiations without denying the different contexts and arguments. Consequently a great variety of conflict situations will emerge.

3. The proposition of urban conflict management considers conflict an integral part of the cooperation and interaction process. The method of conflict management allows the urban manager to act as a conflict manager. This manager seeks resolution opportunities within the framework of the communication process and takes into consideration the political and social context and the timing (that is, the fact that interests and opinions may change over time). J.R. Minnery (1985) allows for the possibility of addressing conflicts continuously and regards conflict as a positive phenomenon. This functional conflict management takes advantage of the intervening capacities of the urban manager and in this way embeds a structural principle or technique into the process. This replaces the traditional dysfunctional approach to conflict by a functional, constructive approach to conflict within urban developments.

These approaches provide an alternative perspective on urban management, and in particular the Organising Capacity model. The absolute pursuit of a common and shared position, characteristic of this model, is being replaced here by options that allow and confront different points of view. In this way diversity and plurality are recognised and unpredictability is taken into account as an inherent characteristic of an open management process (Frissen, 1996; 2007).

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4 Urban Area Development

Jan van 't Verlaat and Gerard Wigmans

4.1 Introduction

This chapter explores the various components of urban area development, all of which are necessarily interrelated. Their interconnectedness must be given due consideration throughout the process of development. This is true not only for the connections within the area development but also for the connections to aspects beyond the area development. This broader scope is the primary subject of this chapter.

Infrastructure is a special point of interest in the subject of urban area development since accessibility is a primary condition for economic growth and development. One of the very first questions asked when contemplating urban area development is to what extent the area is linked to infrastructural networks. The influence of market sectors and the fluctuations of context are also important considerations determining successful conclusions, as are the considerations of spatial quality, market quality and the available means. The challenge of finding a balance within all the complexities raised by these issues is great. Finally, we explain the four successive phases of urban area development that structure the challenge.

4.2 Infrastructure

The way in which an area is or will be made accessible through the infrastructure is very important to the potential development of that area. Roads, railways, waterways and airports are obvious (visible) networks, but there are also pipelines (relevant for certain industries), water storage facilities, and of course, IT infrastructure which is of increasing importance.

The potential scale of infrastructure development has a decisive impact on urban area development. For instance, if the area has, or has the potential to have, links to international infrastructural networks (for example by opening a train station where an international railway line already passes near the area), urban area development has a greater chance of success and of attaining an international profile. On the other hand, if the infrastructure is only locally oriented, then its chances are minimal.

Figure 4.1 High-speed train station in Frankfurt

Examples of international infrastructure include airports (for which various grades exist, from intercontinental hubs to small regional airports with relatively short flight routes), seaports (also with various grades), stations (especially for high-speed train networks), and junctions (including international highway junctions, rail junctions, waterway junctions and so-called inland terminals for freight traffic). Urban areas in close proximity to these concentrations of infrastructure each have their own, very different potentials in terms of development.[10]

Government policy recognises the importance of accessibility (at national, regional and local levels) by stimulating development areas around infrastructure junctions (Kooijman and Wigmans, 2003). This is also apparent in the current policies of Dutch provinces and cities. The issue of infrastructure and accessibility has to be taken seriously because if this is not organised well, the development of certain areas into, for instance, commercial locations is unrealistic. The target group will not establish itself in the location when there are better and more accessible locations available elsewhere.

Opening up an area by improving access is not in itself sufficient to ensure development. It is, however, a necessary condition for development. Other factors are also at work in determining how easily and how quickly an area will be able to

[10] On the western European level these urban areas, or zones of connecting infrastructure that have interesting economic potential, are also sometimes referred to as having a “spatial-economic mainframe structure”.

profit from good infrastructure. Some of those factors are known factors. For instance, areas around high speed train stations will all develop in the same fashion, though this might not be self-evident (Pol, 2002).

The increasing importance of IT infrastructure, as noted above, is a result of the rise of the network society (as explained in Chapter 2) and represents a completely new type of infrastructure. The availability of IT infrastructure is of equal importance to traditional infrastructure, if not more so. However, this does not mean that traditional infrastructure will become unimportant (Sassen, 1991). New sectors continue to establish themselves mostly in the same urban areas as in the past. This is probably related to the need to have direct personal contact with others (who are already established there), as mentioned before (Kloosterman, 2001).

These areas are also usually where infrastructure for telecommunication was first installed (it was commercially most viable in these places) and where infrastructure will be modernised first, for example with newer broadband fibreglass networks.[11] Improving sites with fibreglass networks is a recent development that may close the last 'gap' between network access and physical premises. Whether government-subsidised or not, the goal is to let residential or business districts better profit from the shift towards the knowledge-based economy.[12]

4.3 Sectors and Facets

Chapter 1 explained that urban area development is actually *re*development since it involves changing areas and replacing old uses with new ones. This can be a transformation from an agrarian into urban area, from a residential into a business area, from a mono-functional railway station into multifunctional city centre area, from a harbour area into urban area (e.g. Kop van Zuid, Rotterdam), or even from a water into a residential area (e.g. IJburg, Amsterdam). The transformation can also consist of fundamental renovations, whereby the original use is more or less revitalised (such as the regeneration of older residential districts) or consist of a shift in focus from a traditional industrial use to an office park.

These types of transformations aim to create new spatial relationships, though it is not solely the physical relationships themselves that determine success. There are for example economic and social factors to consider. Any approach to urban area development must understand that there are sectors (e.g. service sector, manufacturing sector, public health sector, residential sector) each with their own demands (and consequences), and that these demands and consequences are all interconnected *and* shaped by context. We describe these influential aspects as 'sectoral aspects' and 'facet-related aspects'.

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[11] In the Netherlands, the Randstad area has a big head start in this respect. Ministry of Economic Affairs (1999), *Ruimtelijke verschillen in de telecommunicatie-infrastructuur,* Den Haag.

[12] In the Netherlands examples are the "knowledge district" in Eindhoven, IJburg in Amsterdam and the Lloyd district and Nesselande in Rotterdam.

Figure 4.2 Inter-urban transformation: Entre-Deux, Maastricht; (Source: Multi Development BV)

Figure 4.3 Example of conceptual design: Borneo Sporenburg Amsterdam; (Source: West 8. Urban Design & Landscape Architects)

Sectors

The sectoral considerations relate to separate urban functions and their own systems of supply and demand. Within the general labels of spatial use, such as living, working, and relaxing, we can also identify more specific uses like shopping, education, etc. In physical terms these uses are expressed in a wide range of built entities, such as residences, offices, recreational facilities, shops, schools, etc. In more abstract terms we refer to individual sectors, many of which have various sub-sectors as well. The residential sector, for example, can be subdivided into high-rise apartment buildings, single family homes, detached villas, student housing, etc. The same applies to companies: offices, container terminals, and small industrial buildings are just a few examples. These sectors represent markets of supply and demand. So for example, there is a residential market, an industrial market, and a

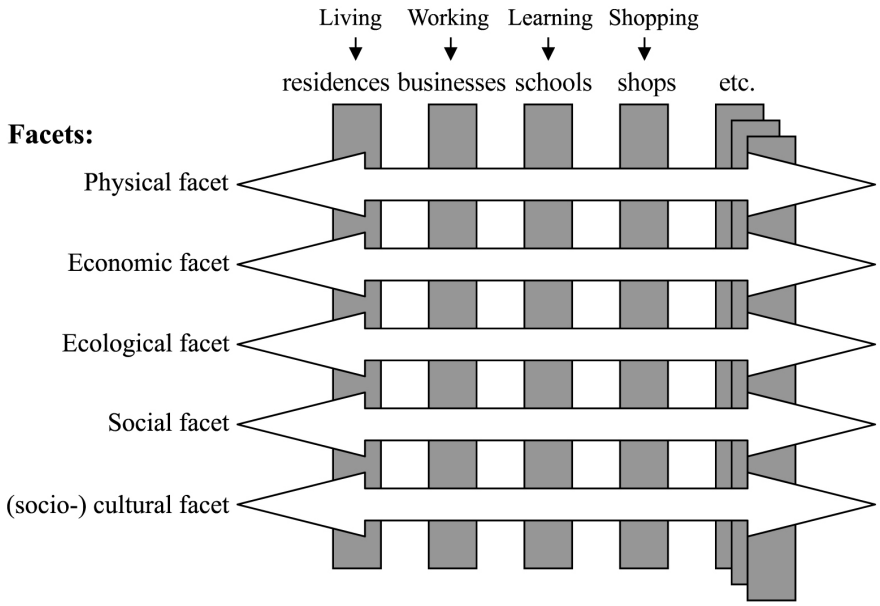

Figure 4.4 Sectors and facets

leisure market. Sub-markets can be distinguished herein, such as the market for expensive residential apartments, the office market, or the retail market, each representing different types of buyers (or market participants).

Facets

Sectors do not operate within a vacuum, but are influenced by physical, economic, ecological, social, and cultural facets. The physical facet relates to the tangible manifestation of uses within the area, such as buildings and the physical infrastructure. The economic facet relates to the structure of interconnected economic activities in the area, of which employment is a part. The ecological facet relates to durable environmental quality and the interconnectedness of air, water, and soil quality, among other things.[13] The social facet relates to the structure of mutual social relationships in the area, of which social stability is an aspect. The socio-cultural facet relates to the degree to which the previously mentioned social structure is based on a common culture (or cultures), in the sense of commonly used standards, values, expectations, etc.; ultimately, this can be expressed as a feeling of identity within the area.

[13] Safety can also be seen as a facet. Air quality, water purity, explosion prevention, etc., can be regarded as part of the ecological facet. Crime fighting or negative feelings on safety can be regarded as part of social and socio-cultural facets.

It is not just the physical configuration that determines the success of an urban area development. It is also the workings of markets and context, or more specifically the changing demands of sectors and their connection with determining facets. Sectors and facets give rise to, at the very least, important peripheral conditions. For example, the positive effect of physical redevelopment of an older urban district may remain very limited if the area possesses little social stability or a weak economic base. In general, social developments and opinions on economic, ecological, social and cultural subjects determine what is possible in a specific area. With this in mind, it is quite possible that the arrival of new economic structures (for instance new logistic networks under the influence of IT innovations and internationalisation) can undermine the whole point of developing a business park at a certain location.

Urban area development should always take an integrated approach and encompass all these varying facets. For example, an urban area development will strengthen the economic structure within an area by stimulating its economic possibilities (by using a 'fly wheel' for the future economic development of that district[14]) *in combination with* solutions to social problems in the area (social disintegration and other visible social issues, e.g. high unemployment). This momentum leads to a boost in quality for the urban redevelopment of such an area.

The economic, ecological, social and cultural facets are not limited to a single area, in any case, certainly not to the specific territory of the development. Changes to structures in a specific area will have repercussions beyond the designated area. The emergence of the network society minimises the direct correlation between physical space and network space (this has been so for some time). However, this does not imply that the scope of economic, social, and cultural networks will not be important to urban area development. Again, as noted in section 4.2 in relation to infrastructure networks, many economic, social or cultural networks are also physically concentrated in a location. Perhaps more important is that the meaning of physical space is changing under the influence of the network society: the real world and the virtual world are converging.

4.4 The Challenge of Balance

Interventions in Existing Situations

Whether it is a matter a restructuring, complete renovation or transformation, urban area development is about implementing a new combination of uses. Uses sometimes have to be adjusted to fit in with programme changes (e.g. offices making way for more retail space). This requires constantly finding a balance between functionality, architectural quality and rises in value – a complex balancing act.

Integrated area development is, in its most complex form, comparable to open-heart surgery, according to E. Louw and W. van der Toorn Vrijthoff (2002). The

[14] The fly wheel model works like an incubator, speeding up a development.

network of blood vessels, nerve paths and connections that are crucial for the patient's internal physical functioning must not be damaged during the operation. Similarly, interventions in urban areas may not cause any damage to the visible or invisible infrastructure which is vital for transporting people, goods, energy, information, water and waste products. The complexity of area development projects reaches an extreme level when city centre areas are involved, where not only buildings but also urban structures are altered. Every existing network in the area has to be moved or modified in some way. At the same time, whatever the nature of the intervention, the area must continue to function while work is underway. Last but not least, urban areas under redevelopment are also occupied by real people, and it is by no means certain that existing users and owners will welcome proposed redevelopment projects. Conflicts between established and future interests, uncertainties about their homes, and other similar matters all play a complicating role, especially in the early stages.

Mixed-Use

Within city (centre) areas the mixture of uses within a location are often intensely intertwined. Current policies, compared with the 1950s and 1960s, increasingly endorse mixed-use districts, sites and even buildings. This relates to the shift from quantitative towards qualitative objectives within town and country planning, but also reflects a gradual change in the way of thinking: from separated uses and mono-functional areas towards multiple usage.

The trend towards mixed-use objectives make the technical process of urban area development more complex. Theoretically there are an array of technical solutions available, but often limited financial resources make them unattainable. At the very least there is always a tension between actors wanting to achieve solutions and the means to achieving them.

The sectors and facets mentioned in section 4.3 are constantly subject to change within a given area. Moreover, intervention via urban area development leads to additional dynamics. Especially where the redevelopment of existing urban areas is concerned, we often see very complex situations, wherein all kinds of uses already coexist. Certain uses must keep on functioning during the process, and others disappear or are added. This influences the functioning of sectors, but it can also in its turn influence the behaviour of the facets. In this way, an intervention within the spatial structure of an area can have a significant impact on the social structure (such as undermining the stability of the social structure when, for instance, former inhabitants cannot return after the area is redeveloped). Insight into the complexity and dynamics of sectors and facets is important. Equally important are the consequences for urban area development which will need to tackle altered economic, ecological, social and cultural circumstances.

A final complexity is the invisible physical context, that is the underground infrastructure in urban areas. Important underground cables, pipelines and networks can complicate city centre redevelopment even more.

Figure 4.5 Malie Tower Bridge building, West and East, and Courts of Justice (Source: Multi Development BV)

Harmonisation and Control Processes

It goes without saying that the organisation and coordination of the relevant networks involved in urban area development demand specific skills. Apart from the need to integrate developments at different scales, it is also necessary to balance the requirements of different policy sectors, to integrate knowledge and expertise from a wide range of disciplines and to harmonise the different phases of the development while responding appropriately to the needs and preferences of the many actors involved. This is summarised in Table 4.1.

It will be clear from the above that any director of an urban development process must possess an impressive variety of skills. The task involves a complicated balancing act covering different organisational levels, phases of the development process, policy sectors and professional disciplines. The director will have to harmonise and control processes governed by complex decision-making procedures in inter-organisational networks which may be supported by a variety of cooperative frameworks (such as a legally binding public-private partnerships). In other words, what is required is a form of overall management combining various types of knowledge, insights and skills. It follows that an integrated approach to urban development should be sought, which links the physical, spatial economic, social and cultural aspects of this task and keeps an eye on the effects of development in an urban perspective.

Table 4.1 Aspects of the Urban Area Development Process to be harmonised

Aspects	**Specification**
Scale	Neighbourhood, urban, regional, national
Sectors and facets	Residential accommodation, employment, education, retail, leisure, physical, economic, ecological, social
Development phases	Initiative, planning, realisation, maintenance
Relevant disciplines and expertise	Urban development, process and project management, real-estate and land exploitation, planning, politics, administration
Physical and spatial	Relationship between functions in the relevant area
Actors	Interests, objectives and resources

4.5 Spatial Quality and Market Quality

It is insufficient to describe urban area development in terms of all the complexities and conditions discussed above. It is more than the sum of sector demands and facet checks.

We must further elaborate on the integration process, for it is only through integrating sectoral and facet-related knowledge that results prove to have sufficient spatial quality and market quality—essential conditions for the sustainability of an area development.

Spatial Quality

Spatial quality refers to the visually observable quality of an area, or the design aesthetics of a spatial setting. This type of quality arises from a creative design process. Spatial quality is sometimes also described as the combination of experience value, user value, and future value. Experience value relates to how the urban area looks, whether it is conducive to a pleasant experience. This is ultimately a subjective judgement, though there are generally accepted urban design standards. For this reason, it is important to objectify spatial quality as much as possible, and to do so at the beginning of the urban area development process by setting up criteria that can also be used to assess the results later. Secondly, user value is defined as follows: a high user value is achieved when different uses in close proximity to each other do not hinder but support each other. Finally, the area

and buildings must have future value, which means that its quality must be lasting and that adaptations to changing demands are possible over time. (See Chapter 7 for a more detailed discussion.)

Market Quality

Market quality refers to the degree in which an area responds to the demands and desires imposed by (present or future) users of the area. This exceeds the scope of user value just mentioned, and also goes further than the traditional 'schedule of requirements' (quantitative stipulations by commissioning parties regarding uses and buildings) that serves as input for a design process. Here, the opinion of the user (or consumer) is taken as the primary point of departure, not the opinion of an urban planner and what he/she believes to be quality planning and implicitly good user value. It concerns the explicit translation of market desires and market demands into the quality of the area. Various types of users have disparate desires and demands. This means that different areas that are after all meant for different target groups usually have different qualities (or should have), resulting in very different types of residential areas, commercial areas, etc. In short: it concerns 'user-oriented thinking'. This is important in view of the increasing competition between areas, cities and regions, both for inhabitants, companies, and visitors. It is important that users are attracted to an area and that existing users are kept within the city or region. The level of success is determined by the degree to which the desires and demands of these users are anticipated. This requires market knowledge of the sectors as outlined in the section 4.3, insofar as these sectors play a part in the area in question.

Market quality is all the more important because many of the previously described markets have gradually developed from supply to demand markets and there is of course increasing competition.[15]

Even if we can see a shortage of locations for some sectors, understanding that the demand is there remains essential. Understanding also the nature of the demands is crucial since markets often develop sub-markets and niches which a particular area may well be able to serve. Given the broad scope of competition among cities and regions (and even internationally), from a urban development point of view it is important to attract people to the city or region when a suitable location for niches can be readily created (think, for example, of knowledge-based companies or higher income groups). The quality (both spatial and market) of residential, business and recreational areas is currently more important than ever in the choices made by citizens, companies and institutions (Kreukels, 2003).

The ultimate question underlying all of this is: is there a market for the area in question? When there is no market demand that can be matched to the area, there is no basis for urban area development. A strong market demand leads to a desired

[15] This change occurred in the Netherlands during the 1980s within the business market, then gradually appeared in the visitors market (the so-called leisure sector) and is now also visible in the housing market.

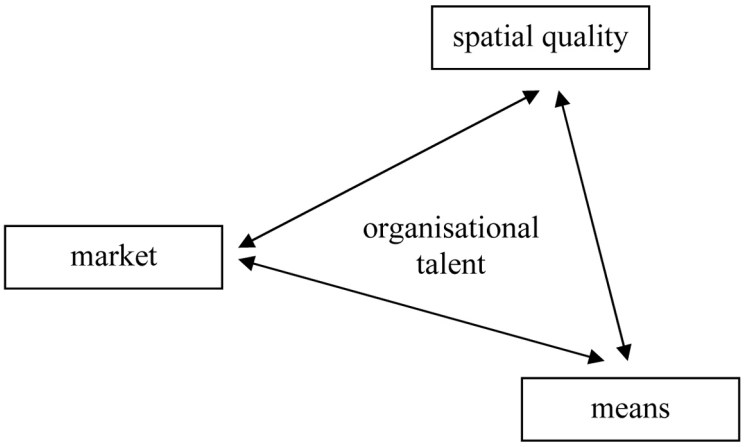

Figure 4.6 Optimisation of a three-angled approach

urban area development, as well as high real estate prices. (Chapter 8 covers market quality in more detail.)

Achieving spatial quality and market quality relies on integrating their content. Certain sectoral and facet-related aspects translate into spatial quality, while another set of aspects translate into market quality. The emphases differ, depending on the situation. The demands of most sectors can usually be translated into both spatial and functional features. Where facets are concerned, the physical and economic facets are generally translated into spatial quality in particular, and the economic and social facets are dominant in the market or functional quality.

4.6 Optimisation of an Equilateral Triangle

The previous sections concluded that sector and facet considerations must be integrated into the urban area development process so that the result is given sufficient spatial and market quality. Yet quality is determined, finally, by one more not insignificant aspect, namely: the available means. As far as urban development is concerned, the means of money and land are especially important. Urban area development can be seen as an optimisation process within a triangle of which the three corners represent these three themes. Each angle of the triangle will be elaborated separately and in detail: spatial quality in Chapter 7, market quality in Chapter 8, and the means in Chapter 9.

The three angles are in principle of equal importance. It is therefore an equiangular or equilateral triangle and represented in Figure 4.6 not as a traditional standing triangle because we want to avoid the impression that one angle is more important than the other two.

The optimisation process must do justice to all three angles in mutual relation to each other. The relationships within the triangle are multiple. They are partly mutual fields of tension and they also partly reinforce each other: they push and pull. For this reason, we cannot see them as separate issues. The demands from each angle must be satisfied and cannot be neglected, yet simultaneously, each angle must pay sufficient attention to the needs of the other two – and this may require adding water to their wine. It must remain, after all, an equilateral triangle.

Allowing one angle to dominate usually results in a faulty product. If the process of product development is only considered from the point of view of aesthetic quality, the result is likely to be an unaffordable product that moreover does not sufficiently address market demand, giving the final product little value. This is true of spatial quality in an urban development context as well. On the other hand, if only the market quality is addressed, this may result in products that have little aesthetic appeal and which serve only the whims of the market. Moreover, from the point of view of means, this is not always wise in terms of investment returns. Taking into consideration only the available means can result in financially 'stripped' products that are not aesthetically appealing nor attractive to a market, for instance, because pre-investments in infrastructure were insufficient.

There is, in other words, a tension that holds the equiangular triangle together. The tensions can trip up the process, however the angles can also reinforce each other. Strong market quality (integrated as a response to market demand) can endow the urban area with the potential for more supporting uses and activities. This has a positive effect on the revenue angle and may in turn support measures to increase attractiveness (spatial quality) because more financial means can be used to invest in the area.

All three points in the triangle represent certain professional disciplines. It varies from one case to another which parties employ which disciplines and how (broadly) the professionals interpret their task. The various disciplines are sometimes gathered within the same unit, or one particular individual could be responsible for more than one discipline.

In urban area development, spatial quality is mostly the domain of urban planners and related design disciplines. Market quality involves insight into the market and the skills to translate this into a product within urban area development. Stated in somewhat broader terms, it concerns insight in the economic and social functioning of the area (or functional quality). The actors involved in 'the means' concern themselves with land policy and financial systems. The disciplines relevant to this can partake in the actual processes of urban area development on behalf of various public and/or private parties.

The different skills and disciplines needed during the process must, however, not be specifically assigned as the responsibility of a single professional discipline. For the success of urban area development, it is of the utmost importance that the parties involved look beyond their own backyard. Urban planners must constantly ask themselves what particular consequences market demand might have on spatial

design and vice versa; market professionals must have an eye for the importance of attractive spatial quality, etc.

Traditionally in the Netherlands, city development projects (including residential areas, office locations and business parks) were run by municipalities on the basis of a bilateral harmony between the urban planning department and the financial department. These were the days when urban planners (responsible for spatial quality) and collaborators with the municipal real estate department (responsible for the budgets) negotiated with each other concerning the contents of the plan. In the worst case scenario, they fought a bitter battle; in the best case, they settled for satisfying two of the three angles. So-called planning indicators (that were, among other things, related to the number of inhabitants) were used to determine the necessary quality of the project and the nature of the functions (such as the number of houses, the amount of hectares of business park, the floor surface for shops, etc.) This method is no longer sufficient, since it does not take any account of market demand and the developments within it. It can even be argued that the assessment of market demand must precede the considerations of spatial quality and means since without market demand there is little sense in developing a project. There are still municipalities where the traditional approach dominates and the market factor is an afterthought. Public-private cooperation is a possible solution to this. Yet on the whole, the bilateral process has made way for a trilateral process (or triangular approach).

We have noted previously that for the redevelopment of existing urban areas, serious consideration must also be given to existing functional relationships. This means that economic, social, and other structures and networks cannot be unthinkingly or temporarily cut off by the spatial interventions of urban area development. Our triangular approach can be supplemented with an extra dimension (or qualifying factors) to ensure a conscious attitude: the long-term perspective. This means that spatial quality must be durable, market quality must allow for shifting market tendencies, and the means applied must translate into long-term investments (Van ‘t Verlaat, 1997).

In urban area development, it is not only important to round off the planning process with optimal results through the application of the triangular approach discussed, it is equally as important to keep the triangle in tact during the realisation phase. This is quite often even more difficult because of any variety of unforeseen developments. The triangle is put under immense pressure during the realisation phase, with the threat of distorting the triangle to where it looses its equiangular shape. Running into problems along the way is particularly characteristic of the ‘means’ department: financial setbacks, untimely availability of land, etc. This can give rise to an inclination to make concessions regarding market quality or spatial quality. It can also be the case, however, that market developments turn out to be completely different from what was anticipated, which can also put pressure on the other angles of approach. Here we see a tension between the original master plan and the necessary flexibility during the realisation of the plan. How to cope with this is one of the important challenges during the realisation phase.

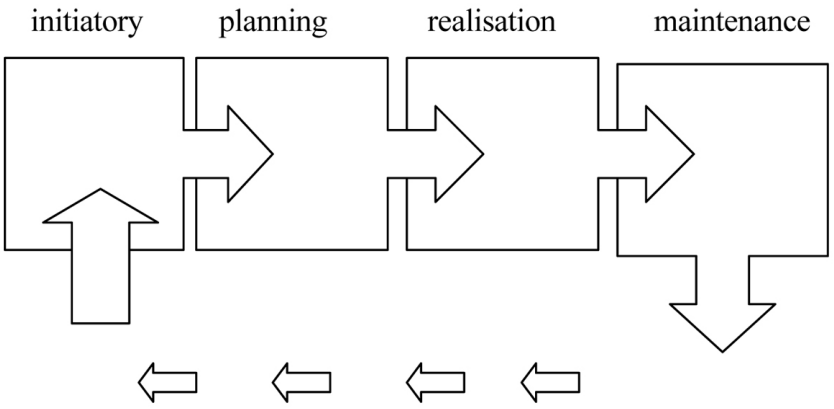

Figure 4.7 Phases of urban area development

4.7 Phases

The entire process of urban area development is divided into four recognisable phases:

- initiation phase
- planning phase
- realisation phase
- maintenance phase

During the maintenance phase, the choice can be made to proceed to radical redevelopment. In this case, the whole process starts all over again, beginning with the initiation phase. Each of the above phases appeal to various skills. It is therefore paramount to engage the right organisational talent to meet the different demands of each phase.

Initiation Phase

The initiation phase is the phase wherein an initiative is born to develop a certain area for urban area development. This can come about as a response to problems (such as a dilapidated district), to new opportunities that have arisen (for instance the arrival of the high-speed train with a local station) or to other kinds of urban transformation that trigger active interference. This first initiative for urban area development can originate in both the private and the public sectors.

In this phase, the ambition of the urban area development must be established. To determine a realistic ambition, it is essential to take stock of the social and political context (as described in Chapters 1 and 2), as well as the appropriate conditions for infrastructure. Defining the goals for the area must be seen in light of

these contexts and conditions: what relevant social trends affect the area and surroundings, which relevant policies at the various levels should be taken into account, which infrastructural facilities are fundamental to successful transformation (and are they possible here), and what are the concrete peripheral conditions? These determine whether the envisaged transformation in a specific area is viable. Achieving the ambition is subject to the process, wherein support must be sought amongst affected and participating parties. The ambition must become the common ground on which all actors operate, in the initiation phase as well as subsequent phases. Organisational talent becomes an important factor in this phase, in “turning everyone’s nose in the same direction," as the Dutch like to say.

Planning Phase

The planning phase starts after the ambition has been mutually formulated and continues up to the start of construction works. In this phase, all sectoral and facet-related aspects are integrated into a plan in such a way that they have the best possible spatial and functional quality and, moreover, that makes the plan feasible in terms of available means. This is an important phase because it is highly influential in the success of subsequent phases.

The role of various actors differs from one situation to the other. How the risk of land and building development is divided between the public and private sectors will largely determine actors’ roles. Although the actual development commences in the next phase, agreements on risk distribution must be made during the planning phase. Here organisational talent comes to the fore in the form of directing parties to link their contributions for the overall benefit of the project’s ambition. The many interests and professional lines of approach must be incorporated in a way that advances the process and results ultimately in a plan that can be realised.

Realisation Phase

In the realisation phase the plan is put into effect by the relevant parties that have reached agreements in both previous phases. This is not usually a simple execution of what was conceived and planned earlier. During the realisation phase, many kinds of problems can arise that demand a solution (sometimes urgently). This requires a great deal from the organisational talent of the parties involved.

This phase is characterised by specific construction-related activities. Builders and contractors come into the picture here. Tenders must be written (whereby the European tendering legislation is important, see Chapter 5), polluted soil must be cleaned up prior to building work, building contracts must be set up, the building site must be supervised in an appropriate manner, etc.

Area development often takes many years and because the circumstances may change in the meantime (think of market fluctuations), a plan can seldom be executed in exactly the way it was envisaged. This phase is therefore characterised by how the discrepancy between the formulated plan (for instance, a master plan) and the evolving plan is handled; there is a certain tension in the required flexibility of the execution phase.

The skill needed to find creative solutions for all kinds of problems that pop up during the realisation phase is crucial during this phase. The many practical problems must be tackled decisively. There is a wide variety of potential delays: for instance, an archaeological find in the development area, the discovery of a endangered animal species living there, the presence of soil pollution, etc. Yet the process must keep pace! Organisational talent is called upon to tackle the tension in an appropriate way.

Maintenance Phase

The maintenance phase follows the realisation of the area. In this phase there is a distinction between the maintenance of the buildings and that of the public space. Building maintenance is generally called building exploitation. As in the previous phases, it must be agreed which parties are responsible for which maintenance.

This phase is characterised by its own particular issues as well. The maintenance of real estate requires specific skills, meaning that specific skills must be employed to drafts plans for commercial or technical maintenance, for instance. For business parks, a so-called park-management construction is a possibility. Car park facilities have their own specific maintenance structures. Historic buildings and monuments need specialised maintenance. The maintenance of a city centre has its own special aspects: how can, for instance, the centre be managed in consultation with associations of shopkeepers and owners?

The maintenance of an area doesn't quite appeal to the imagination as much as, say, construction activities do. However, this is an injustice since here too, organisational talent is a prerequisite for success. There is often a tension in this case between the financial means for upkeep of an area and the political priorities which may have changed once the realisation was complete. Problems of crime and safety are increasing concerns in urban areas. Tackling these issues requires an approach that integrates prevention and safety measures in area maintenance.

There is a dominate perception that maintenance is a defensive task, involving only mending and repair. However, we can also see an offensive approach, in which maintenance is a continuous process, the timely signalling of shortcomings and opportunities, and the initiation and guidance of improvements. Maintenance can in this case also be a more radical renovation of an area; this is called restructuring. Restructuring involves the demolition of technically or economically dilapidated buildings and rebuilding them (therefore retaining the original use) in substantial quantities on the same location, sometimes in combination with adaptations to the public space, new access routes, extra green areas, etc. In the case of even more radical renewals we can consider this redevelopment, which brings to a close the cycle of phases and opens up a new cycle beginning with the initiation phase. It is, by the way, difficult to identify the exact boundaries between maintenance, restructuring, and redevelopment. Consider it a sliding scale, whereby the most drastic form of change can be considered as a process of urban area development.

An important question is when is the best time to proceed to formal redevelopment. Early intervention is often better than letting negative changes run

their course. The maintenance phase should anticipate negative developments (the onset of dilapidation of an area), but it should also anticipate positive developments (such as the first signs of gentrification within an area). Ultimately there is no 'best time' to initiate formal redevelopment since every area must be assessed on its own merits or demise, and judgements must be translated into a tailor-made approach.

It is important to point out that in the progression of successive phases, from initiation, planning, realisation to maintenance, the reality is often more volatile than first imagined. Ambitions may alter during the project, whether or not as a result of changes at political level (a newly elected city council, for example), parties may pull out of the process, and new parties may come on board – all of which can lead to a project having to completely restart, with new players and processes being re-launched.

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5 Legal Framework

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5.1 Introduction

This chapter deals with the most important legal conditions surrounding urban area development. The issues examined here are structured in accordance with the chronology of the urban area development process, with the relevant legislation being discussed separately for each phase. Within each phase, we begin where possible by outlining the European context – that is, how the issue is regulated by the European Community. Many elements of urban area development are covered by European legislation. Dutch regulations relating to that particular phase are discussed next. The reason for this is that the European legislation is primarily made up of directives, which the member states are required to implement within their own national legislation by formulating the obligations laid down in the directives as part of their own national legal system, within the stipulated time frame. They also have to monitor compliance with the obligations derived from the European directives. In case of disputes, the national judge also has to ensure the correct interpretation of European law.

Three areas of legislation will be encountered repeatedly in the discussions of the various phases in this chapter – namely environmental law, spatial planning law and private construction law. Environmental law plays a greater role in urban area development than might be expected. Various environmental factors are decisive for the feasibility of an urban area development project at a given location, such as nature conservation, air quality, external safety, noise pollution, and water and soil quality. When it comes to spatial planning legislation, the municipal land-use plan plays an important role as a legal planning instrument. In addition, permits are always required for urban area development. Matters relating to the acquisition of land and the price to be paid for it also fall within the area of spatial planning legislation. Private construction law regulates such issues as which parties (such as developers and contractors) can obtain a contract or subcontract for urban area development work. Matters relating to partnership agreements also fall under this area of the law.

The law that relates to urban area development is both public law and private law. Public law and private law differ from each other in several aspects. One of the

differences regards the subjects that are regulated in public law or private law. Roughly we can say that the topic of public law regulation is the state itself and issues that affect the general public. Typically, in public law the government lays down a set of standards. Environmental law and spatial planning law can be typified as public law. The topic of private law regulation is (relationships between) private individuals, without direct involvement of the state. Private construction law – think of contracts between two parties – can be typified as private law.

This chapter does not intend to give an exhaustive overview of legal issues related to urban area development. In line with the introductory character of this book, the chapter is confined to the essential legal elements of urban area development. Furthermore, we restrict ourselves to the initiation phase, the planning phase and the construction phase. From the legal viewpoint, these phases are most decisive for an urban area development project.

5.2 The Initiation Phase

Agreement of Intent

In the initiation phase, the principal (or commissioning party, which in this case generally means the municipality) will start by determining whether it is appropriate to carry out feasibility studies or similar investigations for the site in question. If this is the case, then the feasibility studies will also be performed during this phase. The municipality may be considering development of the site on its own initiative, or in response to a proposal from a third party such as a landowner or a project developer (who may or may not own the land in question). During the initiation phase, the municipality will consider whether it wants to sign an agreement of intent with a particular party; if so, the terms of this agreement of intent will determine the nature of the feasibility studies performed. If the agreement of intent does not cover any works subject to tendering law, the municipality is free to conclude such an agreement with any party of its choosing. The signing of this agreement marks the transition to the feasibility studies or any other studies within the initiation phase.

In order to gain an impression of the feasibility of the project, the municipality will generally sign an agreement of intent with a project developer. As indicated above, if the agreement of intent does not cover any work that has to be put out to tender or are subject to tendering rules for any other reason, the municipality is free to conclude such an agreement with any party of its choosing. In practice, municipalities often set up a selection procedure to find the best partner.

There is no standard format for the agreement of intent. Each agreement of intent is drawn up to meet the requirements of the case in question. A few general points can be made in this regard, however. A clear distinction should be drawn between an agreement of intent and a contract, which focuses explicitly on the execution of the planned work. As the word ‘intent’ indicates, this document provides a framework within which the parties can jointly investigate the possibility of developing the area in question. If the outcome of this investigation is positive, then the parties proceed to undertake this project together. The resulting activities fall

Box 5.1 Muiden Ruling

A good example of the way parties are bound by such agreements is provided by the preliminary ruling handed down by the Court of Amsterdam on April 17, 2007 (LJN: BA3675, Rechtbank Amsterdam, 364118 / KG ZA 07-361 SR/HB). The municipality of Muiden had reached an agreement with a project developer about the number of dwellings to be built in an area under development. The municipality subsequently decided it wanted fewer dwellings, and claimed it was not bound by the agreement of intent with the project developer. The judge disagreed: he conceded that there was a certain flexibility in the best endeavours required concerning the number of dwellings to be built, but this did not relieve the Municipal Council of the obligation to do their best to realise the agreed target. He stated: “If the work is undertaken in accordance with the initial agreement and it ultimately proves impossible to build the intended number of dwellings, the municipality will not be liable. The municipality may however be liable if it makes no real effort to achieve the intended number of dwellings.” On the basis of this ruling, the judge sent the parties to the negotiating table to try to settle their problems amicably.

within the planning, realisation and maintenance phases, the general structure of which the parties may already outline in the agreement of intent. The parties commit themselves in the agreement of intent to consider how their joint activities can be given shape throughout the remainder of their cooperative alliance/partnership.

The exploration of the feasibility will involve certain activities, most in the form of specific investigations, and the costs of these are borne by the parties. The parties will often bear their own costs, but external costs (for example those incurred when feasibility studies and the like are carried out by third parties) can be shared on a prearranged basis. The work associated with this, including drawing up the urban development plans, conducting market research, acquiring land and conducting feasibility studies into specific facets, will doubtless be carried out partly by the parties themselves and partly assigned to third parties. Agreements will need to be made about this so that it is clear which responsibilities lie with each party.

It is very important that the circumstances under which cooperation between the parties would be terminated should be clearly stated. For example, it may be stipulated that the agreement will be legally terminated if the municipality does not approve the proposed follow-up activities within a certain period. Agreement should also be reached about how accounts should be settled if the agreement is dissolved to avoid the need for negotiation if this situation arises, since in such an event the good relations between the parties may be compromised.

It should be stressed that an agreement of intent, like any other agreement, is legally binding. While it is true that many of the undertakings to which the parties commit themselves can be regarded as obligations to use their best endeavours rather than obligations to perform, if one party fails to make the necessary effort, the counterparty can resort to legal remedies such as a compliance order, damages or termination of the agreement. It may be pointed out concerning this point that the parties can indicate in the agreement whether they wish disputes to be dealt with in the civil courts or by an arbitration board.

Also during the initiation phase, the parties will consider the form that their cooperation will take once they have passed the initiation phase. They may lay down the proposed cooperation model in their agreement of intent, even though it is possible that the project may never go beyond the agreement of intent. In fact, the cooperation model could conceivably already take shape during the initiation phase – although that is unusual. The various cooperation models (the building rights model, the joint-venture model and the concession model) are discussed in greater detail in section 5.3.

If consulting engineers, architects or financial experts are commissioned to investigate the feasibility of certain aspects of the project during initiation phase, the law of tenders will apply if the municipality commissioned these activities and the fees involved bring the commission within the ambit of the law of tenders. However, the law of tenders will not apply if the private party takes care of these activities by contracting with third parties. The private party is not regarded as a contracting authority in this context. Much depends on how the agreements between the parties are formulated. For example, if the municipality and a project developer intend, after the agreement of intent, to enter into a partnership agreement with one another in which the developer is paid for the work he has performed under the terms of the agreement of intent (such as carrying out certain investigations himself), this is really a disguised commission which does have to be put out to tender.

The Law of Tenders

The law of tenders enters the picture when there is talk of a contracting authority and a contract that has to be put out to tender. If either one of these conditions is not met, there is no need to put the contract out to tender. If the conditions are met, it is also necessary to determine whether European procurement rules apply.

The definition of a contracting authority is given in article 1, item 9 of EC Directive 2004/18:

> "The state, territorial authorities, public establishments and associations formed by one or more of these authorities or one or more of these public establishments are considered to be 'contracting authorities'."

The directive elaborates the concept of public establishments further, but in any case, a municipality certainly falls under this description.

Not every contract needs to be put out to tender – again, art. 1 of EC Directive 2004/18 provides further details:

> 2. a) 'Public contracts' are contracts for pecuniary interest concluded in writing between one or more economic operators and one or more contracting authorities and having as their object the execution of works, the supply of products or the provision of services within the meaning of this Directive.
> b) 'Public works contracts' are public contracts having as their object either the execution, or both the design and execution, of works related to one of the activities within the meaning of Annex I or a work, or the realisation, by whatever means, of a work corresponding to the requirements specified by the contracting authority. A 'work' means the outcome of building or civil engineering works taken as a whole which is sufficient of itself to fulfil an economic or technical function.
> d) 'Public service contracts' are public contracts other than public works or supply contracts having as their object the provision of services referred to in Annex II. […].

Whether the municipality needs to put a given contract out to tender depends on what the municipality wants the counterparty to do, and whether it will be paying the (private) party for the work in question. It should be noted that any attempt to get round these requirements, for example by shifting the consideration due to the counterparty (since we are talking here of contracts for pecuniary interests) into the future or by setting the purchase price of the land at an artificially low level, is in general doomed to failure. The courts are strict in enforcing the requirements laid down in the relevant legislation.

Once it has been determined that a contract needs to be put out to tender, the next question is whether European or national procurement rules apply. The answer to this question depends on the value of the contract. The threshold values (above which European procurement rules apply) are updated regularly and can be found on the websites of specialist procurement organisations and various government ministries. At the time of writing, the threshold values are as follows:

Table 5.1 Threshold values for government projects 2010 and 2011, above which European procurement rules apply.

	Central Government	Local Government
Works	€ 4,845,000	€ 4,845,000
Services	€ 125,000	€ 193,000
Supplies	€ 125,000	€ 193,000

Even if the value of a contract is below the thresholds given above, contracting authorities are still not free to act in any way they please since the requirements of non-discrimination, transparency, and so on, apply below the thresholds too. For example, under certain circumstances, projects should be advertised internationally even if they are under the threshold, if it can be expected that there would be interest in the projects outside the Netherlands. In addition, the *Beleidsregels Aanbesteding van Werken 2005* (2005 Policy Rules for the Procurement of Works) which are applicable to the Dutch ministries responsible for most public works,[16] indicate when the different procurement rules apply. Government authorities at lower levels follow similar policy rules.

The European public procurement Directive is implemented in Dutch legislation as the *Besluit Aanbestedingsregels voor Overheidsopdrachten* (Public Procurement Guidelines Order; abbreviated in Dutch to BAO). Day-to-day guidance is provided by the *Aanbestedingsreglement Werken 2005* (2005 Works Procurement Regulations; abbreviated in Dutch to ARW 2005), which specifies the full procedures for both European and national procurement.

Strategic Environmental Assessment

European context

Spatial development plans can have a range of harmful effects on nature and the environment such as noise nuisance, air pollution and damage to nature (including birds, various species of insects, amphibians and so on; in the Netherlands and the UK, for example, the Natterjack toad *Epidalea calamita* is a protected species). A European Directive for 'strategic environmental assessment' has been adopted to ensure that environmental concerns are taken into account whenever planned development activities within the EU are being considered.[17] This directive applies mainly to plans for larger-scale activities such as building projects involving more than 2000 dwellings, projects that generate an appreciable amount of additional traffic and the construction of roads and railways. EU member states are obliged to ensure that before such plans or programmes are established, the authority concerned has acquired sufficient information in advance concerning the possible harm to the environment (and alternative solutions) and has used this information in the decision-making process for the plans. The possibility of excessive environmental damage may be a reason for cancelling a plan or project. The aim is to make plans and programmes as environmentally friendly as possible (within reasonable cost limits). A distinction is drawn here between:

[16] Housing, Spatial Planning & Environment – generally abbreviated to VROM in Dutch; Transport, Public Works & Water Management – generally abbreviated to V&W in Dutch; Defence; and Agriculture.

[17] Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment (generally referred to as the Strategic Environmental Assessment Directive).

Box 5.2 Strategic environmental assessment of the Binckhorst site in The Hague

The Binckhorst site is an old industrial estate on the edge of the city of The Hague with an area of 130 hectares, enclosed by the railway lines connecting The Hague to Utrecht and the Trekvliet canal. The municipality of The Hague decided in 2007 that over the next twenty to thirty years it wanted to transform this area into a lively new neighbourhood offering housing, business facilities, a park and leisure amenities, with good links to the surrounding road and rail networks. A number of new land-use plans are being prepared to this end. A strategic environmental assessment (at the appropriate level of abstraction) is obligatory because the activities planned in the area fall within the category for which an EIA and SEA is required.

- The *strategic environmental assessment* (SEA) in the early *planning phase* (e.g. during the development of the so-called Structure Vision) or the *initiation phase*. This is sometimes referred to as a 'planning EIA' (planning Environmental Impact Assessment).
- The *environmental impact assessment* at a more concrete *programming* level (see section 5.3 below). This is sometimes referred to as a 'project EIA'.

In any case, the idea is to perform the environmental impact assessment *before* the work envisioned is actually carried out: the EIA is intended to have a preventative effect.

Dutch regulations
The Netherlands has implemented this directive as Chapter 7 of the *Wet milieubeheer* (Environmental Management Act; Dutch abbreviation WM) and an associated *Besluit milieueffectrapportage* (Environmental Impact Assessment Order). This Order contains two lists of activities for which an EIA is required – those requiring a 'planning EIA' during either the initiation phase or planning phase (Structure Vision) and those where a 'project EIA' is required for a more concrete activity such as the approval of a municipal land-use plan.

Nature Conservation

European context
Nature conservation – a component of European environmental policy – has a major impact on urban area development. It poses strict limits on the freedom of national governments in the member states to determine land use (and the use of bodies of water). European legislation concerning nature conservation is therefore among the

firm conditions for urban area development that have to be addressed during the initiation phase. The relevant legislation here is:

- Birds Directive (1979)
- Habitats Directive (1992)

These two directives protect nature in Europe (wild birds, and the protected plant and animal species that fall under the Habitats Directive) from harm due to activities such as building and road construction. A connected network of protected nature reserves (as laid down in the Habitats Directive) is being created on the territory of the EU Member States, under the name *Natura 2000*. It will form the ecological backbone of Europe, reflecting the member states' obligation to provide adequate protection for natural habitats and wild flora and fauna (including birds).[18] The member states have to report the natural areas in question to the European Commission, after which their status as protected areas has to be regulated in the individual member states and their protected status preserved in the future. Major (adverse) changes to these areas (known as 'significant effects') are prohibited in principle, unless it can be demonstrated that these changes are necessary because of "imperative reasons of overriding public interest, including those of a social or economic nature."[19] The national government concerned must ask for permission in advance from the European Commission before making such changes and show that the project could not be carried out at some other location and that all possible steps will be taken to limit ("mitigate"), prevent and compensate for the damage to the natural environment.

Conservation issues need to be addressed during the initiation phase (and sometimes also the planning phase) of an urban area development project, because they have a vital bearing on the choice of location.

Dutch regulations

The Birds and Habitats Directives are implemented in the Dutch *Natuurbeschermingswet* (Nature Conservation Act; abbreviated in Dutch to NBW), which regulates protected areas, and the *Flora- en faunawet* (Flora and Fauna Act; abbreviated in Dutch to FFW) as far as protected species are concerned. The identification and designation procedures for the protected areas are currently under way.[20] *Management plans* for the maintenance of the protected areas are also mandatory. These plans may also designate "activities in and around the area" that are primarily performed at the provincial level (by the Provincial Councils, known in Dutch as *Gedeputeerde Staten*, GS). The *Wet ruimtelijke ordening* (Spatial Planning Act) stipulates that municipalities are obliged to test their *land-use plans* or

[18] The species to be protected (the 'priority species') are listed in Annex IV of the Habitats Directive, while the Birds Directive states that "all species of naturally occurring birds in the wild state" are to be protected.

[19] Art. 6 of Habitats Directive mentions the conditions under which this is possible.

[20] The definitive designations are issued by the Minister of Agriculture, Nature and Food Quality.

Box 5.3 Polish Motorway ('Via Baltica') through the Rospuda Valley
Press release of the European Commission, March 21, 2007:

European Commission takes Poland to court to protect threatened wildlife habitats

The European Commission is taking Poland to the European Court of Justice over the construction of the Augustow and Wasilkow road bypasses through the Rospuda Valley. The construction of the two roads would damage important nature areas like primeval woodland and other natural habitats of European importance. The Commission supports the upgrading of road infrastructure in Poland but it does not accept the unjustified irreversible damage that will be caused by the bypasses. As work has started on these two construction projects the Commission is equally asking the Court of Justice for interim measures to ask Poland to suspend the works immediately.

decisions for compliance with the *Natuurbeschermingswet*, if the plan or decision could lead to damage to the natural features of a *Natura 2000* area.

Many Dutch construction projects have run into problems due to the unexpected discovery of protected species, including various species of amphibians and insects, on the project site, or some other failure to comply with the requirements of the Habitats Directive. Investigation of such cases shows that the only adverse effect of such infringements is often – but not always – a delay to the project. As long as the problem is researched sufficiently and the proper steps are taken to mitigate its effects, the project will often eventually be allowed to go ahead. Nevertheless, the legislation in this field is complex and difficult for the developer to navigate in practice. There is an urgent need for online guidance on these issues from the Ministry for Agriculture, Nature and Food Quality. [21]

Air Quality

European context

Air quality requirements can also impact on urban area developments in a number of different ways. The project itself may give rise to air pollution (for example by attracting more traffic to the development area). On the other hand, 'sensitive objectives' such as housing and schools may mean there are special air quality requirements. These health-related European standards have been laid down in European legislation. The aim is to reduce air pollution to such low levels that the

[21] See www.minlnv.nl; the information provided on this website is mainly in Dutch.

harmful effects on health and the environment as a whole are minimised. The site selection for an urban area development can be heavily influenced by air quality considerations – just as it can be influenced by nature conservation issues, as we have seen above.

The relevant directive is:

The directive on ambient air quality and cleaner air for Europe (2008/50)

This directive came into force in June 2008 and incorporates the previous four directives. The standards from earlier directives were included in the new one. Of particular importance are the quality standards for particulate matter (PM10), nitrogen dioxide (NO_2), benzene and – for the future – fine particulate matter (PM2.5).

Dutch regulations

Air quality is an issue at various locations in the Netherlands because the standards are not being met. The effect of construction and urban area development plans (with special reference to the choice of location and infrastructural factors) on air quality, and possibly other requirements, must always be investigated in advance. [22] Air quality problems are often encountered in the direct vicinity of motorways due to particulate matter (PM10) and sometimes also NO_2. Similar problems may arise in connection with urban transformation projects, especially in the inner city. Municipalities will have to seek ways to tackle these problems. If they cannot be found, it may be necessary to reconsider the project.

Current Dutch air quality regulations are laid down in the *Wet Milieubeheer* (Environmental Management Act), where *Luchtkwaliteitseisen* (Air Quality Requirements) form part of Chapter 5 of the Act which is entitled *Milieukwaliteitseisen* (Environmental Quality Requirements). The relevant standards are given in an Annex to the Act. An important instrument supporting this legislation is the *Nationaal Samenwerkingsprogramma Luchtkwaliteit* (National Cooperative Air Quality Programme; Dutch abbreviation NSL), a set of generic, regional and local measures and projects designed to ensure that the Netherlands meets the European standards within the new (extended) deadline.[23] This programme covers all future large-scale construction projects (such as the Maasvlakte 2 extension to the port of Rotterdam) which can have an adverse effect on air quality.[24] The European Commission approved the Dutch NSL (April 2009) and thus the extension of the deadline for meeting the standards.

[22] Local authorities are responsible for ensuring that *spatial planning* requirements are met.
[23] June 2011 for PM10; January 2015 for NO2.
[24] See www.minvrom.nl, NSL.

Box 5.4 The Schieveste Site

The municipalities of Schiedam and Rotterdam have begun a joint initiative to redevelop the Schieveste site. The objective is to create an attractive living, working and leisure environment in a run-down industrial estate situated at one of the most accessible areas in these two municipalities. Sixteen hectares of land around Schiedam railway station, between the town centre and the A20 motorway, are being transformed into a flourishing new neighbourhood. Air quality standards form the point of departure for the master plan for this location which is highly susceptible to air pollution, being situated between the motorway and the railway line. Tests in a wind tunnel operated by the Dutch Organisation for Applied Scientific Research, the TNO, have been used to determine the air quality for the purposes of this plan. This approach has been approved by the provincial authorities and Minister of Housing, Spatial Planning and Environment (VROM). The project has already entered the (phased) construction stage.

Conclusion on environmental regulation in the initiation phase

Our review of the Dutch environmental regulations that are of importance in the initiation phase of an urban development project reveals a number of key considerations, all of which are anchored in European (environmental) legislation. It should be stressed in the first place that European environmental standards must be complied with in all cases. Taking these considerations into account during the initiation phase provides security on the choice of location at an early stage. A much better balanced European policy on emission sources (including emissions from traffic and industry, and from heating systems in buildings) will, in the long run, substantially increase the number of possible urban development sites (while of course still leaving protected nature areas free from development). Although practical experience in the Netherlands has shown that an open planning procedure in which residents and stakeholders are involved in the discussions from an early stage (in accordance with the proposals of the *Interimwet stad- en milieubenadering*, the Interim Act on an approach to urban development and environmental issues) have yielded successful plans, voices have been raised in support of an extension of this open planning procedure to larger-scale complex spatial development projects, in line with moves currently underway in the Dutch Parliament to make a series of amendments to the *Interimwet stad- en milieubenadering* in order to create a more comprehensive *Wet Gebiedsontwikkeling & Milieu* (Spatial Development and Environment Act) (De Zeeuw et al., 2009).

Acquisition of Land

Urban area development is only possible if secure entitlement to the land in question exists. Now the municipality always has a certain say about the land through the land-use plan, which defines for which purposes a given area of land within the boundaries of the municipality may be used and specifies what building work may occur on the land. Landowners must comply with the stipulations of the land-use plan. The land-use plan does not, however, imply any obligation for landowners to actively realise the objectives indicated in the plan. The purpose of the plan is rather to prevent any new buildings that are in conflict with the plan from being built. It does not impose any obligation on landowners to realise the plan by, for example, submitting applications for environmental permits. That is why, apart from the administrative say on the land use through the land-use plan, there is also a need for some form of (private law) entitlement to the land before it can be used for an urban area development project.

The most important form of entitlement is, of course, ownership of the land. For this reason, the public and private parties (usually the municipality and developer respectively) who want to develop an area need to acquire the land before development takes place. This *land acquisition* can take place during the initiation phase, but it can equally well occur during the planning phase. It may be noted that in the Netherlands, unlike in other countries such as the UK, it is quite customary for the municipality to own the land to be developed.

A municipality has various legal instruments available to acquire land. In the first place, if the owner is willing to sell the land to the municipality, a purchase agreement under private law, as laid down in the Civil Code, may be used.

Alternatively, the municipality can exercise its pre-emption right to acquire land under the *Wet voorkeursrecht gemeenten* (Pre-emption Act). Municipalities have the power to establish pre-emption rights on certain appointed pieces of land. Once the municipality has exercised its pre-emption right, a landowner who has sale plans must first offer the land and any buildings on it to the municipality. The municipality is, however, obliged to offer the owner a competitive price for the land; in this respect the vendor is not disadvantaged by the pre-emption right.

The Pre-emption Act can only be effective if the owner wishes to sell his property. If he has no plans to sell the land, but it is in the public interest that ownership of the land should be transferred to the municipality, the latter can make use of its compulsory purchase powers. The legal basis for this procedure can be found in the *Onteigeningswet* (Compulsory Purchase Act). In this case, too, the owner receives the market value for the land and the buildings on it. In the Netherlands, a compulsory purchase order is issued by the court.

Dutch local authorities make frequent use of all of the methods of land acquisition mentioned above (purchase agreement, pre-emption rights and compulsory purchase) in urban area development projects.

Unlike the municipality, the developer has only one legal instrument available to acquire ownership of land: by purchasing it (and any buildings there may be on it). In general, developers actively buy up land during the initiation phase when a

development project is expected or has already been planned by a municipality. Land ownership gives private developers a strategic edge in this field, since it gives them the opportunity to talk to the local authorities about participation in the development of the area in question. As noted above, an urban development project can only go ahead if the landowners concerned wish to be involved in the project or if they transfer their title to the land (voluntarily or under coercion) to the municipality. A developer can be regarded as a landowner who is able and in principle willing to participate in the development of an area. His participation in the project may generate turnover and eventually profits. As owner of the land in question, the developer is entitled to discuss various aspects of the development project – such as the programme of the work and the spatial quality objectives – with the municipality. The developer's objective is to reach agreement with the municipality on these points and develop (part of) the area in question. The details of such an agreement will be laid down in a contract. On the basis of Dutch jurisprudence, a municipality is not in principle entitled to acquire land by compulsory purchase if the landowner is willing and able to participate in the implementation of (part of) a land-use plan. This gives a developer who is also the landowner a strong legal position when it comes to the development of an area.

5.3 The Planning Phase

Partnership Agreement

If the initiation phase concludes with a positive outcome (i.e. if the development plan is deemed feasible), then the municipality and the project developer will then need to draw up a partnership agreement. In practice, three models are commonly used here: the building rights model, the joint venture model and the concession model. These models will now be discussed briefly in turn. (Other models exist as well, but for the sake of brevity, this chapter will not deal with those models.)

Under the *building rights model*, private parties (market players) who have acquired land undertake to transfer this to the municipality at a fixed price per square metre, in return for which they are in due course assigned a certain number of lots ready for building. The price that the municipality pays for the land is (much) lower than that paid by the market players to the original owner. The market players expect to make up the difference by developing or building on the lots assigned to them. In this cooperative model – just as when the municipality actively buys up land on its own behalf – the risks associated with developing the land are in principle borne entirely by the municipality.

In the *joint venture model*, the municipality and market player or players set up a land development company to which they transfer the land within the planning area (which they own). This company is then responsible for preparing the land for building and occupation, and making it available for further development. The land development risk is shared between the municipality and the market players. The

land development company is generally also involved in the subsequent realisation of the plans for the location.

In the third model, the *concession model*, the municipality grants the private parties the exclusive right to make use of the land at the location (which they will have purchased either from the original owners or from the municipality) for development purposes. The land is prepared for building and occupation at the market player's own expense and risk. It is this that distinguishes the concession model from the previous two models. The task of the municipality is restricted to drawing up a schedule of requirements that has to be followed by the market player during the development. The development of the public space – in accordance with the quality requirements stipulated by the municipality – also takes place at the private party's own expense and risk.

During the planning phase, the parties agree on the plans to be drawn up and the action to be taken in order to realise those plans. They may include an urban design, design quality criteria, a construction plan specifying both the number of objects to be built and the funding, a land development plan and amended land-use plans (which can only be prepared by the municipality, in accordance with the prescribed procedure). The actions may include acquiring subsidies, establishing the conditions for the purchase of land contained within the planning area, acquiring land, developing construction plans and drawing up a construction agreement.

Work contracted out by the municipality will often have to be put out to tender. In the case of a joint venture between the municipality and a private party, it will have to be determined whether the company set up for this purpose can be regarded as a contracting authority and whether the work falls under tendering rules. If this is the case, the joint venture will also have to put the work out to tender. Work contracted out under a building rights model will also have to be put out to tender if it falls under tendering rules. It is not possible to circumvent this obligation by inserting another organisation in the chain between the contracting authority and the contractor. Either way here, "the realisation, by whatever means, of a work" falls under tendering rules. The relevant aspects of tendering law have already been discussed in section 5.2.

The partnership agreement will normally require the parties to share knowledge, experience and market insight, and to work together to realise the development of the plan. These tasks must be clearly defined and specified. The project now moves from a phase in which intentions are of prime importance to one in which actual performance is paramount. A schedule should also be drawn up, and it may be necessary to specify the penalties that will apply if deadlines are not met.

In addition, the partnership agreement will mention any circumstances that will lead to the termination of the agreement, or the circumstances under which one party or the other is entitled to claim its suspension. An organisational structure will also be established in the agreement, detailing who is entitled to do what, details of consultation procedures in certain eventualities, a PR policy (which may or may not be collective) and agreements on the action to be taken if the whole plan is called off. Consideration should also be given at this point once again to whether disputes

should be settled by the courts or by an arbitration board. Some partnership agreements also contain a provision that the agreement of intent is terminated when the cooperation agreement comes into force.

The land on which the development activities will take place is acquired during this phase, if this did not already occur in the initiation phase. Acquisition takes place on behalf of the land development company (which will subsequently transfer the land to the purchasers) or on behalf of the municipality (which sells it back to the developers after preparing it for development in the building rights model). If the municipality sells land to one of its partners in the project at any point, there is a risk that the land may be sold at below the market price; this would constitute state aid for the company buying the land, which is prohibited under EU law. To avoid this risk, the parties should also reach agreement concerning the value of the land.

The municipality and the project developer will receive assistance from a wide variety of specialists during this phase, such as financial consultants, architects, consulting engineers, planning consultants and the like. The legal relations between the client and these technical experts in the Netherlands are in general governed by DNR 2005 (*De Nieuwe Regeling*, or The New Rules, 2005). These rules lay down the general obligations of the client and the consultant or other specialist and the responsibilities of the latter, and also include provisions concerning the (premature) termination of the contract and about intellectual property issues. DNR 2005 was drawn up by the BNA (Royal Institute of Dutch Architects) and the ONRI (Dutch Association of Consulting Engineers), and gives a balanced account of the rights and responsibilities of the various parties involved.

Soil

The environmental quality of the soil and the related issue of groundwater quality are important for a variety of reasons and play a role in several phases of urban area development. There is a relatively high risk of soil pollution in the Netherlands, and the fact that the groundwater level is often high means that there is an associated risk of groundwater pollution. The soil in areas earmarked for development is usually polluted, often because such locations were previously industrial sites. There is a statutory obligation to clean up such sites in most cases before development work starts.[25] Some degree of certainty about the level of pollution in the soil in the area concerned should be reached by the planning stage. This can be obtained from a historical study, for example. This enables soil clean-ups to be planned in good time, in preparation for the *construction phase*. The guarantee of clean soil is a necessary condition for the granting of an environmental permit, which marks the transition from the planning phase to the construction phase. The actual clean-up of the soil will normally only take place during the construction phase.

[25] If there is a risk of groundwater pollution.

European context

There are several European directives that relate to groundwater and soil quality, namely:

- the Groundwater Directive 80/68 (valid up to 2012)
- the Water Framework Directive and daughter Directive on groundwater protection (2006/118)
- the proposal for a Soil Framework Directive COM (2006) 231

The Groundwater Directive 80/68 places an obligation on EU member states to take steps to reduce the emission of a variety of specified substances. The annex to this directive contains two lists to guide member states: list I contains substances for which emission limits have been established, while list II contains families of substances for which member states are obliged to set up pollution reduction programmes.[26]

Dutch regulations

The *Wet bodembescherming* (Soil Protection Act) and the *Besluit bodemkwaliteit* (Soil Quality Order) which is based on it, the *Woningwet* (Housing Act) and municipal building regulations form the basis for activities in this field in the Netherlands. Municipalities must do their best to ensure that no building work takes place on contaminated land and must ensure that the owners of such land carry out or commission soil studies and produce reports on the condition of the soil in question. Clean-up activities are regulated either by the provincial authorities or in the case of large municipalities, the municipal authorities. A quick procedure has been devised for simple small-scale clean-up work; this is laid down in the *Besluit Uniforme Saneringen* (Uniform Soil Cleanup Order; Dutch abbreviation BUS).[27] Use of a standard application form makes it possible to start such small clean-up projects within five weeks. Large-scale soil clean-up work involves longer approval procedures with greater involvement by the authorities and the requirement to draw up a clean-up plan before work starts (as laid down in the chapter on Sanering (Cleanup Activities) of the Soil Protection Act). Any soil studies must take place before environmental permits are issued and after any necessary demolition work has been completed.[28] Since July 1, 2008 soil studies must be carried out by 'authorised soil consultants'.

[26] These requirements have been implemented in the *Besluit bodemkwaliteit 2008* (2008 Dutch Soil Quality Order) and other regulations.

[27] Further information (in English as well as Dutch) may be found on the Senter Novem website, www.senternovem.nl. SenterNovem is an agency of the Dutch Ministry of Economic Affairs which promotes sustainable development and innovation, both within the Netherlands and abroad.

[28] The procedure for the exploratory study is laid down in Dutch standard NEN 5740, Appendix A. Details of the preliminary study, to be carried out before the exploratory study, are given in draft Dutch standard NVN 5725.

Box 5.5 Paleiskwartier, 's-Hertogenbosch

The municipality of 's-Hertogenbosch discovered at an early stage in the development of this area that there was significant soil and groundwater pollution on the sites occupied by eight local companies. From a legal point of view, these companies are liable for the costs of cleaning up the soil pollution they had caused. However, clean soil was essential if the municipality was to put the land in this area to the intended new use, and the severe groundwater pollution meant the clean-up work was urgent. Hence, it was essential that the companies concerned should cooperate fully with the clean-up plans. The companies concerned formed a special association, 'VVE De Wolfsdonken' (De Wolfsdonken Users' Association), which provided a platform for a joint approach to the soil pollution problem in the industrial area as a whole (comprising clean-up and management measures). The municipality, which also owned land in the area, also played a role in the project. As agreed in advance, the clean-up costs incurred by the companies were discounted against the sums involved in the land transactions. It was essential for the municipality that the companies cooperated in the clean-up scheme, and the time, money and manpower that the municipality put into the project to this end was an excellent investment. (Schutte-Postma, 2004: 309)

Environmental Impact Assessment

Environmental impact assessment (EIA) is required in the planning stage of an urban area development project. Studies of how the project can be implemented with minimal damage to the environment, and which scenarios are possible in this respect, form the basis for decision making at this point.

European context

The rules for environmental impact assessment in preparation for decision making about activities that might harm the environment are laid down in an EU directive.[29] Member states are obliged to ensure that before an agreement of intent is made, or a permit is granted, the responsible authority is given sufficient information about possible harm to the environment (and alternative environmentally friendly solutions) and that this information is taken into account in concrete decision making about the plan or programme in question.

[29] Environmental Impact Assessment Directive 1985, amended 1997.

Box 5.6 Redevelopment of Zeeburger Island, Amsterdam

The municipality of Amsterdam decided in 2008 to develop Zeeburger Island, located on the eastern outskirts of the city, in the coming years to provide additional housing, work and recreational amenities.[1] The work will involve modifying and extending the island's flood defences and relocating the marina. An environmental impact assessment was made as a basis for the decision-making process on this proposal. The EIS and accompanying annexes together with a draft exemption order for preparing land formerly occupied by an old sewage treatment plant on the island (the area where the first housing units are to be built) were made available for public inspection. The EIS will also form the basis for decision making needed for redevelopment of the rest of Zeeburger Island.

Dutch regulations

These requirements translate to the Dutch situation as follows. Following a strategic environmental assessment in the early planning phase (discussed in connection with the initiation phase in section 2.3 above), a municipality often also has to perform an environmental impact assessment (EIA) in preparation for the formulation of the new land-use plan. This requires a special 'EIA' procedure linked to the land-use plan that is being drawn up. The environmental impact assessment must be completed and taken into account when drawing up the land-use plan before the latter can be adopted. Such an EIA (drawing up an Environmental Impact Statement, or 'EIS') is required if certain activities (which are listed in Annex C to the Environment Assessment Decree) that might harm the environment are being planned in the area, the planning phase of these activities has been completed (initiation phase) and the time has come for the more concrete planning and decision-making process on the land-use plan. If the EIS indicates that an unacceptable level of environmental damage may be expected, this may be a reason for revising or cancelling the planned urban development project.

The Land-Use Plan

Strictly speaking, land-use plans (also called zoning plans) are not regulated by European legislation. This section is therefore limited to a discussion of the Dutch regulations in this field. It may be noted, incidentally, that each European country has some sort of local plan which lays down the conditions for land use.

The whole of the Netherlands is covered by land-use plans (*bestemmingsplan*). Under article 3.1 of the Spatial Planning Act, each municipality must have land-use plans for its entire land area. The main significance of the land-use plan in the field of urban area development is that it stipulates certain development parameters,

such as the type of use (for instance housing or retail), the building density or the maximum height of buildings. The legally binding stipulations of a land-use plan are realised through the environmental permit: the permit will be refused if the proposed development conflicts with the land-use plan (article 2.10 paragraph 1 sub c of the Environmental Licensing (General Provisions) Bill). Since the plan stipulates binding rules for what uses may be realised on a given tract of land, would-be developers of, for example housing, a shopping centre or mixed-use projects, would need to apply to the municipal authorities with a plan that either fits the requirements or seek revision of the land-use plan.

The land-use plan strengthens the municipality's hand in certain respects when it comes to urban area development issues. A project developer cannot develop land that he has acquired unless his development objectives (such as the building of new housing) fit in with the land-use plan. On the other hand, a land-use plan rigidly maintained by the municipality may be of little use – for example, if project developers or housing associations do not apply for an environmental permit at all because the land-use plan offers no scope for the fulfilment of their ambitions. In such cases, the land-use plan will not have achieved its purpose, or only partially so. As a result, there is a greater tendency now than in the past for the municipality and project developers to work together during the planning phase of urban area development in order to produce a plan that has the support both of the municipality and the developer or developers involved. Such a plan has more chance of success than one unilaterally imposed by the authorities, and will provide a greater inducement for developers to invest in it. In this modern approach to development planning, land-use plans are no longer strictly used to assess the acceptability of private development initiatives, but are the result of interaction between the public and private sectors.

The traditional course of events is that the municipality will formulate its urban development vision for an area that has to be developed or redeveloped in the form of a master plan. This master plan then forms the basis for the new (revised) land-use plan. Once the land-use plan has been approved, it is legally binding – which is not the case with the initial master plan. It should be noted, however, that the sequence of the municipal: Structure Vision – Master Plan – Land-Use Plan, is not obligatory. Dutch legislation does not contain any prescriptions concerning this process. In fact, there is no legal obligation to produce a master plan at all.

It regularly happens that the proposed development (or in fact redevelopment) does not comply with the existing land-use plan, because for example the latter specifies that the land in question is zoned for agricultural or industrial purposes while the development plan introduces housing. If the development is in the public interest, the municipality is then empowered to amend the land-use plan to make the development possible.

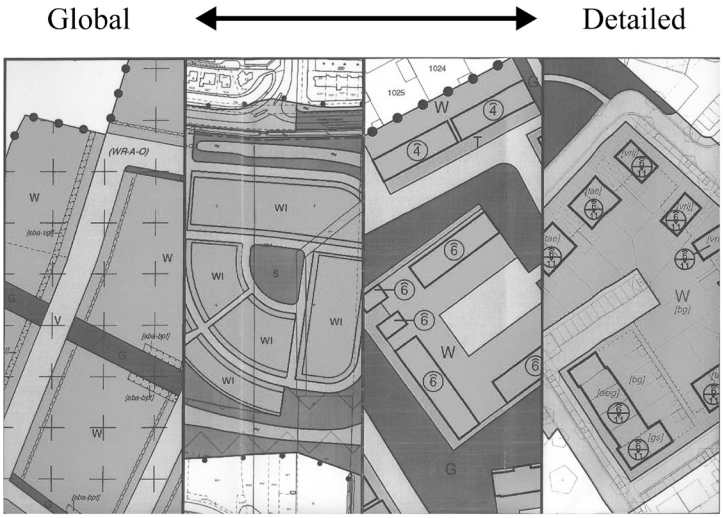

Figure 5.1 Land-use plan: global and detailed (Source: Wissing Stedebouw en Ruimtelijke vormgeving, 2010)

It is important to note here that the master plan mentioned above can be drafted by the municipality on its own, but can also be drawn up in consultation with private developers. In practice, both methods are used. Joint production of the master plan is often the approach adopted if the area in question is being developed by a public-private partnership between the municipality and developers. The municipality will then translate the provisions of the jointly produced master plan into a land-use plan that subsequently goes through the normal approval procedure laid down in the Spatial Planning Act.

In conclusion, it must be noted that the provinces and national government also have the power to adopt a land-use plan. They have the authority to take over the land-use plan powers of any municipality. This usually relates to an area for which the municipality is reluctant to draw up a land-use plan. A provincial or national land-use plan is called an *inpassingsplan* (an imposed land-use plan).

5.4 The Realisation Phase

Construction Contracts

Different aspects of the agreements between the municipality and the project developer become relevant during the realisation phase, and this is also the stage during which the parties that realise the plans – either by carrying out construction work or by finalising the plans and carrying out the work on that basis – begin to play a role.

One important point to be decided at this stage is whether the work required for the development project must be put out to tender. Once again, this will depend on

the type of project involved. The construction of housing or commercial office buildings does not have to be put out to tender. The construction of public utilities or buildings for which the municipality specifies detailed requirements relating to their appearance or other features, on the other hand, does.

The construction contract can be subject to general conditions, of which the best known in the Netherlands are the UAV 1989 (Uniform Administrative Conditions for the performance of works, 1989) and the UAV-GC 2005 (Uniform Administrative Conditions for integrated forms of contracts, 2005). The UAV 1989 is intended to cover cases where the principal is responsible for the design and the works are carried out by a contractor, whose operations are monitored. The UAV-GC 2005 covers cases where a single contractor deals with both design and execution, so in theory there is no need for monitoring by the principal.

The contracts with the parties responsible for the design and the consulting engineers or other consultants are subject to DNR 2005 (*De Nieuwe Regeling*, or The New Rules, 2005; (see section 5.3), which contains full details on such matters as the rights and duties of both parties, the subjects on which agreement must be reached, liability limitation, and the actions required on termination of the contract, copyright and consultancy fees.

Agreement will also have to be reached between the municipality and the project developer during the construction phase about the financial aspects of the land development and the apportioning of risks. The project developer may be obliged to buy the land; this gives the municipality certainty that the land will be bought by the developer at a certain point in time and for a certain price. The division of tasks between the parties and their internal project organisation will also be the subject of agreement. A profit-sharing agreement should also be drawn up to ensure that the municipality receives its fair share of any profits realised from the sale of the property in excess of that expected when the contract between the municipality and the project developer was signed. The contract should also stipulate what actions must be taken in the case of premature termination of the agreement and unforeseen contingencies. No general rules exist for such contracts: each one has to be tailored to meet the specific requirements of the case.

Environmental Permit

Every European country requires that some form of permit is issued by the (local) authorities before any plans for a physical project are implemented. There is, however, no European legislation on this point. We limit ourselves here to a discussion of how the system of environmental permits works in the Netherlands.

The Environmental Licensing (General Provisions) Bill (henceforth referred to by its Dutch name, the *Wet algemene bepalingen omgevingsrecht*, which is abbreviated to WABO) came into force in the Netherlands in July 2010. This bill focuses on issuing a single license that replaced the 25 previously existing systems for issuing permits, licenses and exemptions regulating activities which affect our physical (built and natural) environment. The new permit is called an ‘environmental permit’. The main purpose of the WABO is to establish a single, simplified procedure

and a single competent authority for persons or businesses seeking permission to carry out work which will affect the physical environment. The new bill seeks to simplify and slim down building regulations in the Netherlands.

The environmental permit may be regarded as a link between the planning and construction phases. In July 2010, the environmental permit replaced – among other things – the *building permit* that had been in existence for many years as a 'permit to build' (based on art. 40, sec.1 of the old Housing Act). The environmental permit also replaced many other permits relating to construction activity, such as the former 'project decision', construction permit, listed building consent, demolition permit, felling license and Environmental Management Act requirement for notification. The environmental permit applies to demolition work, the felling of trees, and the construction, establishment or use of a physical facility. The activities affected will typically be location-specific work which will be assessed for its impact on, for example the air, water and soil, wildlife and biodiversity, landscape and heritage of that particular physical environment.

The principal receives a single environmental permit for the realisation of any construction work that forms part of an urban area development project. This requirement is laid down in article 2.1 section 1 of the WABO.

As part of the application process, it is the responsibility of the principal to indicate all the activities involved in realising the building project. This can include demolition work, the felling of trees or work that affects a listed building. An applicant will usually apply for activities that are clearly related simultaneously using a digital application form, submitting one application for one address using a single form and in accordance with a single set of submission rules. The municipality is usually the authority with competence over these matters. If the municipality finds that a building-related activity is missing from the application, the applicant is given the opportunity to add it at this stage. The licensing procedure provides for a standard procedure (for regular or standard projects) and an extended procedure (for complex projects involving, for example, specific environmental considerations). Municipalities are planning to call in Regional (environmental) implementation services (*Regionale Uitvoeringsdiensten*) to issue the licenses.

The environmental permit relating to the construction of a building is issued by the municipality, provided there are no grounds to refuse the application. Article 2.10 of the WABO contains a complete list of all the possible grounds for refusal, of which the following are the most important:

- The building plan fails to comply with the Building Decree (*Bouwbesluit*, Dutch official regulations and standards for the building industry) on matters such as structural integrity, energy efficiency and fire safety;
- The planned building work fails to comply with the municipal building regulations. These regulations cover many different aspects, but the most important in this context is that the applicant must submit a soil study report. Evidence of soil pollution is one of the possible grounds for refusing to grant an environmental permit;

- The planned building work fails to comply with the municipal land-use plan, as described in section 3.4 above;
- The planned building fails to meet "reasonable requirements concerning external appearance" (known as *redelijke eisen van welstand* in Dutch). These criteria are published by the municipality, and usually vary from one neighbourhood to another.

5.5 Procedure Management

The summary of the legal framework of urban area development given in this chapter clearly illustrates the extent and complexity of the legal considerations for any parties active in this field. It therefore follows that there is a need for a separate branch of management alongside project management, which we refer to as *procedure management*. In the context of this chapter, we can define procedure management as management activities that aim to handle the legal requirements or bureaucratic procedures involved in the urban area development process effectively. Procedure management will, at least, include the following activities:

- Compiling an overview of the legal requirements for the urban area development process (permits, licenses, exemptions, approvals, plans, etc.);
- Compiling an overview of the procedures to be followed to prepare for these requirements, and the times necessary for completion;
- Identifying the relevant authority responsible for granting such approvals; the WABO has made this easier than it previously was;
- Compiling an overview of the technical and other information to be supplied to the relevant authority in the course of each procedure, such as environmental impact assessments, measurement data, compensation plans, archaeological reports, results of the water assessment, etc.;
- Drawing up a schedule of when procedures have to be initiated, when an environmental permit has to be requested and when technical and other information has to be made available;
- Consulting the authorities preceding the formal application for the permits and initiation of planning procedures;
- Drawing up and submitting the formal application for the environmental permit and other decisions;
- Identifying the risks involved in each of the procedures;
- Monitoring the progress of applications and planning procedures;
- Selecting the private parties (designers, developers, building contractors, etc.) involved in the development project and, if necessary or desirable, going through the procedures needed to put the work – or other deliverables required – out to tender.

Good procedure management is vital for all urban area development projects, and should not be underestimated. For example, the failure to obtain a permit on time or delays in the provision of the necessary technical information, such as an environmental impact assessment, can slow down the project significantly. This may in turn have major financial repercussions. Procedure management is aimed at avoiding such undesirable eventualities.

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6 Process Management

Agnes Franzen

6.1 Introduction

Process management in terms of urban area development refers to managing activities at the scale of a district or neighbourhood within the range of a single project having its own defined objectives. This involves thoroughly researching an area development and ensuring active involvement and support, but also—crucially—designing an effective decision-making process that will lead towards a sustainable urban area development. Process management is a form of management that provides a framework for achieving this. In this chapter, the concept of process management and the position of project manager within this is explained in greater detail, and some suggestions will be made as to how to apply process management.

6.2 The Commissioning Party in Urban Area Development

The 20th century can be characterised as the century of government – the traditional commissioning party. It was a century in which good public housing was an important policy aim and the real estate sector was used as a development tool to reach this (social) objective. After the post-war period of reconstruction which focused on delivering quantity, the *quality* of urban housing became more important with the urban renewal of the 1970s and early 1980s. The planning discipline's traditional orientation on policy making shifted in the late 1980s in the Netherlands to development planning. Specific area developments later became the practical application of urban development planning. At local level this was translated into urban area development, an approach that integrated planning and implementation and required cooperation between governments and private parties (De Zeeuw and Franzen, 2009). Today, real estate remains a tool for driving development, though new factors such as infrastructure, the environment and water management are also proving to be driving factors in development.

Property development is a cyclical process. After new real estate has been constructed in an area, the use and management phase begins, during which new initiatives for change may be undertaken. The majority of current real estate transactions involve the existing stock of property. It is clear that in the future,

property management will largely consist of property *redevelopment* (Den Heijer, 2010). This redevelopment entails a number of tasks. Alexandra den Heijer distinguishes eleven tasks that serve the property cycle; she calls these the building process functions. Process management and project management are identified as separate functions under the heading of Management. Another function is the work to be carried out by the 'commissioning party'. This status is conferred on whichever person or organisaton is responsible for getting the ball (or other functions) rolling. This can be a single actor or many; in the case of urban area development, it is nearly always many.

Within the planning discipline, the issue of who holds the status of commissioning party is not clear-cut. While this may traditionally have been a governing authority, as outlined above, this is no longer the case because of the various actors involved. As has already been stated, governance will always involve a governing authority at some level, but this does not mean that the government is always the party that manages or administers the governance. In *The Urban Connection* Luuk Boelens (2009) describes the importance of cooperation between government and other actors in contemporary planning. He suggests that within the process of regional planning, there is almost always a network of actors, who sometimes cooperate on specific issues in various arenas. This involves not only government agencies, but also private actors, social organisations and collectives of private individuals. In other areas too, we can see a tendency towards a 'democratic triangle'[30] in which the state, the market and civil society each play a part.

Since a variety of organisations and institutions are involved in urban area developments, is it possible to speak of a single 'commissioning party'? We define the commissioning party of an urban area development as the *project owner* of a development scheme for a district or neighbourhood. Depending on the nature of the project and which phase it is in, ownership may lie with one or more public and/or private actors. Project ownership of an urban area development project can be derived from, for example, ownership of property/land,[31] development rights, the initiative for development and/or implementation or a mandate as the commissioning party's delegated representative.

The nature of commissioning party status varies according to the party or parties involved. A public commissioning party conducts its tasks on the basis of public accountability, the responsibility of weighing a wider range of interests and on the primacy of politics. A private commissioning party acts on the basis of achieving a certain return on investment, the reduction of risks, and the creation of value. We can also see forms of project ownership in civil society. Examples might include the *Vereniging Natuurmonumenten*, the Dutch association for nature conservation that

[30] The democratic triangle is a term that was introduced by Anton Zijderveld, former professor of sociology at Erasmus University Rotterdam.

[31] It occurs more often in the Netherlands than in other European countries that a government party develops from a position of ownership. This has to do with, among other factors, the available space in relation to the size of the population and the explosive urbanisation in the 20th century.

owns, develops and manages natural areas in the Netherlands, or the UK's National Trust which similarly owns, develops and manages heritage sites. The status of commissioning party can also be fulfilled by a residential neighbourhood collective or regional funds for environmental development. Finally, there is also individual commissioning party status, or self-realisation. Here, the commissioning party can be comprised of one or more private individuals who own, buy or lease and subsequently develop land, either separately or collectively.

In the context of urban area development a commissioning party status means steering content and the decision-making process, and by extension, organising communication and interaction amongst actors. The job of the commissioning party is to be active at a number of levels. Beyond its own project level there are the levels of organisations (public, private, NGOs, private initiatives) and policy making.

The day-to-day management of urban area development takes place at the level of the *urban area development project* itself. Decision-making authority rests with the management of the project organisation, which could be the local authority alone, but in the case of a public-private partnership it can also be a municipal-private partnership. The level of *organisations* refers to the independent institutions, companies, private initiatives or associations involved, each having their own goals, activities and interests regarding the urban area development. Formal decision-making authority rests with the board of management of the organisations concerned.

The *policy* level refers to the metropolitan and urban networks within which policy making regarding an urban area development is managed. The commissioning party forms part of this network. Several authors refer to this as network management (De Bruijn et al., 2002; Koppenjan and Klijn, 2009). The aim of the commissioning party in this context is to generate collective action, in view of the uncertainty surrounding the nature of the development and at the strategic and institutional levels. Decision making takes place through temporary partnerships, managerial agreements and covenants.[32]

6.3 The Differences between Line, Project and Process Management

The term management has its origins in public administration and organisational theory. The first small, simple organisations had a management board (or a proprietor) that made decisions and an administration (or employees) who implemented those decisions. The decision was made known verbally or in writing. Things are rarely so simple anymore: there are now managers of all types who act as intermediaries between the decision-making level and the executive levels in an organisation.

[32] A partnership in this sense is a temporary collaboration, for example, between a number of municipalities in order to achieve a common policy aim. A managerial agreement has a legal basis. And a covenant has an intention as its basis.

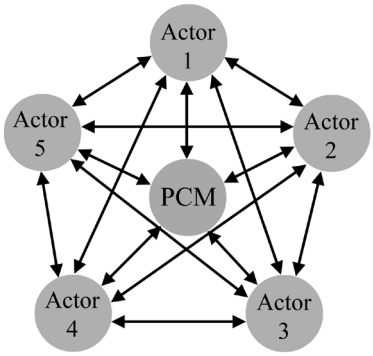

Figure 6.1 The process manager (PCM) in an inter-organisational network. A1 to A5: actors with different interests

When organisations reach a certain size and complexity a new professional group between management and administration joins the equation. These are line managers whose purpose is to ensure that management decisions are implemented. It is a hierarchical, top-down structure. When organisations start to specialise in specific fields, another level of professionalisation is required. The multidisciplinary demands placed on production (in the broadest sense of the word: products, services, innovation, etc.) also means that managers are needed to manage the specialist activities within the organisation and the coordination of the specialists themselves. To manage this adequately, it became fashionable to think in terms of projects and project management. Line management is largely based on routine, whereas project management is characterised by its temporary nature and the need to build up a new team, with all the associated rules. A project is a temporary organisation, often represented as a matrix.

Process management is a relatively new form of management, which management literature identified as a professional field in its own right in the 1990s and which is related to the introduction of governance concepts. External aspects that are difficult for organisations to relate to, or to translate in terms of the impact they may have on their organisation or their projects (such as urban area development projects), play an increasingly prominent role. Examples of this are changes in the opinions of outsiders concerning the usefulness and necessity of the project, changes in financial circumstances, or conflicts with other projects or the wishes of other parties to link the project with their own projects (Teisman, 2001: 48). Rather than simply protecting one's own project against these risks, it is also possible to view these external variables as a challenge, as a stimulus for new developments and opportunities. This is what a process manager does. Process management can be seen as a response both to the formation of networks and dynamics in society and to the widening of social ambitions. In contrast with project management, process management has no clear predetermined or specific aim: its

Table 6.1 Elements of organisation management, project management and process management

	Organisation management	Project management	Process management
Definition of the problem / solution	Clear	Clear	Indicative
Result	Certainty on achievements and costs	Less certainty on achievements and costs	Uncertainty on achievements and costs
Time path	Continual	Clear end	Open-ended
Production	Within line	In temporary organisation	In inter-organisational arenas
Management	Homogeneous in culture and interaction	Heterogeneous in culture and interaction	Heterogeneous, ambiguous and dynamic in culture and interactions

aims can change or be changed. This means that the time scale for process management is unpredictable. The representation of process organisation shown in Figure 6.1 is derived from Hall and Tolbert (2004). They speak of inter-organisational networks, which are characterised by positions of equality in relation to one another.

In addition to line management, project management and process management (Table 6.1), there is also programme management. Programme management, just like project management, is temporary, but while project management is results-oriented, programme management is goal-oriented. A programme is a “temporary, unique and complex collection of goals and efforts in which people with limited resources work together towards a common purpose” (Van der Tak and Wijnen, 2007). Programme management aims to organise matters in a goal-oriented way, even involving people who operate in different organisations. Programme management helps to achieve cohesion and to set priorities, so that many projects and other activities can be carried out effectively. This brings the organisational policy aims closer. When the aims have been achieved and the work can be transferred to the existing organisations (whether this is a line, project or process organisation), the programme management can be terminated.

6.4 Management of the Built Environment

In the world of construction and real estate, partnerships between parties for planning development and implementation are formed at the object, portfolio and area level. In urban area development, unlike in Hall and Tolbert's diagram, the parties are not always in positions of equality (Bruil et al., 2004). There are various different types of networks and alliances. The type of alliance depends on the nature of the task and on the phase in which the process occurs (initiation, planning, realisation or maintenance). Most urban area development projects have their own forms of organisation because they are such a long-term process. At the municipal level they are usually given the status of a separate project, with an internal organisation shaped by the circumstances. In many cases, the director of this organisation takes on the role of official commissioning party for the municipality. Depending on the form of partnership chosen, there is sometimes also an independent project director or co-management (public/private) during the feasibility and realisation phases.

Managing such a complex set of alliances, responsibilities and necessary tasks cannot be done by a single entity. Yet the *process* of inclusion of these alliances, responsibilities and tasks does need to be *managed*. This is where process management comes into play. A variety of other government agencies, social organisations, private entrepreneurs and professional parties in the market (all covered in Chapter 1) will be called in. These parties, with interests in an area, jointly arrive at a way of integrating planning and spatial investment, which will ultimately lead to the implementation of an urban area development project.

The involvement of such a variety of organisations and actors means that urban area developments often involve complex processes. A process manager is an expert in these complex decision-making processes. According to De Bruijn et al. (2002) this complexity is primarily social in nature. People and organisations learn, change and react to each other. Decision making takes time, and a great deal can change during that time. The world in which today's managers operate is not characterised by the presence of a single powerful centre with the ability to oversee all the consequences of a decision and the power to impose its will. Power has become diffuse in modern society. The result is that coalitions, alliances and majorities are formed through lively interaction. The decisions that are made as part of a project are unpredictable (both in terms of when the decision will be made and what the decision will be) since they are partly a product of social dynamics. An inward-looking perspective is no longer adequate. What is also needed is a continuous focus on the external environment, and the interaction that can bring that about (De Bruijn et al., 2002: 6).

6.5 Theory and Practice

Urban area development is a relatively new area of study. The relevant disciplines and research fields that relate to urban area development include real estate theory,

urban design, management theory, planning, organisational theory, land policy, economics and law. As a result, the interaction between scholarship and urban area development in practice is difficult to pin down within a single analytical framework (Klosterman, 2009). Bent Flyvbjerg (2001) points out the value that can be added through social sciences when carrying out social tasks. He emphasises the importance of interdisciplinary thinking and the interaction between a more theoretical approach and practical experience. That is why there has recently been an increasing interest in studying learning processes, or how to learn from combining the insights of theoretical knowledge and practical application (Flyvbjerg, 2001; De Bruijn et al., 2002). This can certainly aid the understanding of the management of urban area development processes. In this chapter, process management is therefore examined in light of both theoretical studies and more practice-oriented literature, looking in particular at systems theory and the principle of value rationality.

Management theory gives us relevant insights by, for example, analysing process management in comparison with one or more project-based approaches. Titus Bekkering (2001), for instance, characterises project management as the control of the interior of a closed system, which is different to a process-based approach that is more suitable for the management of exterior factors and the understanding of the context (an open system). A project manager's task is to deliver the agreed result, and as such he or she is mandated to manage the principal controlling aspects: finance, organisation, time, information and quality (FOTIQ). Outside of this closed system, however, there are exterior factors (commissioning party, senior management, financier, etc.) that cannot be controlled directly by the project manager. He or she is dependent on these exterior factors, but can at best only influence them, or in other words, attempt to direct decision making. This influence concerns directing decisions that are necessary for the progress of the project. There is then no longer an internally agreed result that can be monitored using the control aspects, but a decision-making process that takes place involving a number of interested parties/partners.

Peter Senge (1992) gave systems theory, which originated in the 1950s, a new lease of life in the 1990s. Systems theory is the study of deducing principles relating to the interrelationship of things, or the interdependence of systems relevant to all disciplines. Senge sees systems theory as a multidisciplinary study that tries to understand the complexity and mutual dependency between and within systems. He makes a case for 'learning organisations' which, in his view, are different from traditional 'controlling organisations'. Learning organisations make use of not only systems thinking (a process that sees how various factors in a system all influence one another), but also personal mastery, mental models, building a shared vision and team learning. For Senge (1992), systems theory is a tool that can reveal patterns and (with the knowledge revealed) can change patterns. These patterns could be within organisations, but they may also concern social issues such as environmental sustainability and the pattern (or systemisation) necessary to achieve it. Senge seeks to depart from thinking in terms of cause and effect, and thinks more

in terms of mutual connections, change processes and feedback. The creation of a model can help to clarify the web of connections and streamline processes to reach goals or ambitions.

Geert Teisman (2005: 134) elaborates on Senge's theory. He sees the public domain paying ever more attention to processes and process management, for example in interactive policy making, public-private partnerships and inter-managerial collaboration. In *Public management on the border of chaos and order*, Teisman presents a multiple management approach. In his view, decision making is the product of interaction between self-steering and steering actions. Teisman identifies two typical types of managers: "the order-seeking manager" and "the connecting manager". While the former thinks primarily in terms of a vision of unity and a recognisable and divisible system, the latter acknowledges the complexity of compound systems. This is similar to the distinction between a more project-based approach and a process-based approach. In the process-based approach, leadership – which for the purposes of our analysis usually denotes commissioning party status – comes about through interaction with other interested parties. Teisman (2005: 141) emphasises that a great deal remains to be learned about both categories. The need for learning is even greater when it is understood that the evolution of complex managerial systems requires a workable combination of order (which stabilises) and dynamics (which allows development). This combination can only come about when managers within the domain of order (organisation and rules), managers within the domain of innovation (chains, networks and processes) and managers of the connections between them all join forces and pull in the same direction.

From the perspective of systems theory, process management operates on the fence between closed and open systems and is concerned with the exposure of patterns and the initiation of change in complex systems. In De Bruijn's approach, managing the interests of the actors forms the basic principle of process management. This contrasts with project management, where achieving the pre-defined goal is the basic principle. De Bruijn (2002: 22) explores the concept of process management by contrasting it with the content-based approach of project management. His approach emphasises the unstructured character of problems he calls "wicked problems". These are problems where there is no unambiguous or authoritative solution. The reason is twofold:

- there is no objectifiable information available;
- there is no consensus concerning the standards that must be applied to solve the problem.

Because of the large number of interested parties, we often see the second problem in particular in urban area development. To advance the project, opinions from a range of sectors, disciplines and actors – or organisational and personal standards – must be weighed up against each other, a process which automatically leads to a discussion concerning the weight that should be attributed to each of these standards. Another characteristic of wicked problems is their dynamic character: the

problem changes over time. The logical corollary to this is that the potential solutions to a problem also change over time. According to De Bruijn (et al., 2002), if a content-based project approach is nevertheless chosen, this will only generate conflicts. The party taking the initiative has to accept that different parties interpret evidence in different ways, and may have equally valid arguments for doing so. A solution will never be objectifiable, but it is possible to arrive at an authoritative solution which will be accepted by all the interested parties. This requires those parties to be involved in the formulation of the problem and the solution, leading to the creation of 'negotiated knowledge', which we can define as knowledge that arises from a process where the interested parties have contributed their own information and values.

How do these approaches from management studies relate to the practice of urban area development? In the more practically oriented literature, process management is defined as the implementation of a process architecture that has been designed beforehand (Wolting, 2006). This process architecture has three central aspects:

- The process conditions: which parties take part, how communication (internal and external) takes place, how the organisation is set up, what parties are prepared to contribute to the process. The process manager has the task of optimising the process conditions for an urban area development;
- The activities: in the absence of a clearly defined project the desired end result cannot be clearly established, however the necessary process steps can be indicated in the process architecture. What activities are needed to achieve a result?
- The phasing: which decision should be made at what time? The decision making takes place on the basis of benchmarks (Wolting, 2006: 152).

In line with Teisman's approach, we can see a connection between the project-based and process-based approaches here. The process manager clearly has a place in the project organisation. Here he or she is seen as, among other things, the link between the strategic level of decision making (the steering group) and the level of detailed implementation (the working group). The process manager identifies the need for analyses and discussions in the steering group and translates these into project tasks for the working group. Bert Wolting (2006: 154) sees the creation of a plan as the development of the content, and as a management tool that enables evaluation according to the desired goals. Wolting also sees that the process manager steers based on the connection of the different actors involved, and on the accompanying interests and goals. In this context, he identifies motives and power in the internal and external environment of a project, in addition to interests, as important forces.

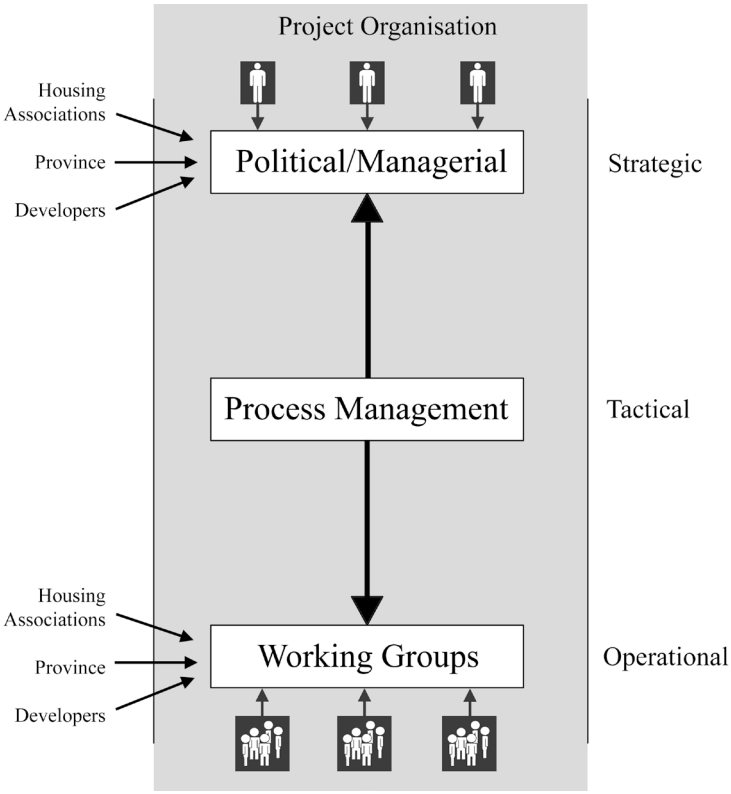

Figure 6.2 Positioning of the process manager as connecting agent between the strategic and the operational level

6.6 Content, Process and Communication

We stated earlier that urban area development is difficult to pin down in a single framework. This is also true of process management within urban area development. This is because the ingredients for urban area development are both variable and uncontrollable. Friso de Zeeuw (2009), for example, identifies programme (real estate), costs and benefits, concept (design) and the management of interests as important and problematic variables. These can, however, be directed, unlike macro socio-economic trends, political circumstances, and legislation and regulations (either national or European). These are discussed in Chapters 1, 2, 5 and 11. The art of process management is making a conscious effort to balance this context, to take action and where relevant to connect and integrate the three different tracks: process (decision making and procedures), content (programme, concept and costs and benefits) and communication (support, trust, transparency).

The task of a process manager in the urban area development process is to organise, connect and direct these tracks. Project-related issues are generally easier to predict and therefore also easier to direct. Process management seeks to provide a conceptual framework for tackling issues that are difficult to direct. This means dealing with uncertainty. Project management can be helpful at the level of arranging the organisation and the associated tasks. For example, by setting up a clear consultation structure, a commissioning party or process manager can create moments at which information can be exchanged or decisions taken. This can take place at the strategic level, the tactical level or the operational level (see Chapter 7). Project management can also help exchange information and give direction to the production of various products – or elements of them, but the dominant thinking in project management is linear. A number of steps, each made up of consecutive actions or activities, are clearly distinguished. Processes, and with them process management, also have more of an iterative character, with progress being monitored via feedback. New insights are utilised to critically re-examine earlier decisions.

The process manager in an urban area development project, as the commissioning party's delegated representative, connects the various activities and switches between the project organisation and the environment and between the more managerial strategic and content-based operational levels. As such, process management is complex. The role of process manager requires not only theoretical knowledge, but also experience and intuition.

6.7 Position and Skills of the Process Manager

An important issue is how the tasks of a commissioning party and those of a process manager relate to one another. In urban area development projects, there are often several actors with commissioning party status. In the initiation phase, it is usually public bodies that have this status – for example a municipality, a provincial government or a combination of several. As the implementation phase approaches, commissioning status shifts towards the public-private sphere. We view the process manager as the delegated representative of the commissioning party who is charged with a specific task. The precise nature of this task depends on the complexity and nature of the project. The process manager works together with management coalitions and project teams that include a range of professional disciplines. A frequently used model is one in which the process manager is very much at the nerve centre at the level of the project organisation, acting as an intermediary between the project organisation and the outside world (level of organisations and policy level). The task calls for broad knowledge and authority. A process manager therefore functions as an intermediary between various actors and disciplines that have a range of value perspectives. An alternative model consists of an agreed partnership and therefore a division of tasks between more strategic process-based management – for example, by a process manager that is a

delegated official from the commissioning party – and content-based integration at the operational and tactical level, for example by an urban designer.

The precise nature of the task and role of the process manager also depends on which phase the project is in, the organisation for which he or she works and the division of roles with other (delegated) commissioning parties. Each of the initiation, planning, realisation and maintenance phases have their own demands. And although this system of phasing assumes that the process will follow a linear progress, the reality is less ordered. Urban area development processes are often characterised by their chaotic progress. To achieve change and improve the built environment via process management requires a knowledge of processes and projects, but also professional knowledge. Wolting distinguishes between basic knowledge in a number of policy fields, personal skills, project-based working, political and managerial feeling and knowledge of subject matter.

A distinguishing characteristic of process management is that ambition develops over the course of time (Hutten, 2009). This ambition can be seen as the rudder which keeps the whole process on course. It often finds expression in a spatial design. In this regard, Riek Bakker (1998) describes the design as a vehicle for the process as a whole. The process of change has a physical aspect (the qualitative improvement of a location) and a socio-cultural aspect (a collaborative process between people). Within this, the nature of the change and the process of change (how the change is organised by various organisations and thus people) should be linked.

6.8 Using Design as Vehicle for the Development Process

Urban design as a profession is discussed in greater detail in Chapter 7 in the context of spatial quality. This section discusses in more general terms how content, and more specifically a design-based approach, can support and feed the development process. A design-based approach is inherently one that combines a variety of perspectives from various disciplines and actors. The actors arrive at a shared ambition that is developed through ‘designing’ and drawing up a plan. This approach sees design as management: interaction and the linking of various dimensions takes place through the act of designing. In other words, the design as a plan/product results from the act of designing which is in itself a means of communication and sharing insights, *when* the communication between actors concerns a content-based solution and when they understand design as a decision-making process. This requires knowledge of both design and the organisation of the associated process in the various phases.

During the *initiation phase*, it is important to ascertain the procedural and managerial scope for an investigative approach through design. The involvement of the designer in this (early) phase is crucial if the project is to be analysed and formulated correctly. The urgency can be identified and the real problem defined by means of design-based research.

During the *planning phase*, working on the basis of the results of the initiation phase, the parties who need to be involved in an exploration of the opportunities and potential solutions in an area are identified. The urban designer works together with these parties on integrated solutions that are, in the view of those involved, feasible, affordable and sustainable. This phase ends with decision making concerning the preferred solution or solutions.

Subsequently, in the *realisation phase*, the preferred solution or solutions are put into effect and the details are fleshed out in terms of policy, finance and technical aspects for the benefit of their implementation. The result is a shared plan or ambition which can serve as the basis for a partnership agreement between the implementing parties. The degree of detail depends partly on the partnership model selected. A classic governmental management model requires more specified planning than a joint venture model, for example.

A design-based approach can be used to break through a deadlocked decision-making process or to bring actors with differing interests round to a shared ambition and plan. It gives the actors involved an understanding of the possibilities and limitations of a location and the specific qualities of an area, as well as one another's interests. The added value of the designer lies in his or her creativity, interdisciplinary working methods and conceptual abilities, which enable him or her to visualise the qualities and values that the parties consider important. Opportunities are illustrated, dilemmas are articulated and solutions are proposed that can bridge differences of opinion. This often proceeds in stages, with alternatives being sketched out to feed the debate. Designers work with scenarios (alternative future opportunities), strategies (step-by-step plans to achieve a desired future situation), 'opportunity charts' and conceptual images, for example.

The result is both a (temporary) plan and effective communication between parties, while at the same time a step is taken in the direction of decision making – in the presence of all parties. These parties can include any range of public, private or social organisations. What exactly is achieved through this 'design as management' approach differs per phase, or even per stage within a phase. The involvement of the designer at an early stage helps to analyse and formulate the task effectively (problem definition). The plan can also represent the core concept for an area, provide insight into feasibility (calculations and drawings), and serve as a basis for policy making (implementation framework) and/or implementation (technical instrumental product). Moreover, a good design has an intrinsic cultural value (cultural product) in terms of quality and as a contemporary cultural expression.

The connection between the plan, the actors and the process means that the designer can incorporate both the local situation and local interests (varying throughout the phases) by means of design-based research. The research component includes an understanding of sectoral interests and the relevant scales involved, which when all integrated show up the opportunities and bottlenecks. The aims of this design process in this context are:

- to define or re-define the problem and/or the task;
- to identify, specify, compare and bring together the set of divergent interests (and underlying value perspectives);
- to define, make tangible, and represent the qualities and desired (policy) aims and programmes.

This is a creative and iterative process that is grounded by concrete decision-making moments. The designer's role is thus that of intermediary between the parties. Depending on the scale of the project, what point in the process has been reached and the knowledge and ability of the designer, he or she has a directing role together with the process manager in the various plan phases. The designer uses images to connect organisations and individuals, while the process manager does this through decision making. Management of the planning, procedures and organisational form is done collectively or by a process manager. Ideally, they will define the planning process and the desired collective progress together. It is essential that the process manager also has experience with the iterative character of design processes, because even when the above steps are followed, every phase will need repeatedly to link abstract images with concrete designs, to explore and re-explore the task and discover or rediscover solutions. Design, like process management, is not a linear process but one that defines its own objectives. It involves working in steps towards a shared ambition. This is done by working with the interested parties and through design and interaction.

Presenting the design to parties not directly involved at the working level or to the general public requires a special type of communication. How general or specific the presented design is also depends on the phase, the target group and the purpose. Special consideration must, in any case, be given to how the design/plan is presented: those not directly involved need to be made aware of the process achieved.[33]

6.9 Process Architecture, Analysis Models and Intervention Strategies

The degree to which process management is necessary depends on the nature and complexity of the assignment, as well as on the actors involved and how many of these there are. In general, the initiation and planning phases are the most open-ended in character. Process management in these phases involves analysing both the content and the processes of the assignment, creating connections, and making process interventions regarding content, the decision-making process and communication. All this is to help reach qualitative decisions which the parties involved will support and be able to commit to.

[33] Part of this text was published earlier in Wikipedia for the project *Nederland Boven Water* (2008). With thanks to Hilde Blank, Jannemarie de Jonge and Mariet Schoenmakers for their input for this text.

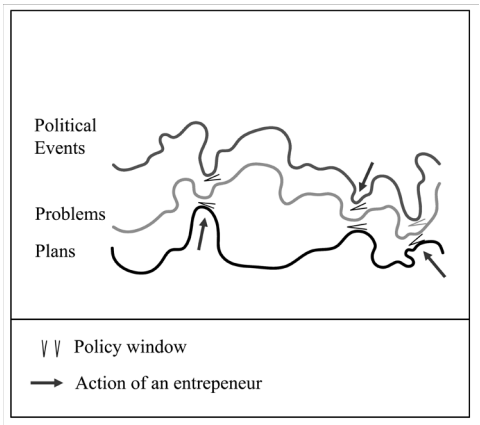

Figure 6.3 Policy Window (Source: Kingdon, 1995)

In the previous section, we discussed how content and process are linked through a design-based approach. This section deals with architecture of a process, models for analysing the process and possible intervention strategies.

According to Wolting (2006: 151) the three aspects that are central to process architecture are the process conditions, the activities themselves and the phasing. He speaks of a transition from process architecture into process management, or the optimisation of the process conditions: interested parties, the organisation, communication and an overview of the process steps to be taken and the phasing of the decision making with reference to a number of benchmarks.

This corresponds with systems theory: we can view process architecture as a model of a typical organisational process. This model is always a simplified representation of reality. Adjustments are made during the process, on the basis of insights developed during the process. Urban area developments are of course complex and defy simplification. Systems theory can provide a framework by means of models that represent possible realities.

Wolting's models for process analysis make use of an analytical approach and a prescriptive approach. A model that is based on the analytical approach is his actor analysis; an example of the prescriptive approach is the phasing of the decision-making process.

Teisman (2005) identifies two realities in urban area developments: a more planned and organised reality, and a more chaotic and unpredictable reality. The first is a prescriptive model, though even this one must allow for unforeseen circumstances or so-called "black swans" (Hutten, 2009). The chance of encountering metaphorical black swans is small, but if they do appear they can greatly influence progress.

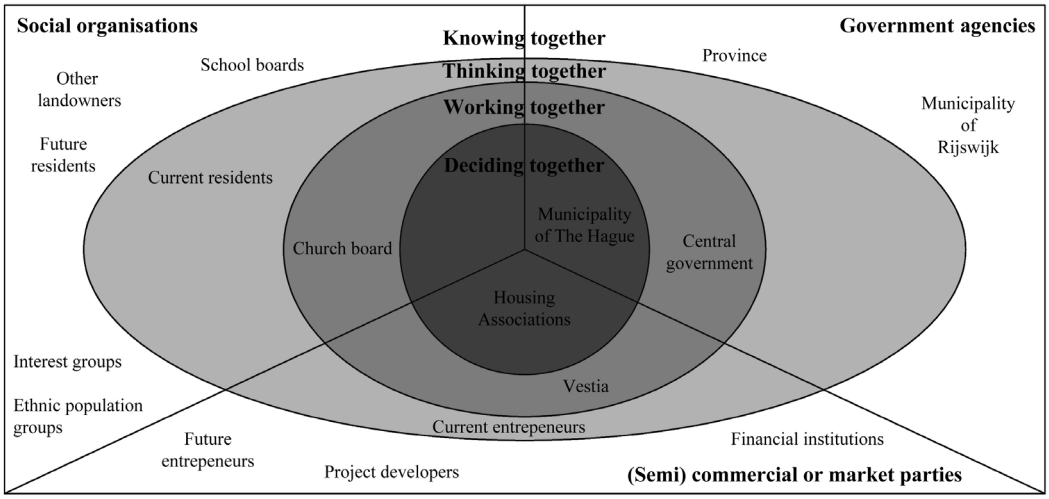

Figure 6.4 Stakeholder analysis based on role in the process

John Kingdon provides us with a useful model as well (Figure 6.3), which describes what are referred to as 'windows of opportunity' – moments at which various flows come together. At such moments, a 'ford' is created through which a project can advance a step further. It is up to the process manager, or in Kingdon's words the 'entrepreneur', to recognise and utilise these moments.

Two frequently used analysis models are the SWOT analysis (see Chapter 3) and the actor analysis. Figure 6.4 is a representation of the actor analysis, showing the influence that the parties have in the process. Personality tests such as Belbin or the Big Five can be used to give a conceptual framework in the communication track. Knowledge of personality types can help when putting a team together and managing social dynamics and processes.

All these models concern tools with which to direct the three tracks of process, content and communication. The reality is disorderly, and the process of urban area development is surrounded by much uncertainty.

Henry Mintzberg (2005) distinguishes between a deliberately structured decision-making process and a decision-making process that takes shape spontaneously. In his view, strategy is primarily a pattern in decision making that appears in retrospect. Based on the various value perspectives, urban area development processes are characterised by a number of rational formal processes and informal, uncertain processes. Experience and intuition play a crucial role in this second type of process. In this context, strategy can be viewed as action to provide direction in an uncertain process. Using the work of Boonstra and De Caluwé (2006), we can distinguish the following basic principles for strategic action:

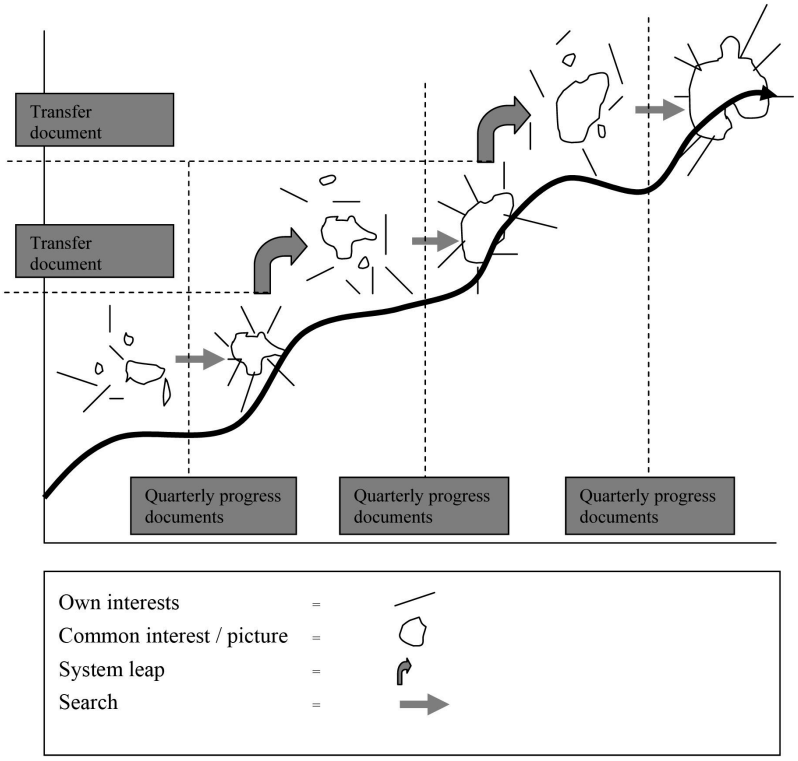

Figure 6.5 Process structure start-up phase of complex urban transformation areas

- limited achievability
- the reality is layered and multiple
- change as collective action
- giving purpose and meaning

As described earlier, we view process management in urban area development as directing the three tracks of content, process and communication. One component of this process of direction is working on the connections between these tracks. In section 6.8, we describe how content and process can be connected through design. In Box 6.1 we elaborate on this further, with reference to the scenario method.

We conclude this section with an example of possible strategic interventions, referring to research by Geurt van de Randeraat (2006; 2010) on urban area development and complexity. Van Randeraat has made an innovative contribution to the field by applying complexity theory, as employed by Teisman, to the uncertain process of urban area development. His research focuses on the start-up phase of the urban area development process.

According to the theory of process management, this start-up phase does not take a linear form: progress is erratic. During the processes, the various interested parties and stakeholders look for a common picture. That common picture will be supported by the various actors if the actors can also recognise their own interests in it. As soon as the major actors recognise both their own interests and a common interest, the process will undergo a development leap or system leap. Due to the erratic nature of the start-up phase of complex urban area transformations, uncertainty surrounds everything. It is not known in advance how the process will progress, which actors are or will become important, what products will result or how long the start-up phase will last. This makes every urban area development process unique. However, there appears to be a recurring pattern in the start-up phase of these urban area development processes: municipalities, private investors and other stakeholders determine an ambition, devise a set of guiding principles, make preparations for an integrated (master) plan, and allocate land for development, including the accompanying legal agreements regarding preparations for construction.

All of these elements – and more – recur again and again in urban area development practice. What is not clear, however, is when they will occur, in what form, and so forth. Figure 6.5 represents these permanent elements (the irregular black upward line) and is a schematic characterisation of the process structure of the start-up phase of complex urban transformation areas.

It appears that the start-up phase of complex urban transformation areas progresses in cycles, and does not lend itself to direction (in the form of defined stages: initial investigation, master plan and elaboration). Transitions from one round to the next takes place on the basis of what are referred to as ‘system leaps’. The term system leap suggests a leap forward – progress – yet in actual practice system leaps do not always translate as direct progress. Therefore the term ‘overturning moment’ seems to be more appropriate than system leap. An overturning moment may also mean iteration. However, system leaps that are not leaps in a desirable direction will not necessarily lead to delays and complications in the process. These system leaps also appear to be required to break through inertia in existing systems.

Steering Elements

If progress and acceleration occur as a result of actors in a search of common interests making meaningful connections, it is essential that the actors are directed towards the creation of those meaningful connections and a shared picture of the future. Experience in the field reveals that in order to make the search for common interest more effective, it is useful to increase the possibility of connection by opening up processes, to maximise the interaction between actors at the right moments, to increase the speed with which this interaction occurs and to improve the quality of this interaction. The steering elements during the search for common interests can therefore be described as: opening, intensifying, accelerating and

Box 6.1

Scenarios provide images of what is possible in the future. The long-term effects of a decision can be explained by placing them in the context of possible scenarios. The essence of the scenario method, as developed by the company Shell in the 1970s, is a coordinate system which sets out the two most important socio-economic uncertainties. This coordinate system is then supplemented by four possible extreme future scenarios or 'futures'. These futures, as possible courses of action, can provide a framework for steering the tracks of content, process and communication.

One example of the use of this method involves the four scenarios for Parkstad in Limburg. Until the early 1980s, Parkstad was an important mining area. Since the closure of the mines, the region has had a weak economic position and the question of identity became an important issue. An important policy issue for municipal and regional government was how to manage the population decline. The development concerned is surrounded by great uncertainty.

Partly by looking at spatial strategies that had already been applied in Germany and the UK in areas of declining population, spatial strategic interventions were sought that would fit into a long-term, socio-economic perspective. Design strategies focused not only on 'ensembles' (a frequently used strategy in restructuring), but also on researching and designing at various levels of scale, with a variety of programmes and qualities utilised to anticipate possible trends. The most important uncertainties identified were the degree to which the population might decline and the identity that this area might take on.

In view of these uncertainties, four possible future scenarios were developed. The first scenario, New Autumn, anticipated the ageing of the population and an associated senior citizens' economy. Healthcare was an important element in this scenario. Under the Parkstad Reloaded scenario, the mines acquired a new role in energy provision due to technological developments. The Leisure Landscapes scenario assumed the total disappearance of mining and focused on the heritage exploitation of the landscape and recreational potential of the area; it sought to increase the number of visitors as a stimulus for economic development. The last scenario was Parkstad International Knowledge Centre. This assumed the development of an attractive climate for knowledge-related industries and knowledge workers from nearby university cities such as Eindhoven, Leuven and Aachen.

Figure 6.6 Four scenarios for Parkstad Limburg

improving. Once a common picture has emerged and a system leap follows, it is important to retain this hard-won position and to take it further to the next cycle.

The steering element associated with getting to the next round is transferring. To bring about a system leap, all relevant actors have both to understand the common interest and feel that their own interests are sufficiently represented. Transferring is a process in itself that needs to be embedded in the existing process structures of the steering organisations, so that everyone continuously works from the newly accepted common interest. The steering element of embedding is to ensure the acceptance and actual progress of the development processes.

All of these steering elements are in fact strategic interventions which apply to the management of uncertain processes, as described by Boonstra and De Caluwé. They also offer a conceptual framework for the linking of process (decision making) and content by means of the design-based approach described in section 6.8. And they illustrate the importance of the communicative track that incorporates internal and external personal relations. There are more steering elements than the ones listed above. Other examples of possible steering interventions include mirroring, the creation of a shared language and process memory (Peek, 2006).

6.10 Conclusion

Depending on the complexity of the project and which phase it is in, process management can be carried out by one or more individuals. We see the process manager as the commissioning party's official delegated representative with the task of ensuring that the project has been thoroughly researched, and that there is

sufficient involvement in and support for the project so that it can become a sustainable urban area development. This type of process management is a Dutch innovation; in other European countries it is usually seen as a component of project management. However, the complex and uncertain character of urban area development processes makes process management a valuable methodology in its own right. It lends itself to the open-ended nature of the initiation phase of urban area development, which involves many different actors and disciplines, and is a constructive way to connecting the strategic and the operational levels. The art of process management is linking the organisational levels and steering the tracks of content, process and communication. These different levels and tracks mean that usually a number of processes are happening in parallel. These processes have partly a more static and partly a more dynamic course, and this is where project management and process management complement one another. A design-based approach can be used in this process to explore the task or represent a shared ambition, but also as a tool for analysing and shaping the process. In addition to these steering instruments, the process manager can make use of various steering elements (or intervention strategies) in order to guide the process more efficiently towards the desired change and thereby, together with the interested parties, arrive at a sustainable urban area development.

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7 Management of Spatial Quality

Agnes Franzen and Gerard Wigmans

7.1 Introduction

Spatial quality is a much-used term in relation to urban area development.[34] Knowledge of spatial quality is important in this interdisciplinary domain, as it is often a major objective in the development or redevelopment of an urban area. Various authors have highlighted the fact that it also contributes to a positive appreciation of the living environment, thereby creating an attractive location for businesses (Van den Berg et al., 1999; Trip, 2007). This idea was examined in Chapter 3, primarily in relation to market quality. An important feature of urban area development is that of value creation. Value creation resulting from a change in the function of an area is covered in greater detail in Chapter 9. This chapter will examine the term spatial quality, which is related to the value creation that results from spatial interventions. The development of concepts and the use of market knowledge play an important role in value creation (De Zeeuw, 2007).[35]

The definition of what is required of a commissioning party was introduced in Chapter 6. It was explained that during the process of initiating, developing, creating and managing an urban area, the role of the commissioning party is variable. The process of ensuring quality is different in each phase. Bringing about a change in a built-up area first requires the ability to organise, as explained in Chapter 3, but there is more to it than that. There is a danger of the process becoming a goal in itself and that sight may be lost of the substance of the task. It is precisely the link between substance, process and communication that is the art of being an effective commissioning party. Quality is achieved through, among other things, the integration of and cohesion between substance, interaction and collaboration

[34] We have expressly limited ourselves in this chapter to *spatial* quality and make no claim to explore the somewhat extensive definition of 'quality' or the various opinions in relation to it. Views about the 'quality of life' in cities and the 'quality of place' – simply more detailed versions of aspects of social quality, sustainability, etc. – are therefore not considered here.

[35] In more general terms, we refer here to the improvement in spatial quality as the process progresses, expressed one way or another in the added economic value of property and the built-up environment. We make no further examination of the problematic nature of this ambiguous concept.

between actors and the creation of a common bond via communication. This occurs at three distinct levels: the strategic, the tactical and the operational.

At the *strategic level*, the accent is on the decision-making process in relation to the desired degree of quality and value creation. Depending on the nature of the project and the commissioning party, the emphasis may lie on either economic or social returns. In the public domain, this is expressed in the programmes of political parties and through the content of the portfolios of the deputy mayors/city aldermen, or at least in the portfolios where spatial quality in the urban environment is an issue.

The *tactical level* involves preparing the decision-making process on the basis of knowledge from the strategic and operational levels.

Knowledge of the policy sectors and disciplines are at the heart of the *operational level*. Making clear the meaning of quality occurs at and interchangeably between these various levels.

Urban planning, landscape architecture and architecture are disciplines which can contribute expertise at both the operational and strategic levels with the purpose of establishing a clear definition of quality. Until the mid-1980s, the role of urban planning and landscape architecture was accepted as a given in the public sector. These disciplines played an important role when it came to integrating various spatial policy fields and translating this into practical urban plans. Since the late 1980s, this specialist knowledge has partly fallen under the domain of the private sector. Thanks in part to this shift and to European regulations on tendering procedures, it is becoming ever more frequent for a distinction to be made between how urban planning is viewed by commissioning parties and by parties accepting commissions. Another tendency is that of specialisation. This is reflected in the emergence of firms that specialise in integrating policy expertise, in drawing up functional schedules of requirements and design, and the more practical firms of engineers with knowledge and experience of civil engineering.

In this chapter, we highlight spatial quality from a more theoretical perspective and from the point of view of design and process management practice. After describing the term spatial quality, we will examine four approaches to spatial quality based on Jeroen Verbart (2004): seductive vision, integrated plan, objective criteria and spatial quality through process management. The chapter concludes with an explanation of the management of static and dynamic quality and a practical example.

7.2 What is Spatial Quality?

Urban area development is about taking an integrated approach to developing or redeveloping an urban area. This sets it against the Modernist approach, under which uses were segregated, as exemplified by the *Algemeen Uitbreidingsplan van Amsterdam* (AUP), or General Expansion Plan for Amsterdam, drawn up in the mid-1930s by Cornelis van Eesteren. An important source for the term spatial quality is

De architectura, in which the Roman Vitruvius introduced the well-known trio of *utilitas*, *firmitas* and *venustas*. A building has to meet functional standards, meet requirements in relation to stability, and meet certain aesthetic criteria. These three elements recur in almost every opinion on spatial quality (Nelissen and Ten Cate, 2009).

In Dutch central government policy documents, spatial planning is expressed in terms of 'user value', 'experiential value' and 'future value'. These three values together determine spatial quality and are ultimately based on Vitruvius. The values refer to the dimensions of function, form, and time.

The first dimension of *function* distinguishes the art of building from other art forms. This also applies to the larger scale of the built environment. Its value cannot be viewed independent from its use. This concerns public value, as well as individual value. Hooijmeijer, Kroon and Luttik (2000) have operationalised this notion by combining not only functional value, but also experiential value and future value, with social, ecological, economic and cultural value. The first three values – social, ecological and economic – tie in with the definition of sustainability that was introduced in 1995 by John Elkington, namely that of people, planet and profit. These values do not just involve spatial quality, but also non-spatial qualities like image, social cohesion, or water quality. If these various values or aspects are put together in a diagram, they can function as a framework for analysis for all kinds of elements that affect the quality of built-up areas.

The second dimension, *form*, relates to the notion of beauty. Functions can be viewed in measurable quantities, but for the dimension of form and beauty, this is not normally the case. This is a normative concept. And although beauty can be an aim, this does not necessarily have to be so: it can also be a value in itself. Opinions about beauty are not only formed rationally, but are also coloured by experience, receptivity and imagination. In many Modernist plans, beauty can be found in the rationality of the building or urban structure. Postmodernism places much more value on beauty in its own right.

The third dimension is *time*. The built environment is a fact of life – a present condition in which we live. But it also something about which we can have an opinion and steer in a particular direction; we can effect future use of and perceptions on the built environment. The essence of urban area development is to bring about a change to aid the future. It is assumed that any redevelopment of an urban area will lead to an improvement in the quality of that area. Shaping this progress is a process. Defining the quality of a process occurs in the present, but future needs also need to be taken into account. From this temporal perspective, culture and sustainability are two sides of the same coin.

A large number of parties are involved in the development of urban areas, each with different interests, aims and resources, which is why they take part in the process of urban area development with wide-ranging perceptions of quality and diverse quality requirements. Judging quality is a way to create shared meaning since such judgements come about through discussions, comparisons and references (Scruton, 1980). This process of judging quality is:

- Perspective-related: e.g. the perspective and knowledge of a politician will differ from those of an urban planner or planning economist;
- Culture-related: e.g. what in the Netherlands may be generally viewed as high spatial quality may be considered by the French as being of a poor standard;
- Context-related: e.g. the potential qualities of an empty polder differ from those of an urban area;
- Time-related: e.g. something which is currently perceived as being of good spatial quality may no longer be regarded in the same way thirty years from now.

The spatial quality of an area increases when it is appreciated by as many groups of users as possible and for as long a period as possible. 'Users' should be defined loosely: they may include local residents, but also shoppers and shopkeepers, employees, and the homeless. We can distinguish 'chains of users'. In many cases, their views are difficult to ascertain directly, so it is the politicians and officials, professionals and opinion formers who make judgements on these matters: politicians who make pronouncements on the quality of a living environment, and officials from an economic affairs departments who form an opinion on the economic quality of an area. Their opinions give an indication of the level of improvement that has been achieved: the more uniform and positive their opinions are, the more likely it is that the majority of residents will be satisfied as well. We can therefore say that spatial quality is subjective (or inter-subjective). Those making judgements belong to various socio-cultural groups, while traditions can vary between countries and contexts, and the perception of quality can change as a result of the factor of time.

The above discussion illustrates that reaching an opinion about spatial interventions is a complicated matter. Agreeing on what constitutes quality in proposals is possibly even harder. Nevertheless, this is the challenge facing commissioning parties and others who are involved in urban area development. They have to form a view on proposals about which there is no certainty as to whether they can be realised, or how, or what effects they will have, or the quality criteria against which the proposals will later be evaluated. Spatial quality is located in the difficult area of tension between vision and design, and appreciation by future users.

Given the general acceptance of the importance of spatial quality, the question of how it should be achieved is an interesting one. There are four idealised views on spatial quality and how to create it. These views recur frequently in discussions about the quality of spatial interventions, and in part coincide with and in part contradict one another. In practice, the views overlap. However, it is a good idea to distinguish them in order to safeguard a clear control of spatial quality. Idealised approaches to the creation of spatial quality are:

- a seductive vision on the part of a designer
- safeguarding an integrated plan
- using an objective checklist
- spatial quality through good process management

7.3 A Seductive Vision on the Part of a Designer

According to this first view, spatial quality is created via the imaginative design that is the result of the skills of a designer. Nio and Reijndorp (1997) distinguish four types of design: the morphological design, the formal design, the conceptual design and the strategic design. These relate to how the designer approaches the design task.

In the case of the *morphological* approach, the existing landscape or urban structures are used as the starting point. A currently well-regarded representative of this movement is the urban planning company Palmbout Urban Landscapes. An example of a project that has been developed along these lines is IJburg in Amsterdam.

The *formal* approach was rediscovered in the 1980s by, among others, the design and consultancy firm Heeling Krop Bekkering. They do not take the landscape or social reality as their point of reference, but the typology of urban form itself. Another representative is the designer Rob Krier, from Luxembourg, who has achieved fame in the Netherlands with the Brandevoort project in Helmond.

The *conceptual* design is often linked to the role that architects are increasingly playing in urban planning. This approach concentrates on the development of new urban concepts. Proponents include West 8 and MVRDV. Figure 7.1 is an illustration of the Borneo Sporenburg project in Amsterdam by West 8, a sea of houses with large volumes.

Figure 7.1 Example of conceptual design: Borneo Sporenburg Amsterdam (Source: West 8. Urban Design & Landscape Architects)

Figure 7.2 Champagne Glasses Centraal Station proposed by British architect William Alsop (Source: Alsop Architects with Combined Design Team, Rotterdam Centraal. Design Masterplan. Rotterdam-London, 2001)

Nio and Reijndorp regard *strategic* urban planning as a managerial strategy. According to the authors, it aims to establish consensus. Verbart describes this as "safeguarding an integrated plan". This will be dealt with in greater detail in the next section.

The first three approaches can be problematic if they are presented as final versions at an early stage in the process without the involvement of the relevant disciplines, or without a definite and feasible schedule of requirements having been drawn up by those involved. The quality that is aspired to will then have a static character, with the final version being expected to resemble the earlier version as closely as possible since projects are sold on the basis of these early versions. The actual results are often unfortunate, due either to social antipathy or a mismatch between supply and demand. In summary, a designer's seductive vision means:

- form is key
- final vision is seductive
- view of quality is static

7.4 Safeguarding an Integrated Plan

A second view on how to achieve quality is based on the premise that high quality is created by identifying, recognising, bringing together and integrating all interested parties in a design which is then strictly adhered to. This view can be seen in the

communicative trend in urban planning, which attempts to respond to concrete situations and present-day social needs.

Plans are used as a means of coordinating and pooling initiatives which form the basis for urban area development. Urban development plans can play an important coordinating role here, with their structure serving to invite participation. A definitive design for an urban plan should be created through negotiation so that it is clear to the interested parties what their own responsibilities will be. The idea that a design is the individual, creative result of a single designer is replaced here by the acceptance of the notion that urban design (including designs put forward by others) should be the result of an interactive process.

This view of urban planning was voiced in a speech on urban planning in 1998 by Riek Bakker (1998: 44), a leading urban planning expert who, in her role as supervisor of an area plan, devoted a great deal of attention to the management of development processes:

> The role of the urban planner has changed. The field in which he operates has become more complex and much more extensive, the interests he represents are diverse and operate at different levels of scale. As a result, the urban planner must evolve into a multidisciplinary specialist who is able to play a pivotal role in the urban planning process. That process involves being able to recognise, identify and bring together the parties involved (and their interests), to formulate the task at hand properly, and to determine the overall starting point.

This view looks at quality from the point of view of the interested parties: the work of the urban planner concerns, among other things, the ability to recognise, identify and bring together the parties involved.[36] Bakker can be seen as a process-oriented urban planner. This supervisor or process-oriented manager works alongside an urban planner. It is only in exceptional cases that all these qualities are united in a single person. The skills of the designer are deployed through dialogue as a vehicle for the process. This creates a natural tension, with the urban planner safeguarding the spatial quality of the development not only during the process of creating a vision, but also thereafter. In this situation, we often see the following sequence of phases: first, an integrated design is developed, and then the quality of that design is safeguarded (Talstra, 2003). To safeguard quality, the parties involved use tools such as quality books in which the aspired level of quality is described, and Quality Teams consisting of a group of people that act as a kind of planning committee at a higher level of scale and abstraction.

[36] At the same time, it is important to have a professional definition of quality: "[I] would like to emphasise that a good plan should also be a good substantive plan. The skill of the designer should be beyond doubt. The process and the content are two equivalents." Bakker (1998), 34-35.

To summarise, achieving spatial quality through a process of iteration (as outlined in section 6.8), interaction and safeguarding involves the following points:

- the design must coincide with the wishes and interests of the stakeholders;
- an interactive design process, including designs put forward by others;
- identifying, recognising, bringing together and integrating the interests of all the parties involved;
- then: strictly safeguarding the consensus which is arrived at (this consensus is static);
- plan, as outline for the main theme, to remain in place during implementation.

7.5 Using an Objective Checklist

The third view on creating a high level of quality relates to how quality can be expressed in terms of a number of more or less objective fixed criteria. By testing plans against these criteria, it is in principle possible to ensure that any interventions are of a high quality. Han Meyer (et al., 2008) make a distinction between admission, conditioning and stimulation, and competition and selection. They identify four fields in the set of urban planning instruments:

- public law
- private law
- urban planning documents which have been ratified by politicians
- financial (this subject is not considered here)

Contracts based on public law can be imposed on parties involved in the development process and are binding on citizens. Private law only applies between contractual partners. An example of an urban planning agreement between public and private sectors is the concession contract, which is discussed at the end of this section.

An important instrument of public law is the land-use plan (discussed in section 5.3). Designers must be able to communicate the spatial essence of the master plan to the lawyers, so that they are able to translate this into a legal document. The land-use is not only intended to lay down the functional elements of the plan, but also its spatial character. This means, then, that the heights of buildings, lines of visibility, existing buildings which are to be retained, building lines, the layout of plots, and densities are included on the plans, visualised on zoning maps (Khandekar and Vivier, 2004: 152). The *land-use plan* therefore contains objective requirements (an objective checklist) that serve as a guideline when developing the urban area.

Before the legal situation is finalised, it is common for an urban planning design to be drawn up for approval by the municipality. Urban planning master plans usually include the following items:

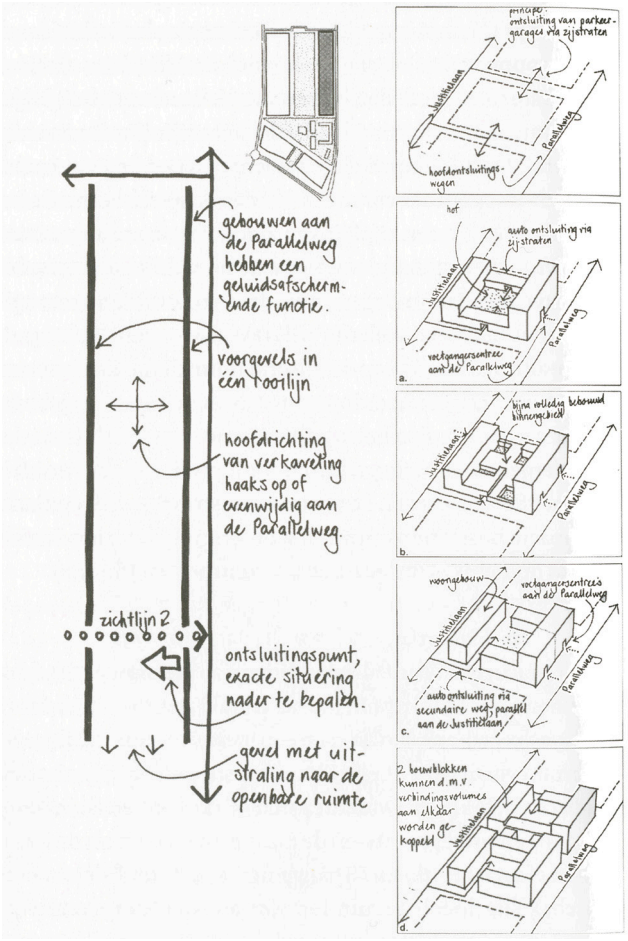

Figure 7.3 Constraints of buildings on the east side of the Paleiskwartier, 's-Hertogenbosch (Source: Buro voor Stadsontwerp ir. S.V. Khandekar BV, Het Paleiskwartier, Beeldkwaliteitsplan, 1998)

- the boundaries between public areas and private land
- the purpose (in general terms) that the newly developed area will be put to
- the nature (in general terms) of the new built-up area: the volume, height and types of building (in general terms), the proportion of public and private parking spaces
- the function (in general terms) of the public areas
- a general indication of how it will be operated (Meyer et al., 2008: 97)

More detail will be found in the supplementary document on *design quality criteria*. This is a common document in Dutch practice (called a *beeldkwaliteitsplan*) which develops various aspects of the master plan in greater detail: lines of visibility, volumes and their relations to public space, the type of architecture, the materials used, the colours used, the facades, and so on. This detailed plan can be regarded as a type of design blueprint for architects and exterior designers, with the possibility of adding guidelines and wishes relating to longitudinal profiles and cross-sections, for example, or street furniture and the like – in other words, requirements in relation to the layout of exterior spaces (Khandekar and Vivier, 2004: 152).

In addition to the planning-based guidelines, there are more technical guidelines relating to infrastructure (including underground infrastructure), water, and environmental and safety regulations.

The final example of quality through criteria is the *concession contract*. This applies in the case of a type of public-private partnership where the municipality reaches an agreement (a concessionary or operational agreement) with a private party that enables the latter to develop an area (or part of one) with a degree of independence, subject to conditions set by the municipality. A concession of this kind consists of a set of guidelines in the form of a Public Schedule of Requirements drawn up by the municipality and applicable to the private party in question.

Examples of established and drawn-up conditions are:

- land-use plan (legal regulations on e.g. maximum height of buildings or density);
- design quality criteria (lines of visibility, volumes, public space, building typologies, materials used, etc.);
- planning preconditions (programme, main plan for structure, public-private transition, parking facilities, architecture);
- technical regulations (infrastructure, water, environment, safety);
- specific concession contracts granted to private parties.

To summarise, achieving spatial quality through objective criteria assumes:

- quality can be expressed in terms of several fixed criteria;
- these criteria are more or less objective, and can in principle be used to assess any plan or project.

7.6 Combining Approaches

Various approaches to quality have been examined in the previous three sections, all of which have their advantages and disadvantages.

If quality is seen solely as the product of an individual designer, then there is a danger that the focus will be limited to the physical design, and that during the development process the significance (or further consequences) of the design will be neglected. Nevertheless, this approach shows us that to allow quality to emerge

and evolve, it is important that designers are given room to manoeuvre. Their creativity should be tapped, but their designs should not be 'set in stone'.

A set of quality criteria is useful as an indicative framework for discussing and evaluating spatial quality. However, using such criteria as a static yardstick does not do justice to the multi-functional, dynamic and subjective nature of quality. Integrating the interests of all the parties involved into one plan, and safeguarding all the quality-related ambitions in that plan can certainly be a worthwhile approach, but this, too, has its limitations. There is a risk that the plan will lack flexibility. Quality is fixed at a given moment in the plan, but the question is whether processes can be phased in such a clear-cut manner. After a public-public process comes a public-private process, and in some cases an initiative actually begins with a private plan. Against this background, equating quality with the levels of satisfaction of the actors involved is too restrictive. The question remains – to what extent do those actors take account of all the relevant quality requirements?

From their process-oriented viewpoint, public administrators point out that the quality of processes is a precondition for the quality of products. Matters to focus on here are the complexity of processes and the areas of stagnation and bottlenecks in processes. Such bottlenecks should be resolved in order to bring about improvements in quality. The quality of a spatial intervention is therefore not to be found – or not only to be found – in the creative design of an urban planner, an objective checklist, an integrated plan or in the levels of satisfaction of the relevant parties, but often in the aggregate of these building blocks in combination with good process management.

7.7 Spatial Quality through Good Process Management

A fourth view of spatial quality holds that the level of spatial quality coincides with the retrospective levels of satisfaction among the relevant parties with the process and its results. Good process management, as explained in Chapter 6, can therefore contribute towards the creation of a high level of spatial quality. The process approach offers useful points of reference as it makes a link (sometimes explicitly, sometimes more implicitly) between the quality of policies or projects and processes (and how processes are structured).

However, there are certain reservations concerning the quality criteria. Although we have previously approached and highlighted the term spatial quality in different ways, and have provided points of reference for managing and operationalising spatial quality, there are still areas which have not been clarified and are open to discussion. To begin with, there are questions about determining quality criteria. The criteria by which levels of satisfaction are assessed covers only the opinions of the parties involved in the process. However, spatial projects usually take a long time to evolve and reach completion, and are then around for a long time after that, so that different types of actors are involved at different stages, or acquire an interest in the process and its outcome. Many end-users (individuals, non-organised groups of residents, visitors) only become involved with a newly developed area after it has

been completed, and that is their first opportunity to form their opinion. In many cases, it is actors who were not involved with the development (other users, officials, businesses, politicians, researchers) who determine whether a project stands the test of time. For reasons of pragmatism, restricting opinions to directly involved actors is defensible to some degree (non-represented interests are not visible to researchers, and the satisfaction of the shareholders is needed for actually making interventions). However, they can be supplemented by the opinions of users and the reactions of political representatives, opinion formers and professionals who were not involved in the development, at least as far as that is possible. But how do you balance the opinion of an expert (architect or urban planner) against that of a politician or citizen?[37]

This all makes clear once again, that opinions about spatial quality are constantly shifting, and that making comparisons and weighing up differences is difficult. We may come some way to defining what spatial quality is, but never truly all the way.

7.8 Managing Static and Dynamic Quality

The distinction between static and dynamic quality, introduced by R.M. Pirsig in 1994, is relevant for controlling quality, both in terms of process and content. In Pirsig's explanation, static quality is primarily a question of order, a type of quality in which we make a judgement about what we wish to preserve. Deciding on what to keep (what is good) is less controversial than what to change, so making a collective judgement in this instance is easier. Following on from Pirsig, Marije Talstra states that the search for quality is more than discovering what are ultimately static yardsticks. Quality is also a dynamic concept. Dynamic quality focuses on change and on discovering opinions about change. Talstra (2003) makes clear that a static and dynamic definition each have their own vision for directing spatial quality.[38]

In the third view of spatial quality (section 7.5), which involves the use of an objective checklist, it is assumed that quality can be expressed and set out in the form of various criteria. In other words, quality can be operationalised and quantified beforehand. Talstra describes this as a *static definition* of quality in which quality is set down statically in specific requirements. This does not mean that no more spatial quality changes may occur during the process. The level of ambition of the spatial quality which is defined at the start of the development process may conflict, for example, with the project's financial parameters. It may in that case be necessary to modify the requirements which define the nature of spatial quality.

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[37] Albrechts and Denayer (2001) clarify the problematic character of this equality between actors in their comparative analysis of communicative planning based on the theory of Habermas and the more Postmodernist planning approach based on the ideas of Foucault and Rorty, among others.

[38] See Talstra (2003) in her study into the role of the supervisor when controlling spatial quality. See also her explanation in Bruil et al. (2004), 162-164.

In the section about spatial quality through good process management, spatial quality is to a certain extent equated with the degree to which a spatial plan brings added value for interested parties. However, this concept of quality is only worthwhile if the parties involved are in agreement. Under this definition of spatial quality, it is assumed that a shared definition of quality is shared by the various interested parties. Spatial quality should in that case be defined through consultations between the parties, and may not be agreed upon beforehand.

This definition accords with the observation that operationalisation and quantification of the concept of spatial quality are often not possible, especially at the start of the development process, and that the parties involved should reach agreement in each individual situation about how to clarify the concept of spatial quality. Talstra describes this as a *dynamic definition* of quality. Dynamic here describes the part of spatial quality that cannot be set down in operational requirements at the start of the planning process, and which has to be clarified by the parties involved during the course of that process. The idea behind this definition is that consensus and support are needed among the various parties in order to achieve a high level of spatial quality. In addition, their creative input, practical know-how and knowledge of the field play an important role in enhancing the level of quality.

In an urban area development process, both the static and dynamic definitions of quality are relevant. They complement each other. Because the various parties depend on each other, no single party is in a position to determine unilaterally how quality is defined. This means that spatial quality is not operationalised at the start of the process; rather, during the course of the process, the parties must come to an agreement about what constitutes spatial quality. During this process of operationalisation, some aspects of spatial quality will be defined before others. A feature of the start of the process will be statements about the functional programme, later followed by such aspects as architecture. At the beginning of the process, spatial quality will be described in abstract terms, with only a few aspects having been included in operational requirements. The dynamic definition of quality will predominate at this point, but over the course of the process, more and more spatial quality aspects will begin to take the form of requirements. Ultimately, the dynamic definition of quality will become a static definition.

The moment at which this occurs, and by whom this is determined, depends in part on the way in which the policy-forming (public) and executive (private) parties have decided to work together. For example, with the traditional development model, in which the municipality allocates plots on which building work can commence, more aspects of the project are set down before the commission is awarded to the contracted party than is the case in the previously mentioned concession model, under which the municipality simply defines the parameters of the project. The joint venture model is different again: here, the public and private parties devise the plan jointly.

Figure 7.4 shows how the dynamic definition of quality gradually becomes static during the planning process. At the same time, the aesthetic component and the

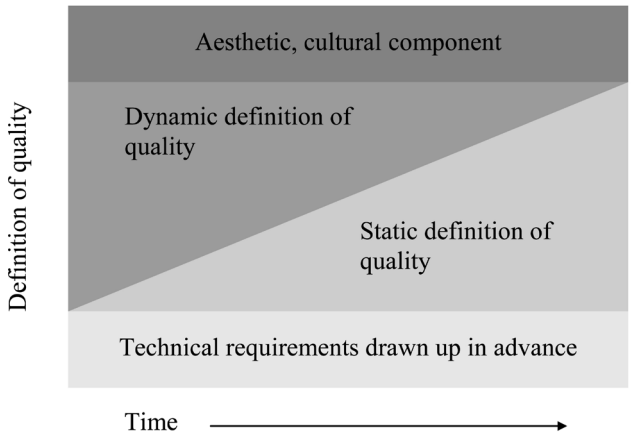

Figure 7.4 Spatial Quality (Source: Talstra, 2001)

technical component can be seen as part of these definitions of spatial quality. It should be pointed out that the aspect of beauty or aesthetics can never entirely be defined, either by words or images. This means that it is only operationalised and quantified to a limited degree, and that the aesthetic component of the concept of spatial quality cannot form a complete part of the statically defined project quality.

7.9 Managing Spatial Quality in Practice

The Paleiskwartier in 's-Hertogenbosch is a public-sector initiative in which the municipality entered into a joint venture with a number of private parties. Shyam Khandekar was appointed as the urban planning supervisor by the joint venture. His design of the Paleiskwartier can be described as a formal urban plan. Khandekar states that at the start of the process, the urban planner has to be a listener above all, in addition to his role as a designer (Van der Toorn Vrijthoff and Talstra, 2004: 167). "Listening to the many people who are involved with the plan, to their ideas, their aims and their conditions. The essence, the main theme, has to be derived from all the various opinions and accounts." What he is saying here is that at the start of the process, there is no clearly defined notion of quality. All the parties have their own ideas about how they would like the area to look once it is finished. According to Khandekar, the urban planner always has an idea of what he would like to achieve in an area at the beginning. "If you close your eyes, you can see it." However, this final image only appears after exploring the area and listening to the aspirations of the various parties and examining the functional programme. In fact, Khandekar believes that the image cannot be created without the input and requirements of the different parties. A core notion in the communication between

the parties about achieving the desired level of spatial quality for the Paleiskwartier was, according to Khandekar, “urbanisation”.

Khandekar says he is conscious of the dynamic definition of quality. He listens to the various parties and supports the process of operationalising the concept of quality. Moreover, he has made a significant contribution to the discussion on spatial quality. By using this approach, Khandekar makes partial use of the looser concept of control, although he does not use every resource available to him. For example, no joint design sessions were organised.

In his spatial translation in the master plan, Khandekar made part of the spatial quality static. The following aspects were determined:

- road structure
- location of public spaces and greenery
- plots
- heights of buildings
- uses
- the existing buildings to be retained

At the same time, the following elements were also decided:

- a hard urban edge on the outside of the limit of the Paleiskwartier plan area
- a soft park-type zone on the inside of the periphery of the plan area

The details of these would be developed in a document on design quality criteria later.

The layout of the area was largely set out and operationalised in the document listing and visualising the design quality criteria. In addition, the spatial quality was expressed through reference images that served as inspiration for the architecture and public spaces. The following aspects were defined:

- materialisation of the buildings
- accents in the building mass
- typology of the buildings
- materialisation of the public spaces
- typology of the public spaces

Khandekar uses the design quality criteria firstly to inform designers and commissioning parties about aspirations relating to quality. The design quality criteria will then be used as a document against which the building plans can be tested and assessed. This way, Khandekar is able to use the tighter concept of control. The selection of architects is also a significant means of ensuring quality, says Khandekar. “We have a major influence on the choice of architect. Many of the architects on the list were proposed by us, and we do have the right of veto.”

7.10 Conclusion

We cannot define spatial quality entirely, but we can come close. The quality of a spatial intervention is not to be found – or not only to be found – in the creative design of an urban planner, an objective checklist, an integrated plan or in the levels of satisfaction of the relevant parties, but generally in the aggregate of all these building blocks in combination with good process management. This management can be divided into two types: one which monitors for static quality, and another which monitors for dynamic quality. A looser concept of control can be used to control dynamic quality, so this concept is generally used at the start of the planning process. Quality can be achieved using a looser form of control by:

- contributing substantively to and supporting a joint process of defining and operationalising the notion of quality, involving as many parties as possible and applying a process of variation and selection;
- formulating new ways of looking for opportunities in the dynamic environment;
- motivating, enthusing, and encouraging the designers.

This concept of control accords with the process management control method. In practice, workshops are often held or meetings organised in studios. Which actors are present will depend on the commissioning party or parties, the phase of the project and the nature of the assignment. The architecture of the process must be clear to all parties involved in order to ensure quality.

A tighter concept of control can be used to enforce a static definition of quality. The importance of this definition of quality grows as the planning process progresses. Under this tighter concept of control, quality can be attained by:

- defining the end-result by stating what the quality requirements are, and by monitoring results on the basis of these quality requirements;
- predefining when the checks are to take place;
- selecting designers who are capable of achieving the result that has been defined;
- ensuring the exchange of relevant information between the designers;
- motivating, enthusing, and encouraging the designers.

This concept of control accords with the project management control method. The moment and the product that are most suitable for this concept of direction are determined in part by the type of working partnership between public and private parties. Figure 7.5 shows the evolution of the two concepts of control in relation to each other over the course of the planning process.

As well as functionality and stability, Vitruvius also saw beauty as part of his task. In present-day architectural memoranda, policymakers have translated this as a cultural value and/or experiential value. The aspect of beauty or aesthetics cannot

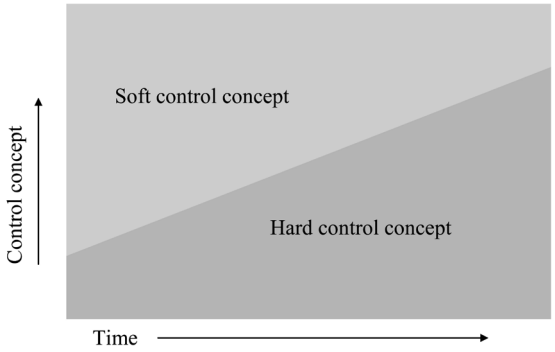

Figure 7.5 Two concepts of control (Source: Talstra, 2001)

be expressed in terms of static quality or dynamic quality. Designers have specific knowledge of the field of spatial quality, which always includes a personal element – the beauty of any particular design. A good urban area design is based on a combination of professional knowledge and attentiveness in a joint process that aims to give meaning to a new space. The design and spatial quality of the project is its legacy and demands a long-term view. The project moves along a temporal axis between present and past, and present and future, which makes it a cultural statement.

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8 Market Research and Feasibility Studies

Damo Holt

8.1 Introduction[39]

Market research plays a primary role when making a relative assessment of the central aspects of urban area developments (Franzen and De Zeeuw, 2009). The ultimate goal of market research is to create value. This is achieved by ensuring that the needs and interests of end users are taken into account, since it is these end users who will produce, experience and benefit from the value created by the project. Apart from the objective of added value, market research is also about sustaining value, and therefore also about risk management. In fact, sustainability and risk management are two sides of the same coin.

Market research can have several roles. For example, at the start of the process, it can help to determine which target groups are suitable and which designs are likely to succeed. Later in the process, it can be used to test whether the model chosen will actually meet the needs of the market. This chapter addresses the following development aspects in relation to the market in which it must function:

- the preliminary concepts and design for a project (in terms of completeness, creativity and marketability);
- programme and organisation (ambition, urgency, flexibility);
- the costs, benefits and risks of a project (the creation of added value, a sound business case and risk allocation).

These elements are brought together through effective management that includes cooperation and good stakeholder management (courage, professionalism, trust and support).

The importance of market research will be examined in this chapter in terms of its role in urban area developments, its relationship with the marketing of urban areas, the creation of value and the various stages of the value-creation process. We will look at different markets and their mechanisms, as well as the research methods and techniques that are used to understand what is happening in these markets. Finally, we will look at the importance of innovative thinking. After all, new urban development areas must also be able to capture the imagination of potential new users from new markets, and support the synergies between them.

[39] With thanks to Christine Oude Veldhuis and Bart Stek, who both work for ECORYS.

Developing urban areas is a complex process. This complexity arises from the large number of actors involved and the diversity of their interests, the long duration and diverse nature of development projects, the combination of content, process and procedures, and also the number of different levels which are involved (national, regional, municipal, local, sub-local). Public and private parties often enter into a collective undertaking, which leads to the convergence of individual interests with interests affecting the common good, and this must be able to stand the test of time. The process of spatial development involves risks, as well as opportunities, from the very start. The investment and sacrifices required are often considerable and the return on that investment can only be enjoyed at a later stage. During the planning process, it becomes clear which users and consumers will be targeted by the development process, which risks will be involved and what kind of return can be expected. Over the long term, it may be necessary to revise the project or redefine its goals due to demographic, economic, legal or policy developments, all based on the insights of market research.

8.2 The Role of Market Demand

The location, quality and image of an area can impact on what opportunities, bottlenecks or risks may be involved in the development process. Other factors also play an important role here, such as how the area is currently being used, whether the owners and other actors (such as the municipality) are willing and able to modify this use, and how the process of modification takes place. This means that the risks associated with a particular development are area specific. This is reinforced by the fact that the most important tangible product of the development – real estate – is not a flexible commodity. Developments involve the creation of all sorts of real estate (such as housing, shops, offices, business locations, and social real estate such as healthcare buildings, schools, welfare centres and cultural buildings), but real estate is, by definition, immovable. It cannot be separated from its location, which means that there must be demand for that particular real estate in that particular location. What is more, real estate is usually only suitable for one particular purpose (such as offices for businesses) and can only be converted for another purpose (such as housing) with difficulty. Real estate also has limited liquidity - converting real estate into money (i.e. selling it) can be very complex and involve many additional costs (advisors, taxes). The scale of the investment required (usually several million euro but sometimes more) means that the number of buyers is also limited. Finally, producing real estate also takes a long time – it can easily take a number of years from the initial planning stages until the building is finally completed, and in the case of a complex urban area development project this process can even take decades. The limited flexibility and liquidity of real estate, in combination with the long production time required, are the main elements of the specific risks associated with it. Certainly with longer-running urban area developments, market conditions are bound to change over the years of the project. What seemed to be a good project at the start may later prove to be unsellable and

a rethink may be necessary. By the same token, the original use that was planned for a building may need to be changed.

8.3 Marketing an Area and Market Research

Market research needs to be closely coordinated with marketing. Together, these affect the success of an urban area development project. The role of market research is to determine market demand. It is essentially a question of whether end users will be prepared to come into the area and consume the 'products' that are being developed. Marketing also plays a role in this process and involves putting an area (including the products it can offer) on to the market and reaching the intended target groups. Good marketing requires a clear definition of the target group, and this can be achieved through market research. By the same token, it is also true that good market research will probably not achieve the desired results unless it is backed up by effective marketing.

Marketing makes sense for all organisations with a target group that is in the position to make a choice. All transactions take place on the basis of free choice, after all, and the appeal of the product is thus an important element. This also applies to urban area developments and the actors involved. The role and desires of the end users are critically important, and they must also be persuaded to come and live, work, shop or relax in the area in question. This is known as area marketing.[40]

Effective *market research* matches everything that the development area potentially has to offer with the wishes and demands of potential target groups. Effective *marketing* will translate everything that the development area has to offer into terms that meet the particular requirements of target markets or groups. In this way, the development gets 'positioned' within the market. Positioning is one of the five 'P's of the marketing mix: product, place, price, promotion and position (Kolter et al., 2008). Once the project is positioned in the market, the remaining elements can then be tailored to the target markets and target groups as much as possible; the design of the product, the price and the promotion meet the researched needs. Market research helps to gain a clearer picture of target groups and their needs, as well as their size (quantity) and type (qualities). Armed with this information it is thus possible to determine the most desirable:

- design of the area (its coherence in terms of spatial planning, positioning, the role of infrastructure, pedestrian routes, sightlines);
- design of the real estate (buildings, architecture);
- other design elements (visual appeal and location of public spaces, green spaces, water, infrastructure);
- price range.

[40] A detailed methodology for area marketing can be found in Buhrs and Van Wingerden (2008).

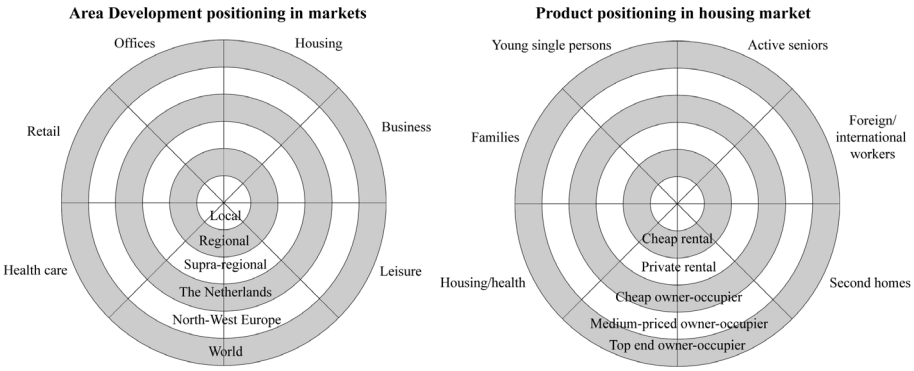

Figure 8.1 Basic examples of summaries of area and product positions (Source: Ecorys, 2010)

Market research can also contribute to better communication with target groups, as well as helping to promote the product effectively and choosing the most effective distribution channels.

Increasingly, one specific branch of area marketing known as 'area branding' is being used. The goal is to attract people, businesses and organisations to come to the area by promoting a certain concept for the area, because many development projects (such as in former docklands, former industrial zones, zones around stations) are not located in areas which potential residents, visiting tourists or recreational users will have had much contact with – or if they have, this may only have been in a negative context. So a brand is created for the area to be developed – a brand which people will be happy to associate themselves with. Market research is becoming increasingly important in this process. It is an essential basis since subjective criteria (consumer preferences) have become more important than objective criteria (the gap in the market) when developing products, deploying resources and determining the ultimate success of the project. The various methods and techniques of market research (quantitative and qualitative) are examined in greater detail in section 8.7.

8.4 The Value Chain of Urban Area Developments

Every urban area development project grows from the seed of a basic idea. There can be all sorts of reasons for development: sometimes a new area is becoming available (sometimes, this may even just be a possibility), or perhaps there is a desire to redevelop an existing area of a town, high demand for a certain type of space, or a particular spatial-economic problem (such as an old harbour, an old

industrial area, a run-down area near a station). From this starting point (or the *initiation phase*), a wider global vision is developed. This takes the form of a general direction which may provide solutions. During this initiation phase, market research has a more exploratory, conceptual character. Can a gap in the market be found which will enable the development to appeal to new consumers? Which plans will help the positioning and development of the area?

The next stage (the *planning phase*) involves a process of exploration and discussion which leads to the production of a spatially functional plan and programme, for example a master plan, integrated development plan or structural vision. This is a complex process of looking more closely at the nature of the development and the roles and procedures involved. Spatial town planning, marketing and financial-economic exploration play a crucial role here. In a plan which needs to be put into practice on a collective basis, a good development strategy is needed in order to achieve the intended result.

After finalising the plans and taking all the necessary decisions, the next stage is to put these plans into effect (the *realisation phase*): preparing to carry out the project, and then actually carrying it out. The tasks here are usually subdivided: for example, plans/designs for construction on specific plots and partial re-zoning procedures (finalising the legal requirements), and issues of timing and market circumstances play their part.

Once the sale or rental of real estate has been arranged, the area and the real estate then becomes operational over the long term (the *maintenance phase*). At periodic intervals, there will be further renewal and the redevelopment of certain uses, buildings or infrastructure in the area. Market research will play a role at these moments too, for example through reassessment of market demand. Working towards achieving a sustainable urban area development implies, after all, that this process must be carried out with the minimum loss of assets, and again should be associated with the maximum addition of value.

From this brief description of the urban area development process, we can again distinguish four stages – the initiation, planning, realisation and maintenance phases. In each of these phases, value can be added and so it is necessary to aim specifically for the creation of value. Sometimes, it is retaining value that is just as important, or even the main objective. A decision about whether to proceed further is made in every phase. This always involves a risk analysis, including risks associated with the market. The double role of market research is thus reinforced – aiming for value creation while managing risks.

The essential function of the value chain is to optimise the creation of value. That value may be quantifiable in monetary terms and yield a financial return, but of course it could also be value that is difficult to quantify in monetary terms – for example, the return on investment may be of a social character, such as improved social cohesion, quality of life and security.

Figure 8.2 on the next page is a schematic representation of how value is created in urban area development. In relative terms, the greatest value is added during the initiation phase of an area development process. After all, it is at this stage that –

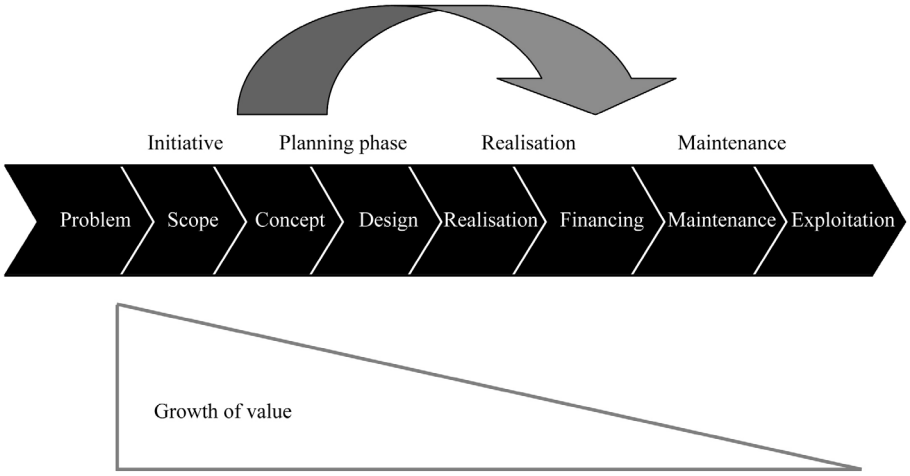

Figure 8.2 The creation of value in urban area developments (Source: Roestenberg, 2007)

even though only on paper, on the drawing board and in the minds of people – an old, dilapidated, empty or badly functioning area is transformed into a new and attractive area. The process adds considerable value by bringing together knowledge, skills and commercial insight from many fields of expertise with the specific intention of creating real, new economic, social and real estate assets.

The Role of Market Research per Phase

For each phase of the urban area development process, we will now examine the role and the added value of market research in achieving the twin objectives of value creation and risk management.

Initiation Phase

This phase basically involves exploring the intrinsic opportunities, problems and possibilities of the area. Rough guidelines are developed as a basis for positioning the development on the market. The end product of this phase is often an initial memorandum or area vision, which gives a broad outline. This involves producing a broad concept for the area and its real estate which is designed to position the development (the use of the area, the target market, target groups) within the city's context and within a wider competitive framework beyond the city's boundaries. The programme (in terms of functions, numbers and measurements) is described primarily in general terms and usually on the basis of what can be achieved in physical terms. This often includes an indication of the individual and overall revenue opportunities (from land and buildings) on the basis of input from the actors involved (their own financial feasibility studies or indeed a collective feasibility study) and a schedule of requirements for the subsequent design developed by urban planners.

Box 8.1 Example: the initial development of the Stadhavens harbour development on the northern bank of the River Meuse in Rotterdam, known as 'Work City'

For the redevelopment of the northern part of the Stadhavens (on the northern bank of the River Meuse) in Rotterdam, a number of market actors came together to develop an innovative concept. This then served as a guide as the development progressed. The developers chose to take the identity of Rotterdam as a working class city as the basis for their development concept. Since demand was particularly strong in the lower and middle sectors of the housing market in Rotterdam and extra capacity was required for medium-sized and small businesses doing manual work, the concept focused on reviving the principles once manifested in the demolished trade school: trade skills were learned in combination with work experience. The principles on which the development was based were as follows: making a connection between living, working and learning; creating career opportunities within the area (in terms of studying, living and working); a strong connection with water. The real needs of the target groups (in terms of both residents and businesses) were put first. This meant that the concept differed from the standard approach of maximising revenues and targeting the higher end of the housing market. The area offers plenty of opportunities for upward mobility in terms of education, housing and work by constantly offering new chances for the next stage in people's lives, whether these are school children, students, residents or business people. The central concept of Work City attracts and brings together several target groups, and these groups complement each other.

Planning Phase

The policy goals and principles determined in the initiation phase are developed further during the planning phase. The goal here is to refine, test and develop the concept. The product is often a master plan, development strategy or structural vision. This can, for example, consist of:

- a town planning design;
- programme (for markets, type of uses, surface area, segmentation);
- division into sub-projects with phasing;
- use of area (land and real estate) and financial (risk) analysis;
- design quality criteria;
- strategy to attract users.

On the basis of this, a development strategy is formulated using, for example, architects' schedules of requirements.

In this phase, market research is used to determine the location, possible quantity of floor space, segmentation (expensive, cheap) and pricing (in price bands) for the following aspects:

- markets and sub-markets (offices, shops, apartments, leisure facilities, social real estate);
- functions (for example, homes for homeowners, homes for rent, types of shopping centre, types of school);
- target groups (for example single people, families, elderly people, international head offices, regional back offices, small-scale niche shops).

Firstly – and often early on in this phase – this can be done taking a more exploratory approach, addressing questions such as what there is demand for and what would be appropriate for the area. Subsequently – and often rather late in this phase – this process can be used to test some of the functions that have been chosen, such as examining the potential for revenue, how the market may react to the range offered, and how much room there is on the market – in numerical terms and surface area – for each type, segment and target group.

This phase often includes a discussion of the amount of surface area to make available and what kind of programmes it could accommodate, and how much surface area is needed in order for potential occupants to do what they want and the current levels of market demand. These twin perspectives (ambition versus market reality) are constantly balancing each other out during the parallel processes of concept and design (drawing, urban planning), programming and phasing (market research) and costs, benefits and risks (accounting, finances).

The final product of the planning phase is a plan – a master plan or development strategy for example. A master plan does not actually need to contain a definitive timetable for the development. In fact, the trick is to formulate a flexible development strategy in broad terms with a sufficiently clear and attractive final ambition, so that sight is never lost of the central aims during a development process which will continue for years. Market research has an important and lasting role to play in that process over the long term.

Realisation Phase

What is crucial during this phase is the development of the plan as a whole (e.g. master plan or structural vision) into specific construction and design plans for each geographical subdivision. An urban and/or design plan can consist of:

- a definitive plan for dividing the land into blocks of buildings;
- a definitive design for housing and remaining urban area with facilities, provisional design and definitive design, construction plan;
- a detailed residential differentiation;
- the design and quality of public spaces, green spaces, parking, thoroughfares;
- financial details for each sub-district or each construction plan.

Prior to the submission of the actual construction plans, and before the construction work is started, it is crucial to carry out checks on the saleability of the products which are planned in the development (whether these are houses/apartments, shops or offices). This is a question of testing, monitoring and fine-tuning. If there are clear indications that, due to market circumstances (such as a recession, a weak local market or problems in the market sector – the market for offices or shops, for example), there will be insufficient demand for the products delivered in the construction programme (including advance sales or letting to consumers, advance letting to retail chains, sales to investors), then there is every reason to review the plans in part or in full, postpone them or phase their construction differently.

Two factors that must be specifically taken into account in this phase are understanding the competition and the marketing and sales strategy. Acquiring insight into the competition that can be expected is very important for optimising timing and saleability. Additionally, the marketing and sales strategy is crucial for each real estate sale, especially if a great deal of effort has gone into developing a concept and/or an area branding (on this subject, see previous section) and is thus aimed at specific, qualitative and subjective consumer criteria. These are susceptible to change as time passes (because of changing fashions for example), but also require an approach that is highly customised to the target group. A thorough analysis of this group, taking both supply and demand into account, can play a role in better targeting before the marketing and sales strategy begins.

Maintenance Phase

During this phase, the area and the real estate are used and managed. It is important to continue monitoring and aiming towards a particular market position for the area as a whole and its real estate in particular. The quality of the area is based on good management and maintenance, which should ensure that the area retains its value in terms of perceptions and experiences. For the real estate itself, rental management or asset management is very important at the level of the individual real estate unit or complex. Tenants come and go, owners change and properties are bought and sold, so there can be a great deal of movement during this phase. For owners (such as investors and corporations), market research during this phase can enable them to monitor the market position of the real estate they own with the aim of enhancing its value, as well as its long-term market potential for letting and/or sale (and, possibly, its conversion to liquid capital). Enhancing that value depends to a significant extent on how the area develops as a whole. If any changes are needed in order to reposition or revitalise the real estate, or carry out radical restructuring work or even a comprehensive redevelopment and transformation of the area, then it is essential that this is done in a timely fashion. Market research plays an important role in signalling the need for these kinds of changes.

As we have seen then, a number of market research instruments are available during each of the phases which can help achieve the objectives of value creation and risk management.

8.5 Markets and Market Mechanisms

Urban area development involves, by definition, developing a complex but coherent area which is home to a variety of real estate products. These products can be developed for different markets, have different functions, appeal to different types of buyers in different price ranges. They can also be developed by different parties and be financed in different ways (and consequently within different financial parameters).

In order to gain a good understanding of this complex situation, the technique of *market segmentation* can be used. The most frequently occurring examples of market segmentation are carried out according to:

- Market subsectors (uses): the housing market (according to type and sort), the office market (including small-scale, medium-scale, large-scale, environment and location), the market for business premises (small and medium-sized businesses), the market for retail spaces (ground-floor shop, shopping street, shopping centre), type of location (prime location, local shopping centre), the market for leisure real estate (second homes, holiday parks, theme parks, cinemas, etc.), the market for parking real estate (multi-storey parking), the market for social real estate (schools, health care, well-being, culture and various other sub-service provisions);
- Geographic scale and the radius of the area served: the level of the international, national, regional or local market, sub-local or neighbourhood area;
- Type of user or purchaser: rental market, sales market – including corporate market, institutional investment market, other private/business market (individual investors, businesses, real estate owners), the characteristics of the purchasers (which market sector they are in; for example, the type of households, the type of company office, the formula of retail space required);
- Provider and actor: the property development market, the corporate market, the institutional investment market, other private/business markets (individual investments, businesses, owners of real estate), including specialisation according to the type of markets and functions, where applicable;
- Price sector: affordable, mid-range, top-end (including price variations over time);
- Market and financial position: commercial real estate, social real estate.

Real estate is produced or supplied because it has been demonstrated or assumed that there is a demand for it. The mechanism of the market is as simple as that. If there were no demand, nothing would be built. Accordingly, banks, for example, demand a certain percentage of the proceeds from advance sales or lettings before

they are prepared to finance the construction of new real estate. No developer or corporation wants to build real estate that is going to remain empty and no investor will purchase empty properties. Such a course of action invariably means a high price in excess interest charges. The balance between supply and demand, or any imbalance (scarcity or oversupply), determines price levels and the speed or type of purchases that are actually made on the market. This can vary between countries, regions, cities, villages or areas and is thus also affected by the urban area development project and the subsectors within it.

8.6 The Objective of Market Research

The demand for real estate is susceptible to all sorts of influences. In order to build up an accurate picture of the market, this context must be explored in all its complexity. For example, we may need to consider the local political situation and political opinions, the composition of the local population as well as population growth trends, economic growth trends, the mobility of the target groups, the space available for construction and existing supply on the market more generally. In every market subsector and for every function, these factors will assume a different level of significance. One example would be the political discussion, which crops up repeatedly, on the ratio of homes for social rent to homes for sale within new housing developments. This is however a political discussion that falls outside the scope of pure market research, which is inherently about the free market and individual choice.

The objective of market research is to produce a picture of the supply-demand situation in a predetermined area by using socio-demographic, spatial and economic data (both quantitative and qualitative). The relationship between qualitative or quantitative differences between supply and demand reveals the market potential of the real estate sector that is being researched.

The geographic scale (national, regional, municipal, area, neighbourhood, location) on which market research is carried out depends on the nature of the project in question. In principle, market research should cover all geographic levels because all trends and developments in supply and demand are relevant. However, in practice the focus will be determined by the type of real estate and the radius of the area served within the specific market subsector.

Good quality market research begins with well formulated questions, which the market researcher will develop in consultation with the client. Regardless of which real estate market the research will focus on and the functions, geographical level, consumers, actors and sectors that it will cover, the research will have to answer the same essential questions:

- Area and location ('place'):
  - What is the quality of the area and the location? Which uses, target groups and sectors is the location suited to?
- Target group ('positioning'):
  - Which target groups are there in the market? To what extent are these present? How are they changing (demographic, economic, sociological and life-style developments)? What are their requirements (such as space, characteristics of property, living environment)? How much are they prepared or able to pay?
- Product:
  - Which product and concept suits this area and this location in this specific market?
- Price:
  - What are the price levels and price trends in this market? Which price suits this location, target group and the intended product? How is this related to the operation of the area and the required returns on investment?
- Promotion:
  - What type of competition can be expected? In view of the competition, what rate of sale can be expected? How should the product be marketed? What types of marketing activity would be appropriate?

In each of these components, there is interactivity between the market subsectors. The way in which products are developed for certain target groups in one market subsector (such as luxury housing for purchase by well-off elderly people) will have a direct impact on the market opportunities (or limitations) for other functions in the area (such as the amount of space available for industry). The goal is to create the right synergy between the market subsectors, so that the presence of certain target groups (such as trendy single people working in the creative sector) can reinforce the demand for other products in the area (such as modern restaurants, hotels and cultural facilities).

Figure 8.3 shows all the elements relevant to market research questions relating to urban area developments, and how these relate to one another. In essence, this involves matching supply to demand, and the starting point for this is the area as a whole, but consumers also evaluate the property in its own right. It is thus a question of continual interaction and matching between these two levels. The figure shows that on the demand side, a range of economic and community factors play a role (how and to what extent the real estate market varies according to the type of real estate). On the supply side, it is more a question of the characteristics of the area, the actors involved and their interests, the services that will be provided, the image and character of the area (partly due to its past and current usage). Supply and demand come together in the area development. Figure 8.3 shows the main aspects of market research, from positioning through to concept and design, and then, from

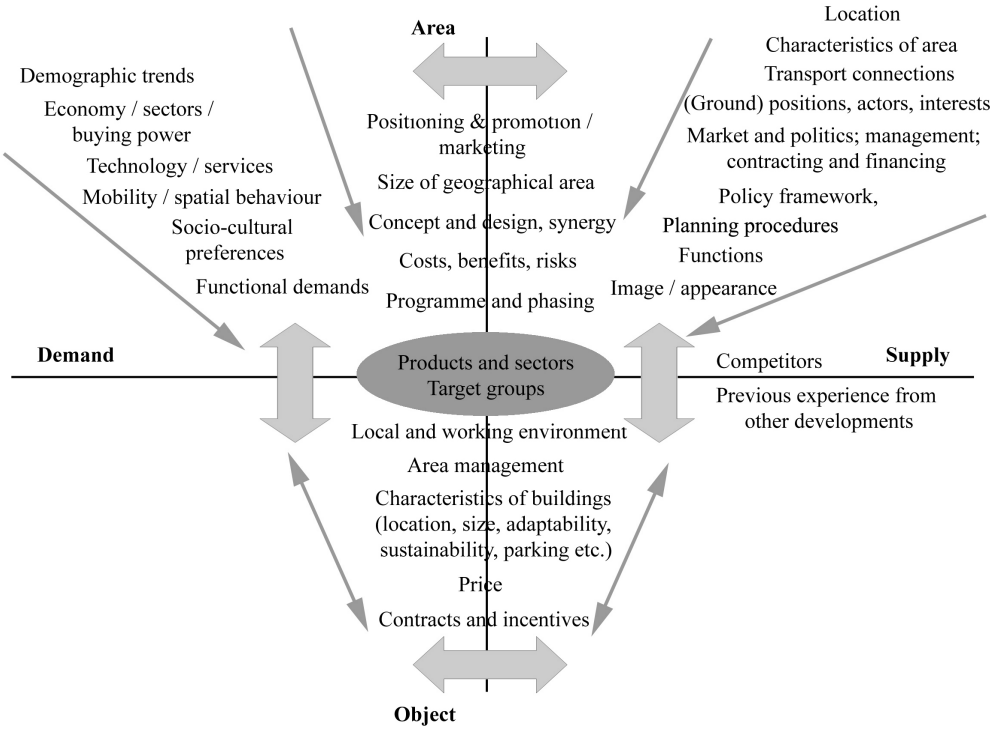

Figure 8.3 Overview of market research in urban area development; which issues are at play? (Source: Ecorys, 2010)

costs/benefits/risks through to products, sectors and target groups. The final price levels are determined by the characteristics of the built environment and the new real estate. The form(s) of contract and all kinds of secondary conditions (such as all kinds of optional extras) also play an important role in determining prices.

8.7 Market Research Methods and Techniques

As shown in the previous section, market research gives us a range of qualitative and quantitative indicators which can be combined to produce as realistic a picture as possible of supply and demand. In order to arrive at that qualitative or quantitative perspective, a number of different research methods can be used. It is often the case that specific methods are used for each sector of the real estate market. Each sector usually requires its own type of research because the factors which influence the functioning of the market vary between each sector (such as apartments, retail trade, offices, business premises/business parks, leisure, health care, education, well-being, culture, sport and recreation facilities).

Box 8.2 Market research for social real estate

Market research is also routinely carried out on requirements for non-commercial services, social target groups (low-income individuals and organisations) and social real estate (such as schools, museums or health care institutions). The rationale behind this is exactly the same as for the commercial property market. First, it is necessary to understand which requirements are to be met, how great these needs are and what the characteristics and parameters are, so that the budgets available can be put to optimum use. Different rules determine the level of prices in these sectors, because social real estate is usually subsidised. Standards, frameworks and regulations agreed at the national, regional or city levels are usually involved and these are not determined by the free market in conditions of free competition.

The usual methods of market research, which are described below, complement one another and are not mutually exclusive. They are often used in combination. The essence is still to identify the market, function, target group (size and type), price, positioning, competition and the overall saleability.

Quantitative methods and qualitative methods for conducting market research are described below. These are respectively:

Quantitative methods:

- Distribution planning research (retail trade)
- Theoretical calculation of demand (residential)
- Shift-share analysis (offices and business premises / business parks)
- Trend analysis (housing, retail trade, offices and business premises / business parks)
- Benchmarking (all sectors)
- Competition analysis (all sectors)

Qualitative methods:

- Lifestyle research
- Consumer panels (including online panels)
- Case studies
- Surveys
- Interviews with those involved, estate agents

Box 8.3 Retail trade and distribution planning research

Distribution planning research has been in use for a number of decades now. This type of research is used to assess the potential for expansion in the retail sector. This type of research is often required by municipalities in order to test the opportunities for retail development against the current situation and likely future scenarios. Distribution planning research provides a sound basis for changes to the retail trade plans in the overall land-use plan, the framework of the structural vision, and many other decisions.

The basic elements of distribution planning research are:

- the service area, which is determined by looking at the supply of retail facilities and their future function, spending patterns and barriers to using the retail development (physical or psychological);
- retail policy – this is the spatial-economic policy instrument against which all new retail plans and extensions are tested;
- the demand for shopping facilities, which is determined on the basis of consumer preferences, retail data, demography (current and future numbers of residents, population growth in terms of age and ethnicity) income levels and levels of retail spending;
- the number of shops (in the service area) is assessed from databases; in addition, there is also a focus on existing shopping developments in and around the service area which may often be in competition with the services to be developed;
- comparing supply and demand by means of a distribution planning calculation, in which the potential turnover in the service area is compared to the turnover of the existing (and future) retail facilities;
- the effect of retail developments on the retail structure and the chance of sustained upheaval in the provision of infrastructure.

Quantitative Methods

Distribution planning research (retail trade)
Box 8.3 gives a more detailed analysis of distribution planning research. In this type of research, the potential for spending in shops in an area is linked to the retail surface area in metres that a local market can support while still functioning properly.

Theoretical calculation of demand (residential)
Statistical data available from the National Housing Survey (the Dutch Statistics Bureau, CBS) can be used to determine the level and distribution of incomes in municipalities and regions. An estimate can thus be made of the theoretical annual demand for new housing in the area in question. The disposable income of private households is converted into the gross income of private households at their current level (meaning that any older data must be corrected for inflation). These income categories are then related to purchase or rental prices to produce an overall indication of the demand for housing. Finally, this information is used to design a programme for housing development or evaluate an existing project, depending on which stage in the process the project is in.

Shift-share analysis (offices and business premises / business parks)
A shift-share analysis indicates which developments in the economy (production, added value) and employment opportunities can be expected in the area being investigated. Through the shift element (the translation of differences between sectors) and the share element (the translation of regional or local differences), it is possible to convert the data available to a higher level of geographical aggregation (such as national or supra-regional data) into the demand expected in the economy at a more local level. These results can be converted into the demand for office space and/or business parks. This is done using the space required per employee (in square metres or hectares) in each economic sector.

Trend analysis (housing, retail trade, office & business premises / business parks)
This involves predicting trends on the basis of sales histories and purchase figures. However, it is not a straightforward question of extrapolating information that directly translates into future expectations. Research always looks into arguments for adjusting the prediction upwards or downwards - for example, because of the changes in employment opportunities, demographics, policies, trends in the relevant real estate markets or competing developments or regions. This also involves a critical assessment of sales according to property type and market segment and changes in these, including distinguishing between long-term characteristics or trends (cast-iron rules) or short-term developments (blips).

Box 8.4 Assessment of economic effects (including displacement effects)

There is increasing demand from government authorities (but also from the commercial market) for greater knowledge of the likely economic effects of area development projects, or – at a deeper level – an indication of the social costs and benefits that a development is likely to have. Although a different approach is taken to that of market research, and the focus is more on showing the possible consequences of the project, the reasons for performing this research are comparable to the reasons why market research is carried out. It investigates what the impact of a project is likely to be, by whom this impact will be felt, who may profit from it and how. It also looks at how the benefits of a development project can be maximised.

By measuring economic effects, it is possible to investigate both temporary and permanent effects (including direct, indirect and diffused effects). These are expressed in terms of jobs created, production and added value (including a multiplier effect for suppliers and the effect of the spending power attracted). An important aspect of this type of research is analysing the likelihood of displacement effects, particularly in the retail sector. Using this kind of research, it is possible to determine what effect a retail development (such as a mega-mall) may have on the existing shopping facilities in the area, and how great the displacement effect may be.

Benchmarking (all sectors)
Benchmarking basically involves comparing the area which is being researched with other similar services. It is essential that the benchmark is made up of areas which can in fact serve as a comparison for the area being researched in terms of their profile, number of residents, geographical location, location in relation to the city centre or in relation to other towns. By comparing areas in terms of their supply and demand and the trends being experienced, some insight can be gained into the potential of the market in the area being researched.

Competition analysis or reference analysis (all sectors)
For areas or projects which will come onto the market at around the same time as the planning area being researched, a detailed profile will describe the characteristics of the project in terms of its dimensions, internal structure, price, facilities and possibly the use of materials. This profile is supplemented with projects

which have already been put on the market and can no longer be classed as competition, but can be used as a reference for the project on the basis of the positive or negative experiences of vendors.

The market research methods described above are all based to a large extent on data collection and data analysis. This information can be sourced in a variety of ways. For the housing market (but also for health, education, culture, leisure), the data are acquired from the Statistics Bureau (demographics, migration, incomes and purchasing power, construction, price trends), housing demand surveys (WHOs and WOON), cadastral data, new municipal construction programmes and information about current projects. For questions concerning employment, other sources are used such as other types of statistics from Statistics Netherlands, the figures and projections of the Central Planning Bureau (economics and job opportunities), market figures (stock and take-up through purchase or rental) from Vastgoedmarkt, PropertyNL, Locatus, IBIS and VTIS, purchasing chain research and pedestrian route research.

Qualitative Methods

In the Netherlands, the trend is currently for more traditional market research (based mainly on quantitative data) to be accompanied, or even replaced, by research based on more qualitative data which may involve lifestyle analysis or detailed consumer data. The principal qualitative methods are shown below. The methods can be combined with one another and at various geographical levels. In many cases, the spatial level at which the market research is being carried out determines the type of qualitative research that will be used. When the research covers a wider geographical area, larger-scale research methods such as consumer panels and surveys will be used. For smaller areas, methods such as interviews with locally involved actors will be used, in addition to small-scale consumer panels and surveys. Lifestyle research is also playing an increasingly important role. Below are the most common market research methods.

Lifestyle research

Lifestyle research, also known as motivational research, is increasingly popular. It is used by municipalities, project developers, housing associations and property investors. In Box 8.5 (next page), more information is given about this kind of research.

Consumer panels (including online panels)

The digitalisation of today's society has meant that the number of online consumer panels has grown sharply. The use of this method of gathering information is becoming ever more common in market research. The advantage of this kind of research is that questions can be designed to focus on the retail sector (such as consumer products or retail designs), housing (such as type and location) or working environments.

Box 8.5 Lifestyle research and consumer segmentation

Basic socio-demographic details such as age, education, income and wealth are increasingly proving inadequate as predictors for consumer behaviour. Consumer choices are determined ever more by lifestyles, emotions and personal values. Lifestyle research, and the classification of consumers into groups (known as consumer segmentation) that this leads to, is increasingly being used to understand these aspects. Consumer segmentation research can show that there are too many (or too few) of a certain type of shop for a certain type of consumer in a given area or town. In many cases, a psychographic model with two dimensions is used to differentiate between individuals on the basis of how they experience the world (for example, whether individuals are introverted or extroverted, individualist or group-oriented). A validated set of questions can place individuals and households in this model. The two dimensions then produce four boxes which are also known as 'motivators' or ways of experiencing the world. The horizontal axis is the sociological dimension, which shows the difference between individualists and group-oriented people. The vertical axis can then be used to show the psychological dimension, showing the difference between extrovert/open versus introvert/closed. Because consumer segmentation is often based on large databases containing data on consumer behaviour, this is actually a hybrid method – it focuses on the qualitative and the subjective, but is based on extensive quantitative data. Qualitative lifestyle research is becoming ever more reliable and can also be applied to smaller-scale geographical areas.

Case studies

Case study research enables the lessons learned in other areas to be applied to the area being researched. This can be used as an inspiration (a source of new concepts, an example of finance possibilities or area planning or how to ensure sustainability, etc.) or a way of understanding new processes or approaches.

Surveys

This method of research is similar to consumer panels (including online panels), but it is actually more suitable for use in smaller-scale geographical areas. However, the high cost of this method means it is not often used. Surveys can be used to explore consumer preferences and opinions on relevant subjects in a very specific way. Just as with consumer panels, it is possible to adapt these methods using digital technology, although this will generally lead to longer response times.

Interviews and/or workshops with the actors involved (including estate agents)
Any sound market research ought to include a number of interviews with the actors involved or experts. Information gained in this way often provides a sound basis for the findings of qualitative research, new perspectives from which to approach the research or local knowledge of the location or area. This is information which cannot be derived from other sources. Workshops also allow the opinions and points of view of the actors involved to be thoroughly tested against each other, validated and possibly refined.

Conducting market research using these methods can reveal a great deal, but not everything. Another essential component of market research is fieldwork that is done in the area itself, to look at the supply of existing and new real estate, positioning and profiling, as well as the position of the area, both currently and in the future.

8.8 Conclusion

Urban area development involves, by definition, realising a new urban area over a long period of time with a variety of functions, environments and forms of interaction. This means that market research plays a very important role in:

1. making a sound prognosis of the future, but also knowing where the uncertainties and variations may lie;
2. differentiating between unchanging constants and transitory fashions within the market;
3. being able to switch between geographical levels (area, town, region) and markets (housing, retail, offices etc.);
4. being able to learn from the experience of other areas.

But in the specific context of urban area development, market research must also include:

1. the ability to visualise how the area will look in the future (environment, attractiveness, barrier effects) and what opportunities and threats there could be;
2. an understanding of the synergy of the area – how the various markets, functions and target groups interact, what makes the whole more than the sum of the parts, and how changes in one aspect could affect the saleability of other parts of the development or the development as a whole. Examples of such changes include changing the use of an area from residential to office space, from retail to leisure facilities, changing housing for homeowners to housing for rent, or revising the appearance of the streets or the public spaces.

Market research within the process of urban area development can reveal the needs of consumers in both quantitative and qualitative terms. It plays a central role in the development of the area (its planning coherence, the positioning and size of the functions and subdivisions in the area, the role of infrastructure, pedestrian routes, sightlines), the development of real estate (buildings, architecture, planning and lay-out, the structural characteristics of the buildings), the environmental design of the area (its size, visual quality and the placing of urban green spaces, water, infrastructure, parking) and, not least, ensuring that the timing, segmentation and pricing (in relation to the use of the area) are as responsive as possible to the needs of the market.

Market research in urban area development demands a combination of the following qualities from the market researcher: knowledge (What does the end user want? How can this be discovered? How do you interpret this information?), objectivity (the market researcher should not allow him/herself to get too carried away with the appealing stories told by architects and should remain vigilant about potential risks and pitfalls), and imagination (What is the quality and coherence of the area which is being developed and the products in it? What is its value in terms of use, experience and the future? How can this value be optimised?). An urban area development should respond to what the market needs but its uniqueness as a project can also mean that it stimulates the development of a new kind of demand.

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9 Financial Engineering

Ruben Hummels and Sander de Clerck

9.1 Introduction

A precondition for the realisation of an area development project is that there has to be a feasible business case. What this basically means is that at least all the costs that are incurred should be recovered from the yield, and that there are adequate safeguards against risks. In area development projects, this is no simple task. Most such developments are long-term projects, involving large and unforeseeable risks, and the level of investment is considerable. Actually implementing the plans also involves the fluctuation of very many factors that can have an effect on the feasibility of the scheme. Finance plays a significant role in the interrelationships between all these aspects. Most importantly, many different public and private parties are involved, all of whom have to be persuaded of the soundness of the business case. We refer to the process of developing a feasible plan that includes a realistic business case for all parties as 'financial engineering'. This chapter examines the process of financial engineering in more detail.

9.2 The Perspective of the Various Parties

There is no clear-cut definition of financial feasibility. The conditions that determine whether or not a project is feasible vary for all parties involved in the real estate process, not only because each party has different objectives, but also because of their varying knowledge and understanding of finance and economics.

Box 9.1 (next page) presents an overview of the various parties with a number of notable differences in approach, which could affect their assessment of financial feasibility.

It is clear that there are differences between the approaches of public or semi-public bodies and parties in the private sector, the most important of which is the balance between book value and commercial interests. Public-sector parties tend to look at the historic costs – i.e. they use the book value method. This can be ascribed to the fact that government bodies have to account for their expenditure retrospectively in great detail. From a purely commercial point of view, the assessment is focused solely on the value in the future; after all, that is the only thing about which it is still

Box 9.1 Approaches with regard to financial feasibility

Municipalities
- Thinking in terms of book value
- Justification
- Successes
- Budget-oriented
- Social benefit
- Greater focus on risks

Project developer
- Turnover
- Profit
- Cash flow/return
- Own capital
- Adding value
- Reducing risks

Grant-issuing bodies
- Budget-oriented
- Successes
- Social benefit
- Controlling risks

Financier
- Profit margins
- Certainty in advance
- Spreading risks

Housing associations
- Thinking in terms of book value
- Operating value – Social Housing Guarantee Fund (WSW) –
- Social benefit
- Nominal land prices

Investor
- Growth in value
- Operations
- Internal Rate of Return (IRR)
- Spreading risks

Box 9.2

A party has acquired a development location at a high price (say, €8 million). The market value, based on its current use, is €4 million. For the best redevelopment of the area, €2 million has to be spent in order to make it suitable for buildings and homes. The land can then be sold for €7 million. No external grants are available. Is it wise to carry out the redevelopment, from a financial point of view?

No, says a municipal official, basing his answer on the book value. My expenses are €8 million + €2 million = €10 million, and I receive only €7 million in return, a shortfall of €3 million. I cannot recommend this project to the city council.

Yes, says a commercially-minded private-sector party. I may have invested €8 million, but I now have two options. Option 1: I invest another €2 million and receive a return of €7 million. This option therefore yields €5 million. Option 2: I sell the location in its current state and receive only €4 million. By redeveloping it, I can therefore earn €1 million extra (assuming that this outweighs the extra risks that redevelopment may entail).

possible to make a decision. When the feasibility of a development project is being assessed, these different approaches can lead to very different conclusions, as illustrated in the example in Box 9.2.

There are also clear differences between the parties regarding their risk profiles. Commercial parties are strongly oriented towards managing and reducing risks, whereas government bodies are prepared to accept higher risks on the basis of social arguments. Financial feasibility, then, is interpreted differently by the different parties. As public-private partnerships are becoming ever more common, it is increasingly important to understand how various parties look at feasibility and how their various interests and approaches can be reconciled.

9.3 Financial Structure of Area Development

A logical consequence of the differing approaches to the concept of 'value' is that there are also different ways of calculating that value. This includes the combination of when financial feasibility is calculated and the period covered by the calculation. Figure 9.1 shows the different phases that matter from a financial perspective.

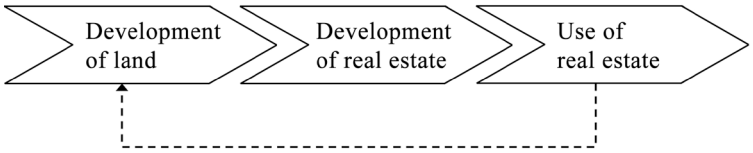

Figure 9.1 Phases in the development of an area

The development of a particular area often involves complex projects which, particularly in inner cities, require significant and long-term investment. This necessitates a complicated financial structure and, depending on the type of development, extensive financial risks. At the same time, there is a need to determine the financial feasibility of the entire area development project. To do this, a land development[41] calculation is drawn up, highlighting the financial flows. This identifies the financial requirements and the financial feasibility of the project. The link with the development of the real estate is made by the land price, which is payable by the project developer on the basis of the land development.

[41] Land development: the process of production and therefore the price formation of land that is ready for the construction of buildings and homes, and ensuring that such land is available on the market at the right time. Because of the nature of the activities, there is essentially no difference between land development carried out by public or private sector parties: the process in itself is the same. Wigmans (2002).

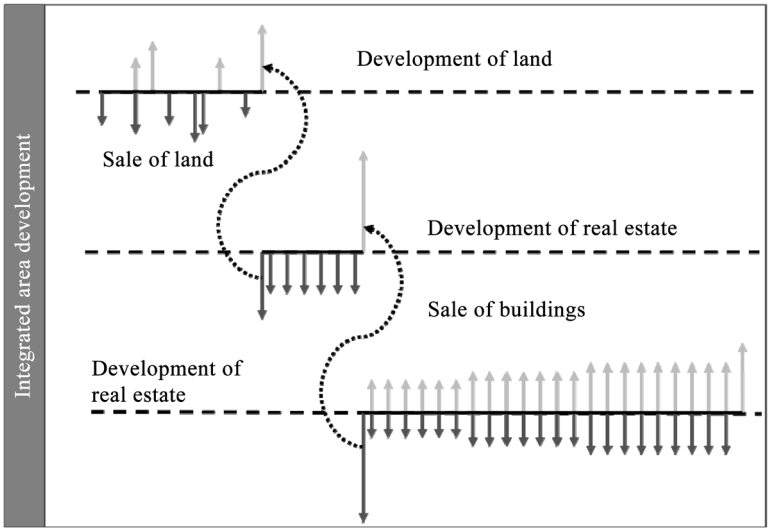

Figure 9.2 Cash flow diagram of area of development

The financial feasibility of real estate development relates to identifying the costs and returns involved. For project development, the land price that is charged by the area developer[42] is one of the expense items. Other important elements include construction costs, consultancy costs, interest payments and the expected proceeds from the sale of the property once it has been completed. Project development also entails a degree of profit, depending on the risks associated with the project.

The maintenance phase covers the period after the real estate development has been completed. Financial feasibility here concerns the initial investment (the sale price achieved by the real estate developer), the expected rental income, maintenance costs, and price developments. Feasibility is calculated according to an efficiency requirement (direct and indirect), which is based on the risk-profile of the investment.

In Figure 9.2, the financial structure is represented as a cash flow diagram, in which the connections described are indicated. It should be pointed out that the parties may take on different roles in the process.

A notable feature of this financial structure is that, in general, any commercial return that is based on the risk-profile of the development is not taken into account in the development of the land. This is because the public sector has traditionally had a major initiating role in this field. We see with ever-greater frequency that when it comes to the development of land, a risk provision on the basis of a risk analysis is taken into account.

[42] In principle, the role of the area developer is performed by (a) the municipality, (b) one or more developers and/or corporations, or (c) a combination of these parties.

9.4 Costs and Returns

This section deals with the costs and returns that should be included in the financial analysis of the development of an area.

Acquisition Costs

There are often many different types of land owners in area development projects. In addition to the municipality, current users (businesses, farmers, etc.) and developers are often involved. These different parties have different objectives concerning how the land is to be used, and this means that the value of the land is assessed in different ways. The current users (who in the first instance wish to continue to use the land as they already do) will look at the cost of moving to a similar alternative location and will seek payment for their land that at least compensates them for these relocation costs. The developers, who often attempt to acquire strategic positions in area development projects, have turnover and profit-related objectives in such projects. Meanwhile, the municipality usually has a social objective (such as upgrading a district), and will value the land accordingly.

Taking the above into consideration, there are three methods for valuing land:

- valuation based on current use: this involves looking at how the land is presently used, and what potential it offers
- valuation based on relocation
- valuation based on future use: this involves looking at the future designation of the land and the potential it offers

It is important to consider the Expropriation Act when determining the acquisition price. If it is deemed to be in the public interest, the owner of a plot of land or building may be the subject of a compulsory purchase order. In such cases, he will be fully recompensed. In practice, this corresponds to an amount for the purchase of and relocation to an alternative location, a possibly 'new-for-old' correction, and the effects of the new location on the operations of the business.

One important point when valuing land is the costs relating to the transfer of the land. Depending on the situation, transfer tax or Value Added Tax (VAT) is payable when land changes hands (see section 9.7).

Land Production Costs

Land production costs can be subdivided into the following types:

- Demolition costs: consisting of the costs for demolishing buildings and infrastructure (including underground infrastructure);
- Clean-up costs: clean-up costs can be subdivided into survey costs and actual clean-up costs. The previous use of the land forms the starting point for assessing the likelihood of soil pollution;
- Archaeological costs: account is generally taken of the need for an archaeological survey. It should also be borne in mind that archaeological finds may be made, and account should be taken of

how this may affect overall feasibility (delay, extra surveys, protective measures, alteration to plans, etc.);
- Preparing the site: this covers activities designed to make the site ready for building upon (Van de Ven, 2004);
- Preparing the site for building homes: this covers activities designed to make the site ready for residential habitation and easy to manage;
- Development planning costs: development planning costs consist primarily of municipality costs for development planning and the costs for devising and drawing up a master plan, urban design plan, and all the research and surveys that have to be carried out in relation to traffic, flora and fauna, water management, and so on. An environmental impact assessment report must also be compiled, depending on the scale and effect of the project;
- Preparation and monitoring of implementation: this refers to the costs incurred by the parties in preparing and monitoring the implementation of the project.

Funds

The costs relating to the development of an area are not usually restricted to the alterations made in the area in question. In many cases, changes have to be made outside the planning area: these include modifications to infrastructure, water storage, environmental zones, and so on. The costs for these alterations can be covered in the area development budget with the help of contributions from various funds. Some well-known examples are funds for amenities beyond the area under development, infrastructural alterations and environmental funds. These funds can be seen as a kind of savings scheme from which investments of this kind can be financed, which cannot be ascribed directly to area development projects.

Contingencies

Area development projects are often complex and take a long time. The land development phase budget includes an item for contingencies, the level of which can be reduced as the project progresses, since the chance of such a contingency occurring also diminishes.

Sale of Land Ready for Construction

The most important revenue item in land development is the sale of land which is ready to be built on. There are a number of ways to determine the value of the land (also see section 9.4). The future value of the land is examined, usually using one of the following methods:

- Book value: the book value is determined by multiplying the historical purchase price by the costs incurred, and then by subtracting any depreciation factors;
- Land quote: the value of the land is determined by taking a certain percentage of the sale price of the real estate, depending on the type of real estate concerned;

- Fixed land price: here, a fixed amount per square metre of land or plot is calculated, depending on the type of real estate concerned;
- Residual land value: in this case, a calculation is made of the maximum amount a project developer can pay for the land on the basis of the investment he has to make in combination with the potential yield from the real estate which he develops.

The method used for determining the value of the land depends primarily on the type of real estate to be developed and sometimes on the party buying the land.

The book value is only applied if the party developing the area has no profit motive and is seeking to charge only for the costs that it incurs. This may apply in the case of building homes for the social housing sector, for example. A land quote is often used by municipalities in order to avoid having to carry out a separate analysis for each project. This only works with readily marketable and uniform real estate.

Fixed land prices are used mainly for real estate that is to be used for social rather than commercial purposes: the economic value is often difficult to determine in such cases. The residual land value is generally used for real estate that is developed for commercial purposes, as this gives the clearest picture of the market value of the land. This method is covered in greater detail below.

The residual land value is determined by looking, from the point of the view of the project developer, at the maximum price he can pay for the land without affecting the viability of his business case. This is done by estimating the return that the developer can generate from the sale of the real estate, and then by identifying all the costs that would be incurred in order to develop the real estate. The value of the land is arrived at by taking the difference between the two, assuming a market-standard profit margin for the developer. The returns are determined by the sale prices of the real estate. This may be based on the no-additional-cost price of homes, but also on the investment value of the real estate that is rented out.

Investment Costs

The investment costs are made up of the following components:

- Construction costs: direct costs for the construction work;
- Additional costs: this includes costs for architects, designers, installation advisers, project management, government levies, fees, connection costs and promotional expenses;
- Interest charges: interest will be payable on the various expense items (land costs, preparation costs, construction costs, etc.). Note that in the case of homes sold in advance, interest incurred during the construction phases is often passed on to the purchaser;
- General costs (developer): this includes all the costs incurred by the developer;
- Profit & risk (developer): this covers the profit and risk remuneration for the developer.

Grants

As well as the sale of land that is ready to be built on, grants can also form a significant source of revenue. The financial feasibility of restructuring projects in particular (whether in urban areas or not) depends largely on external contributions. In the case of projects of this kind, it is important to be able to demonstrate that there is a social or economic interest that justifies investment in the project.

Other Sources of Revenue

There are other possible sources of revenue in addition to those mentioned above. The most important of these are income for the temporary rental of real estate and contributions from funds.

9.5 Making the Project Feasible and Optimising Results

In order to have a financially feasible (or financially optimal) business case, it is generally necessary to implement one or more measures designed to achieve optimisation. It is important to consider the nature of the design carefully as it is being developed, so that such optimisation measures can be incorporated straight away. There are several examples of optimisation methods, as shown below.

- Programmatically: by modifying the programme, for example by altering the balance between rental or social-sector homes, or by changing the balance between commercial real estate and homes. It is also important that different real estate typologies can produce different levels of return, as many factors are involved in determining the costs and the potential income.
- Cost-quality ratio: it is important that the level of quality sought (and therefore the potential for income) is compatible with the costs. If this ratio is not balanced properly, optimisation measures can be taken to rectify this.
- Timetabling and phasing: by structuring the timetabling and phasing in such a way that income is generated at as early as possible in the process and costs deferred for as long as possible, it is possible to positively influence the balance sheet during the planning period and make it easier to assess the risk profile.
- Parking solution: especially in the case of inner city developments, the parking solution is crucial for the potential income yield. This very much depends on the specific circumstances of the location in question (the condition of the land, how it is parcelled out, the layout structure). Creative solutions can lead to cost savings. Underground parking is generally the most expensive, while the extra income it generates does not usually justify the financial outlay.

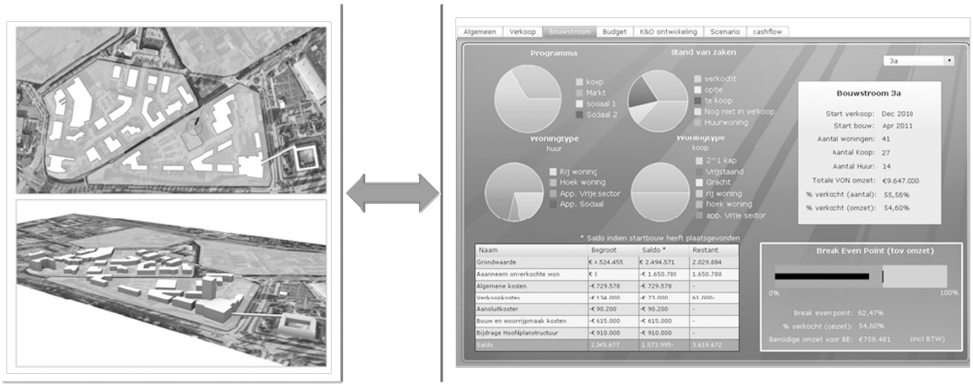

Figure 9.3 Calculating and drawing in an area development project

The possibilities for optimising a project are limited by the parameters of that project. These include market demand, spatial requirements, political considerations, acquisition moments that affect phasing and so on. It is important to consider combinations of optimisation measures and the effects they may have.

9.6 Capital Requirement and Return

In order to achieve a feasible business case, the capital requirements of the parties have to fall within the range of funding to which they have access. After all, developing an area generally entails a high level of cost at the start of the project, while income is only generated at a later stage, resulting in the creation of a 'bathtub' curve. The progress of the balance sheet of an area development is shown in the diagram on the next page, Figure 9.4.

In this diagram, the black line shows how the project balance sheet of the land development phase progresses; it can clearly be seen that costs are incurred at the start of the project, while the returns are only gained at a later stage. The 'bathtubs' for the real estate development and use phases (the grey and light grey lines) are also visible. In the case of the development of a home, for example, costs must first be incurred (purchase of the land, investment costs) before any income is generated. The dotted lines show that if a developer finds a buyer in good time, the need for raising finance can be considerably reduced.

It is therefore necessary to examine the capital requirements of the various parties, because even if the project is viable, the amount of money that has to be invested is still significant. If several parties are involved in developing an area, the individual cash flows of the various parties must be made transparent so that it is clear which party is responsible for which part of the capital requirements. These differences in financial requirements can be borne in mind in the yield requirements

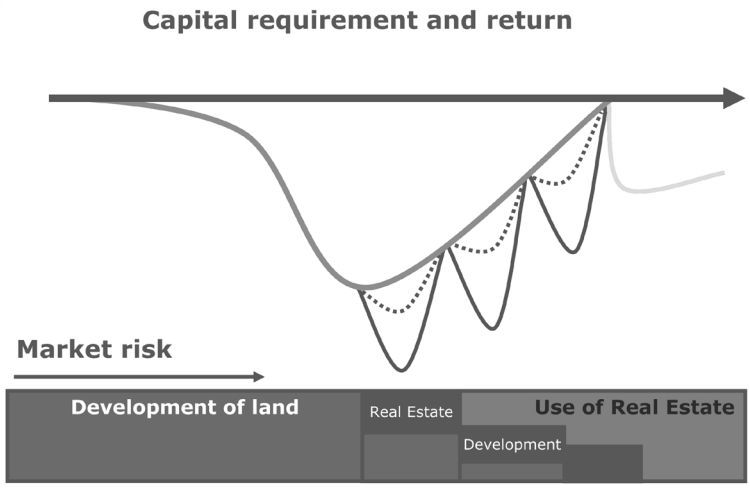

Figure 9.4 Progress of the balance sheet of an area development project

of the various parties. The most commonly used yield-related terms for determining the feasibility of land development are explained briefly below.

Internal Rate of Return

The Internal Rate of Return (IRR) method means the internal return from a cash flow. That means that the rate of interest (the discount rate) is calculated with the net present value of the cash flows being equal to zero. This is used to calculate the net return on an investment. If the IRR is greater than the required return on the investment, then the project can be said to be feasible from a financial point of view. The required return is often calculated on the basis of the following factors:

- compensation for expected level of inflation
- recompense for risks
- an investment margin/compensation for deferred use (the investor's 'profit')

Discount Rate Determined in Advance

Another option is to set a return requirement in advance on the development of the land and then decide whether or not the project is feasible with this set rate of return. If the net present value of the cash flow is greater than, or equal to zero, then the project is feasible. Municipalities in particular often use an interest rate to this end, which is the same as the expected financing costs. It is also possible to determine the weighted average cost of capital (WACC).

Under this method of calculating returns, the weighted cost of capital is calculated in the form of a required rate of return. The capital being invested consists of the owner's equity and borrowed capital. Interest costs are included for the borrowed

capital, while the required rate of return is included in the owner's equity. This required rate of return can be made dependent on the risk profile of the project.

$$(WACC) = \% EV \times Rev + \% VV \times Rvv$$

EV = Owner's Equity
VV = Borrowed Capital
Rev = Required Rate of Return on Owner's Equity
Rvv = Required Rate of Return on Borrowed Capital

9.7 Fiscal Considerations

An important aspect of the development of an area is that of taxation. The issue of value added tax (VAT) versus property transfer tax plays an important role here. Below is a brief summary of the two tax regimes. It is assumed that both regimes are supplementary, and that liability for both VAT and property transfer tax will never occur.

VAT

Value Added Tax is levied on value creation. There are various rates of VAT, but for the development of an area, the highest rate applies (currently 19% in the Netherlands). Figure 9.5 gives an example of a chain in the construction process.

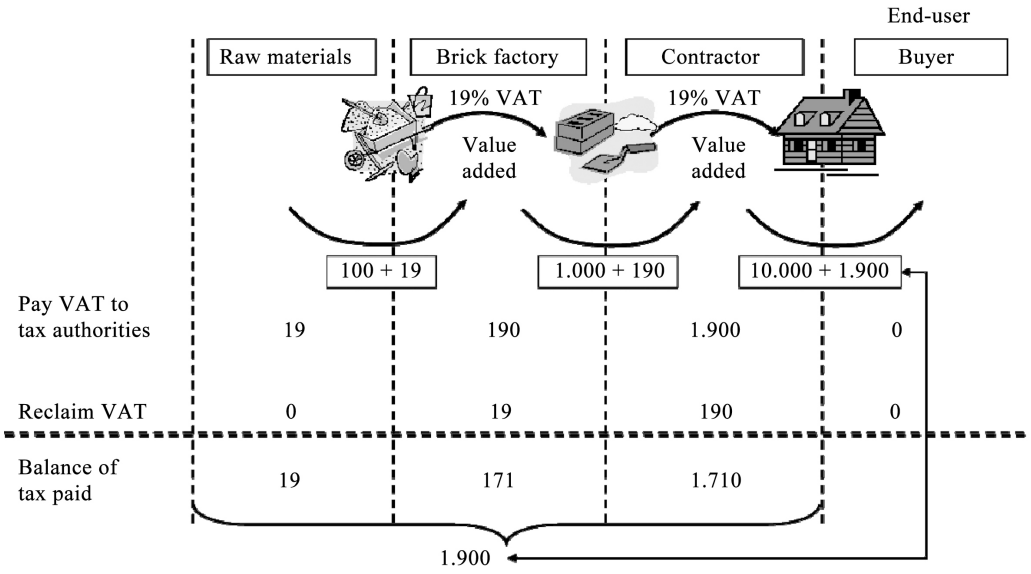

Figure 9.5 Example of VAT chain

As stated, the tax is levied on the creation of value. A starting point here is that the VAT can be passed on. For example, the brick factory has to pay VAT for the value it adds to the raw materials, but also charges VAT for the value that it itself adds. The factory can use these items (one being a cost item, the other a revenue item) to cancel each other out, and on balance may not have to pay or reclaim any VAT. It is only the end-user (the consumer in this example) who is unable to set off the VAT paid out against VAT that is owed to him. In other words, it is the consumer (the end-user) who pays the VAT.

The transfer and rental of real estate are not liable for VAT, although there are significant exceptions:

- the transfer of land that is ready for construction
- the transfer of new real estate (see the chain example in Figure 9.5)
- the possibility of opting for rent that is liable for VAT: a precondition for this is that 90% of the activities carried out by the tenant are subject to VAT

There are also a number of other circumstances (such as when a building is empty or being restored) which are too complex to deal with in this context.

Property Transfer Tax

As mentioned, no VAT is payable on the transfer of real estate, but this does not mean that no tax has to be paid at all: the transfer of real estate[43] is subject to property transfer tax. This consists of a levy of 6% of the purchase price (market value). There are a number of exceptions to this rule as well, but they are beyond the scope of this book.

9.8 Risk Management

Risk management in area development projects is coming under ever closer scrutiny. This is primarily because such projects, especially those in urban areas, are characterised by a high degree of complexity and financial transparency is becoming increasingly important. Part of this aspect is highlighting and costing risks.

Risk management aims at identifying risks and, where necessary, drawing up measures designed to maintain or improve the financial results. By costing the risks, it is possible to determine what contingency reserves should be kept in order to be able to cope with the financial effects of those risks. At the same time, account should be taken of the correlation between risks as a means of reducing the effect of hedging, for example. But as well as risks, there are also opportunities. An important feature of risk management is that it is not a single action, but a continual process.

[43] The land, any minerals which have not yet been extracted, any plants or crops associated with the land, as well as any buildings or premises with an established association with the land, whether directly or through a connection with other buildings or premises, are immovable (Art. 3:3 of the Civil Code).

Risk management should therefore form an integral part of the decision-making cycle.

Risk Inventory

Checklist
A list of the known risks is drawn up on the basis of knowledge derived from previous experiences with similar (or other) projects. Then, using the project-related information, an inventory is made of the risks specific to the project in question. The checklist is a dynamic list to which risks can be added and from which they can be deleted during the course of the development project. The risks on the checklist are classified in different risk groups.

Risk matrix
A risk matrix, in which the various aspects of a project are shown from different angles, can be used to identify any risks systematically. The aspects of a project can be subdivided according to activity, phase, budget items, section of the development area, or product. The various angles can be approached from the point of view of the risk groups or the stakeholders.

SWOT analysis
A SWOT analysis involves identifying the internal Strengths and Weaknesses, as well as the external Opportunities and Threats, which are highlighted together in a matrix. Risk strategies are then formulated by linking the internal strengths and weaknesses to the external opportunities and threats.

Risk Evaluation

Risk mapping
The risk mapping method prioritises risks by quantifying their likelihood and consequences and then multiplying these factors together. Relevant control measures can then be drawn up on the basis of the priorities and the effects revealed in this way.

Sensitivity analysis
A sensitivity analysis serves to illustrate the effects of the various risks on the project balance sheet. By treating the risks separately in the operational calculation (for example, the effect of a slower rate of sales or extra cost increases), the effects of each on the project balance sheet can be identified. However, there are a number of drawbacks to this method of risk analysis. For example, the correlation between the risks is not included in the analysis, nor is there any quantitative evaluation of the likelihood that the risks will actually become reality. A probability assessment can only be included on the basis of a qualitative assessment (also see the risk mapping method).

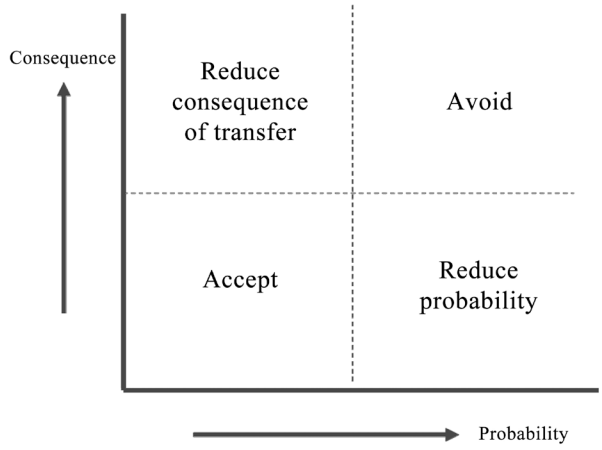

Figure 9.6 Control measures

Scenario analysis
The scenario analysis is a step that follows on from a sensitivity analysis. With this method, a number of scenarios are included in the operating cost calculation. The scenarios consist of a logical combination of risks that could occur (for example, a pessimistic scenario and an optimistic scenario). The various scenarios are factored in and the project balance sheets can be compared. By combining different risks, it is possible to take account of the correlation between them, and this provides a more realistic picture than is the case with a sensitivity analysis alone.

Monte Carlo analysis
The Monte Carlo analysis is a statistical simulation whereby the inventoried risks are evaluated through a large number of simulations. It also enables the comparison of the likely risks and the correlation that exists between them. The final result of this analysis consists of a distribution of probability, on the basis of which it is possible to link a particular range in the expected project balance sheet (for example, between -€5,000,000 and + €3,000,000) to a particular level of probability (say, 95%).

Risk control
After making an inventory and evaluation of the risks, it is important to draw up control measures that align the risk profile with the risk attitude. After these have been implemented, the control measures must be evaluated to see if they have had the desired effect.

Control measures can be subdivided into four categories, which are shown in the diagram in Figure 9.6.

9.9 Development Strategy

The development of an area is a process that often spans many years, and where changing market circumstances have to be taken into account. The causes of these market changes may be temporal (what will the market be like in fifteen years' time when the final part of the area is being developed?), but may also relate to market competition aspects that have not been foreseen. It is therefore important to create and safeguard the uniqueness of what is on offer, and having a distinctive concept makes it possible to appeal clearly to a particular target group. By identifying this concept at an early stage, describing it clearly, and adhering to the concept throughout the entire development process, an area can be created that has a significant measure of cohesion. The formation of concepts can relate to architecture, the design of public spaces, sustainability or management constructions. Examples of area developments with a distinctive concept are:

- Brandevoort in Helmond: adapted to the existing landscape, construction based on individual traditional architecture with predefined parameters, thereby ensuring cohesion;
- Stad van de Zon in Heerhugowaard: a residential district that seeks to be carbon-neutral by, for example, taking solar energy as the norm for architecture and the parcel plan;
- La Medi in Rotterdam: residential complex with Mediterranean architecture in Rotterdam; the basis for the architecture is variation within preset parameters.

Figure 9.7 Brandevoort in Helmond

Flexibility

As explained in the above paragraph, it is important to design a clear concept and adhere to it. However, flexibility is also required in order to be able to respond to changing circumstances, which is why, in addition to a clear concept, flexibility should be included in the following areas:

- Programme: where necessary, it should be possible to adapt the programme to changing market circumstances;
- Quality: flexibility is required in relation to the quality criteria as well; on the one hand, to be able to respond to changes in qualitative demand, and on the other, to be able to control costs;
- Timetabling and phasing: changed circumstances may mean that the timetabling and phasing have to be modified.

The points above illustrate the importance of identifying the market, on both the demand and supply side, in order to shape the development strategy. A sound market analysis, which should be kept up to date during the development project by carrying out repeat surveys, is thus crucial to the success of any area development project.

Risk versus Control

The role that a particular party seeks to play, whether it is facilitating or participatory, and the degree to which it is prepared to take risks, is crucial when deciding a development strategy. In other words, it is a matter of finding a balance between risk and control. From the point of view of the area developer, there are four different types of development strategy.

Setting parameters

Under this development strategy, the area developer (usually a municipality in this case) opts for a facilitating role, where it can influence the development of the plan by setting parameters. This strategy has a low-risk profile and requires only a modest level of investment. The private parties are in charge of the project and bear the risks. Progress depends on the willingness of private parties to invest.

Prodding

For this strategy, the area developer decides to play a limited active role, in which the emphasis is still on facilitating. However, through gentle ‘prodding’, the developer attempts to gain a slightly greater say in the running of the project. Examples of ‘prods’ of this kind are small acquisitions or small-scale real estate developments. By doing this, the area developer hopes that these modest investments will act as a catalyst, stirring private parties into action.

Sections

The area developer plays both an active and facilitating role in this strategy. Each section of a development project is dealt with separately, and the developer will not shy away from making any necessary investments (in the form of acquisitions, for

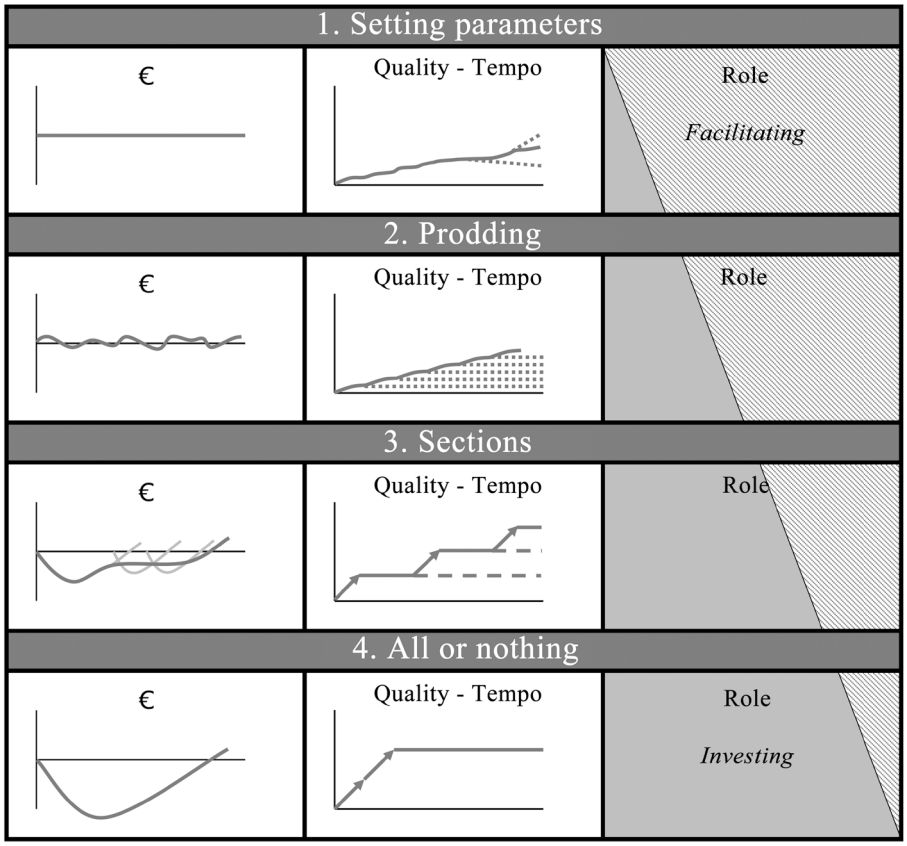

Figure 9.8 Development strategies

example). By investing only in sections, the risk for the municipality remains limited as a result of the phased process.

All or nothing

This development involves an active role with all the attendant risks. The aim is to develop an area as a whole, often with major investments at the start of the process, which comes with a high-risk profile. There is usually no way back once the process has been started.

The various development strategies are shown in Figure 9.8. It also highlights the role played by the area developer (facilitating or investing) and the progress of the planning balance sheet.

9.10 Conclusion

The aspects of financial engineering that have been dealt with in this chapter are incorporated into a business case, which forms the assessment framework within which to answer the question of whether an area development project is feasible, and whether the risks are sufficiently covered. This focuses not only on financial and commercial feasibility (costs versus benefits), but also on a sound development strategy (uniqueness, formation of a concept, phasing) and how the parties involved should work together. At the same time, it is necessary to consider the various interests, positions, and approaches taken by the different stakeholders in relation to the area development project.

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10 Quantitative Urban Management Instruments

Peter Barendse, Sjoerd W. Bijleveld, Peter-Paul van Loon

10.1 Introduction

The principle objective of quantitative management instruments for urban area development – also called quantitative urban design and decision-making techniques – is to use the body of existing knowledge (concerning urban areas in general and the package of known factors in development in particular) to shape and calculate certain objectives in the service of decision making. Quantitative management instruments use computer technology, its power to calculate and visualise, to configure the technical and physical aspects of urban area development. Some quantitative management instruments also explicitly take the social and political aspects of urban development decision making into account. This recognises the substantial role that such decisions play in urban design and planning, which is an activity largely characterised by ambiguity, uncertainty, risk, and trade-offs. It also recognises that these decisions are complex by nature as they involve multiple actors (Chen et al., 2006; Binnekamp, 2006; Van Loon 1998, 2008; Teisman, 1998).

This chapter introduces an instrumental view of management by looking at some of the tools used to structure the design-decision process. We cover a number of existing urban quantitative management instruments and focus in particular on two quantitative management instruments for urban area development: the Urban Decision Room and the RICARDO-Model. They have been developed and applied by some members of the Urban Area Development group of the Department of Real Estate & Housing (TU Delft, Faculty of Architecture). The group's focus is on a collaborative approach to urban area development. They have been keen to tackle the problems professionals in urban area development encounter with producing design information, quantifying design decisions and combining conflicting interests towards solutions. For years the group conducted all kinds of experiments, both practical and theoretical with students and colleagues in practice. These experiments focused on the question of how and under what conditions urban developing teams should work together to achieve optimum development (Van Loon, 2008).

10.2 Theories on Decision Making Processes

In every organisation geared towards production, management is a separate activity alongside processing and support services. Each of these activities is associated with its own area of responsibility within the organisation. *Processing* deals with the input of (raw) materials, the transformation of the material as it passes through the process and the output of manufactured products. *Support services* provide and maintain the people and resources. This includes not only the maintenance service, but also equipment purchasing, staff recruitment, training, etc. *Management* coordinates the various processing activities, coordinates the support process with the processing process and, above all, coordinates all internal processes with the environment (In 't Veld, 2002: 200-201).

Management can also be described on the basis of its two main components, coordination and control. Coordination is the linking of the activities and decisions of different individuals. This allows a particular piece of work to be carried out as a complete entity. Coordination is normally based on the allocation of responsibilities within the work process. Control is steering the process in the desired direction. This mainly entails correcting any mistakes.

Generally speaking, a process will have been managed properly only if the results are consistent with the values and characteristics determined beforehand. Management ensures that the process is steered towards those results. Representing this as a simple control model, we can say that the management body determines what interventions are necessary in the processing and support process to obtain an output with those particular values and characteristics. This is represented in Figure 10.1.

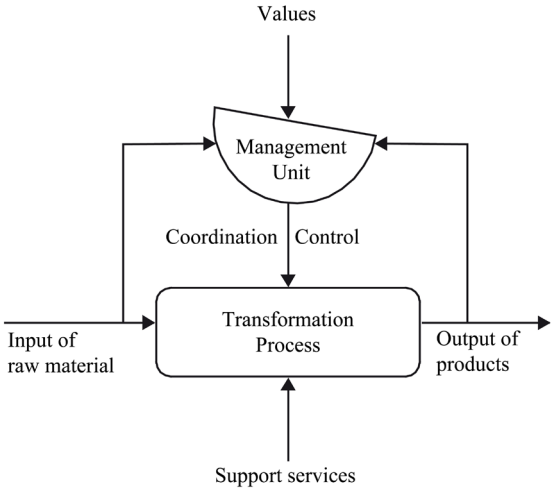

Figure 10.1 Management of a process (Source: In 't Veld (2002: 47)

Since, at the outset, the outcome of urban area development is at best vague, management of this process will focus mainly on clarifying the outcome (i.e. a decision on final design) step by step. Since, moreover, it is not entirely known at the outset how the plan process will be structured, management will also have to focus on setting up and altering it during the process: changes in the phasing, reallocation of the tasks, links between the phases, etc.

The literature, and particularly the literature on decision theory, mentions a number of ways of achieving an effective structure for the design-decision process and a good design-decision result (Van Loon, 1998). At this point we shall simply set out the general framework for structuring the design-decision process, using the model Herbert Simon devised in 1969 for a decision-making process. His model is simple and, partly as a result of its simplicity, has become very well known. According to this model, a decision-making process can be structured around three process phases (Figure 10.2): *intelligence*, the phase during which problems and possibilities are investigated; *design*, the phase during which problems and possibilities are analysed, and feasible solutions generated; and *choice*, the phase during which options are selected from the various possibilities, and the chosen option is put forward for implementation.

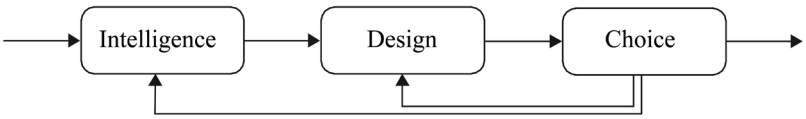

Figure 10.2 Process phases in a decision-making process (Source: Simon,1969)

Each phase can be further divided, using the principle of phased decision making. In other words, the process in each phase can be divided into a number of logical parts, and there will be a moment of decision ($D_{1\text{-}4}$) between activities ($a_{1\text{-}4}$) (see Figure 10.3).

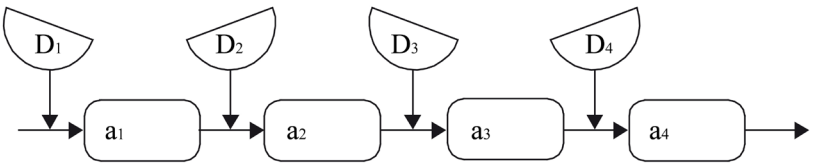

Figure 10.3 Phased decision making

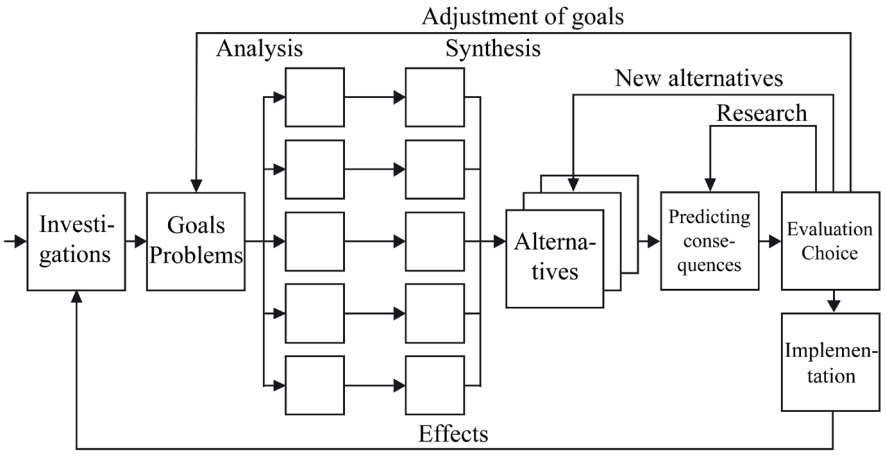

Figure 10.4 Urban planner's work structure

If phased decision making is incorporated into an urban planner's work structure Figure 10.4 results. The diagram now includes intelligence activities and decisions, design activities and decisions, and choice activities and decisions. Urban planners believe that phased decision making must take place a number of times so that there are a number of viable alternative solutions. This is necessary in order to give principals and users a variety of choice and to reach the best possible solution for them: "optimisation means finding the best of all possible programmes" (Faludi, 1973: 96).

The management of the design-decision process is, in practice, performed by different people: a project leader, who is often also one of the chief project designers; a team of coordinators, each of whom comes from one of the main disciplines in the project; one or more independent managers who are concerned only with regulating activities and decisions, rather than with the content of the project; or an elected representative who acts as chairperson, leading the process from a more or less neutral position.

In the past, management was approached largely mechanically: the leader determines policy and coordinates and controls the activities needed to carry out the policy. Over the course of time, this has been replaced by a democratic approach: the leader makes various proposals and consults with his subordinates on decisions that affect them and decisions they should take.

In urban area development, a democratic approach to management is necessary, but is not enough in itself. It is necessary to go a step further. Open discussions with those implementing the projects are needed, but project leaders must also place themselves on an equal footing. Only then will management become an equal, parallel aspect of the urban planning process. In line with the use of the concept of 'methodological individualism' as the basic premise of inter-organisational urban

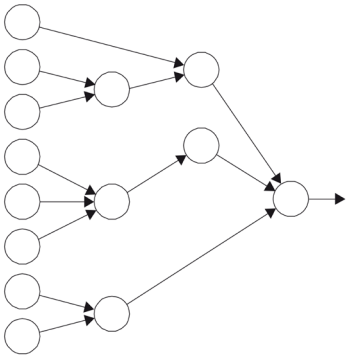

Figure 10.5 Decision making geared towards one point

planning, project leaders may distinguish themselves only in terms of their task and in their area of decision making (Van Loon, 1998).

This parallel functioning of being an equal while also having individual decision-making capacities is a useful way of managing the urban area development process and has the character of political action, i.e. action that is geared towards the whole, towards cooperative negotiation and democratic decisions. In political science, two opposing interpretations of the management (control) of a political process have developed (Van Loon, 1998). The first is based on the principle that in a community (a society or organisation) there will always be a certain indifference to the general state of affairs and the future of the community. A few expert leaders, acting as qualified representatives, must therefore be responsible for the overall organisation and must indicate what is best, what the goals are. The second interpretation assumes that every member of the community has some interest in that community, and will therefore show an interest in the whole. All decisions are taken jointly by the members of the community. Of course there will be individuals or groups of individuals in special positions of power, which allow them to decide for others. But no one knows in advance what is best for everyone.

Management of the decision-making process according to the first interpretation is geared towards converging on one point: the ideal, the best option indicated by the leader. This can be done via a series of intermediate steps (see Figure 10.5).

In the second interpretation, management is geared towards achieving cooperation, from which an outcome can arise ‘spontaneously’ at several points: everyone contributes something, and coalitions form. This produces a network of relationships (see Figure 10.6).

In terms of design, the first interpretation means that an attempt is made to find an integrating, binding concept. The second is based on the idea that all kinds of combinations and aggregations of separate ideas are possible. The second

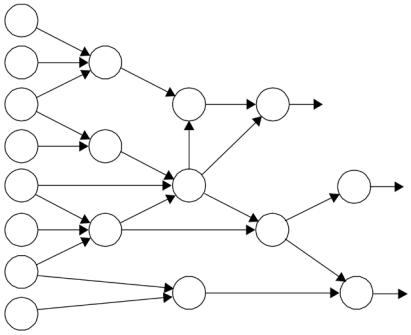

Figure 10.6 Decision making geared towards several points

interpretation is most consistent with urban area development in its pure form. In practice, all kinds of combinations of these two extremes will occur.

10.3 Overview of Quantitative Urban Management Instruments

Below is a selective overview of the available quantitative management instruments for urban area development. The selection is based on the direct relevance for management and (multi-actor) decision making in urban area development as well as the relevance for simulation and analysis of processes occurring in real urban developments. This section is followed by a review of two instruments in particular: UDR and RICARDO. These will be positioned in relation to other quantitative instruments.

There is not enough scope here to discuss each instrument listed below in depth. Further information can be obtained with an internet search using the name or acronym as the search term (Heurkens, 2008).

Urban management instruments for supporting multi-actor urban decision making
These instruments are used to prepare and support decisions taken in a consortium of actors. They incorporate representations and simulations of actual area development processes (both planning and design) and thus enable decisions to be taken on concrete urban uses and objects. They are used mainly in the initial phases of the building process, where an important role is played by analyses of the players' aims and interests.

- Urban Decision Room (UDR)
- Preference Based Urban Design (PBUD)
- *Duurzaam Beslissen* (DuBes) (Sustainable Decision Making)
- COnsequences of DEcisionS (CODES)
- Scenario Planning

Urban management instruments for urban design
These instruments are used for urban design. Urban managers face a difficult task when they have to find combined solutions and make them fit the various conditions. This task can be eased and facilitated by urban design instruments, which are particularly useful in the initiation and planning phases, where the designs for the urban organisation of the area are shaped.

- Strategic Red Green Blue Grey model (RGBG)
- Maps4Planners/Multi-Criteria GIS (M4P/MCA GIS)
- Smartmap/OntwerpGIS (SM/OGIS)
- Spacemate
- MilieuMaximalisatieModel (MMM) (Environmental Maximisation Model)
- Integrale Lokatie Ontwikkeling (Integral Location Development, ARIAD)

Process-oriented urban management instruments
These instruments are suitable for modelling urban development processes which, because they can prove intractable and difficult to manage, may lead to deep uncertainties about the process and the final product. Process managers try to limit these uncertainties by deploying specific tools:

- Dynamic Actor Network Analysis (DANA)
- Dynamic Actor Network Steering and Control (DANSC)
- *ProcesVersneller* (ProVer) (Process Expeditor)
- Urban Strategies (TNO)

Urban management instruments for design based on cost vs. benefit
These instruments are assembled from models which calculate and estimate the feasibility of area development plans. Some instruments enable the user to design and calculate at the same time and to gain a clearer understanding of the financial consequences of planning variants. The following instruments fall into this category:

- Real Investment Calculator Area Redevelopment Design Optimisation (RICARDO, IGOMOD)
- StrateGIS
- Pagoni

10.4 The Urban Decision Room

The Urban Decision Room (UDR) should be placed in the tradition of the urban design and planning discipline that is taught and researched at the Faculty of Architecture at the Delft University of Technology. The UDR software was developed at the faculty as one of the new design and planning methods with its own specific features. The UDR is specifically aimed at decision-making processes

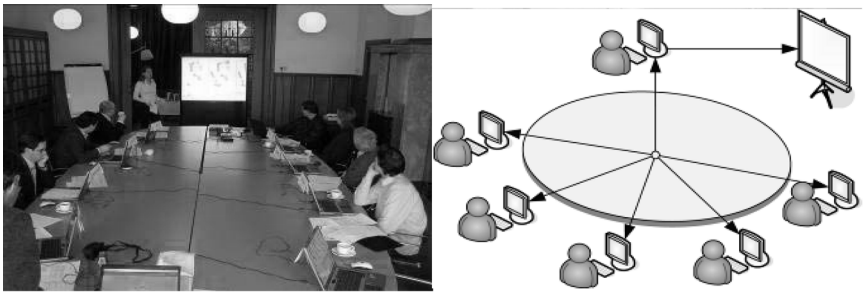

Figure.10.7 The Urban Decision Room

in the practice of urban planning, particularly complex urban area development projects (Van Loon et al., 2008).[44]

Basically, an Urban Decision Room is an interactive computer simulation system which can be used simultaneously by more than one actor to simulate alternative outcomes of complex planning decisions. In this way concrete planning decisions for current urban issues can be prepared interactively in a multi-actor setting. The UDR is a simulation system based on a digital decision-support model of the urban area in question. The model includes a decision-based representation of multi-actor urban design issues as well as a numerical/geometrical representation of the urban objects under consideration (buildings, streets, etc.). Because every urban area development issue has its own decision-making structure, a specific digital UDR model is constructed for every issue.

The participants in the interactive UDR sessions are asked to provide concrete solutions (from the viewpoint of their discipline) for urban design problems. The preferences for particular uses, number of plots and so forth are entered into a simulation model. A computer network is then used to calculate the 'common solution space' of all of the participants' preferences. The common solution space indicates the solution that is situated in the area of the overlap of all the 'individual' solutions of the participants.

The 'common solution space' is projected onto a central screen. This outcome generally provides the basis for further discussions and negotiations, after which another round as described above can be held. In contrast to traditional design teams, non-experts can also take part in a UDR.

The Urban Decision Room with a Group Decision Room Structure

In terms of structure, the Urban Decision Room (UDR) resembles a Group Decision Room (GDR). Both software programmes are interactive and involve several people gathered together in a room with several computers (Figure 10.7). The computer

[44] The UDR is used in practical research, but also for educational purposes at Delft University of Technology.

network enables the participants to communicate with each other about the relevant topics. The software makes calculations of the consequences of issues being discussed and visualises it on each computer screen. These results may form the basis for further discussions and negotiations.

The UDR explicitly supports decisions that must be made at a concrete urban planning level. This means that the UDR participants are not asked for idealised visions of policy themes. They are asked to come up with concrete solutions to an urban area. In order to be able to calculate a common outcome (see the section below dealing with the common solution space), it was decided to use a model with a relevant model language in the UDR – as an underlying, technological structure – in which algorithmic rules lead to final decisions.

The Urban Decision Room as a goal-oriented urban design and planning team

As already stated, a UDR involves bringing people together who are engaged in urban development planning processes. Such people may be connected to the local authority, such as urban planners, economic planners, and project managers, while others may come from the private sector, like project developers, or the semi-private sector, like housing corporations. Representatives of users – present and future – such as residents' associations may also be invited to take part in a UDR.

The starting point in the UDR is that the individual and specific visions and knowledge of the various participating parties with regard to the development area in question are translated into individual and specific negotiable preferences and constraints. By entering these preferences and constraints simultaneously and interactively into a UDR, and not dealing with them successively as in traditional design teams, the result is not plan variants, but one common solution space: a solution space within which a set of different preferences are possible and feasible. In other words, the UDR is a support instrument in the search for a final and common goal, rather than simply a provider of goals for individual parties.

The search for goals within the UDR takes place as follows: solutions or sub-solutions for the area to be developed are proposed by various people in the UDR, on the basis of their own respective preferences – preferences which are the expression of individual conditions and interests. The sum of all the individual preferences is ideally speaking, the ultimate joint goal. However, ideal situations of this kind do not occur in urban planning practice: in other words, there are limits to combining towards a goal that can do justice to all conditions. Attempts therefore should focus on seeking a solution that includes as much as possible the conditions mentioned above. But finding such a solution is no easy task: after all, there are various alternatives and all kinds of combinations of solutions. For that reason, the UDR seeks to create a solution space within which the ultimate solution (=joint goal) should be found.

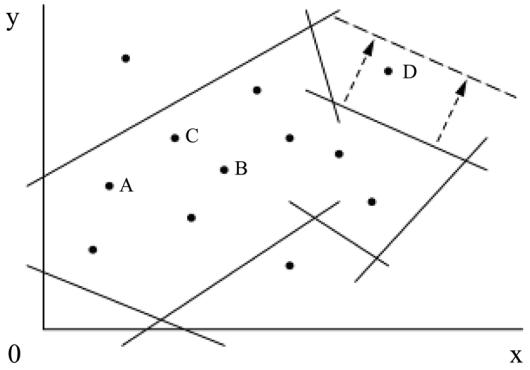

Figure 10.8 Common solution space

For example, if sub-solution A is combined with sub-solutions B and C, all three can be accommodated in the solution space, as calculated by the model. But if the cluster of sub-solutions A, B and C are combined with sub-solution D, then the calculation shows that the outer limits of the solution space (given the individual conditions) has been transgressed. Sub-solution D cannot therefore be combined with A, B and C. If sub-solution D is to survive in the vision of any of the participants, then some negotiation will be needed on the individual preferences and conditions (Figure.10.8). The potential shift in constraints can lead to sub-solution D becoming a solution within the solution space. In Figure 10.8 each sub-solution is a particular combination of the values of the variables X and Y (Duerink et al., 2009).

Background and Management Point of View of the UDR System

During the past decade, parties involved with urban development projects, especially town planners, architects, urban decision makers and investors, have been faced with changes in the way building designs and urban land-use plans are made and decisions relating to them are reached. Various authors in the field of the decision-making process in integrated development of urban areas relate these changes to more structural social changes, which are connected to an increasing complexity of social decision making and an increase in the social and economic dynamics in our highly developed society (Van Loon, 1998)[45]. These changes result in decreased manageability in society, which in terms of urban development processes has led to a necessary change in the role and strategic conduct of the actors and parties involved. They are now more oriented towards opportunities than managing the process and more towards combinations of sub-solutions than controlling the system.

[45] And also: Teisman (1998); Wigmans (1998); De Bruijn et al. (1999); Bekkering et al. (2001); Rotmans (2003).

In other words the traditional, often hierarchical planning and decision-making methodology in urban developments has shifted to multicentric decision arenas with multi-actor interaction planning, in which the mutual interdependency between the actors and the participating organisations, the uncertainty of the final outcome and ever-changing partnerships have resulted in a change in the steering role of the government. The government used to be central in a hierarchical planning system, but must now take a partnership position. The role of the plan proposals in the development process is also changing. This changing planning and decision-making practice must take into account the surrounding social dynamics; it is not only the content, but also the way in which decisions relating to planning are reached. Incorporating the social dynamics into the planning process means that participants are made aware (or must be made aware) of so-called 'not content driven' aspects, such as the positions they adopt towards each other or how progress is monitored or decisions are taken. All these interactive and process-oriented aspects of the planning and decision-making process form new areas of management and organisation (Wigmans, 2004). Theory and concept formation with regard to development planning, process and transition management should be looked at in this light. In the present context it would be taking things too far to examine these themes, but together they form the background against which the development of the UDR system should be set.

The decreasing manageability mentioned above has resulted in a change to the task of steering and managing the development of urban areas. A task which, in our view, can no longer be supported only by unilateral, hierarchical instruments such as land-use plans and master plans. In the interactive arenas of area development processes, other methodologies are needed as well as these traditional planning methods: methodologies which are rather awkwardly described as those that seek the optimum in the combinations of urban sub-solutions, assuming a non-centralist, non-hierarchical multi-actor perspective.

These issues form the basis for the urban management approach within the UDR system, an approach which in other words is based on the idea that future area development questions will be dealt with in an integrated way and that the parties involved will be mutually dependent and simultaneously represent different standpoints that nevertheless enjoy equal respect. These are ideas that have been translated systematically and technologically and with which experiments have been carried out.

Structure of the Urban Decision Room System

The computational structure of a UDR consists of a network of a number of computers[46] each connected to the others, as well as to a central computer. The digital model is on the central computer. A joint solution (digital urban plan) is built

[46] For example there were eight computers involved in UDR Heijsehaven, a project for the transformation of a vacant harbour area into a new residential area in the city of Rotterdam. Van Loon et al. (2008).

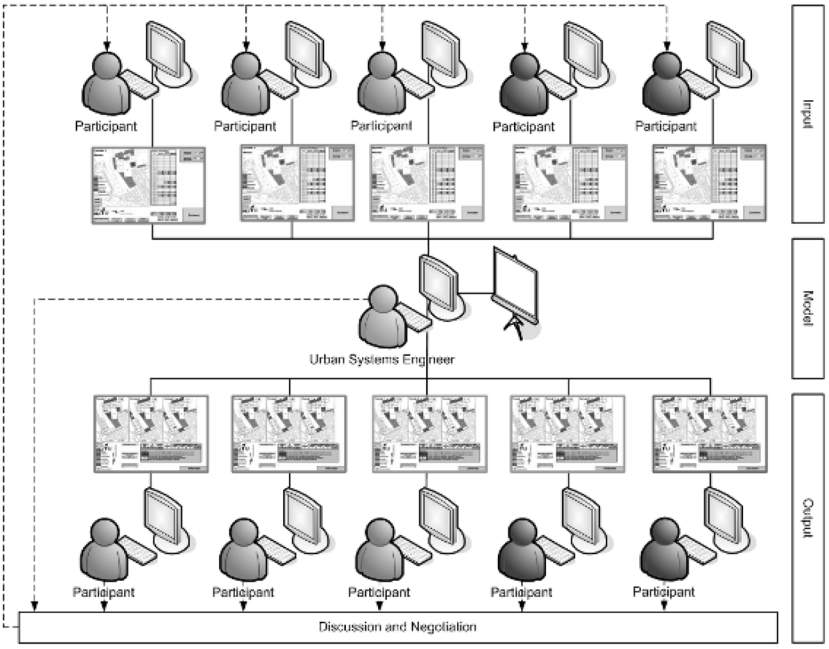

Figure 10.9 Diagrammatical representation of the UDR system

up in stages. In a UDR, simulation meetings are started by every party entering its own proposal. This is a first step in the process of finding a joint solution on how to develop a particular area. The actors provide sub-solutions based on their own perspective to the problems relating to the plan, as well as proposals for combinations of these sub-solutions, all as part of the route towards a joint plan. A repeated series of interactive planning proposals and decisions finally makes it possible to reach a group solution. By consistently repeating these steps in sequential simulations, a structured decision-making process will be created. The UDR, then, can be regarded as an interactive planning arena (Figure 10.9).

During the process, the intermediate stages, options, and infeasibilities are projected in a visible way (using the central computer) onto screens readable to everyone. This enables the participants to see the information they need to enter into interactive discussions with the other parties, and to negotiate in order to come to a solution. The input of different parties from a variety of disciplines and with a variety of interests leads to optimal solutions, through an interactive working process. This makes the UDR an operational instrument for making the great diversity of ideas and interests and power relationships of the many parties involved technologically visible, in terms of the substance of urban planning as well as in terms of the urban decision-making process.

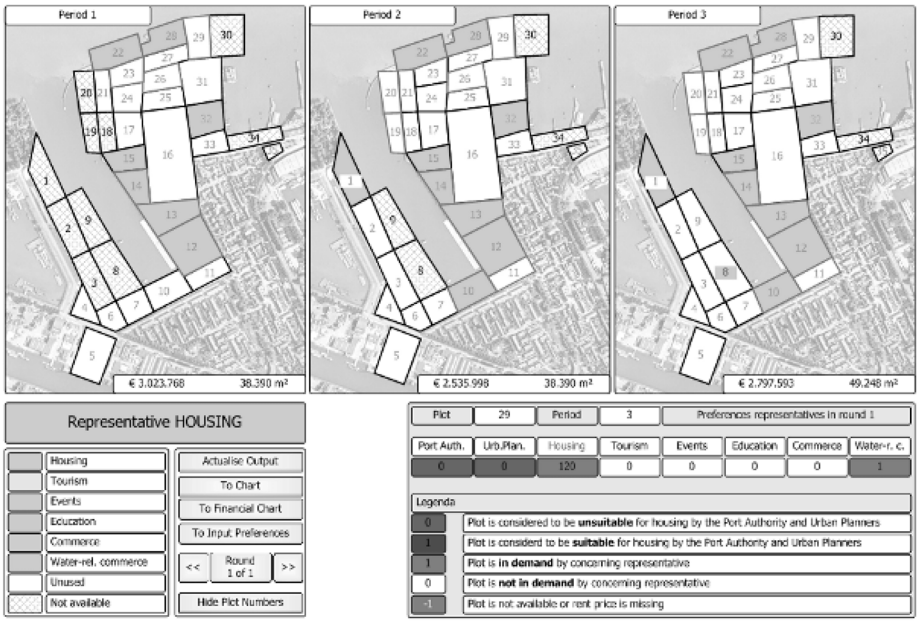

Figure 10.10 Output screen (with the group result after round 1) of the housing in Heijsehaven, Rotterdam

A fundamental assumption underlying the UDR system is that visibility of the power relations has real meaning and is effective in the negotiations during the planning process. These power relations are expressed in the values of the variables which must be decided upon, while the software calculates alternative choices which could be made. Empirical studies on negotiation have shown that there are situations where this visibility is, on the contrary, not effective (Fisher et al., 1983; Mastenbroek et al., 2007). To accurately represent such a situation in the UDR system it is possible to set certain decision variables as visible or not visible.

10.5 RICARDO

RICARDO is the acronym for Real Investment Calculator Area Redevelopment Design Optimisation, which is a design and calculation instrument for area development. RICARDO does not model the entire area development but various important aspects. RICARDO has also evolved into an instrument thanks to a user interface, which enables the user to paint an integrated picture of the financial consequences of different urban planning concepts in the urban planning concept-forming phase of the area development. Integrated in RICARDO means interlinking

concept visualisation, real estate development, land development and the area development phases. In other words, the drafted urban plans form the input for time-related cost-benefit calculations for both the land and real estate. RICARDO's strength lies in the integration of design and calculation (Bijleveld, 2004).

In our experience, whenever an urban area is to be developed or redeveloped, the participants generally want a clear idea of the financial feasibility of the plans at the earliest possible stage. The calculations performed in these early stages are usually based on very rough numerical assumptions regarding the uses that should or could be realised in the area and the potential costs and benefits of the land development associated with these uses. However, many of the assumptions regarding real estate development are implicit and they are obscured by the rules for calculating the development of land and real estate. This situation is not conducive to transparency – which is vitally important for the community and the interested parties in particular, especially when the potential for area development is being explored for the first time. Moreover, it involves huge sums of – mostly public – money.

Those calculations requested in the initial attempts to estimate financial feasibility and the associated risks use figures that have no basis whatsoever in any sort of design or urban vision. This is a serious flaw, in our view, which could be addressed by using urban plans (or certain forms of urban plans) as input for the financial and economic calculations. This approach would paint a clearer picture of the concrete plans on which the calculations are founded. To arrive at accurate calculations a clear understanding and knowledge is needed of both the land and the real estate development due to take place in the development area. Insight into the relationship between land and real estate development is important, particularly in the residual land value technique,[47] which is commonly applied by professionals.

Another crucial factor in area development besides the draft urban design vision / land development / real estate development relationship is time. A development project can easily take ten or fifteen years or more. This is a long time span which, given the longer-term trends in inflation and interest rates and the rising and falling costs and benefits, inevitably has a profound effect on the financial outcomes. The right sort of instrument would enable the user to phase the different processes in an area development, such as acquisition, building preparations, and the construction and sale of real estate. In other words, it must show how certain processes take place at a specific time.

Finally, to give the actors who are less experienced in, amongst other things, the urban planning or economic planning aspects of area development a clearer understanding of what is actually going on, the instrument should offer 3-dimensional modelling. A 3-D representation of plans can dramatically enhance communication. Taking these aims as a starting point, the Department of Real

[47] A method of estimating the value of land when given the net operating income and the value of redevelopment results. See Chapter 9.

Estate & Housing at TU Delft developed RICARDO. Equal to the UDR, RICARDO is used in practical research and for educational purposes in Delft.

Cost-Aware Designs

RICARDO fits neatly into the tradition of cost-aware design, an approach that was developed at the Faculty of Architecture of TU Delft in response to an amendment to the European Architects' Register in the mid-1980s which required architects to have knowledge of building costs and building economics. Cost-aware design, which initially operated at building level and concentrated on investment costs, has been scaled up in recent years. It now operates at area level and has been expanded to include output calculations and design tools. All of this is modelled in RICARDO (Gerritse, 2008).

Implementation of RICARDO

RICARDO uses a spreadsheet program. This seemed the logical choice given the growing demand in area development for reliable financial-economic calculations in a very early stage of the design process, preferably the initiation phase, to determine the financial feasibility of the project. But often, in the early stages of a project, there are not even clearly defined plans, let alone a mature design. The calculations have to be based on concepts or draft designs because that is usually all there is. A draft design can be made with a simple computer design tool and does not need powerful CAD software. On the other hand, the calculations to determine financial feasibility – partly because of increased knowledge in this area – do need powerful calculation software such as Microsoft Excel, a spreadsheet program. The instrument that meets the need for reliable design calculation therefore consists of a combination of simple design tools and powerful calculation tools. As Microsoft Excel can provide both it was chosen for RICARDO. An extra advantage of Microsoft Excel is that it has a built-in programming language which enables the user-friendly integration of design and calculation within one application.

Founding Principles for RICARDO

RICARDO was developed on the basis of combining different perspectives. Some perspectives related to the intrinsic requirements, others related to technological possibilities and impossibilities and others to socially desirable values. RICARDO also incorporates ideas regarding the role of modelling in decision-making processes and associated management issues. The following paragraphs outline the features that were paramount in developing RICARDO.

One important premise was the *applicability* of the instrument in the initiation phase of the area development. The instrument must be able to properly interpret this phase in terms of the design and calculations. *Flexibility* was another important feature, as the direction of an area development is bound to change as a result of evolving insights. It had to be easy for users to represent and calculate variants based on different scenarios.

In the past, the financial consequences of an area development were calculated on the basis of either rough key figures after the plan capacity had been assessed for residential density, dwelling types, surfacing requirements and green areas etc., or on the basis of concepts/draft designs from an urban planning firm or designer. Nowadays these calculations are made with fairly sophisticated models. Partly because of the lack of suitable instruments – suitable in the sense that the computer-aided design method should fit in with the way the urban planner makes initial designs for a project – urban planners do not usually calculate the plan themselves. RICARDO aims to bridge this gap by *connecting with the practices of urban planners*. In addition, the representation of the design, or the *visualisation for communication benefits*, needed to be of such good quality that it could serve as a sole basis for decisions.

In practice the calculations for an area development are often carried out by different parties. So, transparency in the sense that the parties, for example, disclose their financial calculation methods and assumptions for, say, unit prices, is often hard to come by. It is the (perhaps ideal) aim of RICARDO to make this process *transparent and open*, and hence to arrive at a more satisfactory outcome for all the stakeholders in specific area developments, not just in terms of finance but in terms of spatial quality as well.

The Structure of RICARDO

RICARDO was developed with the above aims. Below is a brief account of how the components were made into an instrument, with particular emphasis on the design and the calculation component.

The design component

The design component of the current version of RICARDO has four levels of detail, which run parallel with the levels of urban design. These levels descend in degree of abstraction. At the lowest (fourth) level the user draws the actual form of the object. In the 3-D representation the object appears as a building mass with a specific height. At this level the surfacing (roads, footpaths, parking places, etc.) is drawn as objects with a specific length and breadth. At the third level the user draws with land division ‘segments’. One segment consists of a series of individual parcels and a fixed set of objects. The fixed set of objects consists of roads, parking areas and public (neighbourhood) greenery. A built structure with a specific function stands on one parcel. A structure consists of one or several objects, such as a five-storey building with four apartments on each storey. The calculations for the parcels in the segment are based on 20 dwellings or objects per parcel. The choice for the term ‘segment’ is tied in with the applied technology in RICARDO. The user can use the segments to mark out the development area according to the desired function. He can also generate a 3-D image from all the segments together. In combination with the lowest level a fairly accurate representation of the urban planning design can then be generated in 3D. At the second level ‘clusters’ can be used to indicate the location of specific functions in the planning area. This leads to a cluster plan, a

common technique in urban design to allocate functions relatively quickly in a development area. The different functions are indicated by different colours or patterns. At the highest level of abstraction, almost parallel with the third level of design, the user can draw a cluster that represents multiple functions. Here, the quantitative relationships between the different functions in the cluster are expressed in percentages.

The calculation component
RICARDO calculates the land and real estate development costs and benefits with the figures from the design as input. The calculation component consists of three parts: (a) the calculation for the land development, (b) the calculation for the real estate development and (c) the planning of the area development. The third part could also be described as the phasing of the area development; in other words, it specifies the periods when certain activities are to be carried out. The calculations are based on some general principles which are explained below.

General calculation principles
All cost and benefit calculations are based on the dynamic end value method in which allowances are made for the influence of interest rates and rises in costs and benefits during the entire area development project, which can easily last for ten years or more. The different costs and benefits are expressed in Euros (€) at the end of the project. This end value is also reconverted to the present cash value of the Euro. In this method it is possible to include trends (i.e. the dynamics) in interest rates and inflation in the calculations throughout the duration of the project. Hence, the name 'dynamic end value'.

The cost and benefit calculations are based primarily on the simple formula:

quantity (m^2 gross – or rentable floor space) times the unit price.

The revenue from rentable buildings is calculated with the formula:

H/BAR = O,

in which H is the rent revenue in the first year,
BAR is the assumed gross start revenue
and O is the (possible) revenue.

H is calculated with the formula:

amount of lfa (lettable floor area) times the rent per m^2 lfa.

The figures are still derived from the 2-D drawing. The values for the various parameters such as the project timescale, interest, rises in costs and benefits, unit

prices and so forth must be entered by the user or verified if monetary sums are involved.

The 'planning' facility in RICARDO allows the user to determine when and to what degree certain work will be carried out. The degree of work is expressed in percentages and the work is complete when the total reaches 100%. In this way the area development can be simulated over the course of time. Variants – in this context possible answers to different area development scenarios – can also be tested. It is left to the user to work out the best timetable. This can prove a time-consuming exercise, but the area development phasing does exert a strong influence on the total balance (the cost-benefit outcome) and it raises the credibility of the results.

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11 Successful Urban Area Development

Fred Hobma

11.1 Introduction

This chapter examines two questions. Firstly, when is an urban area development project a success? Secondly, which factors determine its success? Or in other words, what are the success factors?

Success is a crucial variable from the viewpoint that we have chosen for this book: the perspective of governance. Governance in all its different forms (planning, management, coordination, organisation) is central to this book. We could say that all governance activities are directed towards the 'successful' development of an urban area. A discussion on what constitutes success, therefore, enables us to bring together much of what has been dealt with in the previous chapters.

The actors that invest money, time and energy in the development of a certain area naturally want the project to be a success. Many have therefore tried, implicitly or explicitly, to identify the success factors for urban development. Trying to identify which factors determined success presupposes that we can first ascertain when an urban area development project has been successful. However, this is not as simple as it might seem, for 'success' is not an unambiguous concept. It can mean very different things to different people. Below are several examples of questions that need to be asked when determining whether or not success has been achieved.

Successful process or successful product?
What aspects do we judge when we measure success? Do we consider success in terms of the process (teamwork) or in terms of the product (the finished development)? These are two different issues. The process can be flawed but still yield an excellent product, and vice versa. If we are considering the success of the process, then the success criterion may be something like: did the actors manage to set up an interactive process that allowed them to forge a partnership for the work to be done in developing the site?

If we are considering the success of the product, the success criterion will be more like: were the key goals of the public and private parties involved achieved by the development of the site?

Success for shareholders or stakeholders?
Whose judgment of the project's success do we wish to consider? Are we only interested in success for the shareholders, in terms of the return on the invested capital, for example? Or are we also interested in success for stakeholders, such as the users of a redeveloped railway station area?

We must bear in mind here that these various actors may judge the success of the development in very different ways. It is not unusual for researchers to take the opinions of all parties concerned into account when determining the degree of success achieved. An example of this approach is the study *De weg naar projectsucces (The road to project success)* by T. Van Aken (1997: 98). He distinguishes three groups:

- *group 1*: end-users
- *group 2*: principal, project manager, project team, line management, groups with a direct interest in the project
- *group 3*: those responsible for the actual execution of the project, indirect interest groups and other relevant social groups

These groups are given successively lower consideration when it comes to determining the overall measure of success. Van Aken thus attaches the greatest weight to the opinion of the end-users.

Which criteria for success do we wish to adopt?
Do we use a financial criterion (for example, the development is a success if it yields sufficient profit)? Do we prefer a cultural criterion, or one based on environmental benefit? Or do we simply use the criterion of 'change' (the project is a success if the old situation, having been characterised by low occupancy levels, unemployment or poor quality housing has changed for the better)? In the latter case, the existence of change on its own is sufficient basis for declaring the project a success. Van Bortel et al. (2007) demonstrated that "changes in the old situation, which was perceived as undesirable" is very often used as a criterion for success. It may be noted, however, that they did not entirely agree with this criterion, since they stated: "Nobody compares these projects to other possible responses. Nobody looks at opportunity costs."

The example of Hoog Catharijne in Utrecht, the Netherlands (Box 11.1) makes it clear that the answer to the question whether the urban area development project is a success or not, depends strongly on the criteria that we are using.

When do we measure success?
Another example of the ambiguity of the concept of success concerns the moment at which we attempt to measure it. A project that was initially regarded as a failure can later turn into a success story. Think of the example of the Opera House in Sydney, Australia (Box 11.2)

Box 11.1 Hoog Catharijne, Utrecht, the Netherlands

Hoog Catharijne can serve as an example here. This is a large-scale development consisting primarily of shops but also containing offices, conference and reception space and residential accommodation. It was once the largest covered shopping centre in Europe. The complex is adjacent to the Central Station in Utrecht, the most important junction in the Dutch railway network. When assessed on financial criteria, Hoog Catharijne is a success. The proprietor, real estate investor Corio, makes an excellent profit on the complex. When assessed on the cultural criterion of architectural quality, however, the complex is not a success. Although the designers in the 1970s thought the design would be timeless, it is generally viewed as outdated and highly unattractive.

Box 11.2 Sydney Opera House, Australia

Practically everyone knows the story of the Sydney Opera House. When the project was completed in 1973, it was a financial disaster. The initial estimate was that it would take five years to build and would cost seven million Australian dollars. In the end, the project took 14 years and the construction costs were a staggering 102 million Australian dollars. The project was a disaster from a process point of view as well: after a series of disputes, the chief architect – the Danish Jørn Uzton – resigned. Judged at a later point in time, however, the project was a resounding success. The Opera House is an enormous international attraction and has generated huge profits in this capacity for many years.

Are we successful when we have achieved our goals?

Achieving goals is not an unambiguous success criterion either. Whose goals are we measuring? For example, the primary objective of the municipality in the development of a given district may be to create a vital new neighbourhood and to attract valuable employment opportunities. An investor, on the other hand, will probably aim in the first place to maximise his profits.

The achievement of goals as a success criterion also has the disadvantage that we have to distinguish between official goals and unofficial, implicit goals. For example, a given player may hire an internationally renowned architect to design his project with the official objective of making a profit from the work, while what he

really wants to do is win a position in the niche market for high-quality development thanks to an architect's eye-catching design, even at the cost of making a loss on this particular project.

Finally, it must not be forgotten that the goals can change. A good example of this is the development of the Kop van Zuid district of Rotterdam (see Chapter 3). The primary objective was initially to attract leading IT companies to this part of the city. When the developers failed to meet this target, they turned their attention to providing accommodation for other uses – in particular housing and cultural establishments – in the same area.

All these factors – the fact that different players can have different objectives, the differences between official and implicit objectives and the possibility that the goalposts may shift over time – mean that achieving goals is not a 'one size fits all' criterion for success.

No Simple Answer

All the issues discussed above make it clear that 'success' is not a simple or unambiguous concept. There are no objective criteria that can be used to ensure or measure the success of an urban area development project. Choices have to be made on all these points before judgments can be made about success or failure. This very ambiguity in the definition of success makes it advisable for the public and private parties who are involved in planning a given urban area development project to start off by making it clear to one another what success means to them.

This section has been largely devoted to underlining the importance of two basic questions in this field: *when* can an urban area development project be judged as a success? And *what* factors determine this success – in other words, what are the success factors for the project in question? This second question will be dealt with in greater detail now.

11.2 Success and failure factors

Many authors in this field[48] distinguish between success factors and failure factors. It is worth noting, however, that the same variables come up time and again in both success and failure factors, the difference being that values at one end of the range tend to be associated with success and those at the other end tend to lead to failure. Take communication, for example. It may be stated that meticulous, well-planned communication with those directly or indirectly involved in the project is likely to lead to success, while inadequate, poorly planned communication is likely to lead to failure. The variable here is the same in both cases – communication; when this variable has the value 'careful and well planned', we get a success factor and when it has the value 'inadequate and poorly planned' we get a failure factor.

[48] For example Ernst & Young (2000) and De Bruin (2001).

On the basis of this insight, we can thus greatly simplify our considerations by only listing success factors – the idea being that the presence of a success factor (or a high value of the variable in question) promotes success while the absence of this factor (or a low value of the corresponding variable) will promote failure. We will follow this line of thinking in the rest of this chapter by restricting our discussions to success factors.

The use of the word 'promote' rather than 'cause' is deliberate here, since the presence of a success factor does not guarantee success. It is better to say that the presence of a success factor increases the chance of success. In other words, success factors are probabilistic in nature rather than deterministic. This is linked to the fact that the explanatory power of deterministic theories of social phenomena (such as the development of urban sites) is much weaker than that of probabilistic theories.

11.3 Three Different Levels of Success Factors

Some authors (Ernst & Young, 2000; De Bruin, 2001) list dozens of success and failure factors for urban development. What most of these publications lack is an analytical classification of the success factors into different levels. Such a classification would seem to be relevant since certain success factors can be 'driven' by powerful stakeholders in the urban area development project, while others cannot. It would therefore seem to be appropriate to distinguish the following three levels of success factors:

- context variables
- veto criteria
- critical success factors

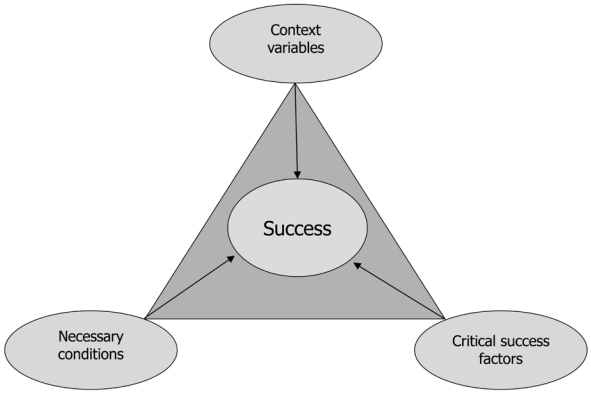

Figure 11.1 Three levels of success factors

The difference lies, as mentioned above, in the ability of major players to influence the factors in question. These three levels are discussed in greater detail in the following paragraphs.

Context Variables

The first level of success factors is that of the context variables (also known as 'background variables' or 'exogenous factors'). These include:

- economic climate
- political climate
- cultural background
- demographics
- changes in legislation and regulations

Context variables help to determine the success of the urban area development project, but cannot be influenced by (individual) actors.

Economic climate

The influence of the economic climate on the success of a development project can be illustrated by means of an example. If the market for office real estate is healthy, that can positively affect the success of an urban area development project with a substantial commercial component. The economy in general, and the real estate market in particular, cannot be influenced by a single party. It is, however, possible to limit the consequences of market fluctuations, for example by drawing up a flexible plan that takes possible shifts in the relative contributions of the commercial and residential sectors into account (see Chapter 2). Urban area development plans must be drafted in such a way that it is relatively easy to modify them in response to changes in the market or other circumstances (see Chapter 4) (De Zeeuw, 2007: 25). That is to say the vision should be fixed, but the way in which that vision is implemented must be flexible, as stated in a publication by the Dutch Ministry of Housing, Spatial Planning and Environment.[49] The vision itself provides cohesion and unites people and parties behind the task (see Chapter 3) (Adviescommissie Gebiedsontwikkeling, 2005: 17).

One flexible measure that is often effective in dealing with economic variations is *temporising*. This means handling matters that are necessary irrespective of the economic climate *first*; the other, less urgent matters can be left until it becomes clearer precisely how the situation is developing in practice (Dammers et al., 2004: 28).

Political climate

The influence of the political climate can also be illustrated with the aid of examples. The political composition of the local municipal council can have a powerful effect on the success of an urban development project. If the party that supports the

[49] Generally known by its Dutch acronym VROM. Ministerie VROM (2003), 102.

development remains in control for a long time, this can only enhance the success of the development. If, however, another party with different views comes to power after a local election, the situation may change radically for the worse. The fate of the redevelopment projects around the central stations in Utrecht and Rotterdam are good examples of this. Such changes in political climate cannot be influenced by the players in the development project.

Major players in the development project are perhaps slightly better able to influence the (local) political climate than is the case with the economic climate. For example, they can ensure that all political parties (in the municipality) – including the parties who do not make up part of the ruling coalition but who may do so in the future – are aware of the initiatives taken to develop or improve the area. They can also try to convince these politicians of the benefit of these initiatives. This can be seen as a form of relations management – which should also be extended to local civil servants, who play an important role in ensuring the continuity of the development process. Clearly, such efforts at 'power brokering' must remain within the limits of ethical acceptability.

Cultural background

The cultural background is another variable that helps to determine the success of an urban area development project, but one which the parties involved are unable to influence. One important type of cultural preference in this context is the tendency of users to prefer living in a particular kind of residential area. One type of a residential area that has been very popular in the Netherlands is the *woonerf*, a street in which pedestrians and cyclists have the right of way over motor cars and where street lay-out and other measures are used to cut traffic speeds with the aim of creating a more agreeable living environment. The nearest equivalent in the UK is the 'home zone'. Now if cultural preferences change and people lose interest in the *woonerf* – arguing perhaps that the environment is too limited in scale, that they would like to make more use of their cars rather than public transport and that the overall visual impact is untidy – this will have consequences for the success of the area. It may prove difficult to find tenants for the properties and some may remain unoccupied for long periods, rental incomes and real estate prices may drop and the quality of life in these neighbourhoods may diminish.

Another example of changes in cultural preferences may be found when companies decide they would rather rent office space on the edge of cities instead of in the inner city locations. This can, mutatis mutandis, have much the same effect on the success of the inner-city sites as the loss of interest in the *woonerf* has on that type of living environment.

As indicated above, cultural preferences and changes in them cannot be influenced by the parties involved in an urban area development project. What these parties can and should do, of course, is to take the prevailing cultural preferences into account when planning the development.

Demographics

Demographics are yet another variable which can help to determine the success of an urban development project, but which cannot be influenced by individual players. Like the cultural background, demographics are a factor that does not change quickly over time. This means that when new urban area developments are planned, the players can be fairly confident that there will not be any dramatic shifts in demographic predictions during the life of the project. However, demographic changes that make themselves felt after the completion of the project can give rise to considerably more trouble. One can thus clearly imagine, for example, that a marked drop in the population of the Dutch province of Limburg could have a serious influence on existing developments, including both residential and commercial real estate as well as offices. Other forms of demographic change that can influence existing urban developments include a marked rise in the number of one-person households and the ageing of the population as a whole.

Changes in legislation and regulations

Changes in legislation and regulations that are relevant in this context may include, for example, the introduction of new air quality regulations over the course of the development project (see Chapter 5). Such regulations can have serious effects on the design of the urban area development project and the speed of development. There is little that major players can do in this field other than prepare themselves for possible future (European) legislation.

Context variables can have various time scales. The political climate in the Netherlands has a cycle of four years (the time between elections), while the economic climate has a longer cycle and cultural and demographic changes generally take place even more gradually. Changes in legislation and regulations, on the other hand, normally take effect within a few years.

Veto Criteria

The second level of success factors is that of the 'veto criteria'. These factors are necessary but not sufficient for success. Failing to consider these criteria will undermine any goals, and in fact 'veto' the whole project. Unlike the context variables discussed above, veto criteria can be 'driven' or modified by the players.

A number of veto criteria for urban area development projects that have been described in the literature will now be discussed in turn, with reference to practical examples.

Timely acquisition of land

The ability to make use of the land in question is of prime importance for the success of urban area development projects: you cannot develop a site unless you have a secure title to the land on which the buildings are to be constructed, either through actual ownership or through leasing (see Chapter 5). This condition is even more important in existing urban areas than when the development takes place on previously unused land outside the city limits. Land in an urban location is probably

already in use for some purpose, and the planning of the development of the site as a whole may be complicated by fragmented ownership of the land. In addition, various urban functions may be competing with one another for use of the land. It is often necessary to change the land ownership relationships before the redevelopment process can get underway. Many case studies underline the importance of land ownership, for example that of Louw and Wigmans (2004: 316) concerning the Paleiskwartier in 's-Hertogenbosch and the analysis of the development of the Waalhaeve residential complex in Nijmegen by Buitelaar (2007; 49-57). The latter author's main conclusion was that the ownership status of the land had a crucial effect on the progress and the final result (in both concrete and financial terms) of the redevelopment. Van Rooy et al. (2006: 35) also conclude that land and particularly land ownership status are "often decisive" in determining the feasibility of an urban development project.

Project scope

Here, we mean the spatial scope of the project. The wider the geographical area from which end-users of the development are drawn, the more likely the project is to perform well (Nijkamp et al., 2002). Thus the office component of an urban development project can set its sights on the regional level instead of targeting potential users exclusively from within the city in question, but must also set its sights on the regional level. This was clearly shown to be the case, for example, during the development of the Paleiskwartier in 's-Hertogenbosch (Bruil et al., 2004: 433). On the other hand, care must be taken not to make the project too wide in spatial scope, since this can lead to undue complexity caused by the presence of too many uncertain factors and too many parties with veto rights (Deloitte Real Estate Advisory, 2008: 30).

Economic feasibility

The point at issue here is whether the development meets a market demand (see Chapters 4 and 8). The development of a given site can only be a financial and economic success if it meets an existing demand (or if a new demand is created). For example, the development of the Paleiskwartier of 's-Hertogenbosch successfully addressed the demand for inner city dwelling (Mulder and Van der Flier, 2004). People who are interested in living in the inner city value the proximity to cultural and other urban amenities, and do not view a high population density as a major drawback. They are also likely to appreciate striking architecture.

Realistic cost estimates

If the project has not been properly budgeted, the players can be faced with some unpleasant surprises during the development project, which may have an effect on the planning process (see Chapter 9). This was found to be the case during the Waalhaeve project in Nijmegen (Buitelaar, 2007: 5), where costs were not estimated accurately at the start of the development process. When unforeseen costs arose, the design had to be modified to reduce the costs or increase the profits.

Clear strategy for dealing with soil pollution
Particularly in existing urban areas, there may be extensive soil pollution that has to be dealt with before development can begin (see Chapter 5). If the development is to be successful, the costs of dealing with the existing soil pollution must be determined in advance, and early financial and other agreements must be reached with the landowner, the municipal authorities and other directly interested parties about the measures to be taken. This approach allows the costs of dealing with the soil pollution to be included in the decision-making process at an appropriately early stage (Schutte-Postma, 2004: 313).

Independent sub-projects
Splitting an urban area development project into separate, independent projects will contribute to its success. An excellent example of this is provided by the redevelopment of Het Eilandje in Antwerp's former docks area, where the structural plan for the area drawn up by the prominent urban designer Ignasi De Solà Morales and Antwerp's then City Architect, René Daniëls, provided a framework within which each of the sub-projects could make a strong contribution to the area on its completion (Smits et al., 2007: 42).

Robust financial engineering
Van Rooy et al. (2006: 36) indicate the importance of robust financial engineering, certainly now that in many cases various parties contribute to the financing of an integrated project (see Chapter 9). They state that financial engineering is needed for example to initiate cash flow, to settle interest payments, to devise financial balancing constructions and to distinguish high and low-risk phases and the associated opportunities for profit.

Other Veto Criteria
There are many veto criteria besides those briefly described above. Some of these are mentioned below (it should be noted that this list is by no means exhaustive).

- The early inclusion of private players (developers) in the process, in order to take advantage of their expertise and creativity, to help in developing financial strategies, to share in risk and to organise capacity (see Chapters 3 and 6) (Adviseur Gebiedsontwikkeling, 2007: 38). The participation of private parties can also enhance the realism of the plans.
- The creation of well-defined go/no go moments on the basis of policy documents (De Bruin, 2001).
- Performance of actor analysis to identify the concerns and positions of the various parties (see Chapter 1) (Wolting, 2006: 17). In addition, it may be appropriate to carry out a scan to identify the potential advantages and benefits that the parties are likely to encounter during the project (Centraal Planbureau, 2001: 105).

- The early involvement of interest groups, such as residents' associations, to share their knowledge and views (see Chapter 1).
- Ensuring that the various public authorities involved have their affairs in order – so as to ensure they can take a joined-up approach (Wolting, 2006: 71).
- Ensuring that sufficient attention is paid to identifying and allocating risks (Ernst & Young, 2005: 31).
- Concrete designation and guaranteeing of public interests by the relevant authorities, for example in the realm of spatial quality (Ernst & Young, 2005: 13).
- Ensuring that a clear distinction is made between the relevant authority's public role (for example in assessing the plans or the provision of the necessary permits) and its private role (for example as a partner in a PPP set-up).
- Making agreements to cover the risk of contract termination and formulate an exit strategy.
- Drawing up flexible contracts between the public parties and private developers involved, to ensure the continuity of the operations despite changing market circumstances (see Chapter 6).
- Setting up of a municipal project bureau with a robust mandate and sufficient responsibilities (Ernst & Young, 2000).
- Unambiguous marketing (De Bruin, 2001).

Critical Success Factors

The third level of success factors is that of the critical success factors (also known as 'progression criteria'). These include:

- trust and openness between the parties (see Chapter 6);
- leadership, in particular the presence of a kind of entrepreneur (an actor with considerable authority in the public and private domain, who is skilled in bringing about solutions to problems);
- image of the redevelopment site (see Chapter 3);
- reduction of complexity (see Chapter 6);
- proactive policy makers;
- designers who adopt a 'modern' approach to their task (see Chapters 2 and 7).

Critical success factors have a major bearing on the success or failure of the project in question, but are relatively difficult for the actors to influence.

It can be argued that these critical success factors demand a process-oriented approach. Examples of critical success factors for urban area development projects are given below, once again illustrated by concrete cases.

Trust

A number of authors have recently cited 'trust' as a significant factor in the success of partnerships (Klijn and Teisman, 2002: 71; Projectgroep Ontwikkelingsplanologie,

Box 11.3 Development of Buda Island, Kortrijk, Belgium

The Belgian city of Kortrijk has been lobbying the Flemish Government for decades to have the river Leie, which flows through the city, widened. The Leie is an important inland shipping route, and widening it would make the river navigable for heavier ships. The Flemish Government finally approved a widening scheme in the 1990s.

The mayor of Kortrijk seized this opportunity to get the city to think about its future. One of the projects he was interested in was the transformation of Buda Island, situated in the middle of the river Leie in Kortrijk. This development could, he thought, be coupled with the widening of the river Leie. Buda Island is a former industrial zone that has become run down now that industrial activity has moved elsewhere. The island stands to benefit from the infrastructural work involved in the widening of the river, which would include the creation of a number of new links with the island. The construction of new embankments would also open up the city much more to the water, which had until then hardly been accessible from the city centre. The plan is to make Buda Island into an artistic zone with a high proportion of creative and leisure activities from which the city as a whole can profit. This project is currently underway. (Source: Stouthuysen, 2007)

2003: 38). This conclusion was confirmed by a study of the redevelopment of the area surrounding the railway station in 's-Hertogenbosch (the Paleiskwartier) (Hobma, 2004a: 435). An evaluation of the redevelopment of the TrefilArbed site in Ghent (Belgium) also indicated the 'vital importance' of building up trust between the various partners (Demoor et al., 2007: 112). Such comments refer to trust at a personal level and long-term personal commitment. The need for trust between the various members of the urban development team, who have to work together for long periods, also emerged during the redevelopment of the Hart van Zuid industrial complex in Hengelo (Marchand and Nieuwhuizen, 2007: 77). It has been stressed that such trust is required not only between parties at management level but definitely at lower levels too (Deloitte Real Estate Advisory, 2008: 38).

Urban area development always involves a certain degree of partnership between the public and private sectors. Stereotypes must be avoided if the necessary level of trust is to be built up between the public and private parties involved. For example, public parties often entertain the stereotype that their private counterparts are only interested in profit, and cherry-pick the development projects that are on offer. The private parties, on the other hand, may tend to regard local authorities as not being

selective enough and not having enough realistic insight into project costs to keep their development ambitions in check (Deloitte Real Estate Advisory, 2008: 10).

It should be stressed at this point that the presence of trust between the parties in a development project cannot be assumed without question. It has to be built up and maintained. Many authors also remind us that there is no infallible guide to the gaining, building-up and consolidation of trust. “In every teamwork setting, the wheel of trust has to be invented all over again because the players change and the context is different every time” (Verhoef, 2006: 83).

However, although as we have seen many authors attribute an important role to trust in determining the success of an urban development project, it is conceivable that the significance of this factor has been overestimated. Van Bortel et al. (2007) show that most descriptions of the success factors for a project depend on those personally involved, such as project managers or consultants. They comment that these people “... were deeply involved and participated in the decision-making game,” and continue: “Their stories are inevitably subject to attribution bias, which elevates personal over institutional forces.” In conclusion they state that “...trust and chemistry are probably used as a label, a container for a whole complex of factors, personal factors as well as institutional factors […] What is called personal factors or trust and chemistry partly covers explanations that should qualify as (soft) institutional or contextual factors.” In other words, one is tempted to overestimate one’s own role, one’s own personal skills in such matters as building and maintaining trust, in comparison with other (more institutional) factors which also contributed to the success of the project.

Leadership

Leadership is very important during development projects, which are, almost by definition, long-term affairs. John Kingdon has coined the term ‘policy entrepreneur’ to describe the kind of leader needed in such situations – a major player who is able to give the effort, time and energy required to move the decision-making process in the right direction. In his influential book *Agendas, Alternatives, and Public Policies,* he describes the structure of the kind of decision-making process where the policy entrepreneur can play a role. According to him, such processes involve three streams – the political stream, the problem stream and the policy stream – which must be linked and brought together for effective decisions to be made and effective action to be undertaken. These three streams exist relatively independently of one another, and can only be united during the time a ‘policy window’ is open. The policy entrepreneur is the person who, by virtue of his authority, persistence and tenacity, can bring together these three streams (Kingdon, 1995: 166-202; Nelissen et al., 1996: 217).

The policy entrepreneur can be someone from the public sector, but equally well someone from the private sector. During the redevelopment of the area around the railway station in ’s-Hertogenbosch, the leading role was first played by a city alderman and later by the head of the city’s planning department (Bruil et al., 2004: 274-276). During the transformation of Buda Island in Kortrijk, as mentioned in Box

11.3, the leading role was played by the mayor (Stouthuysen, 2007: 126). During the work on the TrefilArbed site in Ghent, it was the highly committed alderman in charge of Economic Development and the mayor who managed to provide the necessary stimulus at crucial moments to ensure that the project succeeded (Demoor et al., 2007: 108).

In any case, a policy entrepreneur must have three qualities in order to be successful: (1) he must be the kind of person others are prepared to listen to, for example due to his expertise, his ability to speak on behalf of others or his commanding position in the decision-making process; (2) he must be well known for his political contacts or negotiating skills; and most importantly (3) he must be persistent and tenacious (Kingdon, 1995: 179-181).

The *Adviescommissie Gebiedsontwikkeling* (2005:17) (Urban Area Development Advisory Committee, a body set up by the Dutch Minister of Housing, Spatial Planning and Environment with the task of advising on development issues) also indicated the need for senior administrators or other key players to assume responsibility for a project in the interests of success. “Successful projects tend to be led by top administrators who are hard-working, patient, persistent, diplomatic, devoted to the project and highly courageous, and who are prepared to make time if the situation calls for it.”

Image change

Image change is a critical success factor in the transformation of a site. A new image needs to be created which does justice to the intended changes. Marketing, branding, icons and flagships are keywords here.

It may be noted that discussion of the new identity of a given area should consider the past as well as the future, since an area’s past identity can often make a significant contribution to the desired new image.

Two examples of the successful rebranding of an area are given on the next page, one from the Netherlands and the other from Germany.

Other examples could be mentioned, such as Euralille, the major development on the outskirts of the French city of Lille, where a forgotten area with an outdated regional industrial structure has been transformed into a high-tech service-based economy. Its image has also been substantially enhanced by a clever marketing strategy (Ministerie van VROM, 2003: 102).

The Paleiskwartier in ’s-Hertogenbosch, the Emscher Park International Building Exhibition and Euralille are all examples of physical transformations coupled with an intensive rebranding effort. Their success is partly attributable to this fact.

Reduction of complexity

The process of urban area development takes place in an environment that is always dynamic, often hectic and sometimes even hostile. Managers seek to reduce the uncertainties associated with this. Actively reducing environmental complexity can lead to reduced risks and can thus increase the chance of successful urban area development.

Box 11.4 Paleiskwartier, 's-Hertogenbosch

The Paleiskwartier (Palace Quarter) in 's-Hertogenbosch which is currently under redevelopment has been thoroughly rebranded to boost its image and market appeal. This run-down industrial area, literally 'on the wrong side of the tracks', which had become a favourite haunt for prostitutes and kerb crawlers is being transformed into an up-market multiple-function neighbourhood that is now home to the Law Courts and the head offices of Van Lanschot Bankers. The rebranding process was started by giving real estate developments French names (such as La Cour or La Tour) to reflect the city's long history. A spatial link with the city centre was created by extending the existing boulevard from the centre to the station over the railway line. Old street names were changed, for example from the mundane Parallelweg (Parallel Rd) to Magistratenlaan (Magistrates Lane) and from Sportlaan to Onderwijsboulevard (College Boulevard), while new streets in the area were given names like Paleispoort (Palace Gate), Vijverlaan (Lake Avenue), Hofvijver (Court Lake) and Spiegeltuin (Mirror Gardens). Residential complexes on the Hofvijver were called Armadas. (Source: Bruil et al. (2004), 207 et seq.)

Box 11.5 IBA Emscher Park, Germany

The Emscher Park Internationale Bauausstellung (International Building Exhibition) is a large-scale project aimed at achieving the ecological, economic and urban revitalisation of the Ruhr valley and the Emscher river in northwest Germany. The reconstruction work done in this region has been accompanied by major efforts to change the image of the locality from a blighted industrial landscape to a park-like zone with new commercial and residential developments.

"Changing the local image is important for the marketing of the area, because it has to attract companies, tourists and residents so that they stay in the area. The change in image is supported by major projects such as the Zollverein coal mine and coking plant. Named after the Zollverein (German Customs Union) which lasted from 1818 to the end of the First World War, this is now a UNESCO World Heritage Site. The combination of monumental industrial buildings, largely untouched industrial scenery, sensational art and culture, and nightly *son et lumière* displays give this project an iconic status that affects the whole Ruhr valley and has considerable pulling power for visitors from across the whole of Europe and beyond." (Source: Dammers et al. (2004), 115)

In the case of the Paleiskwartier in 's-Hertogenbosch already mentioned above, a certain degree of control over the environmental complexity was achieved by the participation of the municipality, the private developer and the investor in a company set up for that purpose, the BV Ontwikkelingsmaatschappij Paleiskwartier. Such cooperation of major players within a legal entity ensures continuity and hence some degree of stability. The parties know what they can expect from one another. This can lead to a reduction in risk. The situation is different in the 'project-led development' of an area on the basis of contracts, where new competitive relationships repeatedly come into play and new parties may become involved at any time.

Proactive policy makers

Urban area development requires a certain type of policy maker. "Planning practices in which stimuli, teamwork and design play a dominant role demand very different ways of thinking and acting than those where land-use assignment, zoning and conservation are most important. Policy-makers and interested parties may have to change their way of thinking and acting and move from reactive, procedure-based behaviour to a more proactive, project-oriented work style" (Dammers et al., 2004: 15). The Development Planning Project Group of the Dutch Ministry of Housing, Spatial Planning and Environment has also pointed out that urban area development demands different skills from government representatives such as negotiation, the use of heuristic approaches, the assessment of the interests and positions of the various parties involved and so on (Projectgroep Ontwikkelingsplanologie, 2003: 38).

'Modern' designers

Urban area development demands a special work attitude from designers. The traditional role, in which the designer studies the project requirements and presents his design to the principal on this basis, does not fit well with the open planning process (Sijmons, 2002). The designer is no longer the creator of a final structure, and he is not expected to act on his own to deliver creative, ambitious ideas for the draft open plan. The main requirement in urban area development are an imaginative search for ways of combining the interests of the various players and speeding up the development process (Van Rooy et al., 2006: 35). De Zeeuw (2007: 62) calls such a designer a 'process-competent designer'. The designer thus becomes a professional whose task is to visualise intermediate results in the development process (Van Rooy et al., 2006: 149). The design may have to be repeatedly modified in the course of the process, partly under the influence of the market dynamics.

In a similar vein, Dammers et al. (2004: 76) point out how much the partnership of a creative designer and an enterprising administrator with an informal leadership style can do to energise the development process.

11.4 A few methodological remarks

A number of comments may be made relating to the approach taken in this chapter to classify success factors according to the ease with which they can be influenced. Firstly, the three levels of success factors distinguished here can interact with one another. For example, a change in the political set-up (one of the context variables) such as the presence of a new alderman on the municipal council can have a great effect on the level of trust (a critical success factor) built up by his or her predecessor. Secondly, it should be recognised that the boundary between the categories of veto criteria and critical success factors is not always clearly defined. Thus the division between these two levels of success factors is not cast-iron. Thirdly, it should be reiterated here that the presence of a given success factor does not guarantee a successful development plan but only increases the likelihood of success. Fourthly, the list of success factors given above is not exhaustive; we have only given examples of the success factors at each level (though the examples given are probably the most important in each category). This applies in particular to the veto criteria for success: this category is actually appreciably larger than represented in this chapter. Finally, it is not possible to make definitive statements about the relative weight of the various success factors mentioned here.

11.5 Conclusion

This chapter has addressed two questions. (1) When can we say an urban area development has been successful? And (2) what factors determine the success of a specific urban area development project? It is clear that the first question cannot be answered unambiguously with the aid of objective criteria for evaluating success. The success of a given urban area development project can only be assessed after choices have been made on a number of issues. The most important of these issues are as follows:

1. *Are we judging the success of the product or of the process?*
2. *Are we considering success for the major players only, or also for the other stakeholders?*
3. *Which success criteria are being used?*
4. *At which moment are we judging the success?*

To answer the second question, the success factors have been grouped at three different levels according to the extent to which they can be influenced, producing the categories of ‘context variables’, ‘veto criteria’ and ‘critical success factors’. The goal of this classification was to give a clearer overview of the relatively large number of success factors. Further research is required to identify the full list of critical success factors. Once this has been done, strategies to increase our control over these critical success factors should be sought.

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